

**Business Conditions as of July 1, 2014 – Tatum CFOs and External CFOs are aligned again, but this time in not seeing strong near-term growth.** In the second quarterly edition of the Survey of Business Conditions, our sample of Tatum CFOs as well as our clients and industry contacts saw little upward momentum in business conditions and commented on the Affordable Care Act (see the next page).

Sales and order backlogs are the one improvement cited by Tatum partners, but they have less confidence in growing pipelines for the next 60 days. Aside from that, more companies are spending less for capital improvements this month. For June, we found new hiring confined to only a few industries, and partners have tamped down headcount expansion and expect that trend to continue.

**The Tatum Index of Business Conditions and Key Economic Indicators (Tatum Partners Only)**

Tatum's Index of Business Conditions combines indicators of the past 30 days and outlook for the next 60 days into one number. Though the index is calculated among Tatum CFO Partners only, the numbers tracked very closely with our sample of External CFOs.

**ECONOMIC INDICATORS:**

**Business Conditions**













Downward trend since April continues;  
lowest point in six months



Past 30 days



60 day outlook

Indicator	Past 30 days	60 day outlook	Comments
 <b>Sales/Order Backlogs</b>			Improvement projected in June 2014 realized; confidence in future pipeline growth is lower
 <b>Capital Expenditure Commitments</b>			Outlook for CapEx moderating; downward movement again this month
 <b>Employment</b>			Less than a third saw or predict increased hiring
 <b>Capital Availability &amp; Pricing</b>			Companies operating in a favorable borrowing climate; financing remains available at low rates

**Situation:** We're seven months into the year; there are a lot of positive economic indicators. But, you are not seeing the economic momentum that will drive sustainable sales growth for your company.

**Question:** Does your company have to sharpen its focus on markets, customers, business units, and products with the best potential for consistent sustainable growth and value creation? Do you have the business intelligence data you need to lead that effort?

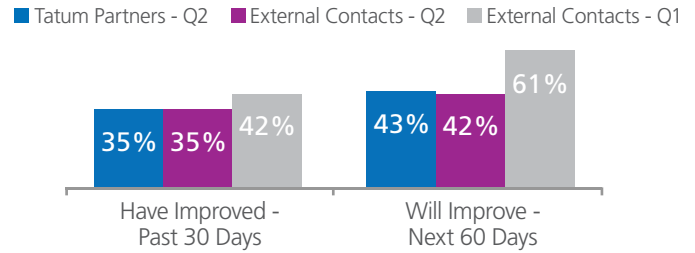
**Next Page: Insights from you, external CFOs and industry contacts...**

## What's on the mind of the CFO?

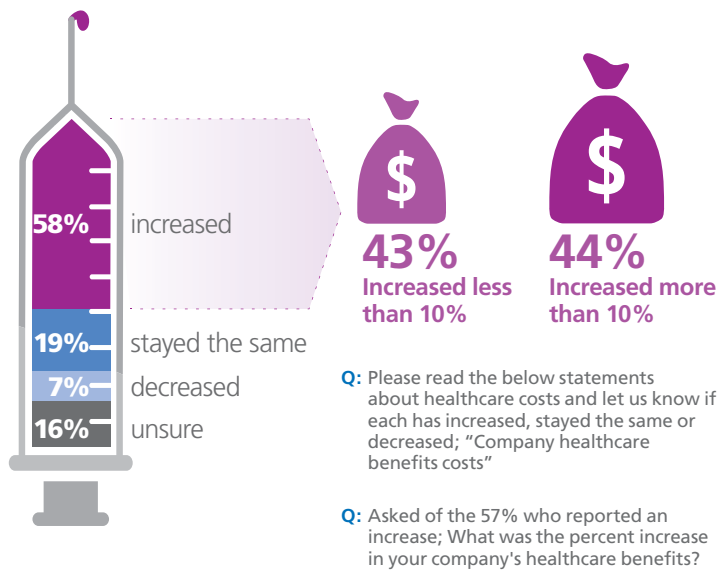
To find out, we surveyed our CFO colleagues, clients and industry contacts, asking them about business conditions and our key indicators, but also drilling down on the Affordable Care Act and its impact on their businesses.

External CFOs and Tatum Partners were closely aligned on recent business conditions and generally agreed in their tempered outlook going forward. External CFOs in particular had a significant drop in their 60-day outlook between Q1 and Q2 today. While there were differences in responses on past and future headcount levels, with Tatum CFOs more likely to report and forecast decreases, Tatum and External CFOs shared a similar near-term view.

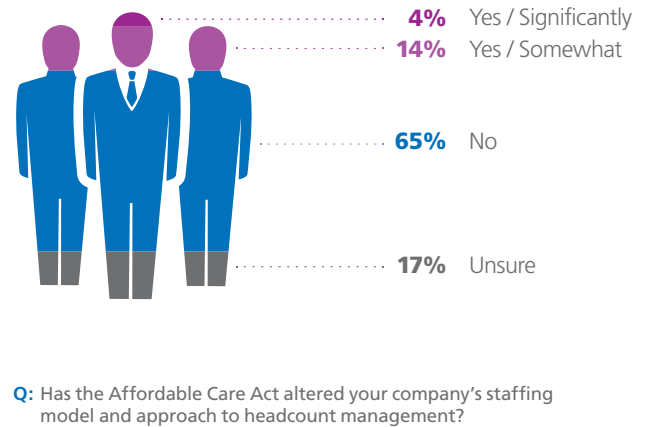
### VIEWS ON BUSINESS CONDITIONS



### POST-ACA: COSTS ARE INCREASING



### BUT COMPANIES AREN'T CHANGING THEIR STAFFING MODEL/HEADCOUNT MANAGEMENT



### HEALTHCARE DRILLDOWN: OUR FINDINGS

- Though costs are increasing, our survey results are somewhat contrary to hypotheses of ACA being an across-the-board headcount game changer. Only 18% of CFOs say their companies have changed their staffing model/headcount management as a direct result of ACA.
- As for other impacts, a slim plurality (43%) say employee out-of-pocket expenses are up (versus 39% stayed the same) and just 33% said employee contribution percentages are increasing (versus 47% reporting they stayed the same).
- We asked CFOs about their healthcare cost management strategies going forward. Specifically, "Which models (self-insured, insured, combination of self-insured/insured, use of exchanges, etc) describe your company today, and in 3 years?"
- Today, insured arrangements are the most prevalent, with exchanges being the least. Responses indicated a sizeable shift for both – with insured arrangements dropping and the use of exchanges increasing (from 6% to 15% in 3 years).

The Tatum Quarterly Survey of Business Conditions is a pulse check on business and the emerging economic trends that impact our clients and their industries. Our c-suite partners, clients and colleagues provide exclusive perspectives from critical industries and markets. **We listen to you and speak your language.**

For more information and to contact us, visit [www.Tatum-US.com](http://www.Tatum-US.com)