



# Economic Report

## Financial Forecast & Snapshot



OFFICE OF THE CITY CONTROLLER

Alan Butkovitz

### Snapshot Highlights

Tax revenues (City & PICA) for September totaled \$190.1 million, an 8.1 percent increase from the same month last year. A breakdown of the total revenues included \$162 million into the General Fund and \$28.1 million as the PICA portion.

Wage/Earnings/NPT (City & PICA) collections for the month totaled almost \$122.9 million, a two percent increase compared to the same month last year. First quarter FY14 revenues totaled almost \$384 million, which is almost a two percent increase over last year's first quarter.

Monthly sales tax collections totaled \$23.6 million, a less than one percent decrease from what was collected last July. First quarter FY14 revenues totaled almost \$67 million, which is a two percent increase over last year's first quarter.

All City General Fund tax revenues for the first quarter realized increases over the prior year. These increases included \$11.8 million for the Business Income & Receipts Tax (BIRT), formerly known as the Business Privilege Tax, \$9.2 million for the Realty Transfer and \$1.9 million for Real Estate Tax.

Along with highlighting total tax collections, monthly home sales were up almost 15 percent from September 2012. There were 942 home sales in the City of Philadelphia for the month. The majority of sales were in Lower Northeast neighborhoods such as Frankford, Juniata Tacony and Lawncrest. Fishtown and Roxborough were also included in the top ten city locations for most sales.



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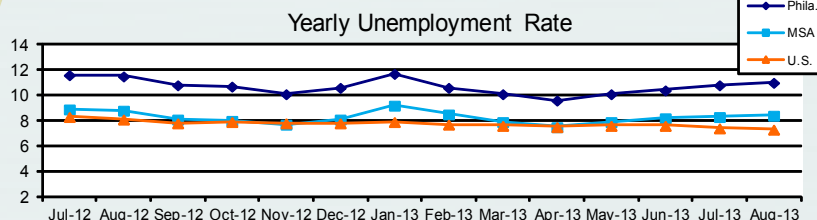
### MONTHLY FEATURE:



\$31 million = increase in 1<sup>st</sup> quarter City General Fund tax revenues over last year

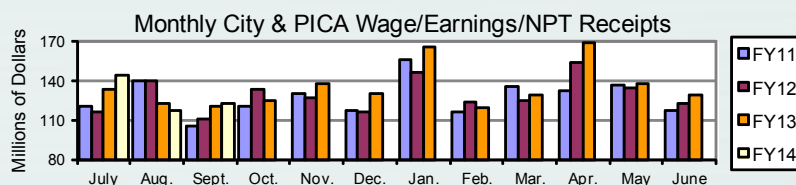
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September  
2013

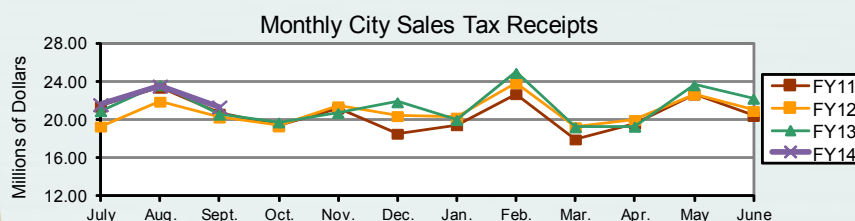


|        | Aug-13 | July-13 | Change | Aug-12 |
|--------|--------|---------|--------|--------|
| City - | 11.0%  | 10.9%   | 0.92%  | 11.5%  |
| MSA -  | 8.4%   | 8.3%    | 1.20%  | 8.9%   |
| US -   | 7.3%   | 7.4%    | -1.35% | 8.1%   |

*unemployment rates are non-seasonally adjusted*



| (in millions)                            | FY2014   | FY2013   | Change |
|--|----------|----------|--------|
| Wage/NPT/Earnings - (City & PICA Yearly) | \$383.74 | \$377.34 | 1.7%   |



| (in millions)    | FY2013  | FY2012  | Change |
|------------------|---------|---------|--------|
| Sales (Yearly) - | \$66.63 | \$65.25 | 2.1%   |

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

### Key Indicators



1.7% = increase in Wage/NPT/Earnings revenues over last year



2.1% = increase in sales tax revenues over last year



15% = increase in annual home sales compared to September 2013



9.5% = increase in first-quarter School District tax revenues over last year



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### Forecast Highlights

September  
2013

According to the latest Business Outlook Survey from the Philadelphia Federal Reserve, the survey's broadest measure of manufacturing conditions, the diffusion index of current activity, remained positive for the fifth consecutive month.

