Economic Report

Financial Forecast & Snapshot

Office of the City Controller ▪ *Alan Butkovitz*

January 2013

Monthly Feature:

20% - increase in costs over four years to treat certain medical conditions in Philadelphia's health care facilities Page 3

Snapshot Highlights

Tax revenues (City & PICA) for January totaled $270.9 million, an almost 15 percent increase from the same month last year. A breakdown of the total revenues includes $232.8 million into the General Fund and $38.1 million as the PICA portion.

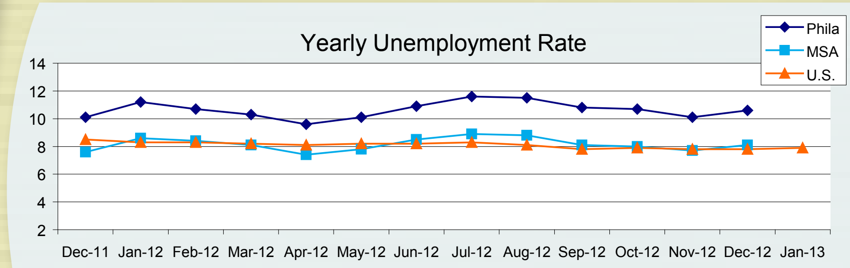
Wage/Earnings/NPT (City & PICA) collections for the month totaled $166 million, an almost 27 percent increase compared to the same month last year. Yearly collections have totaled almost $937 million, a five percent increase over the prior year.

Monthly sales tax collections totaled just over $20 million, which is a less than one percent decline than what was collected last January. Yearly collections have totaled almost $148 million, a three percent increase over the prior year.

Along with highlighting total tax collections, this month's economic report includes a review of the rising cost of health care in Philadelphia. A review of selected health conditions found that the cost has increased by as much as 21 percent from 2008 to 2011.

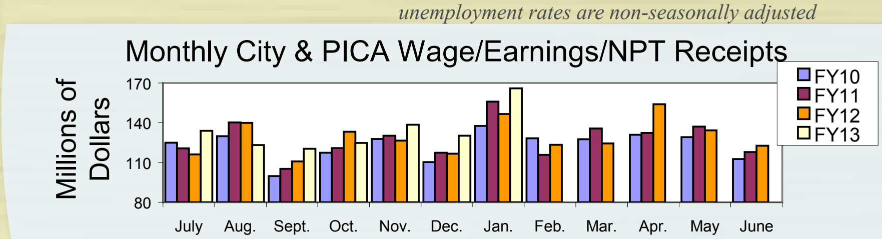
The average cost in Philadelphia to individually treat an abnormal heartbeat, chest pain and congestive heart failure has increased by about 20 percent. Conditions such as diabetes management, colorectal procedures and kidney infections had increases below 10 percent.

When compared to average costs at facilities in Southeastern Pennsylvania as well as statewide, Philadelphia's costs outpaced both averages when comparing the selected health conditions.

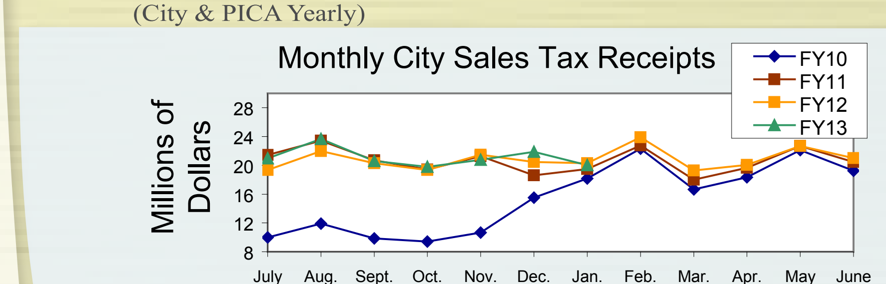


	Dec-12	Nov-12	Change	Dec-11
City -	10.6%	10.2%	3.92%	10.2%
MSA -	8.1%	7.7%	5.19%	7.6%
	Jan-13	**Dec-12**	**Change**	**Jan-12**
US -	7.9%	7.8%	1.28%	8.3%

unemployment rates are non-seasonally adjusted



(in millions)	FY2013	FY2012	Change
Wage/NPT/Earnings - (City & PICA Yearly)	$936.69	$889.76	5.27%



