



## Tatum Survey of Business Conditions

1/1/12

## **Tatum Survey of Business Conditions Summary**

**Business Conditions have continued the upward turn that we saw last month, with the past 30 days showing improving results and the 60-day outlook more flattish to slightly positive. While the upward direction is encouraging, it is important to note that we have a way to go before we can say that our respondents are strongly optimistic and confident about the future.**

**Cautious optimism is a definite improvement over the negative outlook that we have been seeing in the recent past. This is despite continued uncertainties as we begin 2012: the issues surrounding the Euro, the unclear outlook for the U.S. economy and capital markets and the 2012 presidential election coming in the fall.**

**The backlog indicator was the most strongly optimistic, with continued improvement in actual results in the last 30 days and a strong jump in the 60-day outlook. Interestingly, while we saw an improvement in plans to increase CapEx spending and hiring, there was a schism with a slight increase in our respondents saying that they plan to cut back in these areas. These results are what keep the optimism damped down at this time.**

**The Tatum Survey is no longer predicting recessionary conditions, which is a cause for relief. Our respondents look ahead to 2012 with their domestic concerns somewhat subsided, but they are not yet saying “full speed ahead.”**

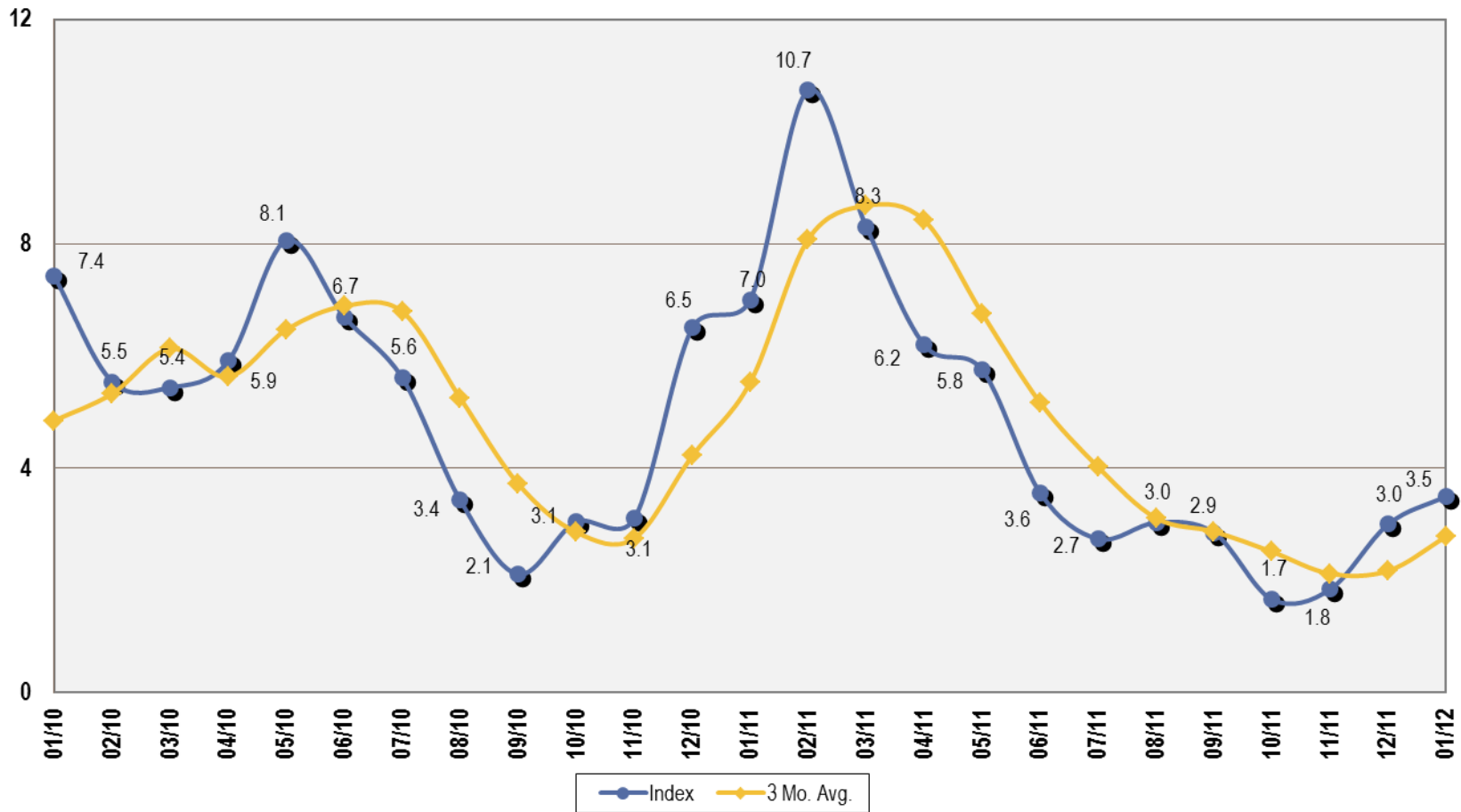
## Tatum Index of Business Conditions

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

As of January 1st, the Tatum Index of Business Conditions continued the upward trend that began last month, rising to 3.5 from 3.0 last month and up from a result of 1.8 two months ago. The survey results are now solidly predicting that the economy will NOT be recessionary in the near term. In a range of 2.0 to 3.0, we have noted a very high correlation with near zero economic growth and below 2.0 suggests recession in the Tatum Index (the Index was in this range throughout the 2008-2009 recession).

