The Tatum Survey of Business Conditions

As of March 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 March 1, 2009

This will sound a lot like last month. With business conditions deep in recession as of March 1, the bad news on Employment and Capital Expenditure Commitments continue to get worse while financing conditions show no sign of improvement. The glimmer of good news is that the trend in overall conditions has ceased to decline, and the Tatum Index has added a fourth consecutive month of minor improvement. Order backlogs are going in a positive direction. A recovery, however, is not yet in sight and is not expected to be until financing conditions improve and employment turns positive.

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 fourth consecutive month, having reached its all-time low at November 1, 2008. The movement was slight, and the level of the Index, at 0.8, 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 March 1, order backlogs were stronger in our survey looking both back 30 days and ahead 60 days. Some of this may be seasonal, but it indicates at least that orders for future delivery are rising. {More about Order Backlogs}

Capital Expenditure Commitments

Capital Expenditure Commitments were down compared with the prior month. The outlook for the next 60 days is approximately flat at a very depressed level. 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 *un*employment 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

Financing conditions remained tight, depressed and unavailable to all but the most credit-worthy customers. Liquidity injections from the Treasury (TARP) have been largely if not completely offset by deteriorating value of bank assets (primarily loans outstanding), meaning that lending capacity has still not improved overall. Lower interest rates are helpful, but for many companies sheer availability is more important, and more availability is an essential foundation for an economic recovery. {More about Capital Availability and Pricing}

Segments, Regions and Markets

Among the industry comparisons, the Service sector remained in first place. Not surprisingly, Manufacturing and Retailing showed by far the worst conditions as of March 1. Regionally, somewhat surprisingly, the Mid-West jumped back as the strongest while the Northeast continued to be the weakest. Mid-market companies were strongest in our survey while large companies continued to report worse conditions than all others. Nevertheless, companies with national markets experienced better conditions than those serving local and regional markets, and companies serving international markets reported the weakest conditions. {More about Demographics}

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

Sam Norwood, Senior Partner {link to send comments to Sam Norwood}

Glen Passin, Partner {link to send comments to Glen Passin}

Legend — Conditions improved or will improve — Conditions worsened or will worsen

Conditions remained about the same or will remain the same