

# Prosperity Index: Measuring the Sacramento Region's Competitive Position

## Business Component Update

The Center for Strategic Economic Research (CSER) developed the **Prosperity Index** to provide business and community leaders in the Sacramento Region a valuable tool to measure economic prosperity and track its performance against competitor regions in order to evaluate the competition, identify opportunities for improvement and ultimately impact change in the Region. Along with the national average, ten competitor regions were chosen as benchmarks for this analysis based on feedback from regional economic development organizations regarding metropolitan areas that often compete with the Region for business location and expansion projects. CSER updates the overall Prosperity Index annually — which measures indicators in the three areas of **BUSINESS, PEOPLE and PLACE**. The **BUSINESS** component is updated quarterly in order to allow for more frequent evaluations of the local business climate. For more information and to view the 2009 report, please visit [www.strategiceconomicresearch.org](http://www.strategiceconomicresearch.org).

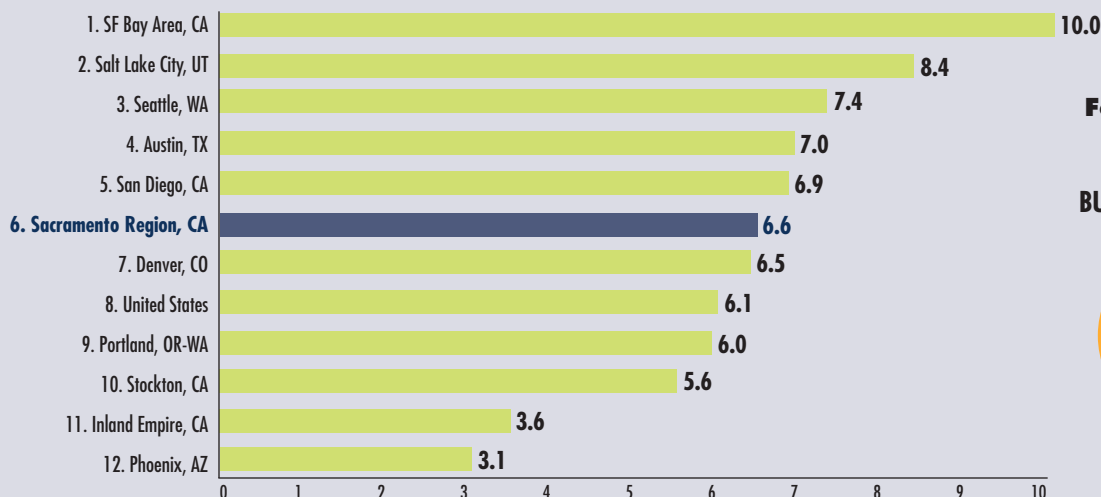


## Sacramento's Business Climate Moved Up Three Places to Rank Sixth Among its Main Competitors

The Sacramento Region jumped to sixth place on the fourth quarter 2009 **BUSINESS** component of the *Prosperity Index*, the highest ranking it has received over all 18 quarters this component has been measured. Sacramento received a score of 6.6 out of a possible 10, a significant improvement over its 5.4 score for the third quarter of 2009. In the previous quarter, the Region placed ninth and under the national average—with its move to sixth place, Sacramento overtook the national average in addition to the Portland and Denver regions. The top three regions held their spots again in this quarterly update with the SF Bay Area leading the pack and Salt Lake City and Seattle coming in just behind. A number of the major regions in the Western United States continue to present stronger business climates than the rest of the nation.

The Sacramento Region's above average score demonstrates that, relative to its main competitors, it is beginning to present a decent competitive position in

terms of business climate. While industry employment and labor market indicators show that the Region has been in poor economic health recently, it is important to note that the Business component of the Prosperity Index measures all indicators relative to the other areas—all the measured regions are experiencing weak economic conditions. For instance, the total payroll of establishments in the Region declined on an annual basis, but Sacramento received a very high score in this indicator because payroll shrunk at a slower rate than in all but one of the other measured regions. The Region also received healthy scores in the Establishment Growth and Job Growth indicators (measured through comparable first quarter data). The three indicators where the Region scored well all experienced increases since the last quarter. Sacramento posted weak scores on the other three indicators (all of which were lower than the third quarter 2009 scores), including Venture Capital Investment where it received the lowest score of all areas.