**As we start 2012, our respondents are more optimistic than they have been in the last six months. Nevertheless, it is important to note that the survey has merely stopped predicting a contraction and is currently in the range of predicting flattish to slightly-positive economic growth in the near future.**

## Tatum Index of Business Conditions



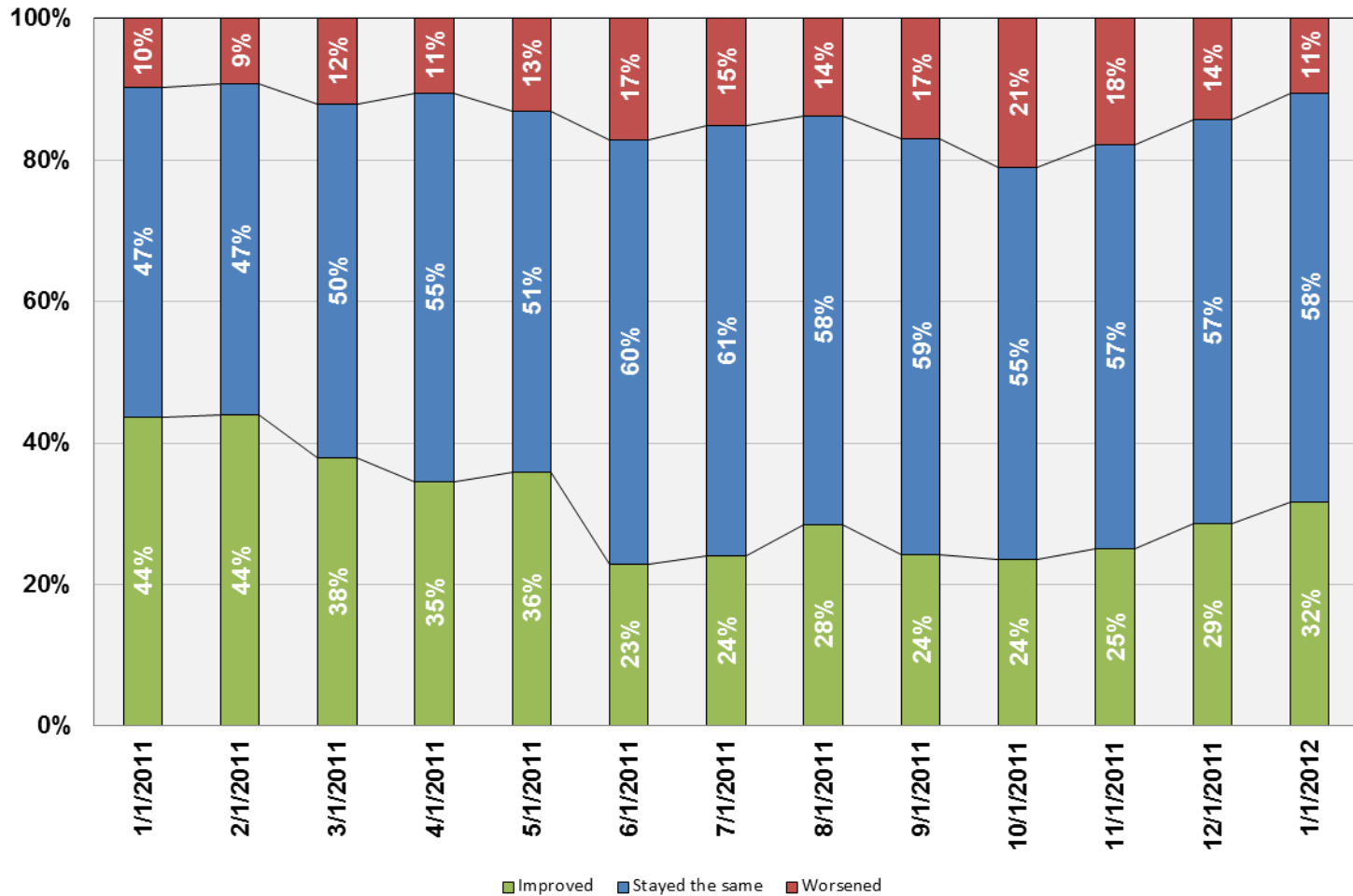
## Business Conditions – Trends Past 30 Days

In the past 30 days, business conditions:

- ***Improved for 32% of our respondents***, rising from 29% in the prior month.
- ***Worsened for 11%***, improving from 14% in the prior month.
- ***Stayed the same for 58%***, slightly up from 57% a month ago.

***The upward trends that began last month have continued this month. While the trend is positive, we remain at lower levels than we saw in Spring of last year.***