(in millions)	FY2013	FY2012	Change
Sales (Yearly) -	$147.72	$143.25	3.12%

According to PICA, collections for a single month can be a misleading indicator due to monthly variability in collections

Key Trends

- 5% increase in yearly Wage/NPT/Earnings revenues over last year
- 3% increase in yearly sales tax revenues over last year
- Avg. medical costs in Philadelphia increased by as much as 20% in four years
- 23% increase in monthly home sales compared to January 2013

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Forecast Highlights

According to the latest Business Outlook Survey from the Philadelphia Federal Reserve, indicators for general activity and new orders have recorded negative readings for the last two months. The diffusion index of current activity decreased from -5.8 to -12.5 over the last month. These negative readings were followed with slight declines for the demand of manufactured goods. The new orders index declined from a reading of -4.3 to -7.8 last month.

While some indicators declined over the last month, there were a few positive marks. The employment index increased from -5.2 to 0.9, which is the first positive reading in eight months. The percentage of firms reporting employment increases, 15 percent, slightly outpaced the percentage reporting decreases, 14 percent. Additional positive readings came from the survey's future indicators, which suggest that firms are expecting recent declines to be temporary. The future general activity index increased from 29.2 to 32.1, which is the third consecutive monthly increase.

1 The survey's results reflect data of the current month and/or the month that the Controller's economic report is released.

Total Non-Farm Employment (in thousands)				Source: BLS
	Dec-12	Nov-12	% Change	Dec-11
City Total	653.0	656.2	-0.5%	659.9
Manufacturing	22.9	23.2	-1.3%	23.0
Wholesale & Retail	64.3	62.8	2.4%	63.8
Services	621.0	623.7	-0.4%	627.6
Construction & Mining	9.1	9.3	-2.2%	9.3
MSA Total	2757.8	2758.3	0.0%	2733.0
Manufacturing	186.8	186.5	0.2%	187.0
Wholesale & Retail	421.6	419.0	0.6%	420.7
Services	2472.2	2473.3	0.0%	2444.2
Construction & Mining	98.8	98.5	0.3%	101.8

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
47.20%	12.30%
Female	**Pov. Rate***
52.80%	28.4%
White	Under 18
41.04%	39.3%
Af. Amer.	Over 65
43.40%	17.3%
Asian	**Md. Hse Inc.**
6.32%	$36,251

Data above is from the 2010 Census, unless noted
*based on 2011 American Community Survey

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HEALTH CARE COSTS IN PHILADELPHIA

The cost of medical care in the United States from 2008 to 2011 increased by a total of 13.3 percent, according to the sum of yearly increases reported by the Consumer Price Index for All Urban Consumers (CPI-U). In the City of Philadelphia, the cost to treat certain health conditions has increased by as much as 21 percent over the same four-year period.

By analyzing the latest available average costs (2011) for conditions treated at health care facilities located in Philadelphia, the Controller's Office found that costs for half of the conditions reviewed not only increased over the four-year period, but they also outpaced the CPI-U percent increase for national medical care. The average costs to treat an abnormal heartbeat, chest pain and congestive heart failure increased by about 20 percent. Conditions such as diabetes management, colorectal procedures and kidney infections had increases below 10 percent.

