



**Tatum Survey of Business Conditions**  
**11/1/2011**

## Tatum Survey of Business Conditions Summary

Business Conditions in the month leading to **November 1** took a breather and up-ticked slightly after the severe decline reported in last month's survey. The mood in last month's survey was distinctively sour, and our survey this month indicates a leveling off or slight improvement in results in the last 30 days and expectations in the next 60 days. This is no cause for celebration; the levels remain at 2-year lows and the best that can be said is that at least the results and the mood have stopped declining.

Last month our respondents reported a determination to increase capital spending and hiring despite the negative expectations. This determination has apparently dissolved, as they now report that they have cut back hiring and spending in the last 30 days and will continue to do so in the next 60 days.

We also saw a significant bifurcation in geographic results, with the Pacific and Northeast reporting strong improvements, while the rest of the nation (particularly the Southeast) reported worsening conditions. The Services sector remained the strongest (as reported last month as well), and Manufacturing was by far the weakest among the significant reporting segments.

The flattening of our survey results remain mired in the lows experienced in the last recession. Have we entered into another recession? Our survey respondents seem to expect it and are reacting accordingly.

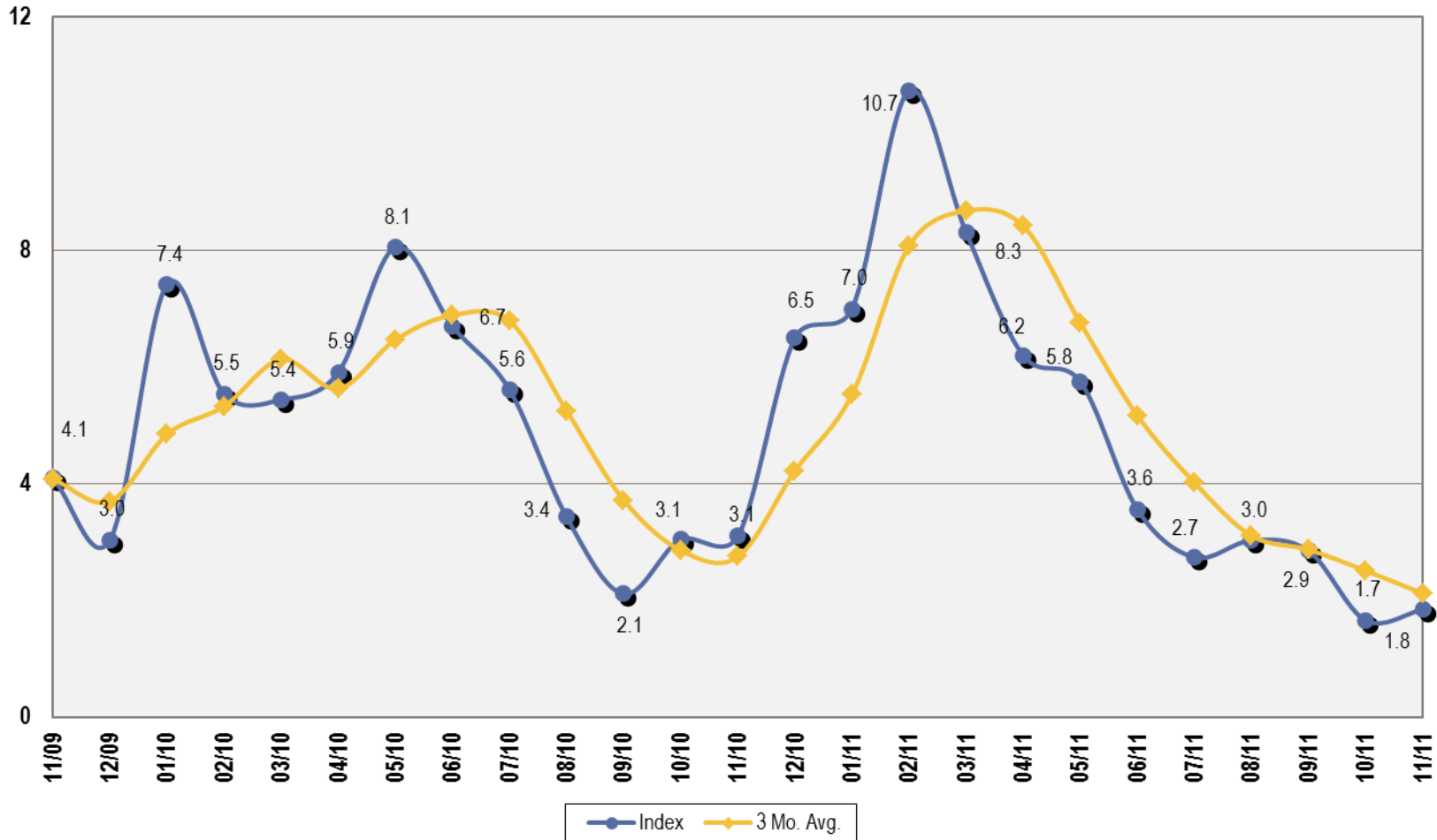
## Tatum Index of Business Conditions

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 November 1st**, the Tatum Index of Business Conditions increased slightly to approximately 1.8 from 1.7 a month ago, which was at a two-year low. 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).

