



Tatum Survey of Business Conditions

2/1/2011

Tatum Survey of Business Conditions Summary

At February 1, the Tatum Survey reflected continued improvement in Business Conditions, a trend experienced over the last several months. While the past 30 days improved slightly from the prior month, the buoyant outlook for the next 60 days drove an approximate 53% improvement in the **Tatum Index of Business Conditions** compared to the prior month.

The Index is at the highest level since May 2007, and it is driven by the significant jump in **positive conditions** in certain of the indicators:

- **Capital expenditure commitments** reflected steady improvement for the last 30 days and forecasted a significant improvement over the next 60 days.
- **Capital Availability** reflected marked improvement over the historical and forecast time periods.
- **Employment** was a mixed bag with the last 30 days reflecting notable improvement, and a forecast that reflected softness.

Demographically, the Southwest region remained the strongest. National and international businesses reflected much improved conditions as compared to regional and mid-sized businesses. Services, technology and healthcare were the leading sectors.

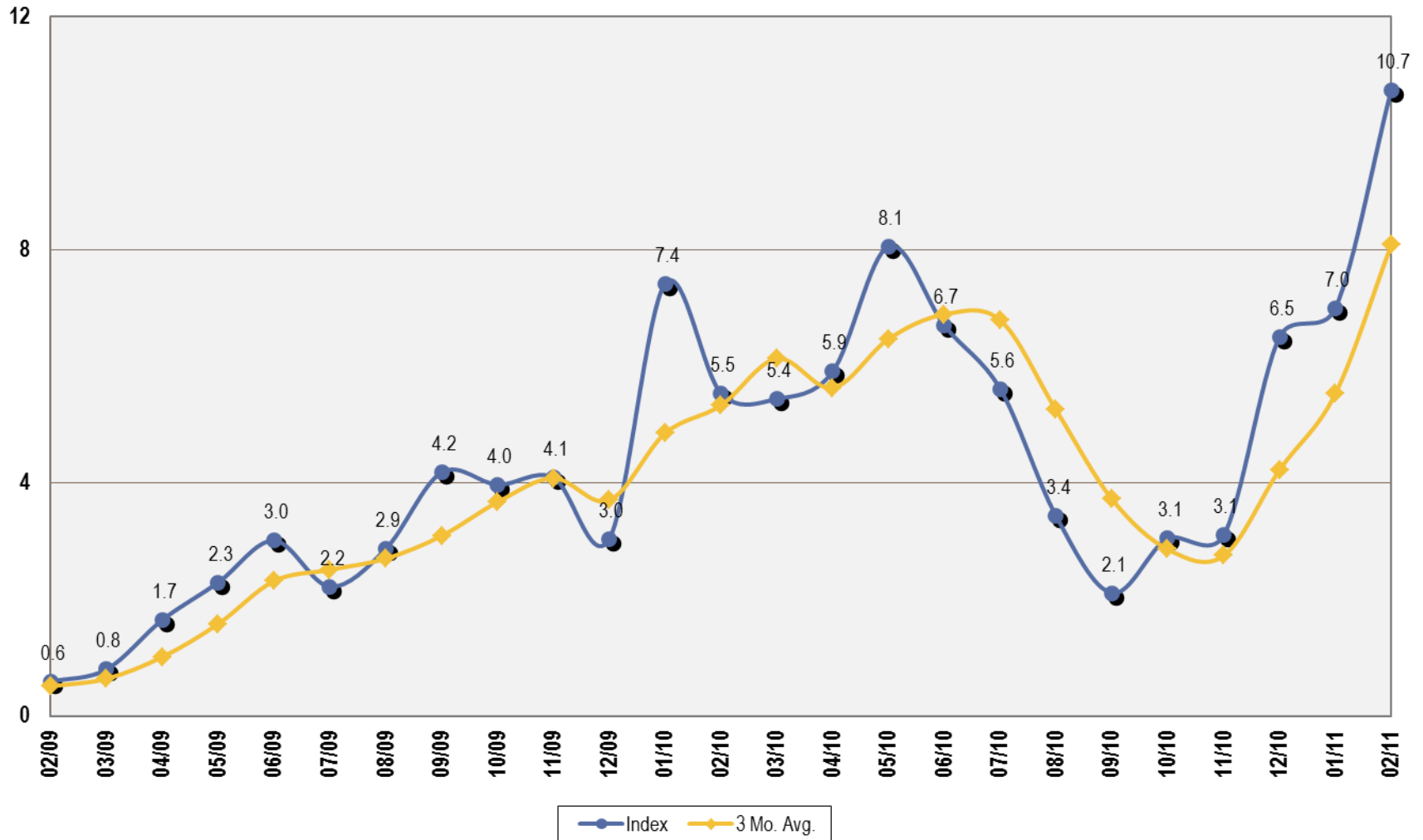
Tatum Index of Business Conditions

The **Tatum Index of Business Conditions** is a simple average of the ratio of our respondents who are reporting improvement versus those who are reporting a worsening in business conditions for the past 30 days and the next 60 days.

As of February 1st, the Tatum Index of Business Conditions improved approximately 53% to 10.7. This was principally due to significant improvement in the outlook for the next 60 days and a steady improvement in the conditions experienced over the last 30 days.

The Index had peaked most recently in May when it reached 8.1. During the summer, conditions deteriorated and it appeared that the recovery was sputtering. Reflecting this slowdown in the recovery, the Index had declined to 2.1 as of September 1. The rise in the index to 10.7 as of February 1 reflects what appears to be a combination of continued steady improvement over the last 30 days and a higher level of optimism regarding the prospect of a more robust recovery trend.