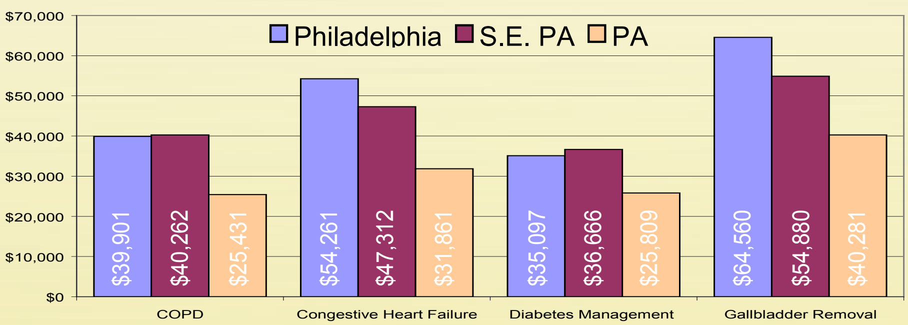
When compared to average costs at facilities in Southeastern Pennsylvania, Philadelphia's costs were higher for 75 percent of the conditions reviewed. Philadelphia's costs were also above statewide averages for every condition reviewed, as some medical costs were $20,000 or more than the statwide averages.

Average Costs for Health Conditions at Philadelphia's Medical Facilities

	2008 Avg.	2011 Avg.	% chg.	+/- U.S. % chg.
Abnormal Heartbeat	$58,454	$70,639	21%	Above
Chest Pain	$21,796	$26,358	21%	Above
COPD	$36,241	$39,901	10%	Below
Congestive Hrt. Failure	$45,071	$54,261	20%	Above
Colorectal Procedures	$114,962	$120,762	5%	Below
Diabetes Mngmt.	$32,956	$35,097	6%	Below
Gallbladder Removal	$54,323	$64,560	19%	Above
Kidney & Urinary Infections	$33,009	$35,263	7%	Below

Source: Average costs were calculated from data obtained from the Pennsylvania Health Care Cost Containment's Hospital Performance Reports.

+/- U.S. % Chg. = based on the Consumer Price Index percent change for medical services from 2008 to 2011.

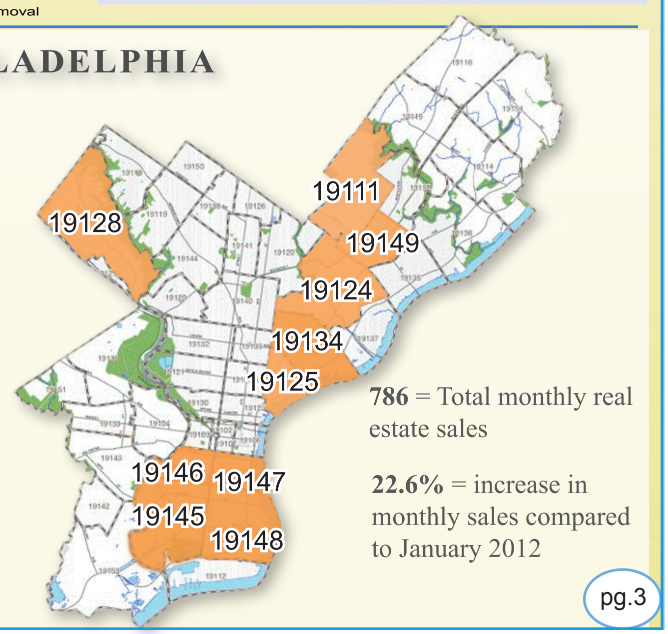


HOME SALES IN PHILADELPHIA

January 2013 - Top 10 Sales by Zipcode

ZIP Code	Sales	% of Sales from Bank Owned	% of Sales from Short Sales
19146	45	2.20%	6.70%
19111	42	16.70%	7.10%
19147	41	7.30%	2.40%
19128	36	11.10%	2.80%
19149	36	16.70%	5.60%
19124	32	28.10%	3.10%
19125	32	3.10%	6.30%
19145	32	6.30%	3.10%
19148	32	6.30%	3.10%
19134	29	17.20%	6.90%

Based on information from TREND for January 2013.



786 = Total monthly real estate sales

22.6% = increase in monthly sales compared to January 2012