**This very slight upward movement in the Tatum Index is no cause for celebration, as the Index remains at two-year lows.**

# Tatum Index of Business Conditions



## Business Conditions – Trends Past 30 Days

In the past 30 days, business conditions:

- > **Improved very slightly for 25% of our respondents**, budging upward from 24% in the prior month.
- > **Worsened for 18%**, improving from 21% in the prior month.
- > **Stayed the same for 57%**, up from 55% a month ago.

*The results for the past 30 days showed a slight tick upward from the low levels we reported last month. The best we can note from this is that at least the results did not get worse after last month's dismal report.*

# Business Conditions the Past 30 Days

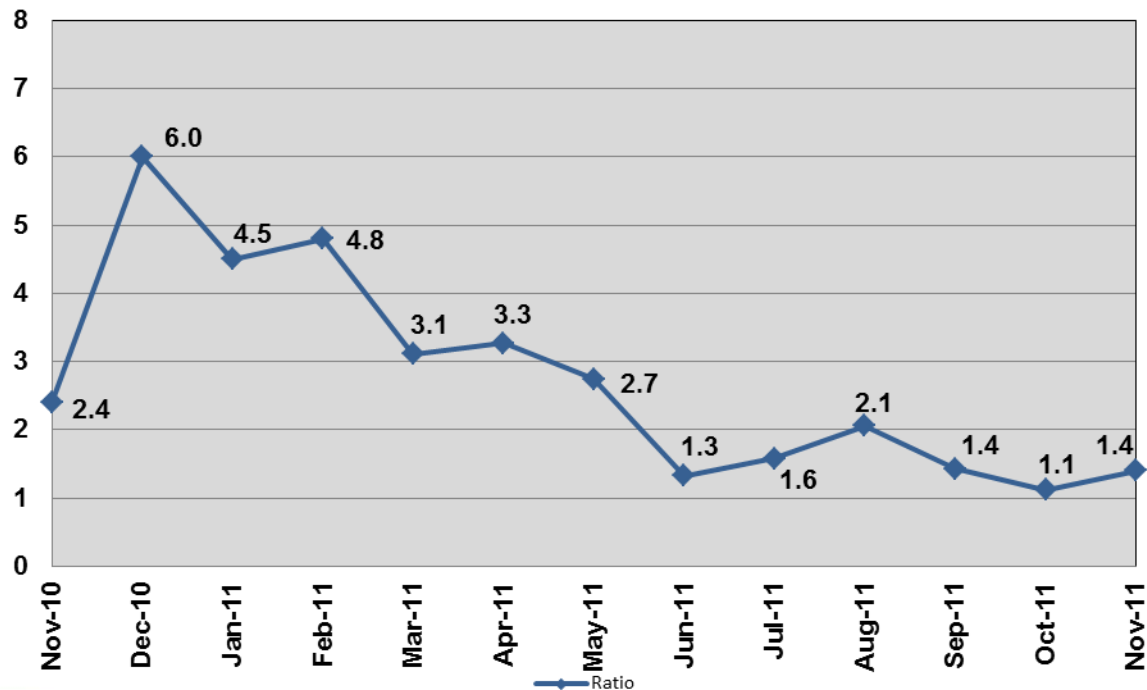


## Business Conditions – Trends Past 30 Days

The ratio of “Improved-to-Worsened” in the past 30 days improved to 1.4 from 1.1 reported in the prior month in a relieving turnaround from the downward trend of the two prior months.

*While it is nice to see the ratio turn upward, it is still in the low-range we have seen all summer. It remains to be seen if the upward trend can continue in future months.*

