Economic Report

Financial Forecast & Snapshot

OFFICE OF THE CITY CONTROLLER ▪ *Alan Butkovitz*

February 2011

Snapshot Highlights

Tax revenues (City & PICA) for February totaled $427.7 million, a 7% increase over the same month last year and an 85% increase from the previous month. This month marked the highest recording for City and PICA revenues for FY2011 as well as the highest recording since May 2007.

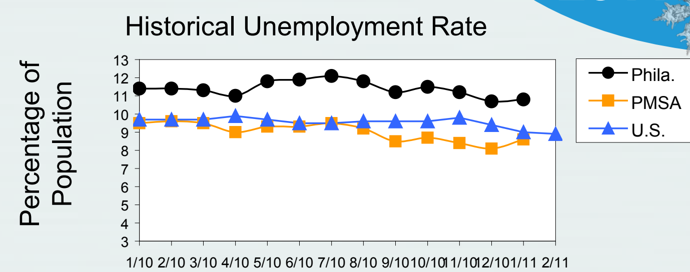
Wage/Earnings/NPT (City & PICA) collections for the month totaled $115.8 million, a 10% decrease from the same month last year. Even with this month's lower collection amount, overall collections for FY11 totaled just over $1 billion, 3% higher over the same period in FY10.

One of the main contributors to the increased monthly revenues was the $22.8 million collected in sales tax. It was the second largest collection for FY11, and a 2% increase from the same month last year.

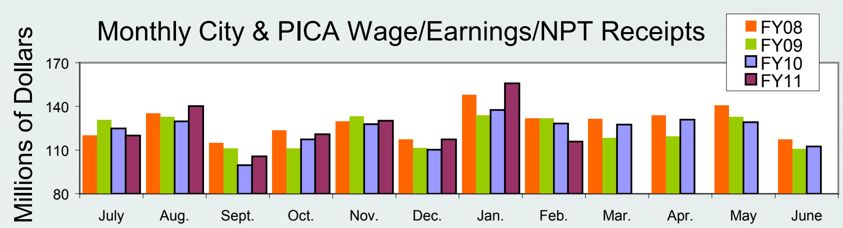
With the April 18, individual tax return deadline only a couple of weeks away, this month's economic report reviews previous tax returns for Philadelphia and its surrounding counties - Bucks, Chester, Delaware and Montgomery.

Using the latest tax filing information available for specific counties provided by the Internal Revenue Services for tax year 2007, Philadelphia's average refund payment of $2,503 trails its neighboring counties for lowest payment. Chester leads the pack with an average of $2,763.

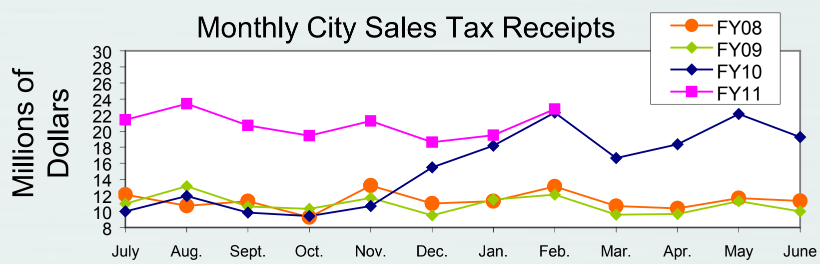
In tax year 2007, Philadelphia received $1.3 billion in refunds, which accounted for 13% of the $10.5 billion in refunds paid in total to all Pennsylvanians.



