Business Conditions as of June 1, 2010

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 June 1, 2010

As of June 1 we see a leveling out in business conditions compared to the sharp rise in the Index in May. Our respondents report somewhat weaker conditions over the last 30 days, as indicated by order backlogs, capital expenditure commitments and capital availability. The Tatum Index of Business Conditions fell 17% from the heights of its May reading. Yet there was good news as well. Notwithstanding reporting weaker conditions over the last 30 days, respondents' overall outlook for the next 60 days actually rose 6%.

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. At June 1 the Index, which has increased steadily throughout 2009 and 2010, fell to 6.70 from 8.06 in May. This reading however is still very respectable, higher than any other reading for the year except May and January. 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. At June 1 the percentage of respondents reporting an improvement in backlogs over the last 30 days fell by 6%. The percentage of respondents expecting higher backlogs in the next 60 days also fell slightly. **More about Order Backlogs.**

Capital Expenditure Commitments

Capital Expenditure commitments fell slightly over the last 30 days and there was also a decrease in expectations for higher capital spending in the coming 60 days. While overall business confidence has risen compared to 2009, businesses continue to defer updating of capacity and implementation of improved efficiencies. The rising tide of demand needed to drive discretionary business spending decisions for technology and other goods and services still has not appeared. **More about Capital Expenditure Commitments.**

Employment

Employment was a welcome exception to the overall drop in indicators over the last 30 days. The percentage of respondents who reported hiring more workers rose from 20% in May to 24% in June. But there was a 10% decrease in those indicating that they intend to increase hiring over the next 60 days. Despite the encouraging increase over the last 30 days, employment remains choppy, still a damper on hopes for a full-fledged recovery. **More about Employment.**

Capital Availability and Pricing

Our respondents reported a drop in capital availability and pricing over the past 30 days. There was a smaller drop in those who expect improvement in the next 60 days. The mild deterioration in capital availability mirrors the fall off in capital expenditure commitments, reversing a three month gain from February 1 to May 1. While interest rates are holding steady at a low level, credit remains restricted. Debt and equity financing faces downward pressure as those with money to lend or invest continue to be risk averse. **More about Capital Availability and Pricing.**

Segments, Regions and Markets

The southeast region was the strongest in the past 30 days while the weakest region was the midwest, as it was last month. Also consistent with May, businesses serving local markets reported strongest conditions. Those serving regional markets reported relative weakness. Last month it was those serving international markets that were weakest; their relative gain in the last 30 days might indicate lessening impact of the dollar strengthening against the Euro and turmoil in the credit markets related to Greece. Small companies reported the strongest results as they did last month. Mid-market and large companies reported the weakest. Manufacturing/Processing, Retail and Finance companies were the strongest; Healthcare was the weakest, consistent with the previous month. **More about Demographics.**

We hope you found Tatum's Commentary interesting and useful. We welcome your comments and questions. Click on **June 2010 Tatum Survey of Business Conditions** to view the complete report.

Sam Norwood, Senior Partner **send comments to Sam Norwood**

Mark Rosenman, Director of Knowledge Management **send comments to Mark Rosenman**

Legend positive movement **negative movement** **fairly constant state**