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



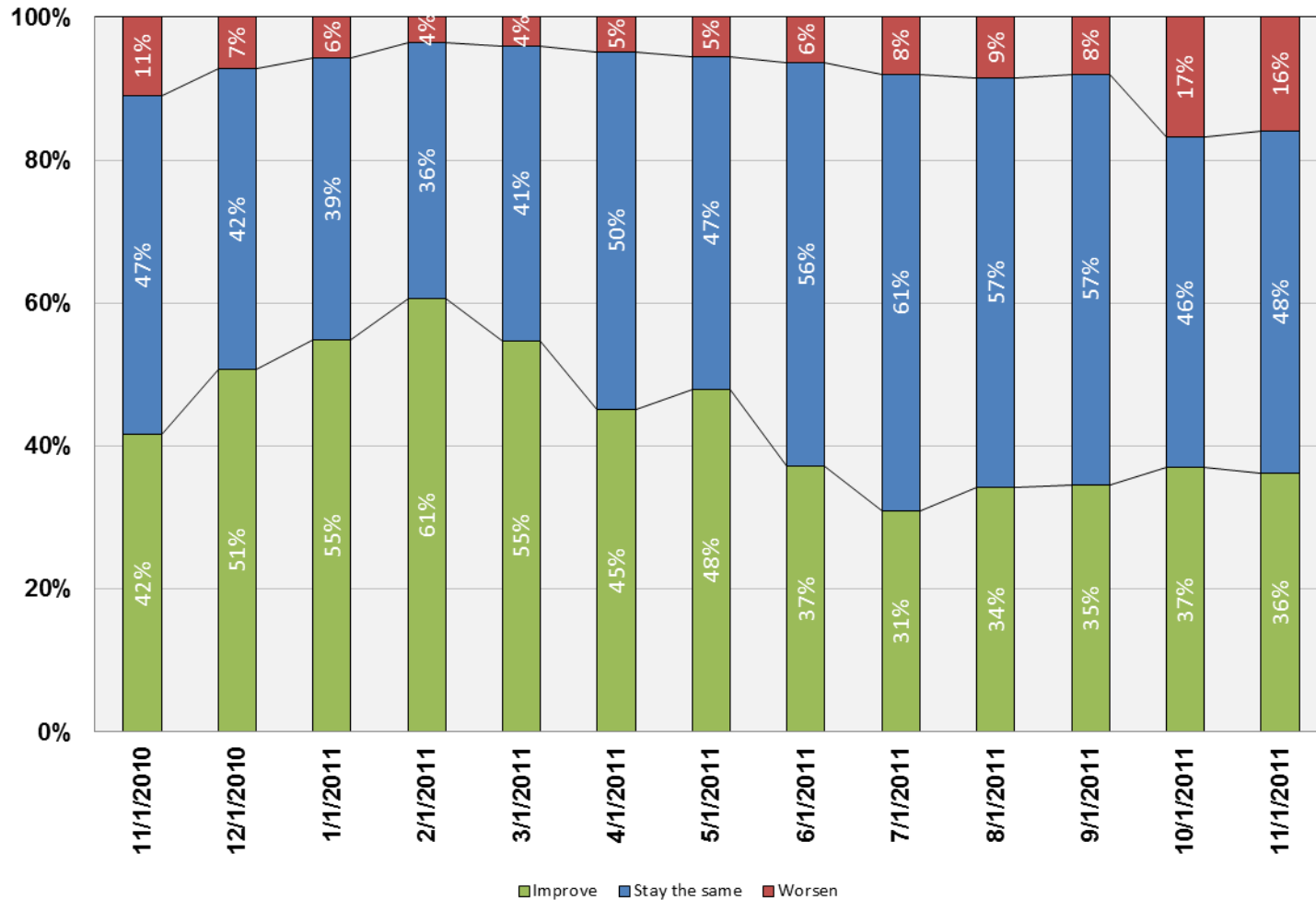
## Business Conditions – Trends Next 60 Days

In the next 60 days, business conditions are expected:

- > **To improve for 36% of our respondents**, down slightly from 37% last month.
- > **To get worse for 16%**, also down slightly from 17% last month.
- > **Stay the same for 48%**, compared to 46% last month.

*These results are hardly a significant turnaround from the sour mood reported last month. Our respondents continue to be pessimistic about the future 60 days.*