**Fourth Quarter  
2009  
Prosperity Index  
BUSINESS Component**



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## Fourth Quarter 2009 Prosperity Index: Business Component Indicator Scores

Region	Establishment Growth	Job Growth	Office Vacancy Rate	Payroll Growth	Unemployment Rate	Venture Capital Investment
Austin, TX	2.9	10.0	0.0	7.1	8.8	1.0
Denver, CO	0.3	6.7	6.0	6.4	8.0	0.5
Inland Empire, CA	10.0	1.1	0.2	1.6	2.3	0.0
Phoenix, AZ	4.9	0.0	0.7	0.0	7.8	0.1
Portland, OR-WA	2.9	3.8	9.2	4.3	4.8	0.5
<b>Sacramento Region, CA</b>	<b>6.4 (+)</b>	<b>5.1 (+)</b>	<b>3.2 (-)</b>	<b>9.5 (+)</b>	<b>3.9 (-)</b>	<b>0.0 (-)</b>
Salt Lake City, UT	0.0	5.5	10.0	10.0	10.0	0.3
San Diego, CA	6.2	5.6	3.3	6.2	5.9	2.5
Seattle, WA	0.6	6.4	6.5	9.5	7.2	1.4
SF Bay Area, CA	8.3	5.3	7.2	6.2	5.6	10.0
Stockton, CA	5.7	5.6	6.0	6.6	0.0	0.0
United States	1.7	5.9	7.5	3.8	6.4	0.5

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Note: + refers to improvement in score over Q3 2009 and - represents decrease in score from Q3 2009.

## Benchmark Regions

**Sacramento Region, CA** — El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba Counties

**Austin, TX** — Bastrop, Caldwell, Hays, Travis, and Williamson Counties

**Denver, CO** — Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties

**Inland Empire, CA** — Riverside and San Bernardino Counties

**Phoenix, AZ** — Maricopa and Pinal Counties

**Portland, OR-WA** — Clackamas, Columbia, Multnomah, Washington, Yamhill Counties in Oregon and Clark and Skamania Counties in Washington

**Salt Lake City, UT** — Box Elder, Davis, Morgan, Salt Lake, Summit, Tooele, and Weber Counties

**San Diego, CA** — San Diego County

**Seattle, WA** — King, Kitsap, Pierce, and Snohomish Counties

**SF Bay Area, CA** — Alameda, Contra Costa, Marin, San Benito, San Francisco, San Mateo, and Santa Clara Counties

**Stockton, CA** — San Joaquin County

**United States** — national average

## Prosperity Index Business Component Indicators

**Job Growth** accounts for the year-over-year percentage increase in average first quarter employment from 2008 to 2009. This measure is often viewed as an indicator of overall economic performance since employment is the primary source of income for residents and changes in the level of jobs reflect local business patterns. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

**Establishment Growth** measures the percentage increase in firms from the first quarter of 2008 to the same quarter of 2009. As an indicator of the overall business climate, this measure shows net changes in the number of businesses and captures firm births and deaths. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

**Office Vacancy Rate** calculates the percentage of the total net rentable area of office property that was unoccupied in the third quarter of 2009. High vacancies indicate a lack of demand and/or overdevelopment and can also be interpreted as signs of economic slowdown. Regions with high vacancy rates receive low scores on this indicator. The sources for this data are the CB Richard Ellis Office Vacancy Index and Market View reports and Colliers International Market Reports.

**Payroll Growth** measures the percentage increase in aggregate compensation over a one-year period (in this case, from the first quarter of 2008 to the first quarter of 2009). This data provides insight into changes in total industry payrolls, pointing to general business performance and the level of available consumption and savings activity. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

**Unemployment Rate** calculates a 12-month moving average (ending in September 2009) percentage of the labor force that was unemployed. Higher unemployment rates indicate signs of economic slowdowns, increased competition for jobs, and decreased ability to generate income while lower rates tend to signify growth and expansion. Regions with low unemployment rates receive higher scores on this indicator. The source for this data is the Bureau of Labor Statistics' Local Area Unemployment Statistics.

**Venture Capital Investment** accounts for total venture capital funds invested in local companies per employee in the third quarter of 2009. This indicator not only points to perceptions in the investment community about a region's innovation capacity and investment risk, but also has future implications since firms receiving venture capital use the funds in an attempt to innovate, develop products and services, and become more productive in the future. The sources for this data are Venture Economics' Quarterly Statistics and the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.