The demand for manufactured goods continued to record its highest reading since March 2011, increasing six points over last month. Furthermore, indicators for new orders, unfilled orders, delivery times, inventories and number of employees all realized increases over last month. The survey also noted that over the past year 51 percent of manufacturing firms have increased their total workforce.

The future general activity index continued to exceed previous highs since the end of the recession in 2009. Over 67 percent of firms expect increases in new orders and 57 percent of firms expect increases in shipments over the next six months.

<sup>1</sup> 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 (most recent data available) |             |           |        |             |
|--|-------------|-----------|--------|-------------|
|  | August 2013 | July 2013 | % Chg. | August 2012 |
| <b>City Total</b>                                      | 649,100     | 650,500   | -0.2%  | 651,000     |
| Manufacturing  | 23,100      | 23,000    | 0.4%   | 23,400      |
| Wholesale & Retail                                     | 64,200      | 64,400    | -0.3%  | 64,100      |
| Services   | 614,000     | 615,600   | -0.3%  | 617,200     |
| Construction & Mining                                  | 12,000      | 11,900    | 0.8%   | 10,400      |
| <b>MSA Total</b>                                       | 1,893,500   | 1,894,300 | -0.04% | 1,872,000   |
| Manufacturing  | 128,200     | 127,600   | 0.5%   | 129,200     |
| Wholesale & Retail                                     | 270,500     | 270,500   | 0.0%   | 273,300     |
| Services   | 1,695,000   | 1,697,000 | -0.1%  | 1,675,800   |
| Construction & Mining                                  | 70,300      | 69,700    | 0.9%   | 67,000      |

Source: PA  
Dept. of Labor  
& Industry

#### 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     | <b>Pov. Rate*</b>   |
| 52.80%     | 28.4%               |
| White      | Under 18            |
| 41.04%     | 39.3%               |
| Af. Amer.  | Over 65             |
| 43.40%     | 17.3%               |
| Asian      | <b>Md. Hse Inc.</b> |
| 6.32%      | \$36,251            |

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



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### CITY TAX REVENUES: STRONG 1<sup>ST</sup> QUARTER COLLECTIONS

As the economy continued its financial rebound into the new fiscal year, the City of Philadelphia has maintained its positive growth with tax revenues after it posted a strong first quarter for fiscal 2014.

City General Fund tax revenues for the first three months of FY14 totaled \$482 million, which is \$31 million, or seven percent, more than what was collected for the first quarter of FY13. The most significant increases in General Fund tax revenues came from the Business Income & Receipts (BIRT), formally known as the Business Privilege Tax, and the Realty Transfer Tax.

BIRT realized a 67 percent increase in collections, generating \$11.8 million in additional funding over the first quarter of last year, while the Realty Transfer Tax brought almost 29 percent more funding to the City, or \$9 million more than FY13 figures. BIRT is collected from every for-profit individual, partnership, associa-

tion and corporation, and the Realty Transfer Tax is collected from the sale or transfer of real estate.

Along with increases to the City's General Fund, the portion of taxes remitted to The School District of Philadelphia increased by \$7 million, or 9.5 percent, over the same period last year. First quarter FY14 collections totaled almost \$80 million, compared to \$73 million collected for the first three months of FY13.

Revenues from the Liquor by the Drink Tax increased by \$2.4 million, or almost 20 percent, over last year. The Business Use & Occupancy Tax generated \$2.6 million, or eight percent, more than the first quarter of FY13. The Liquor by the Drink Tax is placed on the sale price of alcoholic beverages purchased at bars, restaurants and catered events. The Business Use & Occupancy Tax is generated from any business, trade or other commercial use and occupancy of real estate located in Philadelphia.