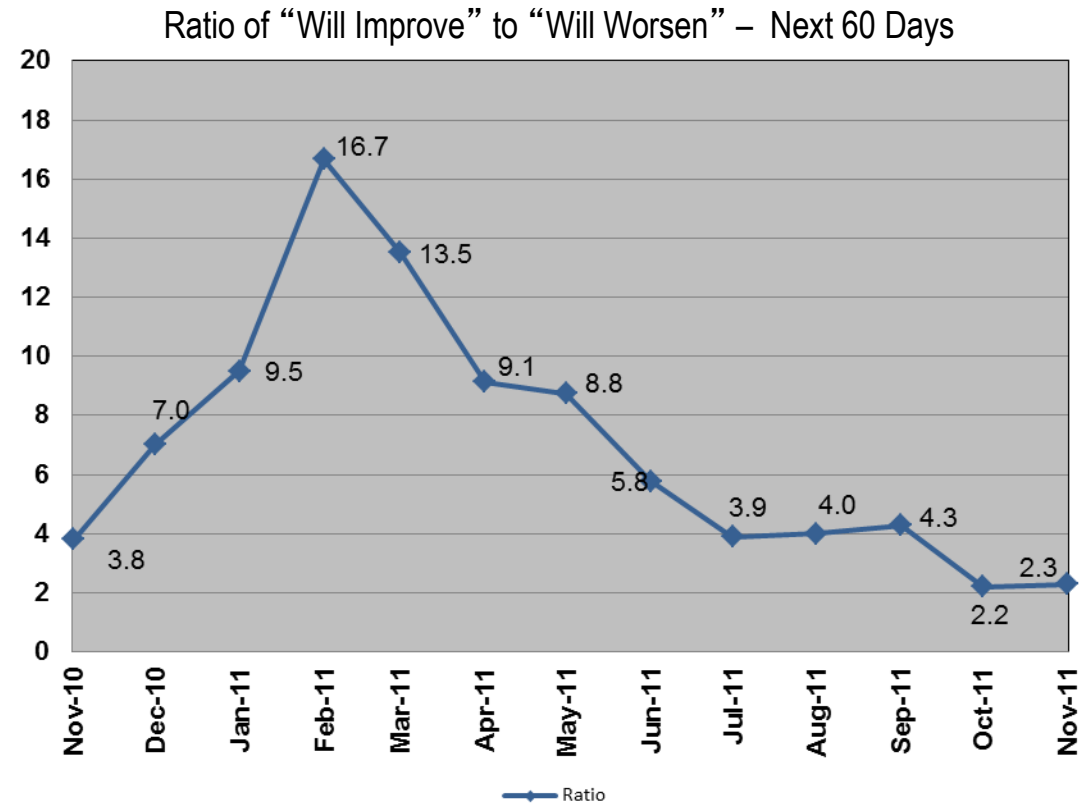
# Business Conditions – The Next 60 Days



## Business Conditions – Trends Next 60 Days

The ratio of “Will Improve” to “Will Worsen” for the next 60 days very slightly improved to 2.3 from 2.2.

*The slight uptick upwards makes us grateful that the ratio did not fall further after the severe decline last month.*



## Business Conditions – Order Backlogs

### In the past 30 days:

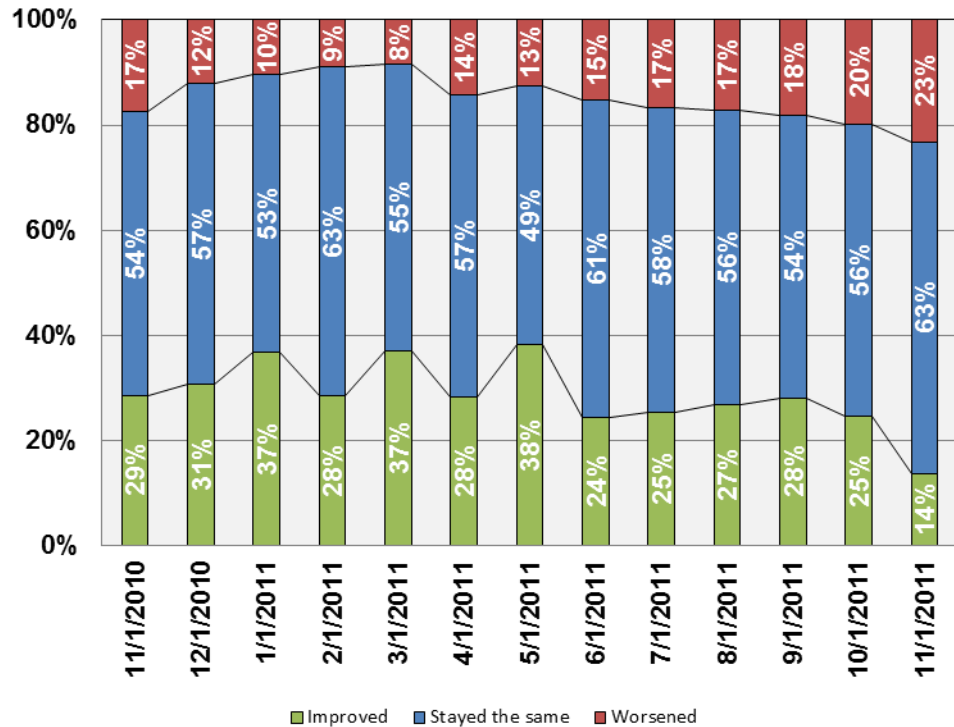
The percentage of respondents who reported an improvement in backlogs declined to **14%** from 25% a month ago. The percentage reporting worsened backlogs increased to **23%** from 20% last month.

### In the next 60 days:

Those expecting improving backlogs increased to **39%** from 31%. The percentage of respondents who indicated expectations of worsening backlogs decreased to **12%** from 21%, a significant drop.