Tatum Index of Business Conditions



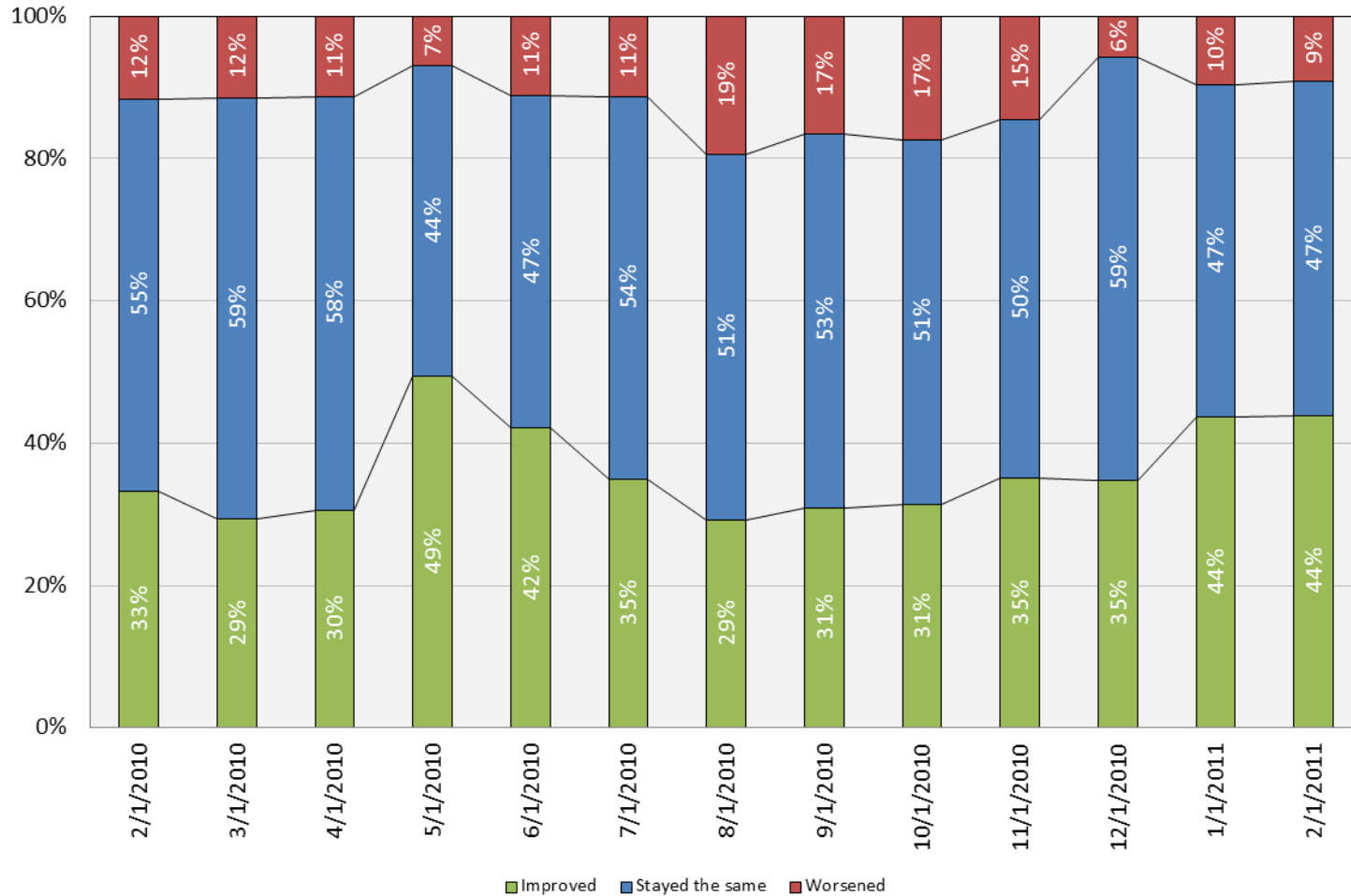
Business Conditions - Trends

In the past 30 days, business conditions:

- > **Improved for 44% of our respondents**, flat with the prior month.
- > **Worsened for 9%**, from 10% a month ago.
- > **Stayed the Same for 47% of our respondents**, flat with the prior month.

Slight improvement in the overall historical Business Trends is perhaps providing continued proof that the recovery is sustaining itself.