	Jan-11	Dec-10	Change	Jan-10
City -	10.8%	10.7%	0.93%	11.4%
MSA -	8.6%	8.1%	6.17%	9.5%
	Feb-11	**Jan-11**	**Change**	**Feb-10**
US -	8.9%	9.0%	-1.11%	9.7%



(in millions)	FY2011	FY2010	Change
Wage/NPT/Earnings - (City & PICA Yearly)	$1,006.11	$975.39	3.15%



(in millions)	FY2011	FY2010	Change
Sales (Yearly) -	$167.11	$107.80	55.02%

Key Trends

- Sales Tax - 2nd highest revenue collection for this fiscal year
- 10% decrease in Wage/Earn/NPT receipts from same month last year
- Philadelphia trailed neighboring counties for avg. tax refunds
- Home sales down 5.5% compared to Feb. 2010

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Forecast Highlights

According to the latest Philadelphia Federal Reserve's Business Outlook Survey, the region's manufacturers continue to report signs of growth and future expansion. The diffusion index of current activity, the survey's broadest measure of manufacturing conditions, increased from 35.9 last month to 43.4 this month. This month's reading marks the highest in 27 years; January 1984.

Firms' continued optimism this month can be attributed to another month of increases in unfilled orders and delivery times. Twenty-four percent of firms reported increases in inventories compared to 12 percent reporting decreases. It's also been three consecutive months of positive reporting for the current inventory index and this months reading is the highest in four years.

The manufacturing outlook continues to show signs of improvement as the future general activity index increased to 63, which is its highest reading since February 1993.

Total Non-Farm Employment (in thousands)				Source: BLS
	Jan-11 (P)	Dec-10	%Change	Jan-10
City Total	651.6	665.9	-2.1%	643.7
Manufacturing	24.2	24.8	-2.4%	24.7
Wholesale & Retail	62.4	64.5	-3.3%	61.7
Services	618.0	631.3	-2.1%	609.7
Construction & Mining	9.4	9.8	-4.1%	9.3
MSA Total	2658.8	2730.6	-2.6%	2648.8
Manufacturing	183.7	186.4	-1.4%	187.7
Wholesaole & Retail	407.5	423.8	-3.9%	407.5
Services	2379.8	2443.5	-2.6	2369.1
Construction & Mining	95.3	100.7	-5.4	92.0

RESOURCES

American Bankers Association - Forecast & Outlook	-outlook delivers a one-year forecast for mostly banking-related indicators as well as general economic measures
economy.com - Precis: Metro/US/Northeast/Philadelphia	-includes five-year forecasts of eleven key indicators
FRB Philadelphia	-3rd District - eastern PA, southern NJ and state of Delaware
FRB Philadelphia - Livingston Survey	-summarizes the forecasts of economists from industry, government, banking and academia
FRB Philadelphia - Professional Forecasters	-quarterly survey of macroeconomic forecasts in the U.S.
FRB Philadelphia - Regional Employment Forecasts	-regional indicator predicting job growth and unemployment rate one year from now
FRB Philadelphia - Business Outlook Survey	-monthly survey of manufacturers in the Philadelphia area indicating the change in expected business activity six months from now
NABE Outlook	-presents the consensus of macroeconomic forecasts by 37 professional forecasters from NABE
Conference Board - U.S. Leading Indicator	-gauges the whereabouts of the U.S. economy in nine months

DEMOGRAPHICS

PHILADELPHIA

Population	Other
1,526,006	9.73%
Male	Hispanic
46.80%*	12.30%
Female	Pov. Rate
53.21%*	25.0%*
White	Under 18
41.04%	25.58%*
Af. Amer.	Over 65
43.37%	12.85%*
Asian	Md. Hse Inc.
6.32%	$33,229

Data above is from the 2010 Census, unless noted

*based on 2009 American Community Survey

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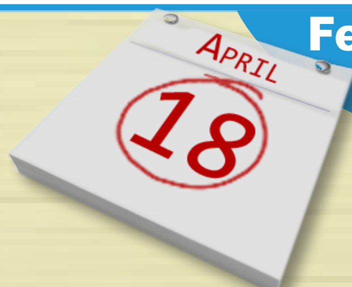
TAX REFUND REVIEW



With only a couple of weeks left for individuals to file their tax returns, the Controller's economic report this month looks at previous tax refunds received by Philadelphians and those in the surrounding counties. Reviewing the Internal Revenue Services' data for the 2007* tax year found that $1.3 billion was returned in refunds to 529,423 Philadelphians for an average refund of $2,503.

