

PHILADELPHIA ECONOMIC INDEX 2001-2010



AUGUST, 2011

OVERVIEW

The Economy League of Greater Philadelphia developed the Philadelphia Economic Index, a tool for measuring economic performance in Philadelphia, at the request of the Philadelphia Industrial Development Corporation (PIDC). The Index combines data from 15 individual economic indicators, through a relative weighting system, to create a single numerical series that is useful in evaluating economic trends over time. The components are clustered into four important categories - Employment & Income, Business Activity, Real Estate and Moving People.

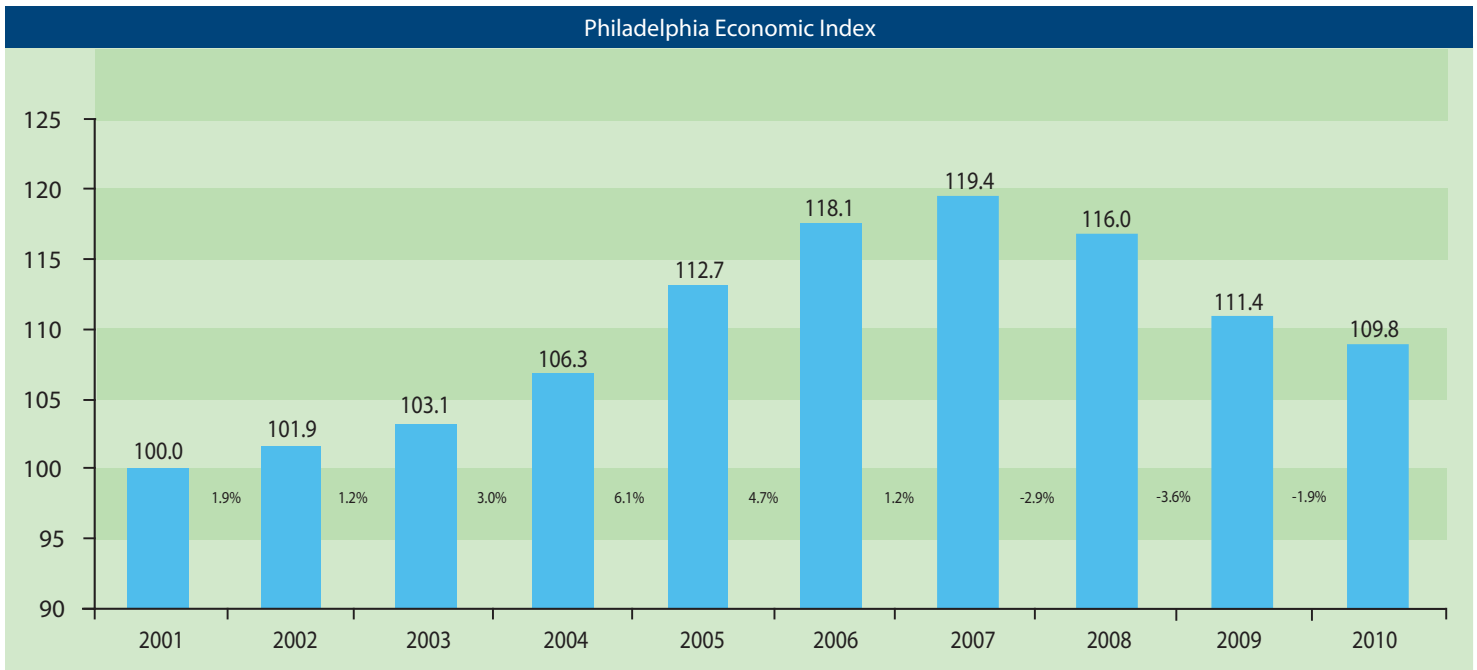
One decade ago, the terrorist attacks of September 11 created a significant shock to the U.S. economy and represent a logical base year for the Index. This is the fourth publicly released volume of the Philadelphia Economic Index and covers the period from 2001 through 2010. The underlying data measure economic activity exclusively within the city of Philadelphia. Where appropriate, figures are expressed in inflation-adjusted dollars.

The table below represents the Index breakouts from 2001-2010. For a full explanation of measures and methods, see Exhibit 3.

A review of the Index and the supporting data reveals the following:

- 1) While economists peg the official end of the Great Recession to sometime in mid-2009, its impacts continue to be felt and signs of recovery have been painfully slow to emerge. In a sign that local economic conditions may be stabilizing, the Philadelphia Economic Index declined at a slower rate last year (-1.9%) than it did in 2009 (-3.5%) and 2008 (-2.8%). Philadelphia saw increases last year in five out of the Index's 15 indicators – employment, productivity, real estate tax collections, Philadelphia International Airport passengers, and tourists.
- 2) Philadelphia's total employment grew slightly by 0.6% in 2010 while the number of jobs nationally dropped by 0.6%. Large local employment gains were seen in the city's professional & business services, leisure & hospitality, and government sectors, all of which grew at a faster rate than the nation. However, on other Employment & Income indicators, Philadelphia continues to lag the rest of the country in unemployment (10.9%) and percentage of the population in the work force (41.5%). Wage tax collections fell in 2010 for the second time since the Index has been prepared.
- 3) Retail sales dropped sharply by 9% in 2010 to their lowest level in the past 10 years. This sharp drop in retail spending reflected the lingering effects of the recession and tightening of disposable income in the context of a tax rate increase that took place in late 2009. At the same time, productivity was up slightly (1%) in Philadelphia, mirroring the national trend of increased output per employee.
- 4) Real estate transfer tax collections were up 1% in 2010 after a steep decline in 2009. Ongoing recessionary impacts on the office sector in Philadelphia are reflected in falling rents and a second consecutive year of declining occupied office space.
- 5) SEPTA ridership fell for the first time since 2006, but airport activity rebounded from a sharp decline in 2009 and visitors grew by 4% in 2010 to record levels.

An analysis of trends for each of the Philadelphia Economic Index indicators follows.



Source: Economy League calculations

A. INDICATORS

Indicators											
Employment & Income	Weight	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employment*	13	100	99.1	98.3	95.5	95.9	96.0	96.0	96.2	94.5	95.0
Unemployment Rate	7	100	98.7	98.4	98.7	99.3	99.9	100.1	98.9	96.0	94.9
Percent of the Population in the Labor Force	6	100	100.0	98.1	97.1	97.0	96.6	96.3	97.2	99.9	98.8
Payroll*	11	100	100.1	101.8	100.2	99.2	100.0	103.1	103.4	103.0	102.4
Wage Tax Collections	11	100	102.5	105.3	110.4	117.4	123.6	132.3	145.8	144.3	143.5
Sector Subtotal	48										
Business Activity											
Productivity*	11	100	102.2	103.5	104.5	105.5	106.2	107.7	108.8	110.3	111.4
City Sales Tax Collections	9	100	95.9	93.4	90.4	93.9	96.5	100.7	99.0	94.2	86.0
Sector Subtotal	20										
Real Estate											
Real Estate Transfer Tax Collections	5	100	119.4	125.8	164.1	222.7	257.8	234.6	192.9	118.9	120.0
Occupied Commercial Space	5	100	97.9	97.6	96.9	96.8	100.8	102.9	105.2	103.3	100.9
Commercial Rents	8	100	100.4	100.2	96.9	99.1	101.5	108.4	116.4	116.5	116.1
Average Value of Large Construction Permits	4	100	117.7	124.6	148.4	188.1	239.0	235.2	145.1	162.2	130.0
Sector Subtotal	22										
Moving People											
Passengers at PHL	3	100	103.5	103.0	119.0	131.5	132.6	134.5	132.9	128.0	128.5
SEPTA Ridership	2	100	96.8	97.8	98.6	97.9	97.2	100.7	106.5	108.0	105.2
Visitors	4	100	106.9	119.0	124.6	130.5	130.4	132.7	132.4	129.8	134.9
Bridge Toll Collections	1	100	101.9	102.6	102.0	106.7	108.3	108.7	105.4	99.9	99.5
Sector Subtotal	10										
TOTAL WEIGHT	100	100	101.9	103.1	106.3	112.7	118.1	119.4	116.0	111.9	109.8

* See Exhibit 3: Sources and Methods

B. DEFINITIONS

Employment & Income

- Employment – Measures the number of people working in the city.
- Unemployment Rate – Measures the number of city residents who are unemployed.
- Percent of the Population in the Labor Force – Measures the percentage of the city's populations over the age of 16 able to work.
- Payroll – Measures the amount of wages paid to those who work in the city.
- Wage Tax Collections – Measures the city's tax revenues collected on wages and other compensation paid to employees. Wage taxes are collected for residents and non-residents who work in the city and residents who work outside the city.

Business Activity

- Productivity – Measures output (i.e., gross product) per employee.
- Total Retail Sales for Taxable Items – Measures total city retail sales for taxable items based on city sales tax collections.

Real Estate

- Real Estate Transfer Tax Collections – Measures the revenue generated from the City's Transfer Tax on the sale of real estate.
- Occupied Commercial Office Space – Measures total inventory minus vacant office space of multi-tenant and single tenant buildings with at least 20,000 sq. ft. in Philadelphia's Central Business District.
- Commercial Office Rents – Measures the average rent per square foot for commercial office space.
- Average Value of Large Construction Permits – Measures the average value of construction permits worth more than \$1 million.

Moving People

- Passengers at PHL – Measures the total enplanements and deplanements at Philadelphia International Airport.
- SEPTA Ridership – Measures the number of unlinked SEPTA passenger trips in the Greater Philadelphia Region.
- Visitors – Measures the number of day and overnight visits to Bucks, Chester, Delaware, Montgomery and Philadelphia Counties.
- Total Bridge Toll Traffic – Measures total traffic from Delaware River bridge crossings.

