



# The Tatum Survey of Business Conditions

*As of September 1, 2008*

## 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 September 1, 2008

Last month we indicated the general news was not good, and we expected, more likely than not, to move along a bumpy road for the near future. The results for September have done nothing to change the outlook. Overall, there was no change in most of the responses with only a one or two percentage change from last month. The 30 day outlook for capital availability and pricing was the only response that showed a noticeable improvement, but it still remains at a negative level. As it pertained to the outlook for the next 60 days, there was no change from last month. Until there are several consecutive months of positive news, business conditions will remain at the current low level showing minor fluctuations month-to-month.

## Index of Business Conditions



Tatum's **Index of Business Conditions** combines elements of the past 30 days and next 60 days into one number, summarizing our view of the current overall trend. The current month index rose to 2.0 while the three-month moving average declined to 2.1. This convergence clearly shows the economy is in a holding pattern and will improve or decline depending upon the latest positive or negative story. The recent reduction in oil prices provides some temporary relief. If oil prices continue to decline, then this could provide a positive push. However, there is nothing in the near term to indicate a change in the current pattern. 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 September 1, order backlogs remain at the same as last month. **{More about Order Backlogs}**



## Capital Expenditure Commitments

Capital Expenditure Commitments were essentially flat with the prior month in both the 30-day backward look and the forward 60-day outlook. [{More about Capital Expenditure Commitments}](#)

## Employment

Employment is typically a lagging indicator as businesses, in the face of uncertain conditions, are reluctant to increase the number of new hires until the need is obvious and compelling. Businesses are benefiting from some productivity improvements and meeting labor needs by increasing overtime rather than hiring new employees. As of September 1, our survey participants indicated only a minor improvement (statistically insignificant) in employment for both the past 30 days and the next 60 days from last month. [{More about Employment}](#)

## Capital Availability and Pricing

There was an improvement in the last 30 days relative to last month, but there remains the underlying concern that banks will face additional losses due not only to defaulting mortgages, but also an increase in credit card delinquencies. We continue to hear stories about bank regulators forcing banks to call loans, curtail credit and raise underwriting standards, thereby creating increased concern about availability of credit for all but the most credit-worthy customers. We expect the Fed to continue to refrain from raising rates because it believes inflationary pressures have run its course and/or the economy needs additional stimulus to recover from the housing downturn. [{More about Capital Availability and Pricing}](#)

## Segments, Regions and Markets




Technology again remained on top of the list of strongest performers with no other industry segment nearly as strong. Real Estate, Construction and Financial businesses remain at the bottom, but they do not represent a large portion of our respondents. The southwest region, particularly Texas, was strongest (due in part to the link to energy) and the southeast region showed the weakest business conditions. Large businesses scored better than smaller businesses. Companies serving regional markets reported better conditions than those serving national markets. [{More about Demographics}](#)

We hope you found Tatum's Commentary interesting and useful. We welcome your comments and questions. Click on [{September 2008 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

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