

## Business Conditions as of May 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](http://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 May 1, 2010

As of May 1 the recovery in business conditions is picking up speed. Our respondents indicate that the last 30 days saw moves upward in order backlogs, capital expenditure commitments and capital availability. The Tatum Index of Business Conditions leaped to the third highest level in its seven-year history. However the improvement seen over the last 30 days did not translate into a comparably bullish view of the next 60 days. The 60-day outlook while positive remains flat with the prior month. Still, the recovery appears to be gathering strength and traction.

### 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 May 1 the Index, which has increased steadily, if unspectacularly, throughout 2009 and 2010, leaped to 8.06 from 5.91 in the previous month. It now stands at its highest level since May of 2007. 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 May 1 order backlogs were reported to be significantly stronger during the past 30 days. But this didn't translate into a more optimistic outlook for the next two months: expectations for higher backlogs in the next 60 days remained constant with the previous month. [More about Order Backlogs](#).

### Capital Expenditure Commitments

Capital expenditure commitments rose substantially in the last 30 days and there was also a sizable increase in expectations for higher capital spending in the coming 60 days. The increase in expectations for higher spending in

the next two months was greater than in the previous month. The most dominant trend of the past year has been a consistent reduction in the portion of respondents committing less or planning to commit less on capital projects. On the other hand the portion planning to increase capital spending remains below what is needed to cause a “takeoff” in the economy. **[More about Capital Expenditure Commitments.](#)**

## Employment

Despite other positive indicators in other aspects of the survey, the employment indicator remains largely flat. Yet there was a small uptick in respondents indicating that they intend to increase hiring over the next 60 days. Still, the portion of respondents indicating they plan to hire remains lower than needed to spark a robust recovery. **[More about Employment.](#)**

## Capital Availability and Pricing

Our respondents indicated that capital availability and pricing improved significantly in the past 30 days as did the outlook for the next 60 days. If the improved outlook is an indication that banks are making more credit available to investors and companies, the impact will be seen in capital expenditures to meet rising demand as the economy comes out of recession. **[More about Capital Availability and Pricing.](#)**

## Segments, Regions and Markets

The northeast region was the strongest in the past 30 days which may be due at least in part to a catch-up effect after the severe winter weather. The weakest region was the midwest. Businesses serving local markets reported strongest conditions. Consistent with the previous month, those serving international markets reported relative weakness, perhaps as a result of the dollar strengthening against the Euro and turmoil in the credit markets related to Greece and other fiscally weak countries. Small companies reported the strongest results. Mid-market companies reported the weakest. Manufacturing/Processing and Finance companies were the strongest; Healthcare the weakest. **[More about Demographics.](#)**

We hope you found Tatum’s Commentary interesting and useful. We welcome your comments and questions. Click on **[May 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

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