## Business Conditions the Past 30 Days

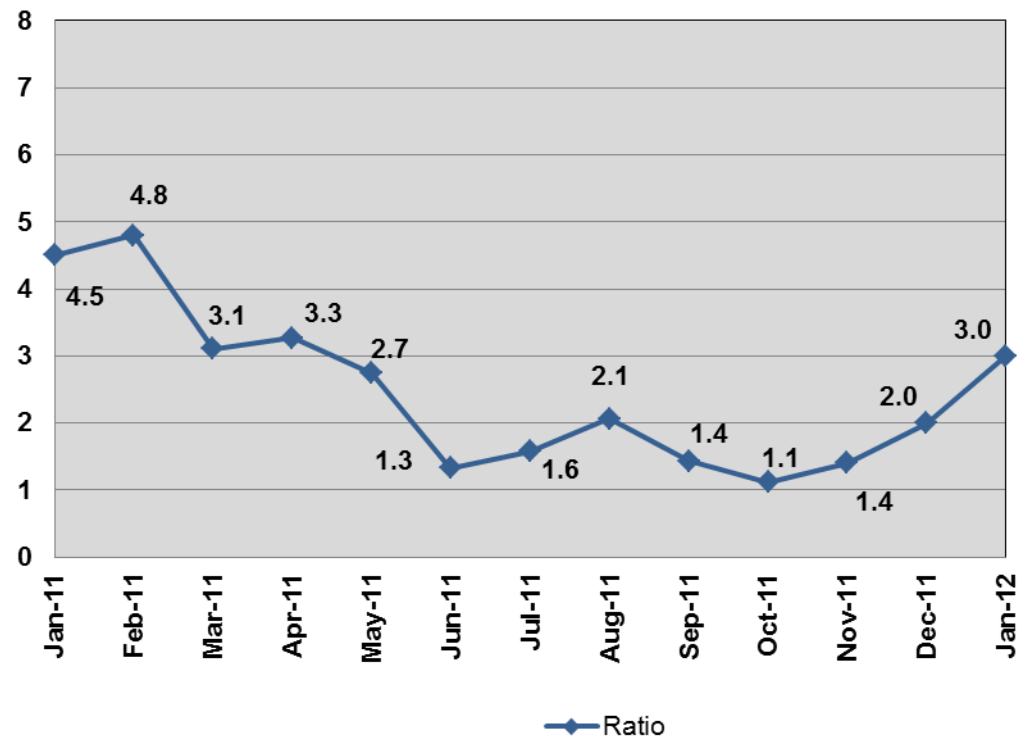


## Business Conditions – Trends Past 30 Days

The ratio of “Improved-to-Worsened” in the past 30 days improved to 3.0 from 2.0 reported in the prior month, a sustained upward trend for 3 consecutive months.

*The sustained upward trend is encouraging, indicating that our economic engines have slowly started to chug again after nearly screeching to a halt in the recent past.*

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



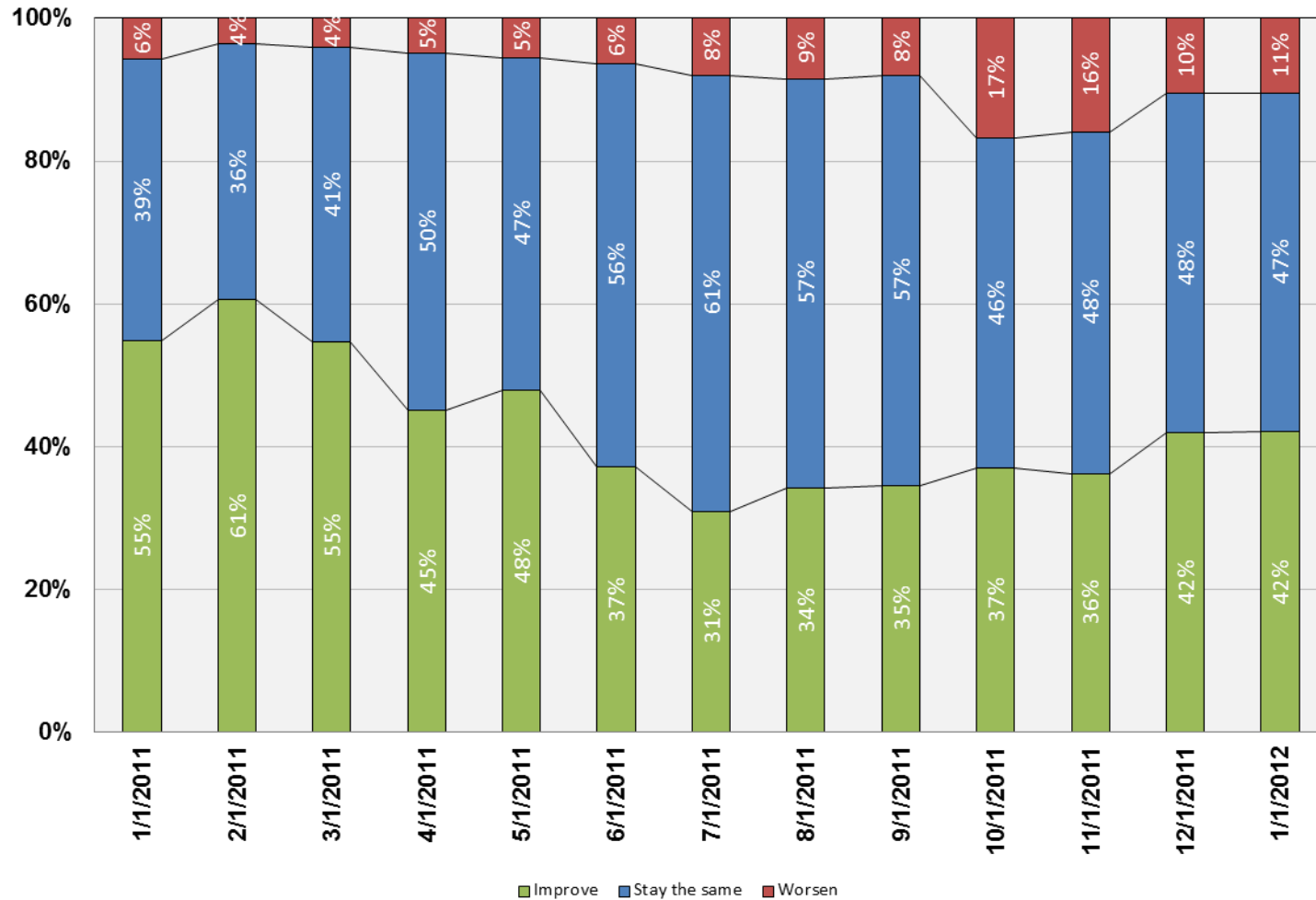
## Business Conditions – Trends Next 60 Days