City General Fund Tax Revenues  
(Amounts in millions)

|                 | FY13           | FY14           | \$ Diff.      | % Chg       |
|-----------------|----------------|----------------|---------------|-------------|
| Wage/NPT/Earn   | \$290.8        | \$296.6        | \$5.8         | 2.0%        |
| Sales           | \$65.2         | \$66.6         | \$1.4         | 2.1%        |
| Realty Trnsfr   | \$31.7         | \$40.9         | \$9.2         | 29%         |
| Real Estate     | \$20.8         | \$22.7         | \$1.9         | 9.1%        |
| BIRT            | \$17.6         | \$29.4         | \$11.8        | 67%         |
| Parking & Valet | \$18.3         | \$18.5         | \$0.2         | 1.1%        |
| Amusement       | \$5.4          | \$6.6          | \$1.2         | 22.2%       |
| Other*          | \$1.1          | \$1.1          | \$-0.0        | 0.0%        |
| <b>Total</b>    | <b>\$450.9</b> | <b>\$482.3</b> | <b>\$31.4</b> | <b>7.0%</b> |

\*Coin, Unallocated, Tobacco and Billboard taxes

School District Fund Tax Revenues  
(Amounts in millions)

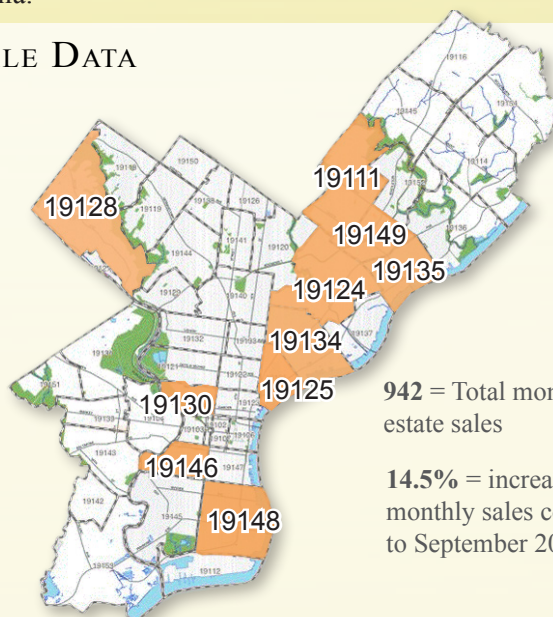
|                      | FY13          | FY14          | \$ Diff.     | % Chg       |
|----------------------|---------------|---------------|--------------|-------------|
| Bus. Use & Occupancy | \$32.4        | \$35.0        | \$2.6        | 7.9%        |
| Real Estate          | \$27.3        | \$28.7        | \$1.4        | 5.1%        |
| Liquor/Glass         | \$12.4        | \$14.9        | \$2.4        | 19.7%       |
| School Income        | \$.58         | \$1.1         | \$.52        | 89.8%       |
| <b>Total</b>         | <b>\$72.7</b> | <b>\$79.7</b> | <b>\$6.9</b> | <b>9.5%</b> |

### MONTHLY HOME SALE DATA

September 2013 - Top 10 Sales by Zipcode

| ZIP Code | Sales | % of Sales from Bank Owned | % of Sales from Short Sales |
|----------|-------|----------------------------|-----------------------------|
| 19146    | 67    | 6.00%                      | 0.00%                       |
| 19149    | 53    | 15.10%                     | 5.70%                       |
| 19111    | 44    | 15.90%                     | 6.80%                       |
| 19128    | 44    | 2.30%                      | 0.00%                       |
| 19125    | 42    | 2.40%                      | 2.40%                       |
| 19130    | 38    | 2.60%                      | 2.60%                       |
| 19134    | 38    | 21.10%                     | 0.00%                       |
| 19135    | 37    | 29.70%                     | 10.80%                      |
| 19148    | 34    | 8.80%                      | 2.90%                       |
| 19124    | 30    | 23.30%                     | 6.70%                       |

Based on information from TREND for September 2013.



942 = Total monthly real estate sales

14.5% = increase in monthly sales compared to September 2012