The region has shown a steady and healthy improvement in the last couple of years.

The Small Business Economy

Key Points

Our key metric of small-business health – total dollar volume of SBA loans approved in the region – increased by 24%.

Overall, small-business confidence improved across the board for all sectors compared with last year’s levels, with significant improvements in access to credit.

Small businesses remain very upbeat regarding business prospects for 2015 with noticeable improvements in the manufacturing sector regarding prospects for new hires.

Even though the market for small-business sales has softened, we believe the small-business economy will continue to show sustained improvements in 2015.
BA lending serves as the key leading indicator for the small-business economy and has shown a steady and healthy improvement in the past two years. In 2014, the total dollar volume of SBA loans approved for the Sacramento MSA increased by 24%. Sacramento County, the largest county in the region, led with the largest increase at 30%, followed by Placer County at 27%. Essentially, the overall loan volume in the four-county region has doubled since 2009. The region’s small-business economy appears on track for a full recovery to pre-recession levels in 2015.

Overall, small-business confidence has improved across the board compared with similar measures from last year. The most notable improvement is in the measure of credit accessibility, which increased by 9.3% during the past six months. The service sector’s access to credit improved by 21%, in sharp contrast to a decline in the previous six-month period. This is significant given that the Greater Sacramento economy is driven primarily by the service sector. The manufacturing and

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**Figure 1**
Total Dollar Amount of SBA Loans Approved in Sacramento MSA - January 2015 (in Millions)

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Data Source: U.S. Small Business Administration
“other” sectors also sustained high levels of confidence regarding credit conditions. All of this is consistent with increased SBA loan activity and further proof of a substantially improved local small-business economy.

We see more positive news in our Small Business Confidence Index with a 7.5% increase in the overall likelihood of new hires compared with six months ago. The manufacturing sector promises to be the best performer with a 24.4% increase in likelihood followed by the service sector with a 9.6% increase – bringing these measures to record levels of optimism.

Small businesses across the various sectors remain very upbeat regarding business prospects in 2015. This measure of confidence is currently either at peak or near historic peak levels for all industries, suggesting

Data Source (Figures 2-5): U.S. Small Business Administration
high optimism regarding future business growth and continued improvement in the small-business economy.

The number of businesses listed for sale in the Sacramento region – another key metric of small-business economic health – increased in 2014 to 742. While still below peak levels, this is 58.5% higher than in 2010. The number of actual closed sales in 2014 was 40, down from 57 in 2013. The median revenue and cash flows of the sold businesses were $272,700 and $67,225 respectively, also lower than in 2013. The median closed sales price was 22.6% higher at $190,000 than a year earlier. We have seen some softening in the small-business listings and sales in the latter half of last year. The most recent quarter, 2014-Q4, saw a dip in the number of total transactions, median sales price, and, in particular, the median revenue and cash flows of closed sales.