



Economic Report

Financial Forecast & Snapshot



OFFICE OF THE CITY CONTROLLER

Alan Butkovitz

Snapshot Highlights

Tax revenues (City & PICA) for May totaled \$345.4 million, an almost 20% increase from May 2011. This included \$312.6 million into the General Fund and \$32.8 million as the PICA portion.

While many of the city's major taxes were above collection amounts from last year, the Business Privilege tax generated \$52 million more this month compared to one year ago. Collections for the current month totaled \$155.7 million.

Wage/Earnings/NPT (City & PICA) collections for the month totaled \$134.2 million, which is a two percent reduction in what was collected in May 2011. Yearly collections are 1.4% above last year's collection amount.

Monthly sales tax collections totaled \$22.7 million, which is unchanged from the same month last year. However, yearly collections totaled \$229.2 million, which is a less than one percent increase over last year's collections for the first ten months.

The Controller's economic report this month reviewed real estate sales in Philadelphia for the first five months of the last three calendar years. The number of homes purchased through a short sale from January through May 2012 increased by 29 percent over the same period in 2010.

There were 199 short sales that represented existing sales for the first five months of the year, compared to 165 in 2011 and 154 in 2010. A similar trend has occurred across the U.S., as homes purchased through a short sale have recently reached a three-year high.

More information about Philadelphia's real estate climate on page 3 of this month's economic report.



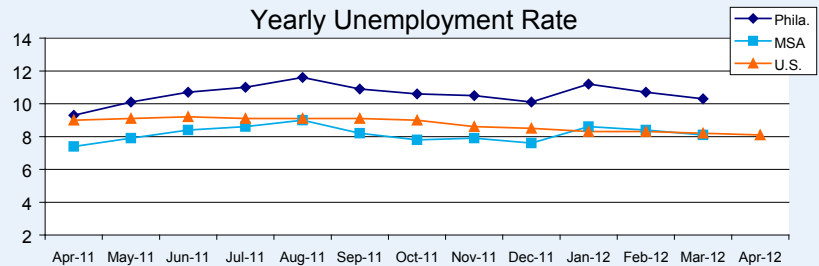
MONTHLY FEATURE:

Existing home sales 2010 vs 2012: short sales increased by 29% and foreclosures decreased by 26% in first five months of year.



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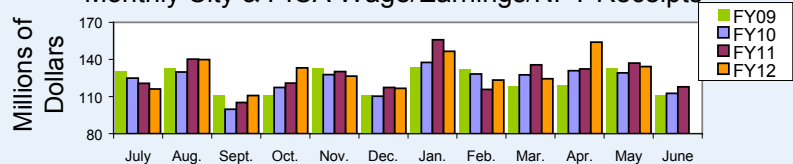
Yearly Unemployment Rate



	May-12	Apr-12	Change	May-11
City -	10.1%	9.6%	5.20%	10.7%
MSA -	7.8%	7.4%	5.41%	8.2%
US -	8.2%	8.1%	1.24%	9.0%

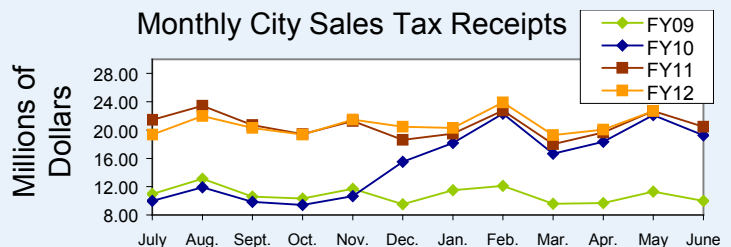
unemployment rates are non-seasonally adjusted

Monthly City & PICA Wage/Earnings/NPT Receipts



(in millions)	FY2012	FY2011	Change
Wage/NPT/Earnings - (City & PICA Yearly)	\$1,425.73	\$1,411.12	1.04%

Monthly City Sales Tax Receipts



(in millions)	FY2012	FY2011	Change
Sales (Yearly) -	\$229.2	\$227.5	0.75%

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

Key Trends & Financials

- Monthly sales tax collections remain unchanged from previous year
- Monthly tax revenues up 20% over last month - Business Priv. tax gives boost
- Total purchased homes from short sale increased, foreclosures decreased
- Manufacturing activity indicators were all negative this month



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Forecast Highlights

May 2012

According to the latest Business Outlook Survey from the Philadelphia Federal Reserve, general activity indicators were all negative this month, suggesting an overall decrease in business. The survey's broadest measure of manufacturing conditions fell from a reading of -5.8 in May to -16.6 in June, its second consecutive negative reading.

Firms' responses suggest steady employment this month but shorter hours. The current employment index increased three points this month. The average workweek index decreased 14 points and posted its third consecutive negative month.

The future general activity index improved from a reading of 15.0 in May to 19.5 in June. When asked about their expectancy of spending on new plant and equipment over the next six to 12 months, the majority of firms reported that spending would remain unchanged. Although slightly fewer firms expect increases than in November, far fewer firms anticipate decreases in capital spending.