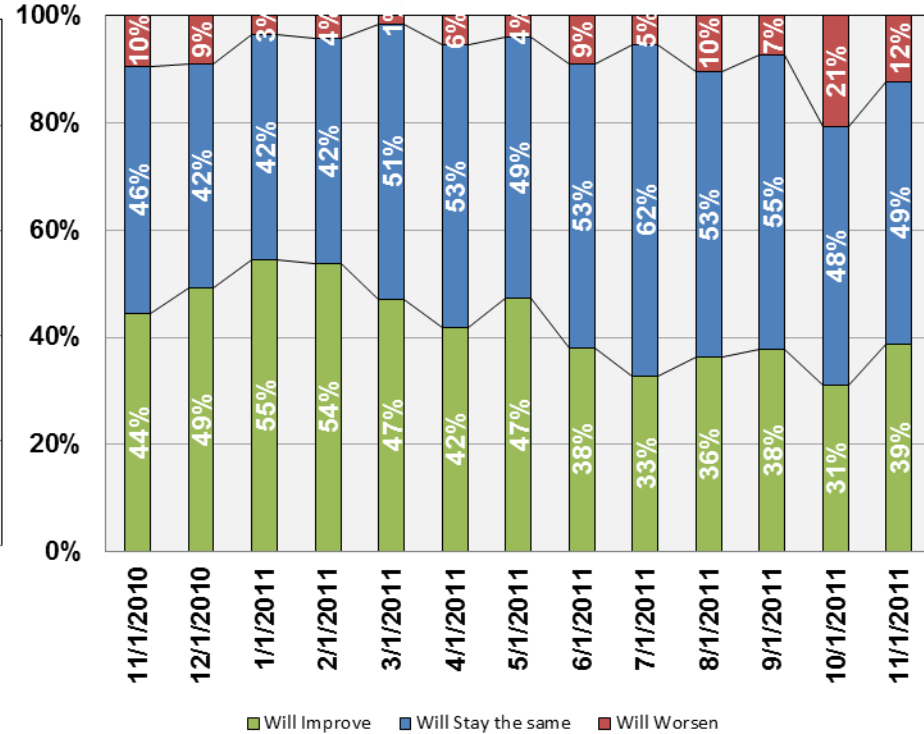
*Despite the dismal results in backlogs in the past 30 days, our respondents surprisingly expect a nice improvement in the next 60 days. We believe this sharp improvement reflects seasonal factors as well as a non-seasonal improvement in deliverable new orders.*

# Business Conditions – Current Results – Order Backlogs



Improved Stayed the same Worsened

*Past 30 Days*



Will Improve Will Stay the same Will Worsen

*Next 60 Days*

## Business Conditions – Capital Expenditure Commitments

In the past 30 days:

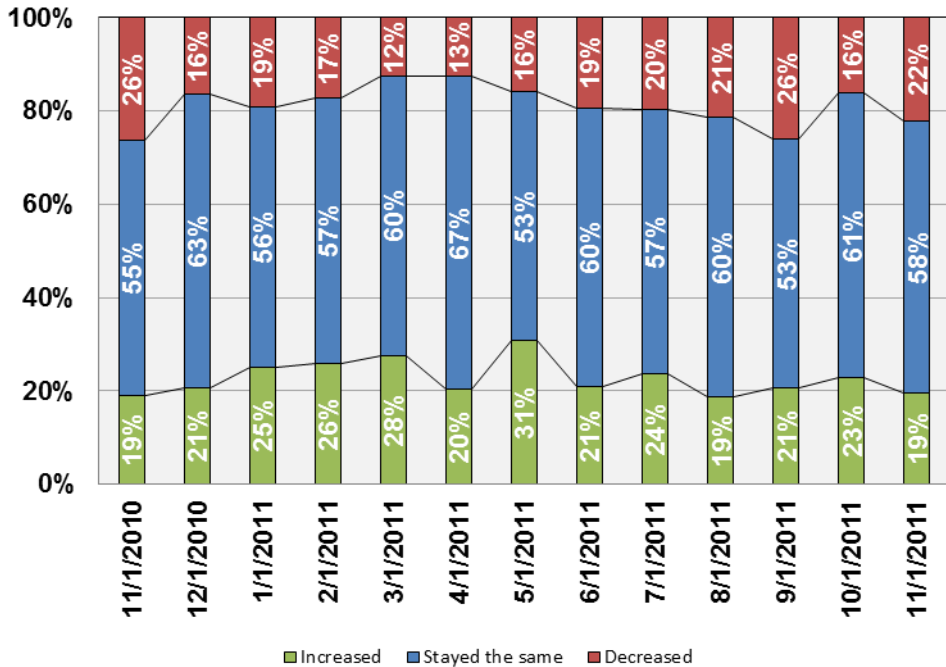
The percentage of respondents committing more on capital equipment **decreased to 19%** from 23%. The percentage that committed less on capital equipment increased to **22%** from 16%.