In the next 60 days, business conditions are expected:

- ***To improve for 42% of our respondents***, unchanged from last month.
- ***To get worse for 11%***, up slightly from 10% last month.
- ***Stay the same for 47%***, down slightly from 48% last month.

*Last month we saw a nice improvement in these indicators and this month our respondents are generally keeping their outlook the same. This indicates a cautious optimism that will likely be dependent on future near-term actual results.*

## Business Conditions – The Next 60 Days

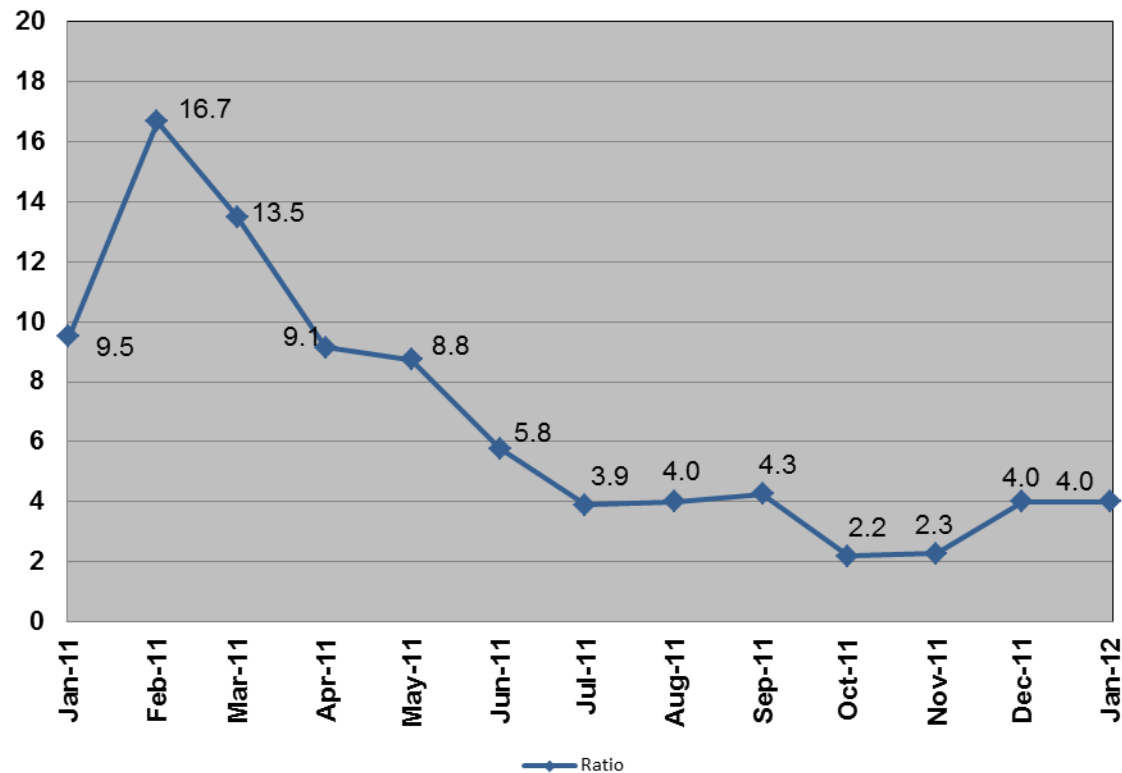


## Business Conditions – Trends Next 60 Days

The ratio of “Will Improve” to “Will Worsen” for the next 60 days remained unchanged at 4.0.

*Our respondents have moved to cautious optimism, improved from the negative outlook in the recent past. Nevertheless, we are nowhere near the levels seen at this time last year, indicating a “wait and see” attitude about business conditions.*

