



The Tatum Survey of Business Conditions

As of February 1, 2009

Introduction

Tatum conducts a monthly survey of its executives and consulting professionals regarding current business and economic conditions. The survey looks back at the past 30 days and forward to the next 60 days. With our executives and consulting professionals serving a broad base of industries in every geographic region of the United States, the Tatum Survey of Business Conditions takes a representative pulse of economic activity at the first day of every month. Results are published the first week of each month at www.TatumLLC.com.

Arrows are used in this report to illustrate at a glance the direction of the indicators for the 30 prior days and the next 60 days (see legend at the end of this document).

Summary as of February 1, 2009

With business conditions deep in recession as of February 1, there is some bad news and a glimmer of good. The bad news, based on our Survey, is that Employment and Capital Expenditure Commitments continue to worsen. In the middle, capital availability steadily remains extremely scarce. On the brighter side, order backlogs are climbing, and the overall Tatum Index again rose slightly, suggesting that the worst of the decline may be behind us. A recovery, however, is not yet in sight.

Index of Business Conditions

Tatum's **Index of Business Conditions** combines elements of the past 30 days and the next 60 days into one number, summarizing our view of the current overall trend. The current month's index moved up for the third consecutive month, having reached its all-time low at November 1, 2008. The movement was slight, and the level of the Index, at 0.6, remains well in the range of recession. To view the Tatum Index of Business Conditions, please click on [{Index of Business Conditions}](#).

Order Backlogs

Order Backlogs are normally the most tangible indication of relative strength or weakness in near-term deliveries of products and services. As of January 1, order backlogs were stronger in our Survey looking both back 30 days and ahead 60 days. [{More about Order Backlogs}](#)

Capital Expenditure Commitments

Capital Expenditure Commitments were down compared with the prior month and in the outlook for the next 60 days. This reflects justifiable caution in light of recent and current overall conditions, as well as slack credit availability and corporate need for liquidity. [{More about Capital Expenditure Commitments}](#)



Employment

Employment is typically a lagging indicator as businesses, in the face of uncertain conditions, are reluctant to reduce employment until the need is obvious and compelling. Employment continued to decline in January. The outlook for the next 2 months is for further reductions in employment. If this trend continues, and unemployment continues to rise, the result will extend the recession, and Employment could become a leading indicator instead of a lagging one. [{More about Employment}](#)

Capital Availability and Pricing

The availability of capital remains extremely scarce and is expected to get worse despite the huge injections of liquidity into the financial system and the TARP money that banks have received. Banks are willing to lend only to their most credit-worthy customers, and leveraged acquisitions are almost non-existent. No turn-around in the economy can reasonably be expected until this frozen credit situation changes. [{More about Capital Availability and Pricing}](#)




Segments, Regions and Markets

The mid-west and northeastern regions showed materially weaker conditions than all other regions. The Southwest and Pacific were the strongest regions. Among the industry comparisons, the Service sector moved into first place, displacing Technology, which was a close second. Not surprisingly, Manufacturing and Retailing showed by far the worst conditions as of February 1. Large companies reported worse conditions than all others. Never-the-less, companies with national markets experienced better conditions than those serving local and regional markets. [{More about Demographics}](#)

We hope you found Tatum's Commentary interesting and useful. We welcome your comments and questions. Click on [{February 2009 Tatum Survey of Business Conditions}](#) to view the complete report.

Sam Norwood, Senior Partner [{link to send comments to Sam Norwood}](#)

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Legend  Conditions improved or will improve  Conditions worsened or will worsen
 Conditions remained about the same or will remain the same

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