In the next 60 days:

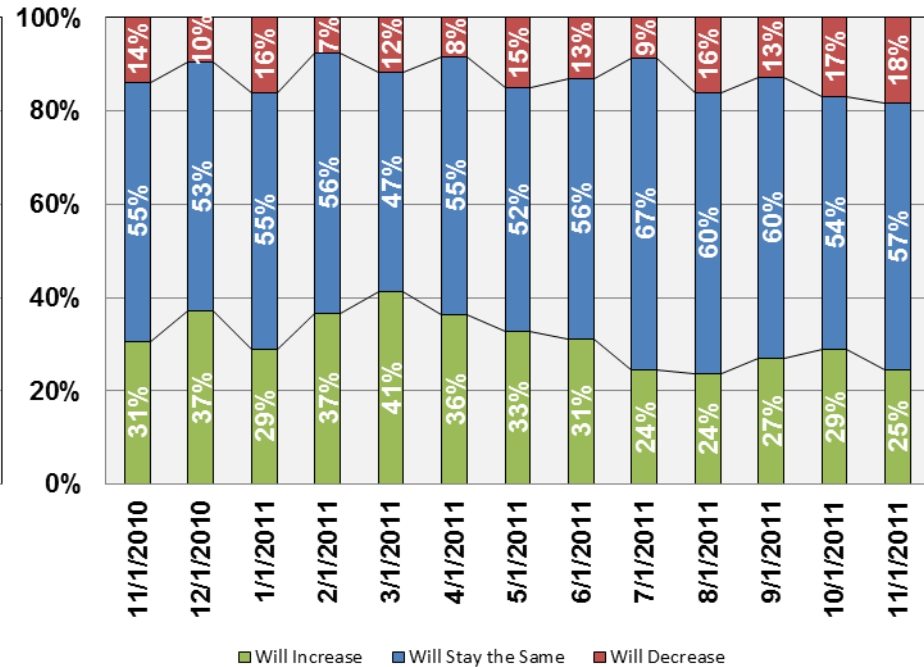
The percentage of respondents who said they plan to commit more for capital assets in the next 60 days **decreased to 25%** from 29% and the percentage who expect to commit less worsened slightly to **18%** from 17%.

*Last month we saw some commitment to increased capital spending, but now that commitment appears to be wavering as our respondents continue to cut spending and plan to cut spending further in the near future.*

# Business Conditions – Trends – Capital Expenditure Commitments



*Past 30 Days*



*Next 60 Days*

## Business Conditions – Employment

In the past 30 days:

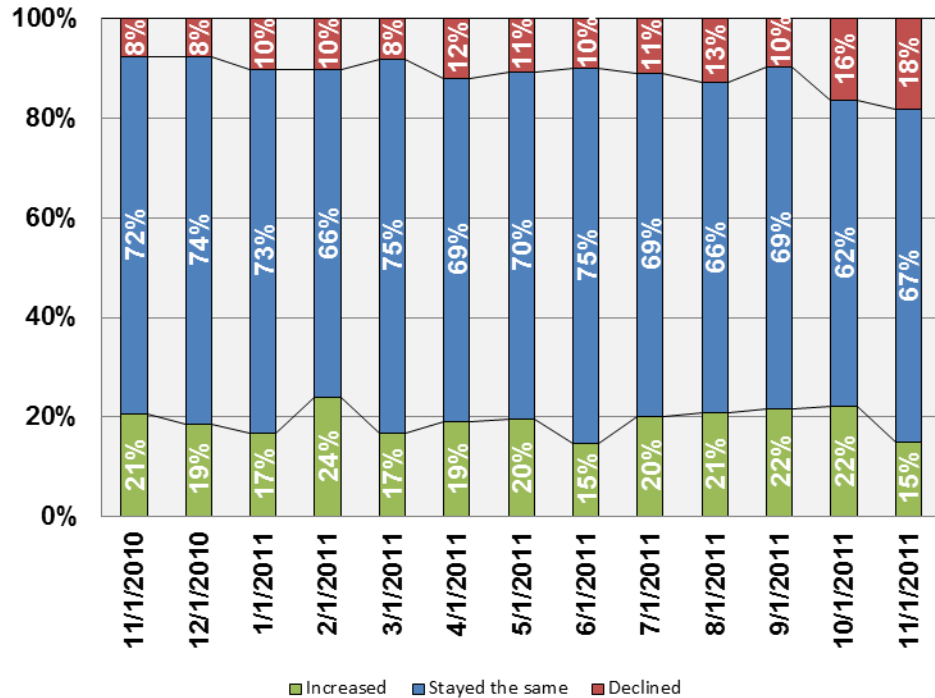
The percentage of respondents hiring more workers dropped precipitously to **15%** from 22% last month. The percentage that indicated they did less hiring worsened to **18%** from 16% in the prior month.