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



## Business Conditions – Order Backlogs

### In the past 30 days:

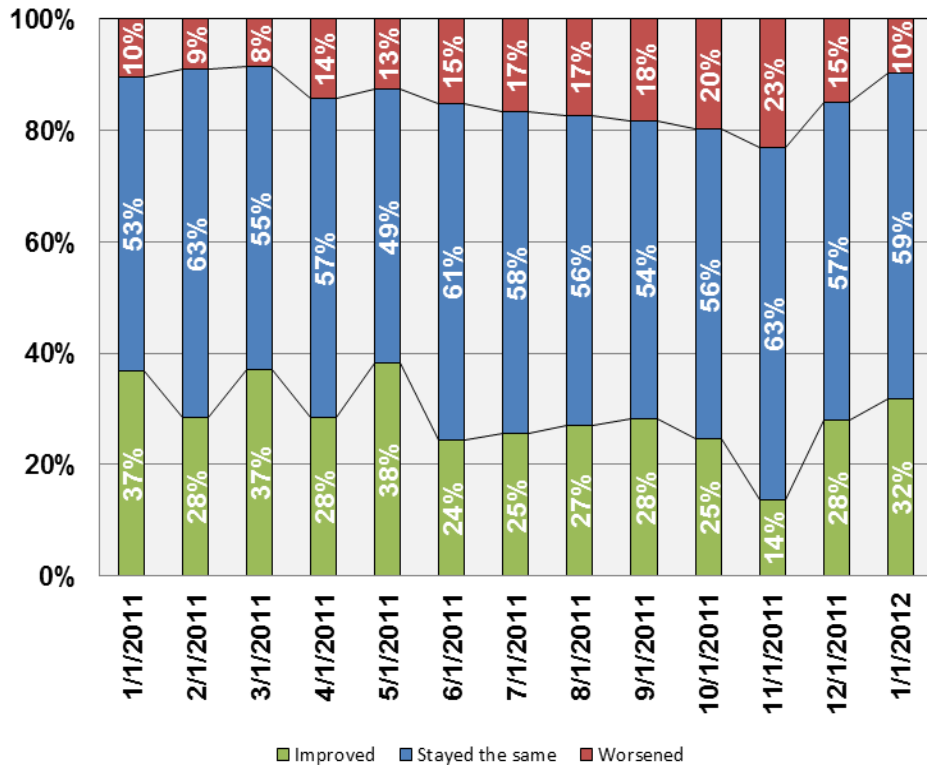
The percentage of respondents who reported an improvement in orders on hand improved to 32% from 28% a month ago. The percentage reporting worsened backlogs decreased to 10% from 15% last month. This is the second month of sustained improvement in these indicators.

### In the next 60 days:

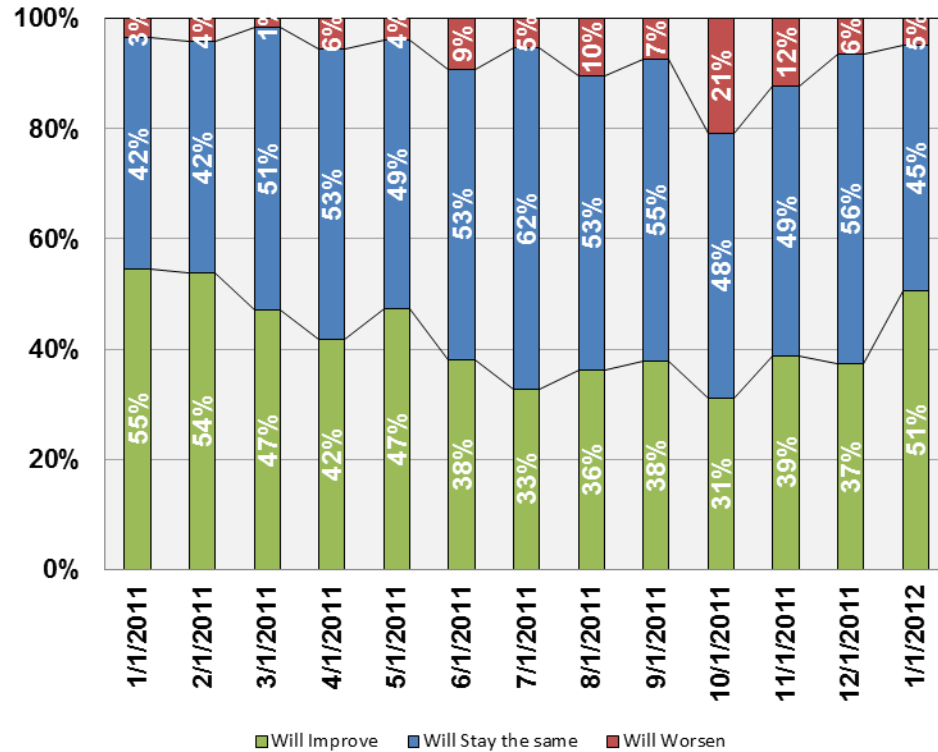
Those expecting improving backlogs rocketed to 51% from 37% last month. The percentage of respondents who indicated expectations of worsening backlogs decreased to 5% from 6%.

*Despite the overall cautious optimism indicated in the previous slide, our respondents experienced recent improvement in backlogs and are strongly optimistic about continued improving backlogs. The levels of optimism are the highest in the last 10 months.*

## Business Conditions – Current Results – Order Backlogs



*Past 30 Days*



*Next 60 Days*

## Business Conditions – Capital Expenditure Commitments

In the past 30 days:

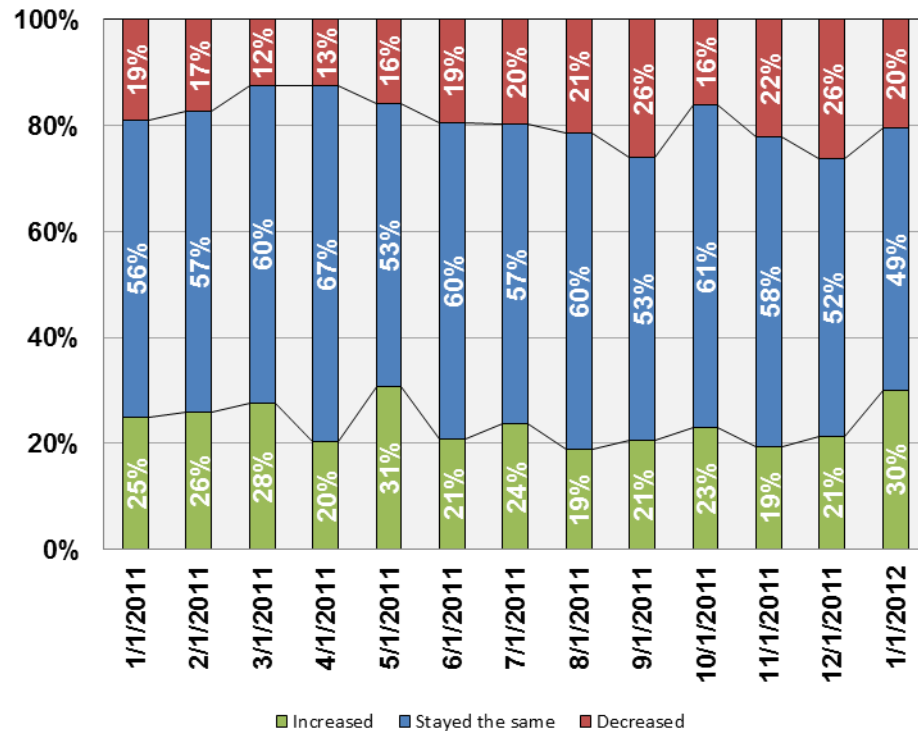
The percentage of respondents committing more on capital equipment increased significantly to 30% from 21%. The percentage that committed less on capital equipment decreased to 20% from 26%.

In the next 60 days:

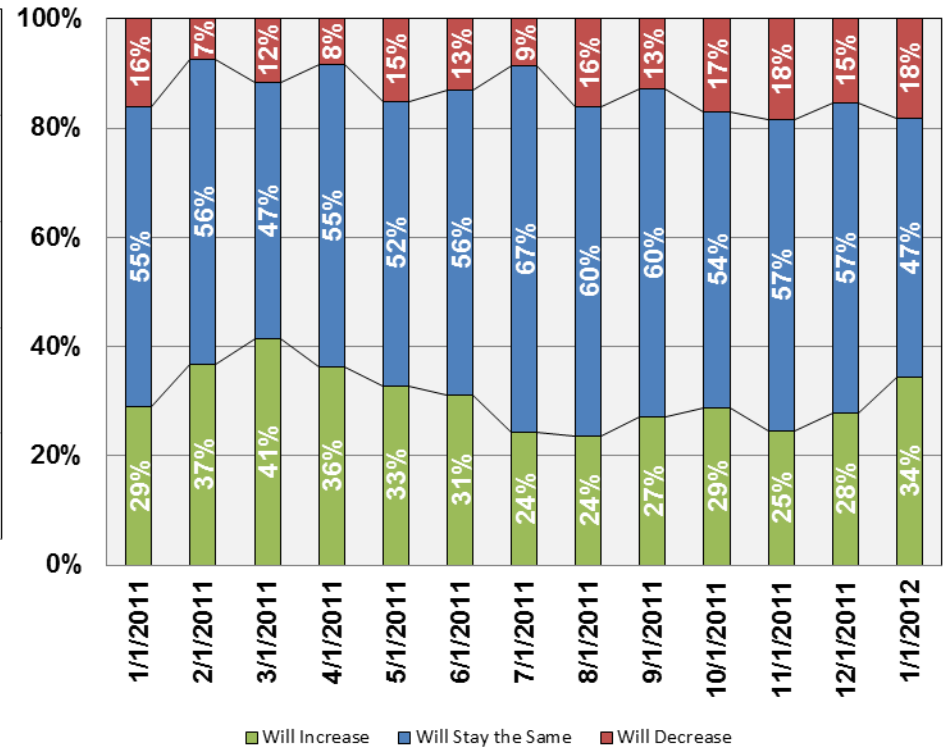
The percentage of respondents who said they plan to commit more for capital assets in the next 60 days increased to 34% from 28%. However, the percentage who expect to commit less increased to 18% from 15%.

*Actual CapEx spending in the past 30 days improved nicely, while the 60-day outlook is more murky. Some of our respondents are willing to invest more in CapEx while others continue to cut back.*

