

Business Conditions as of September 1, 2010

Introduction

Tatum conducts a monthly survey of its executive 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 executive 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 September 1, 2010

As of September 1, Business Conditions in the latest 30 days were flat to up slightly, a pleasant contrast to the outlook a month ago. The outlook for the next 60 days, however, suggests a material downturn. We note that August witnessed a major sell-off in equity markets with the downward revision in Q2 GDP and rising concerns about a double-dip recession. The news plays a role, along with personal experience, in influencing perception of the economy, and as the month of September unfolds, we hope that the near term conditions will not be as forecast in this survey.

Index of Business Conditions

Tatum's **Index of Business Conditions** combines indicators of the past 30 days and the next 60 days into one number, summarizing our view of the current overall trend. At September 1 the Index, which had increased steadily throughout 2009 and in 2010 until May, fell to 2.1 from 3.4 a month ago. The decline is entirely attributable to a 56% decline in the outlook component; the historical component was actually up 25% from last month. 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 September 1, order backlogs were essentially unchanged from a month ago. However, the outlook for backlogs is now much worse than a month ago. A seasonal drop-off in deliveries in September might explain why this factor is a major component in the overall outlook for worsening conditions in the next 60 days. [More about Order Backlogs](#).

Capital Expenditure Commitments

Capital expenditure commitments fell slightly over the last 30 days. On the bright side, however, the outlook improved. Our theory is that businesses, while not needing more capacity, are committing more for efficiency-related equipment to extend the productivity gains experienced during the past couple of years and to extend the life of existing equipment. [More about Capital Expenditures](#).

Employment

Employment remained effectively flat during the past 30 days, but the outlook declined from the prior month. Continuing uncertainties, the current and anticipated future increases in healthcare costs, and increases in productivity seem to continue to hold down employment expectations. [More about Employment.](#)

Capital Availability and Pricing

Capital availability has turned very negative among our participants. Loan pricing, for those who can get credit, has been stable, so the concerns are about equity values and loan availability, collateral and credit worthiness. Banks continue to repair their balance sheets. Investors remain very cautious. A return to a negative economy, which seemed to be gaining in probability toward late August, could make loans even harder to get. [More about Capital Availability and Pricing.](#)

Segments, Regions and Markets

The Southwest region was the strongest in the past 30 days, while the weakest region was the Northeast. Businesses serving national and international markets reported the strongest conditions while local businesses, which had been stronger during earlier months in the summer, became the weakest. Large companies reported the strongest results this month, and small businesses were weakest. Service companies were the strongest; healthcare was the weakest, consistent with the last several months. [More about Demographics.](#)

We hope you found Tatum's Commentary interesting and useful. We welcome your comments and questions. Click on [September 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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