In the next 60 days:

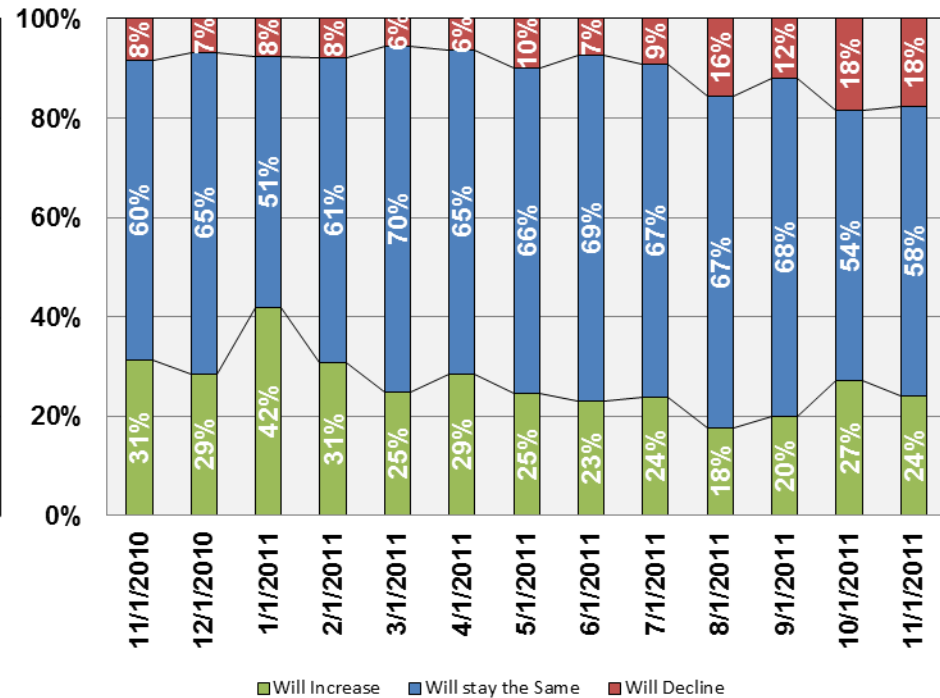
The percentage indicating they plan to increase hiring decreased to **24%** from 27%. The percentage who expect to reduce hiring stayed flat at **18%**.

*Once again our respondents are “battening down the hatches” and have hired less than they indicated last month. Additionally, the outlook for hiring in the next 60 days is very weak.*

# Business Conditions – Trends - Employment



*Past 30 Days*



*Next 60 Days*

## Business Conditions – Capital Availability and Pricing

The past 30 days:

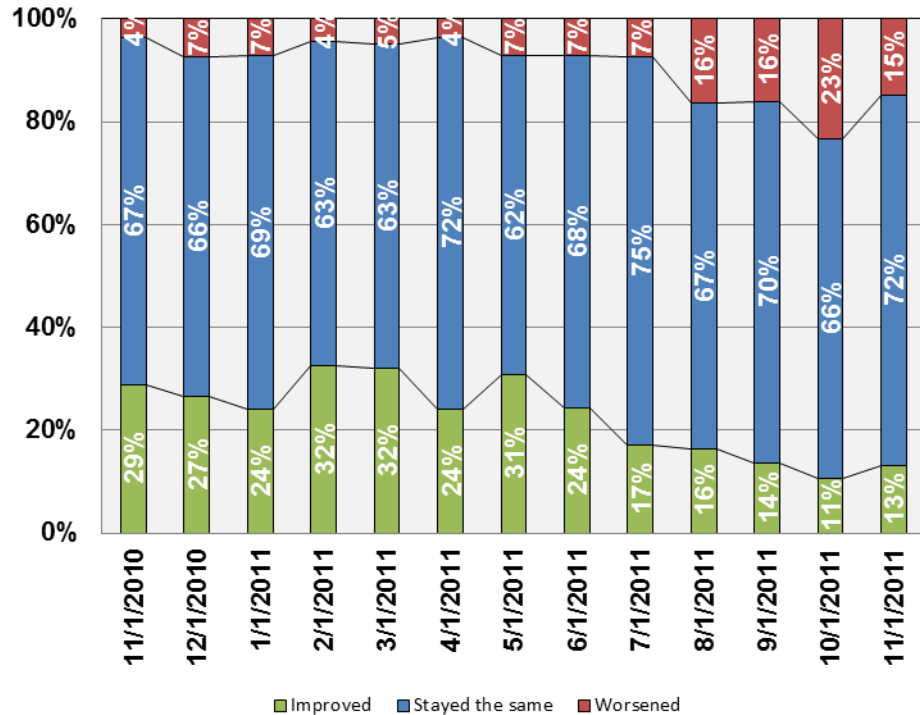
The percentage of respondents indicating an improvement in financing conditions improved slightly to **13%** from 11%. The percentage who indicated conditions were worsening declined significantly to **15%** from the high level of 23% reported last month.