## Business Conditions – Trends – Capital Expenditure Commitments



**Past 30 Days**



**Next 60 Days**

## Business Conditions – Employment

### In the past 30 days:

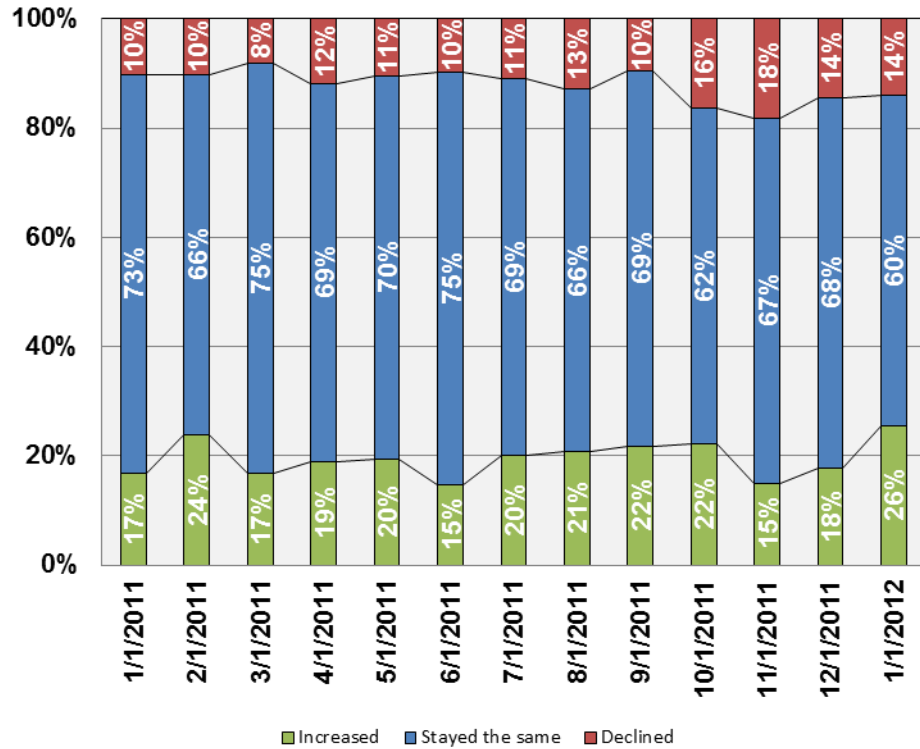
The percentage of respondents hiring more workers increased significantly to 26% from 18% last month. The percentage that indicated they did less hiring stayed the same at 14%.

### In the next 60 days:

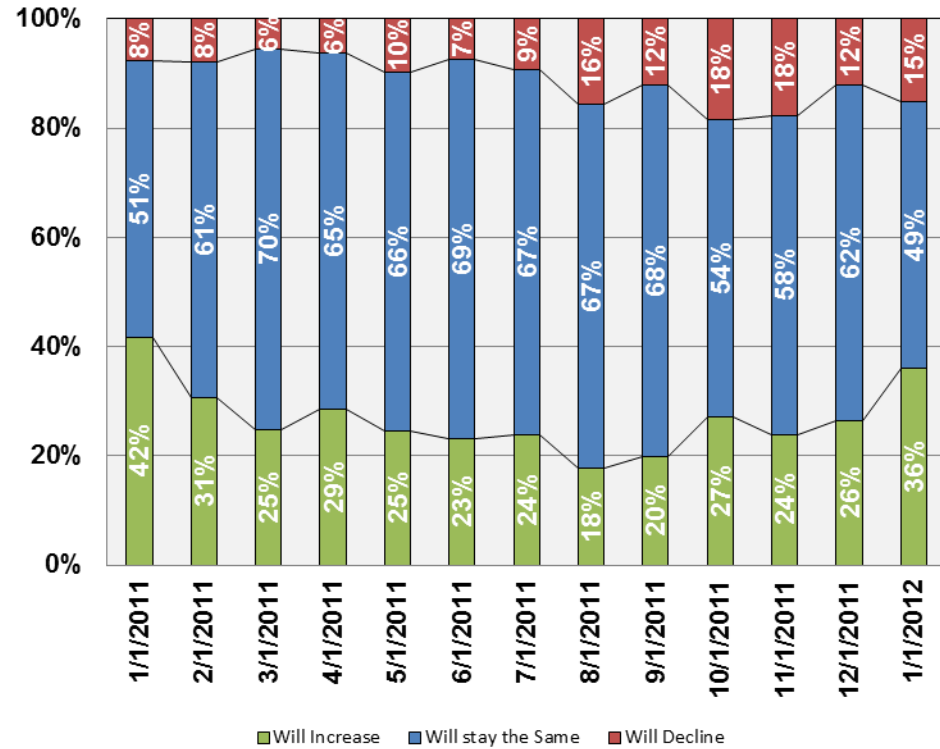
The percentage indicating they plan to increase hiring also increased sharply to 36% from 26% last month. The percentage who expect to reduce hiring also increased to 15% from 12%.

*Employment trends are showing the same dichotomy that we saw with CapEx. While more of our respondents are showing a willingness to add to their hiring, there is a contingent that is cutting back.*

## Business Conditions – Trends - Employment



**Past 30 Days**



**Next 60 Days**

## Business Conditions – Capital Availability and Pricing

### The past 30 days:

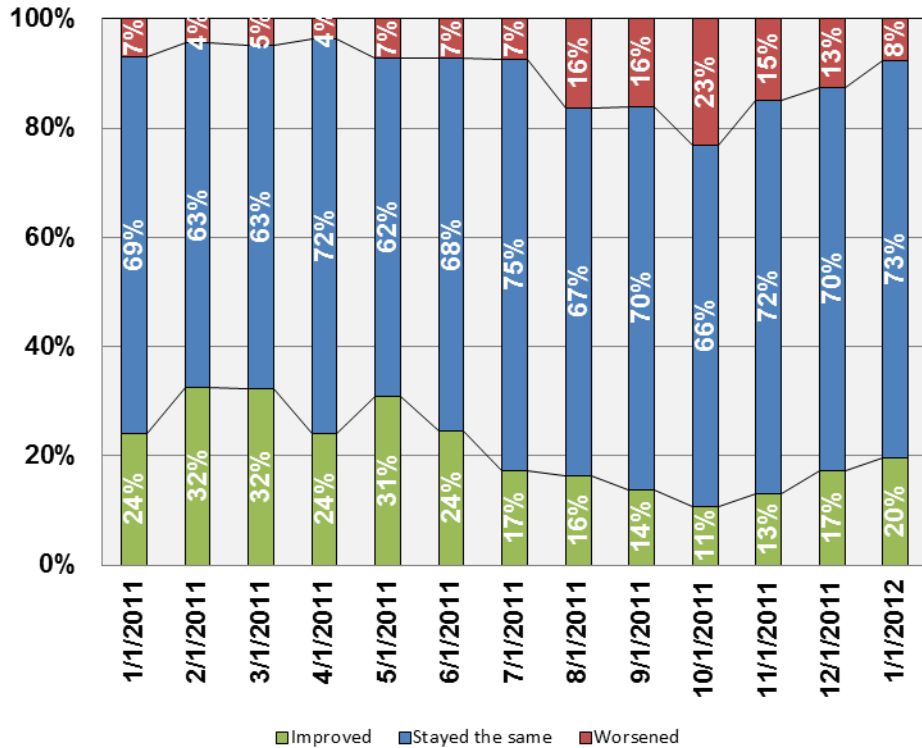
The percentage of respondents indicating an improvement in financing conditions improved to 20% from 17% last month. The percentage who indicated conditions were worsening declined to 8% from 13% reported last month. This is the fourth month of sustained improvement in these indicators.