Business Conditions the Past 30 Days



■ Improved ■ Stayed the same ■ Worsened

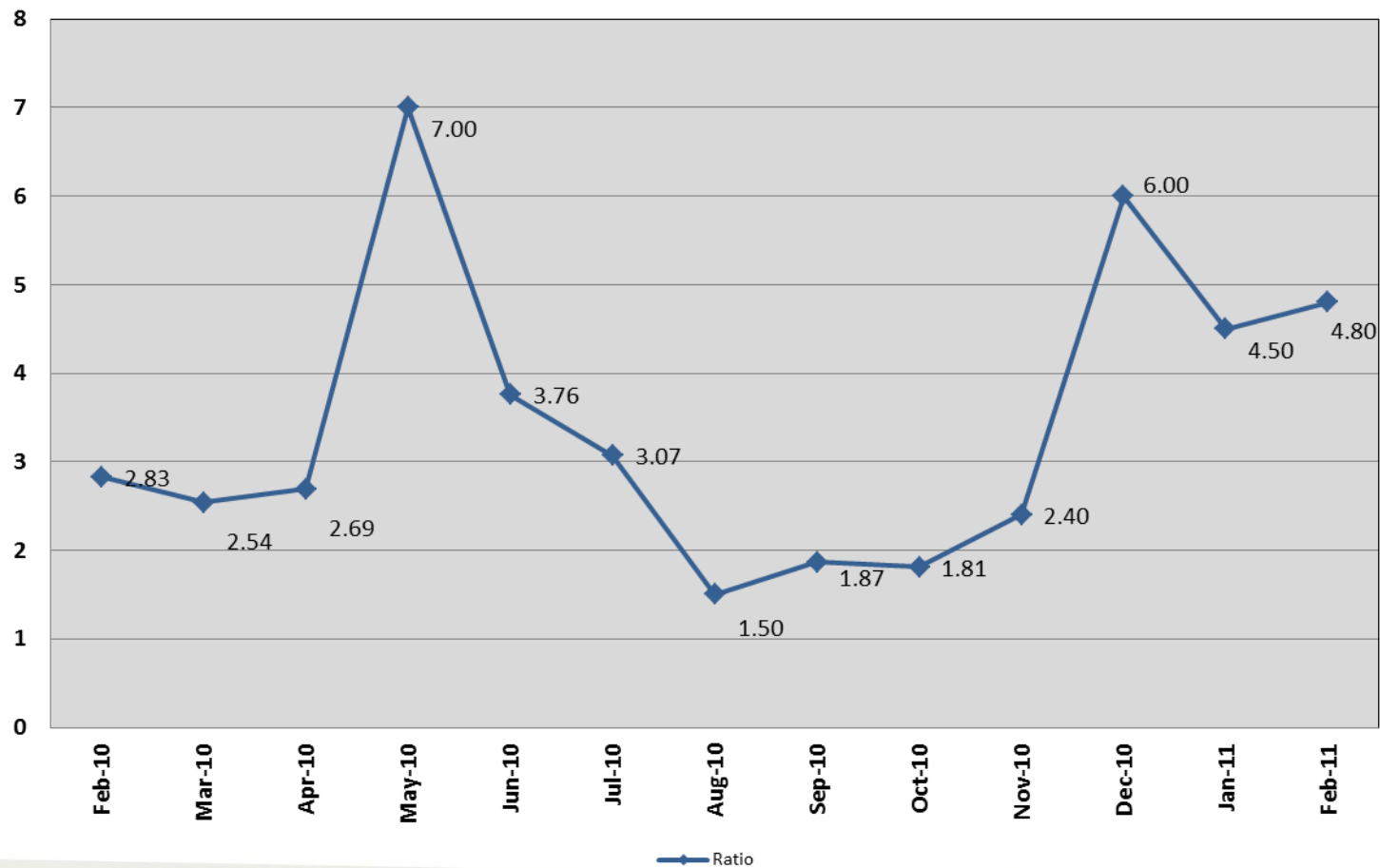
Business Conditions – Trends Last 30 Days

The ratio of “Improved-to-Worsened” in the last 30 days improved to 4.8 from 4.5 reported in the prior month.

This indicator of actual conditions reflects a slight improvement in the overall past 30 day business conditions. This improvement offsets the decline experienced last month and this slight increase helped fuel the higher expectations seen for the next 60 days.

Business Conditions - Trends

Ratio of “Improved” to “Worsened” – Past 30 Days



Business Conditions – Trends Next 60 Days

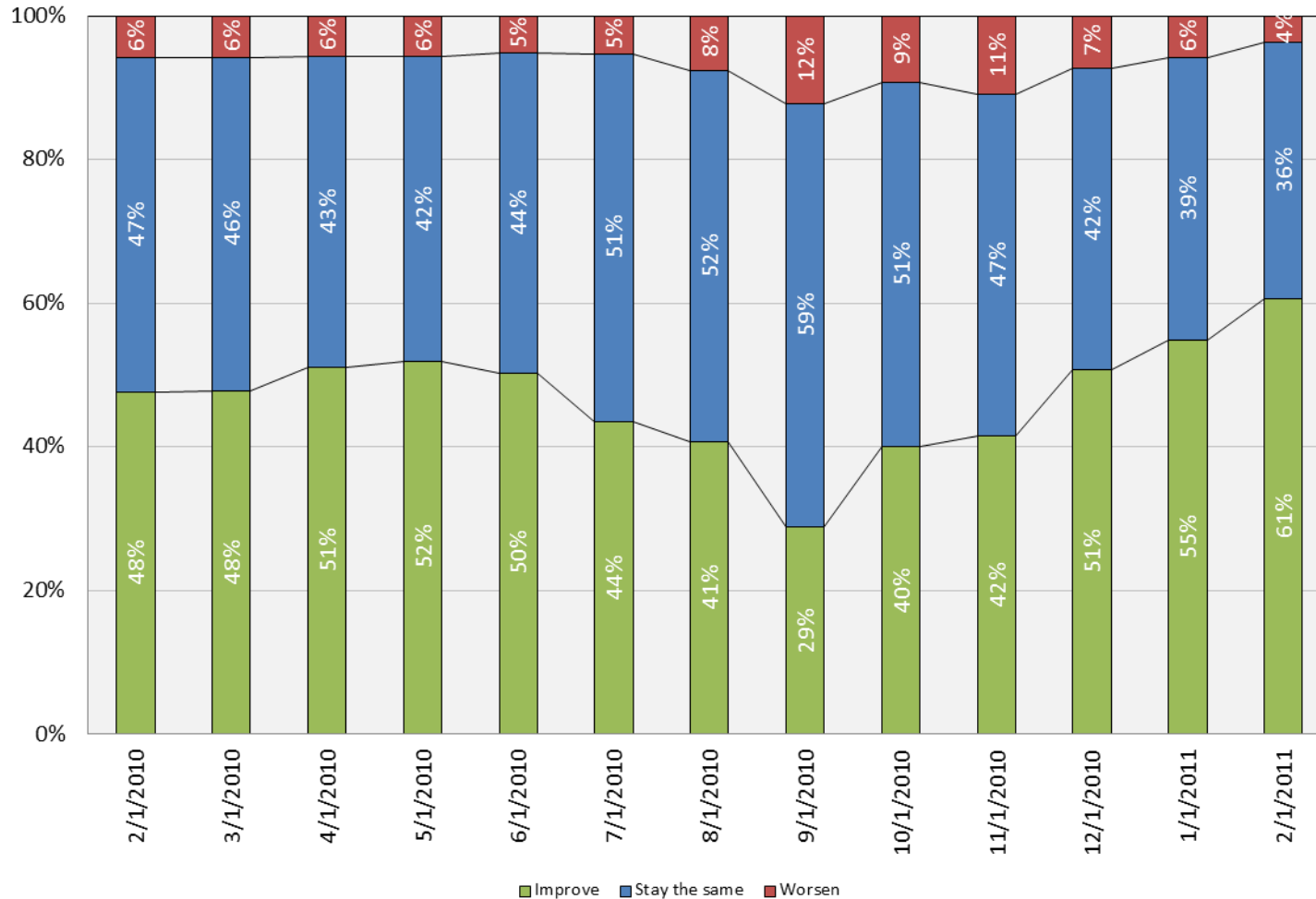
In the next 60 days, business conditions are expected:

- > ***To improve for 61% of our respondents***, up from 55% last month
- > ***To get worse for 4%***, down from 6% last month
- > ***To stay the same for 36% down from 39% last month***

This is a continuation of forecasted improvement, extending the trend that began during the month of September (reported October 1). The Service sector and the Southwest geographic region, in particular, are reporting stronger conditions than the others.

Business Conditions - Trends

Next 60 Days



Business Conditions – Trends Next 60 Days

In the next 60 days:

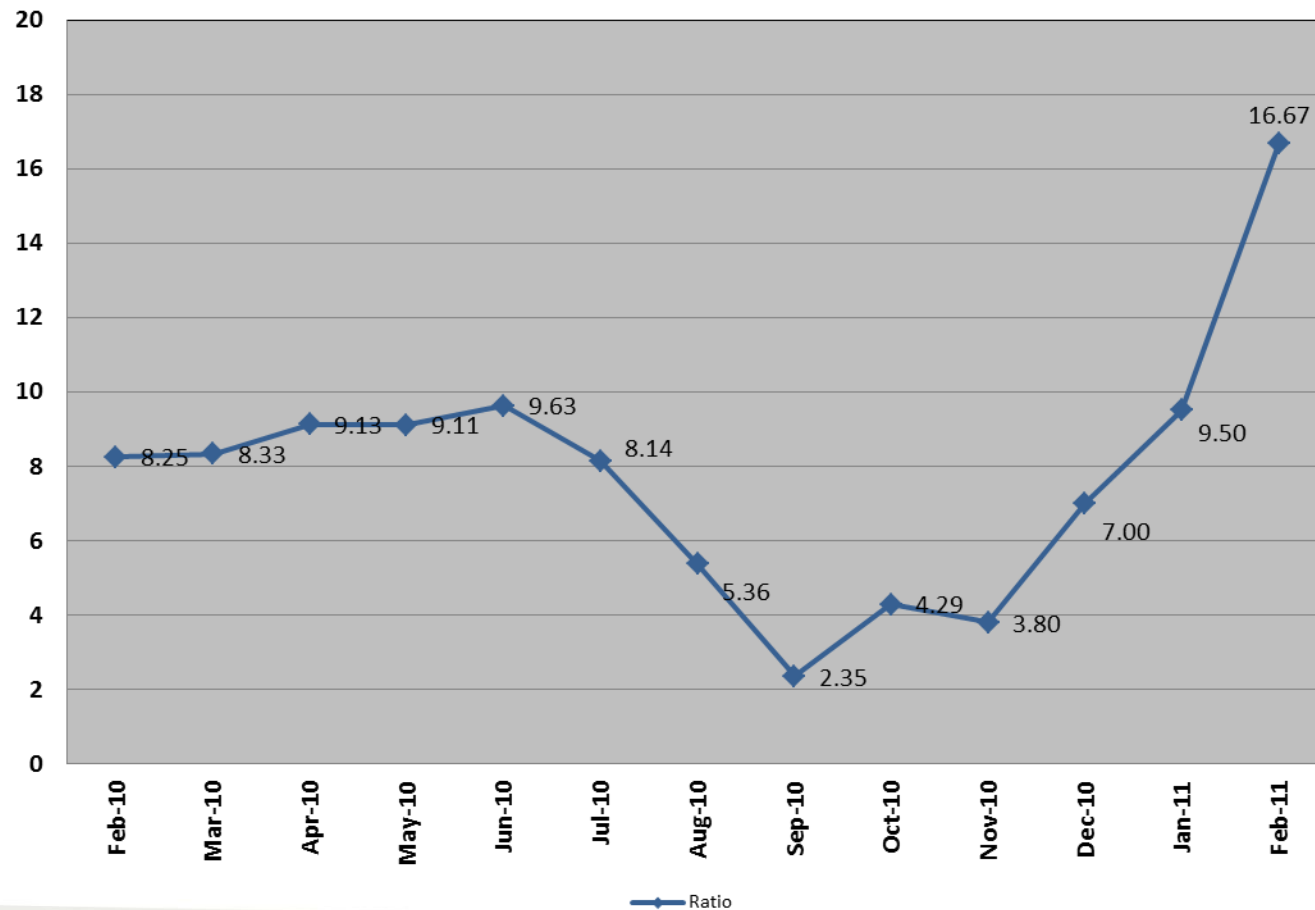
The ratio of “*Will Improve*” to “*Will Worsen*” improved to **16.7 from 9.5.**