Philadelphia's average refund is the lowest when compared to Chester, $2,763; Montgomery, $2,680, Delaware, $2,658; and Bucks, $2,576. While Philadelphia's average refund was the lowest in the southeastern PA region, it was above the national average refund of $2,255 in tax year 2007.

Excluding zip code 19109, Center City East (19106) and West (19103 marked the top spots for the largest average tax refund with $4,764 and $4,178, respectively. The largest total amount of refunds returned went to zip code 19120 with a little more than $69 million, averaging $2,730.

Philadelphia's $1.3 billion in refunds for the 2007 tax year was 13% of the $10.5 billion in refunds returned to Pennsylvania.

*2007 is the latest year the IRS has data for county tax refunds

2007 Philadelphia vs. Suburban Counties

County	Total Refunds Issued	Total Refund Amount $	Aveg. Refund Payment
Chester	161,772	$447,013,000	$2,763
Montgomery	279,116	$747,928,000	$2,680
Delaware	206,080	$547,675,000	$2,658
Bucks	238,899	$615,429,000	$2,576
Philadelphia	529,423	$1,325,252,000	$2,503

2007 Top Refunds Around Philadelphia

zipcode	Total Refunds Issued	Total Refund Amount $	Aveg. Refund Payment
19106	3,442	$16,396,000	$4,764
19103	6,892	$28,796,000	$4,178
19118	2,697	$9,436,000	$3,499
19133	8,084	$23,726,000	$2935
19142	10,737	$30,788,000	$2,867

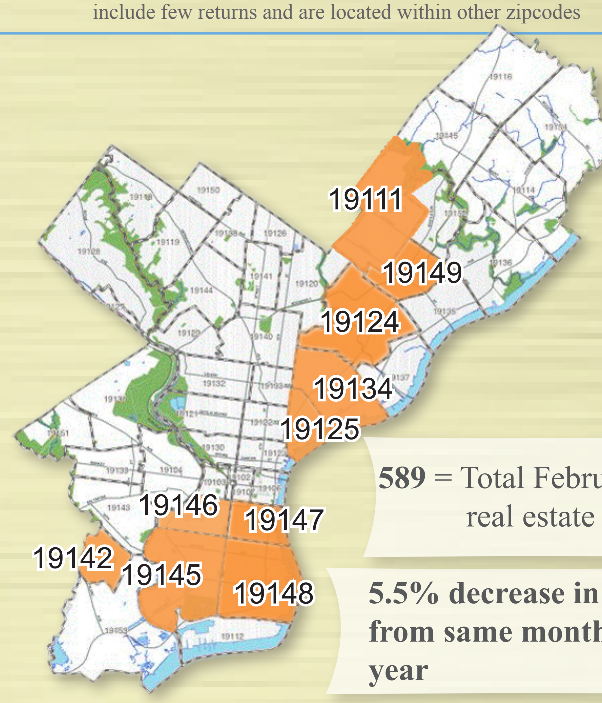
-19109 and 19101 were excluded from the list above because they include few returns and are located within other zipcodes

City Real Estate Sales

FEBRUARY 2011 - Top 10 Sales by Zipcode

ZIP Code	Sales	Bank Owned	% of Bank Owned
19124	29	6	20.7%
19145	28	7	25.0%
19148	28	4	14.3%
19125	26	4	15.4%
19134	26	5	19.2%
19149	26	6	23.1%
19146	25	4	16.0%
19147	24	2	8.3%
19142	22	8	36.4%
19111	19	5	26.3%

Based on information from TREND for February 2011.



589 = Total February real estate sales

5.5% decrease in sales from same month last year