### In the next 60 days:

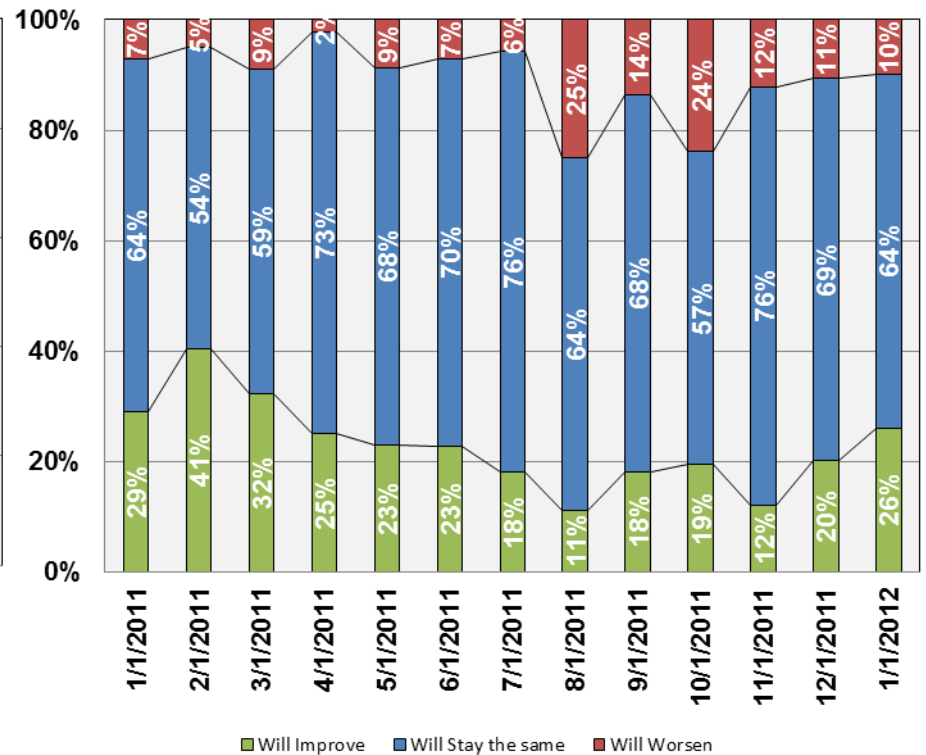
The percentage of respondents who expect improvement in financing conditions in the next 60 days increased to 26% from 20%. The percentage saying conditions will worsen improved to 10% from 11% reported last month.

*Sustained improvement in capital availability experienced by our respondents has led to increasing trends in optimism about the future. While the upward direction is encouraging, it is important to note that we have a way to go before we can say that our respondents are strongly optimistic and confident about the future.*

## Business Conditions – Trends – Capital Availability and Pricing



**Past 30 Days**



**Next 60 Days**

## Survey Participation Demographics

### Industry

<b>Manufacturing/Processing</b>	<b>31%</b>
<b>Health Care</b>	<b>15%</b>
<b>Services</b>	<b>11%</b>
<b>Financial</b>	<b>11%</b>
<b>Technology</b>	<b>8%</b>
<b>Wholesale</b>	<b>7%</b>
<b>Construction</b>	<b>2%</b>
<b>Retail</b>	<b>3%</b>
<b>Government &amp; Other</b>	<b>12%</b>

### Primary Geographic Markets

<b>National</b>	<b>49%</b>
<b>International</b>	<b>26%</b>
<b>Regional</b>	<b>19%</b>
<b>Local</b>	<b>6%</b>

### Geographic Regions Represented (Total of 95 Responses)

<b>Southwest</b>	<b>27%</b>
<b>Pacific</b>	<b>24%</b>
<b>Southeast</b>	<b>21%</b>
<b>Midwest</b>	<b>14%</b>
<b>Northeast</b>	<b>14%</b>

## Survey Participation Demographic Summary

The following are on relative scales from our respondents:

### Regions:

***Strongest*** – Southwest

***Weakest*** – Southeast

### Markets Served:

***Strongest*** – Local

***Weakest*** – Regional

### Industries:\*

***Strongest*** – Wholesale & Service

***Weakest*** – Manufacturing/Processing

### Company Size:

***Strongest:*** Large

***Weakest:*** Small

\* With statistically significant participation

**Compiled and Analyzed by  
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