This is a very sensitive indicator, and this amount of improvement is significant. There is more longer term confidence that the economic recovery is gaining momentum that will continue.

In the more optimistic period of last winter through the early spring this measure was in the range of 8 to 10. The current result is confirming a growing sense of optimism about general economic conditions.

Business Conditions - Trends

Ratio of “Will Improve” to “Will Worsen” – Next 60 Days



Business Conditions – Order Backlogs

In the past 30 days:

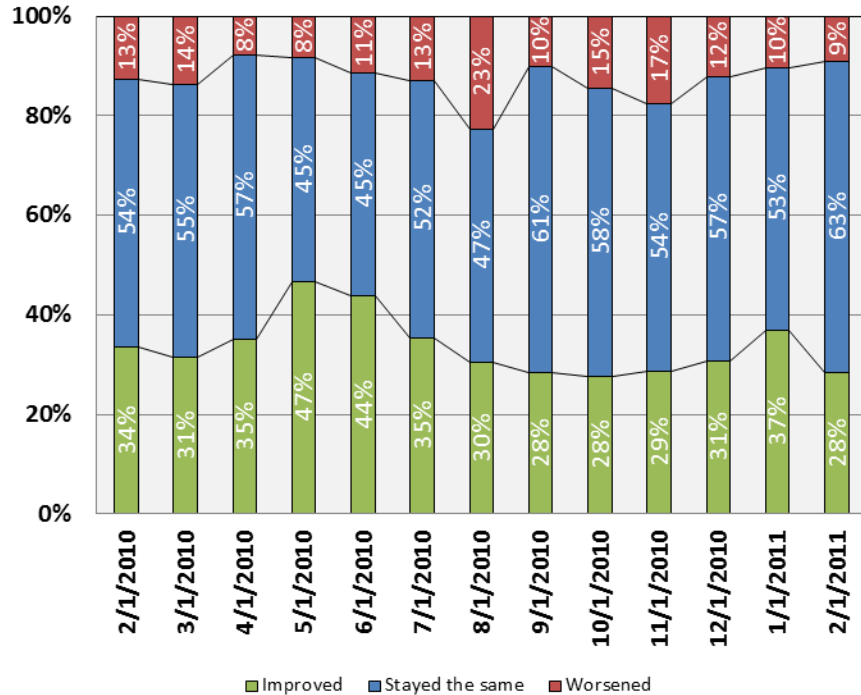
The percentage of respondents who reported an improvement in backlogs dropped to **28%** from 37% a month ago. The percentage reporting lower backlogs dropped to **9%** from 10%.

In the next 60 days:

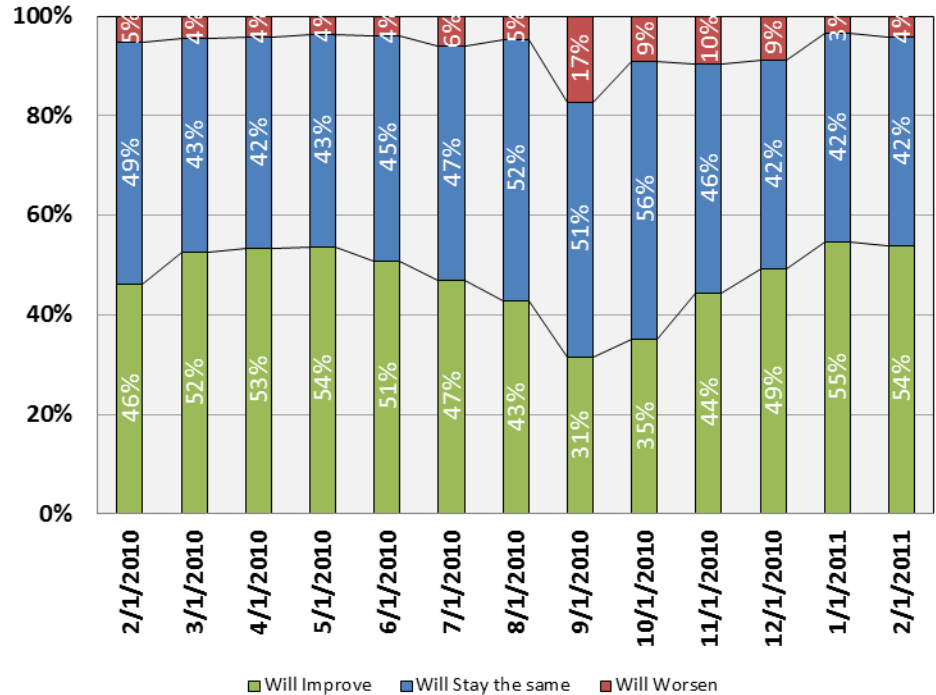
The percentage of respondents who indicated expectations of higher backlogs dropped slightly from 55% to **54%**. The “Will Worsen” percentage increased slightly from 3% to **4%**.