In the next 60 days:

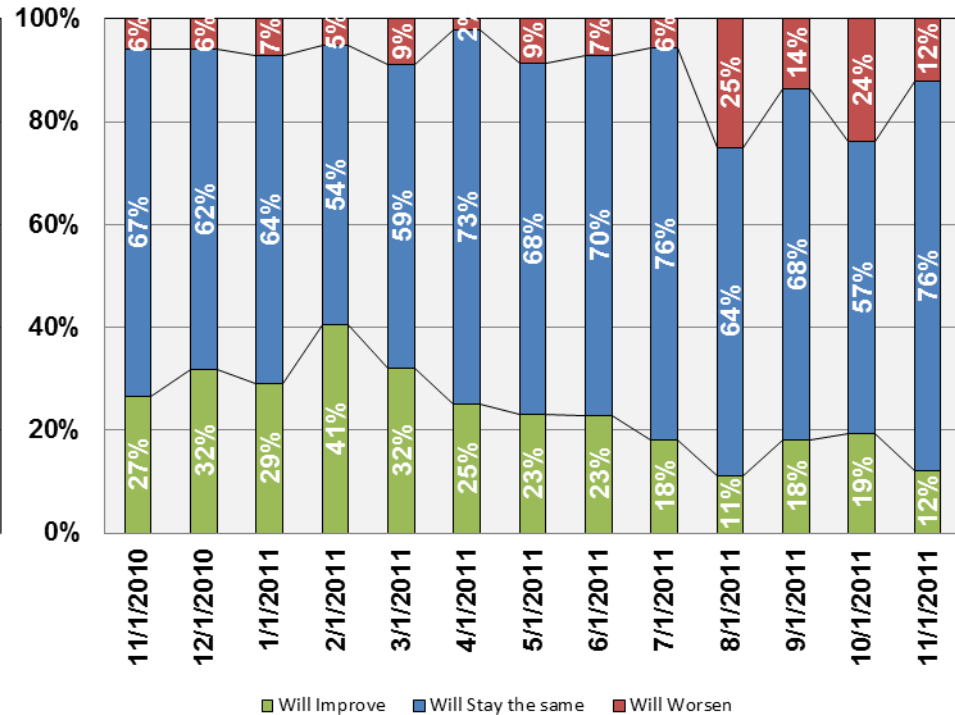
The percentage of respondents who expect improvement in financing conditions in the next 60 days dropped to **12%** from 19%. In a directly opposite result, the percentage saying conditions will worsen improved significantly to **12%** from the high level of 24% reported last month.

*The highly negative expectations reported last month did not completely pan out as our respondents now have reported some improvement in the past 30 days. For the next 60 days, our respondents seem to be of two minds: We saw a drop in our optimists who expect improving conditions but we also saw a big drop in the pessimists expecting worsening conditions. The conclusion seems to be that the near term future for financing conditions is simply not clear.*

# Business Conditions – Trends – Capital Availability and Pricing



Past 30 Days



Next 60 Days

## Survey Participation Demographics

|                          |     |
|--------------------------|-----|
| Industry                 |     |
| Manufacturing/Processing | 18% |
| Services                 | 18% |
| Health Care              | 15% |
| Technology               | 13% |
| Financial                | 10% |
| Wholesale                | 6%  |
| Construction             | 4%  |
| Retail                   | 4%  |
| Government & Other       | 12% |

### Primary Geographic Markets

|               |     |
|---------------|-----|
| National      | 50% |
| International | 23% |
| Regional      | 21% |
| Local         | 7%  |

### Geographic Regions Represented (Total of 111 Responses)

|           |     |
|-----------|-----|
| Southwest | 27% |
| Pacific   | 24% |
| Southeast | 23% |
| Midwest   | 14% |
| Northeast | 11% |

## Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

*Strongest* – Northeast & Pacific

*Weakest* – Southeast & Midwest

Industries:\*

*Strongest* – Service

*Weakest* – Manufacturing

Markets Served:

*Strongest* – Local

*Weakest* – National

Company Size:

*Strongest:* Mid-Market

*Weakest:* Large

\* With statistically significant participation

Compiled and Analyzed by  
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