



The Tatum Survey of Business Conditions

As of November 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 November 1, 2009

While the fundamental trend is positive, the gains have slowed and the pace has flattened from what we reported during the past five months. Government stimulus programs and, we believe, some inventory growth accounted for a significant portion of the 3rd Quarter 3.5% annual rate of growth as reported in late October. Taking a broader perspective, overall business conditions have improved from severe stress at the beginning of this year to the beginnings of Recovery which we believe, bit by bit, will likely continue in the coming months.

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 was essentially flat with the prior month. The "past 30 days" component was down slightly, and the "next 60 days" component was up slightly. 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. The proportion of our participants who are seeing order backlogs remain unchanged increased this month, and this finding was true for both looking back and looking ahead in the near term. [{More about Order Backlogs}](#).

Capital Expenditure Commitments

Capital Expenditure Commitments were stronger last month. In an interesting turn of events the outlook is approximately flat, because the larger portion of respondents showing improvement was offset by others reporting reductions in capital commitments. There was a narrowing of the portion staying the same. As



there is plenty of overall operating capacity, the pick-up in “Cap-Ex” has to be related mainly to efficiency improvements, reinforcing our indication that Technology has been a strong segment in recent months. **{More about Capital Expenditure Commitments}**

Employment

Employment is improving somewhat, due both to more hiring and to fewer reductions, a very encouraging signal. This is tempered somewhat by a broadening of employment staying the same in the next 60 days. **{More about Employment}**

Capital Availability and Pricing

While banks are trying to rebuild their capital base they are facing continued challenges in commercial real estate loans, and, therefore, they continue to be tight in credit availability. Our respondents are experiencing and expecting no change in the near term. **{More about Capital Availability and Pricing}**




Segments, Regions and Markets

Technology continues to be the strongest sector among our respondents, followed very closely by Service. The Financial segment, represented by only 5% of our respondents, was very strong, but the sample may not be large enough to be representative of the nation (clearly the spreads between lending rates and funds costs for banks is quite large by historical standards). Manufacturing (excepting exports) and real estate are the lagging sectors. This month, the Midwest region reported the weakest conditions while the Pacific region reported the strongest. Mid-sized companies serving regional markets continued to report the biggest challenges, suggesting the smaller companies may be benefitting from market flexibility and large businesses are surviving from market clout and scale. Very encouraging was the emerging strength of “Pre-Revenue” (start-up) companies in our survey. **{More about Demographics}**

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

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

Mark Rosenman, Director of Knowledge Management **{link to send comments to Mark Rosenman}**

Legend  Conditions improved or will improve  Conditions worsened or will worsen
 Conditions remained about the same or will remain the same

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