The backlogs indicator softened after improving for four consecutive months. Taken in the context of the other indicators, we believe this down-tick reflects weak seasonal factors.

Business Conditions – Current Results – Order Backlogs



Past 30 Days



Next 60 Days

Business Conditions – Capital Expenditure Commitments

In the past 30 days:

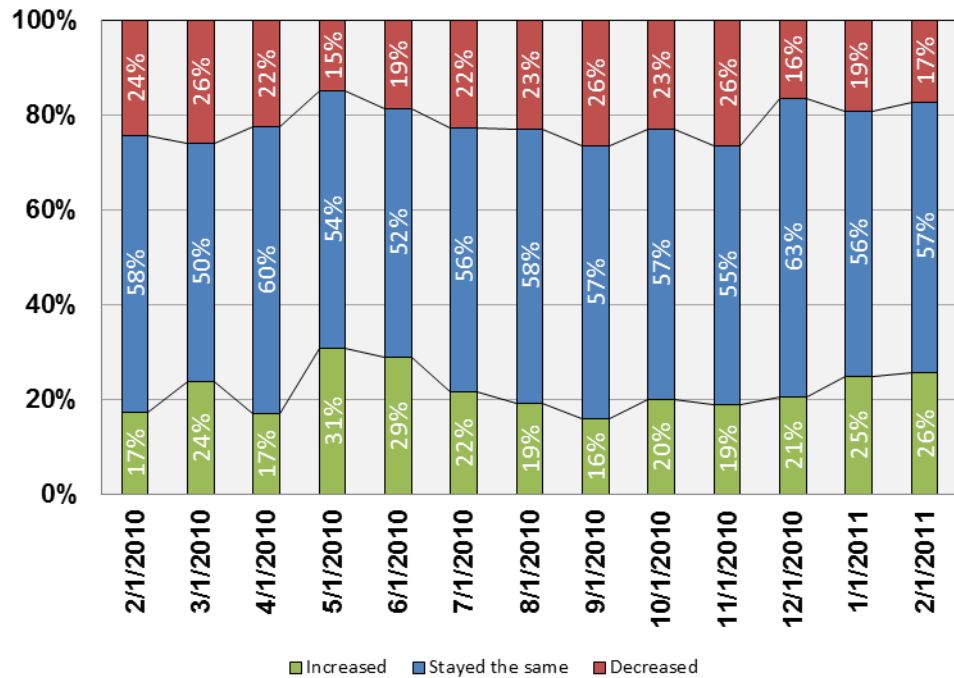
The percentage of respondents committing more on capital equipment increased from 25% to **26%**. The percentage that committed less on capital equipment decreased from 19% to **17%**.

In the next 60 days:

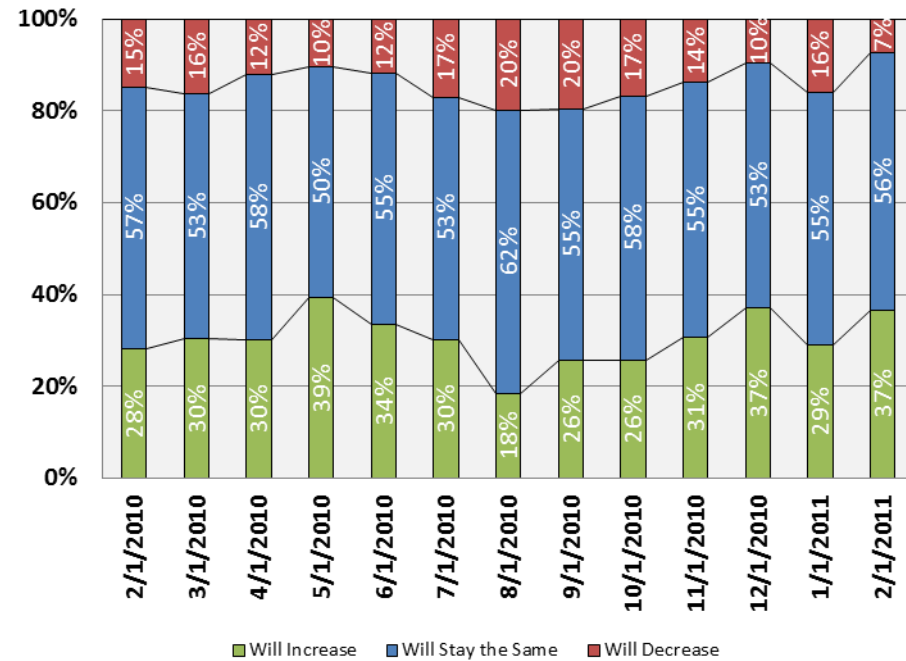
The outlook for Capital Expenditures improved significantly from last month. The percentage of respondents who said they plan to commit more for capital assets in the next 60 days increased to **37%** from 29%. The percentage who expect to commit less decreased to **7%** from 16%.

The past 30 days reflect a slight improvement with respect to capital expenditure commitments compared with last month. The outlook is for a sizeable increase of commitments over the next 60 days. The improved outlook may be tied to improvements in the technology, retail and manufacturing sectors, as well as rising confidence in the sustainability of the recovery and the availability of financing.

