

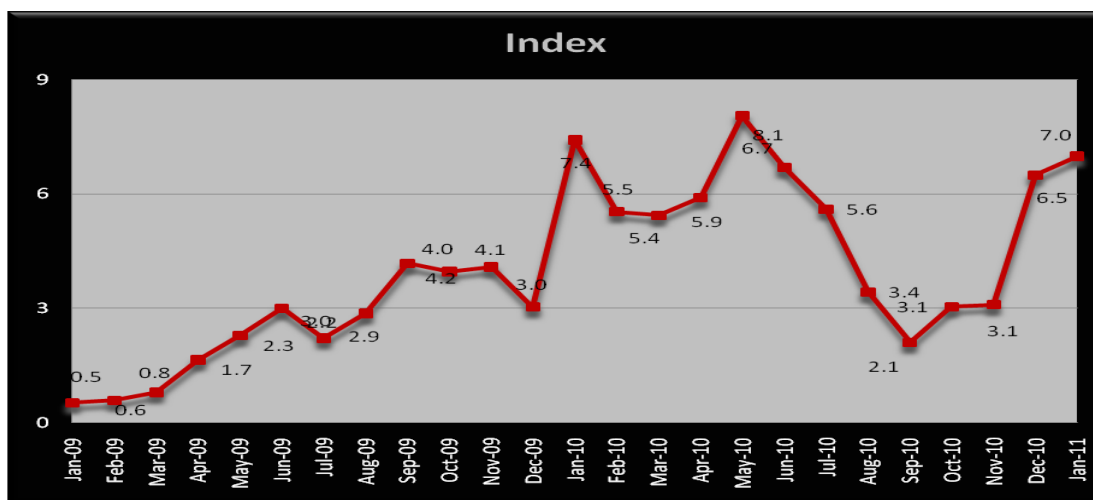
## Business Conditions as of January 1, 2011

As of January 1, Business Conditions continued the upward trend of recent months but at a more subdued rate. While the past 30 days were essentially flat, the outlook for the next 60 days improved nicely so that the Tatum Index of Business Conditions posted another positive move. Order Backlogs (undelivered orders on hand) improved strongly in the past 30 days and in the outlook. However, Capital expenditure commitments, flat in the past 30 days, trended in a negative direction in the outlook. Employment was weak in December, but the outlook for Employment is quite positive. The outlook for financing conditions turned negative this month as interest rates are trending higher with an expected acceleration in inflation.

**We conclude that conditions are in fact improving, but the upward overall trend was mixed in its supporting component indicators.**  
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### The Tatum Index of Business Conditions

Tatum's Index of Business Conditions combines indicators of the past 30 days and the next 60 days into one number, summarizing our view of the current overall trend. At January 1 the Index was up modestly thanks to a positive outlook for the coming 60 days.



**ECONOMIC INDICATORS:** The Index and the 60 day outlook for most key indicators are positive.

Indicator	Past 30 days	60 day outlook	Comments
<u>Business Conditions</u>	↔	↑	A strong outlook following a flat month of December
<u>Order Backlogs</u>	↑	↑	Positive growth in orders on hand
<u>Capital Expenditure Commitments</u>	↔	↓	Flat to down after some strongly upward months; seasonal
<u>Employment</u>	↓	↑	Weak past month but stronger first quarter outlook
<u>Capital Availability &amp; Pricing</u>	↓	↓	Still restrictive lending, and interest rates rising

To read detailed analysis provided by Senior Partner Sam Norwood and Partner Jim Toopes, [click here](#).