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
	May-12 (P)	Apr-12	% Change	May-11
City Total	658.6	662.5	-0.6%	667.3
Manufacturing	22.7	23.1	-1.7%	23.8
Wholesale & Retail	62.1	62.1	0.0%	62.1
Services	626.9	630.2	-0.5%	632.9
Construction & Mining	9.0	9.2	-2.2%	10.6
MSA Total	2,739.5	2,729.4	0.4%	2729.8
Manufacturing	185.8	185.4	0.2%	186.1
Wholesale & Retail	411.8	405.8	1.5%	409.3
Services	2,454.4	2,445.7	0.4%	2,441.8
Construction & Mining	99.3	92.3	1.0%	101.9

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%*	26.7%*
	White	Under 18
	41.04%	36.4%*
	Af. Amer.	Over 65
	43.37%	16.9%*
	Asian	Md. Hse Inc.
	6.32%	\$33,229

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



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May 2012

PHILADELPHIA'S REAL ESTATE REVIEW

Short sales increasing, foreclosures decreasing

As many homeowners continue to feel the effects of the economic collapse, several are opting to enter short sales when deciding to unload their homes. A short sale allows a homeowner who is unable to pay their current mortgage payments to sell their home for less than its worth. In many cases, the lender forgives the remaining debt from the mortgage, and it allows the owner to avoid foreclosure and eviction.

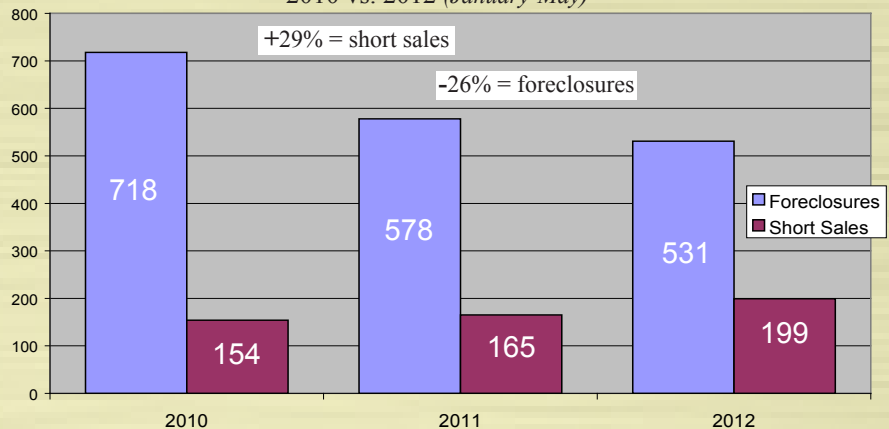
From January through May 2012, there were a total of 3,989 home sales. Of this total, five percent represented short sales and 13 percent represented foreclosures. Even though foreclosures still outpace short sales in Philadelphia, there has been a 26 percent decrease in foreclosures in the last two years.

more people owning homes with mortgages that are "underwater", meaning they owe more than what their home is worth. Some homeowners who choose to do a short sale can realize less of an impact on their credit score than going through a foreclosure. Lenders have also started to see short sales as a less costly alternative to foreclosure.

The increase in short sales is due to various reasons. One of which includes

The number of U.S. homes purchased through a short sales hit a three-year high in the first quarter of 2012. A similar trend occurred in Philadelphia as the total number of homes purchased through a short sale from January through May 2012 increased by 29 percent over the same period in 2010. There were 199 short sales that represented existing sales for the first five months of the year, compared to 165 in 2011 and 154 in 2010.

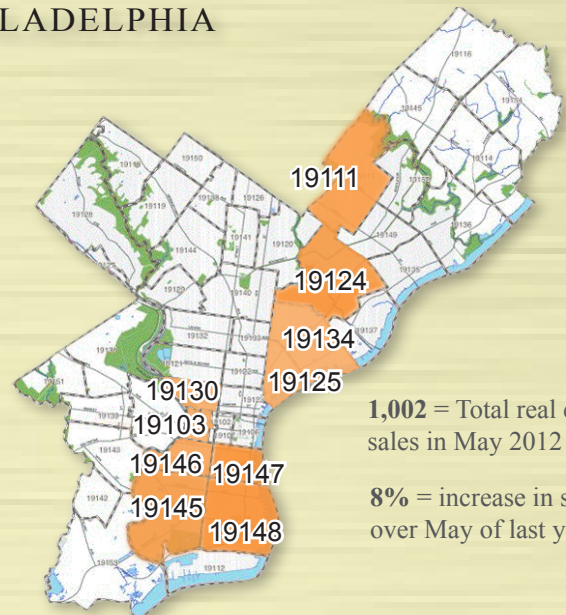
Existing Home Sales: Short Sales vs. Foreclosures
2010 vs. 2012 (January-May)



HOME SALES IN PHILADELPHIA

May 2012 - Top 10 Sales by Zipcode

ZIP Code	Sales	% of Sales from Bank Owned	% of Sales from Short Sales
19146	59	8.50%	5.10%
19147	52	3.80%	5.80%
19130	49	4.10%	6.10%
19148	48	4.20%	2.10%
19124	45	20.00%	2.20%
19145	41	14.60%	9.80%
19125	39	2.60%	2.60%
19111	37	0.00%	5.40%
19103	36	2.80%	0.00%
19134	36	16.70%	8.30%



1,002 = Total real estate sales in May 2012

8% = increase in sales over May of last year

Based on information from TREND for May 2012.