Business Conditions – Trends – Capital Expenditure Commitments



Past 30 Days



Next 60 Days

Business Conditions – Employment

In the past 30 days:

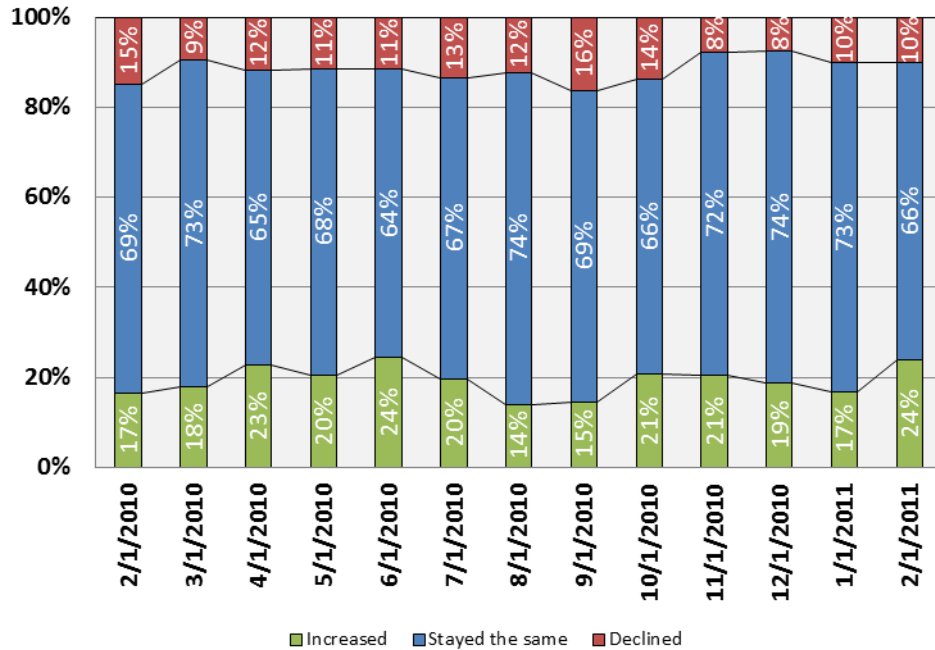
The percentage of respondents hiring more workers improved nicely to **24%** from 17%. The percentage that indicated they did less hiring remained flat **10%**, compared to the preceding month.

In the next 60 days:

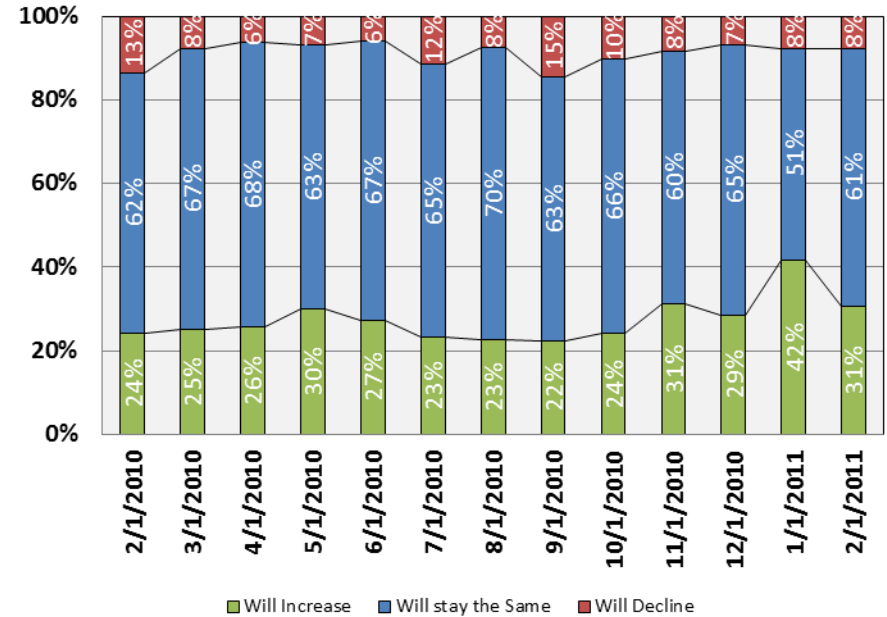
The percentage indicating they plan to increase hiring experienced a decrease to **31%** from 42%. The percentage who expect to reduce hiring remained flat at **8%**.

Employment in our respondents' companies reported a strong increase in January. Our respondents, however, are more cautious for the next 60 days in their plans for employment, possibly reflecting the conservatism that new employment has experienced over the course of this recovery.

Business Conditions – Trends - Employment



Past 30 Days



Next 60 Days

Business Conditions – Capital Availability and Pricing

The past 30 days:

The percentage of respondents indicating an improvement in financing conditions improved from 24% to **32%**. The percentage who indicated conditions were worsening declined to **4%** from 7%.

In the next 60 days:

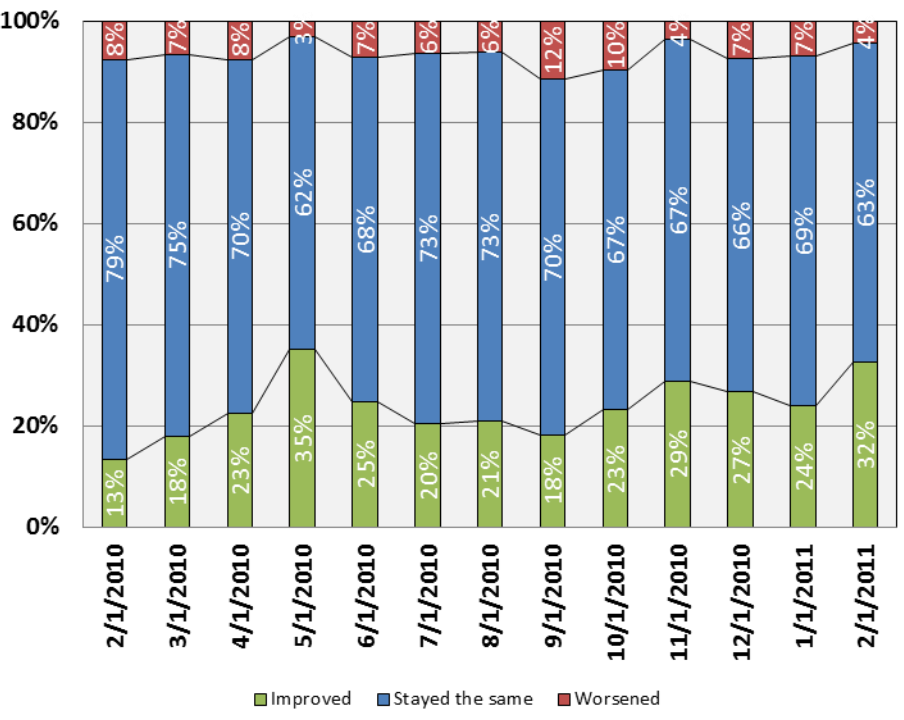
The percentage of respondents who expect improvement in financing conditions in the next 60 days improved to **41%** from 29%. The percentage saying conditions will get worse declined to **5%** from 7%.

Optimism from our respondents was rewarded with improving conditions over the last 30 days, and this extends to the next 60 days. This reversed a several-month negative trend in the historical results.

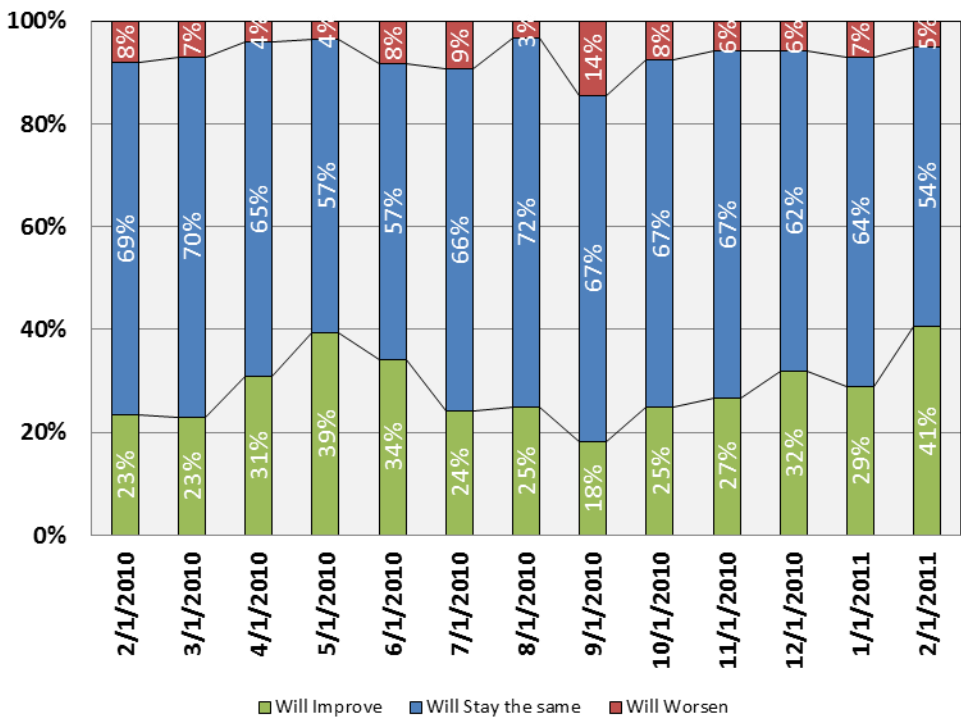
Interest rates remain low. U.S. banks have \$1 trillion on deposit at the Fed as they have been rebuilding their own capital. Larger businesses are taking advantage of the low rate environment to issue bonds. Corporate liquidity continues to improve.

Smaller, growing businesses are perhaps seeing modest cracks in their recent inability to access expansion capital; and this is reflected in both the historical results and the outlook.

Business Conditions – Trends – Capital Availability and Pricing



Past 30 Days



Next 60 Days

Survey Participation Demographics

Industry

Services	16%
Manufacturing/Processing	25%
Health Care	17%
Technology	11%
Financial	10%
Wholesale	4%
Retail	4%
Government	4%
Construction	3%
Other	6%

Primary Geographic Markets

National	46%
Regional	21%
International	21%
Local	12%

Geographic Regions Represented (Total of 164 Responses)

Pacific	22%
Southeast	28%
Southwest	23%
Midwest	14%
Northeast	13%

Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

Strongest – Southwest

Weakest – Midwest

Industries:*

Strongest – Service, Tech, Healthcare

Weakest – Financial & Manufacturing

Markets Served:

Strongest – National & International

Weakest – Local & Regional

Company Size:

Strongest – Large

Weakest – Mid-market

* With statistically significant participation

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