INDICATOR TREND ANALYSIS

A. EMPLOYMENT & INCOME:

The Economic Index includes the following measures of employment and income:

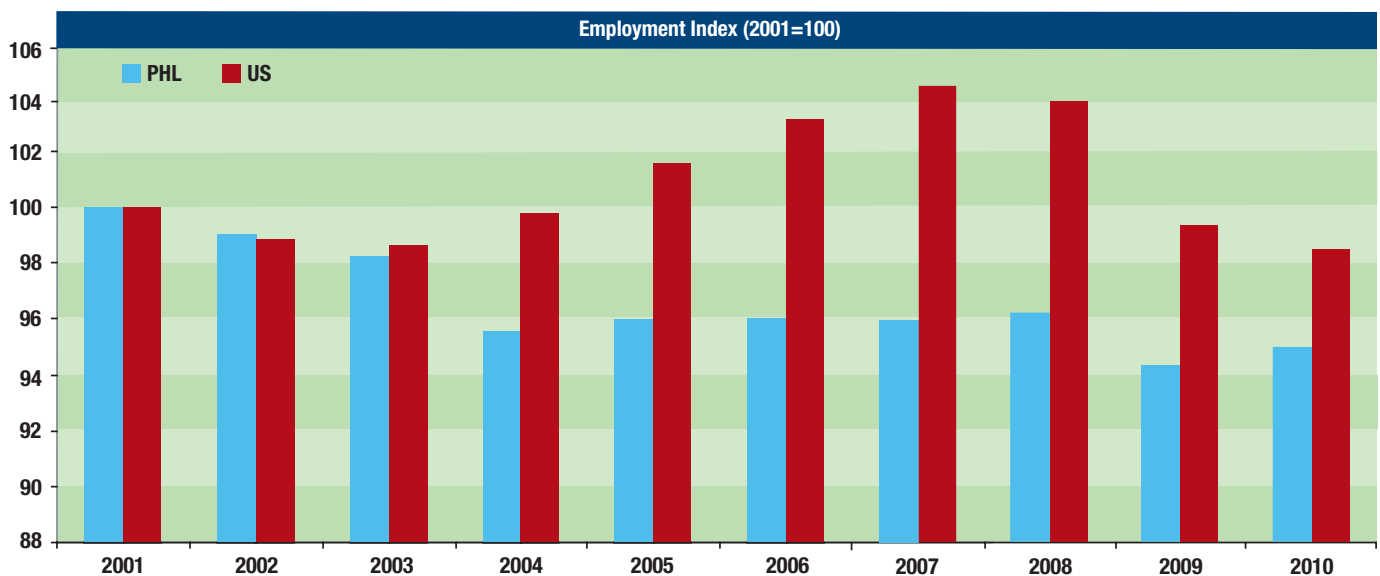
- Employment;
- Unemployment;
- Percent of the Population in the Labor Force;
- Payroll;
- Wage Tax Collections.

Employment and wage activity are among the most important measures of economic well-being. Employment – the number and types of jobs and the mix of industries – is at the heart of any region's economy. As for wages, their importance is illustrated by the corresponding fact that in the United States approximately 70% of Gross Domestic Product (GDP) is the result of private consumption, which is driven primarily by wages.

Those relationships hold true for the city of Philadelphia, where employment- and income-related measures are of primary importance. Accordingly, the five indicators in this section account for half of the value of the overall Index. For Philadelphia, most of these Employment & Income indicators have been relatively stagnant since 2001 aside from the recent jump in unemployment.

Employment (relative weight = 13)

The only Employment and Income indicator that saw improvement in Philadelphia during 2010 was the number of people working in the city. As occurred in 2008, last year Philadelphia gained jobs slightly (+3,608 jobs; +0.6%) while national employment fell (-0.6%). Philadelphia experienced significant employment gains in the professional & business services (+2,313 jobs; +3.1%), education and health services (+2,263 jobs; +1.2%), leisure & hospitality (+1,330 jobs; +2.4%), and government sectors (+1,527 jobs; +1.5%) in 2010 (see Exhibit 2). Philadelphia's growth in the professional services, hospitality, and government sectors outpaced the national rate of growth, while job losses in the construction (-212 jobs; -2.2%) and information (-271; -2.2%) sectors were at less than the national rate. Philadelphia fared better than the nation in all but four employment sectors in 2010, with a larger share of manufacturing, finance, and wholesale trade job losses and slower growth in the education and health care services sector. Slower local growth in eds and meds than at the national level is not surprising given the substantial size and existing concentration of these anchor sectors in the city.



Source: Economy League calculations

Unemployment Rate (relative weight = 7):

2010 yielded Philadelphia's highest unemployment rate since the recession of 1983. The city's unemployment rate of 10.9% remained above the 9.6% national rate and 9% regional rate. The gap in unemployment rates between Philadelphia and the nation had narrowed during 2008 and 2009 to the point of the city having only 0.5% higher unemployment than the national rate. That gap widened dramatically again in 2010, however, with Philadelphia unemployment exceeding the national rate by 1.3%, which is more in line with Philadelphia's position relative to national unemployment levels from 2001 to 2007.

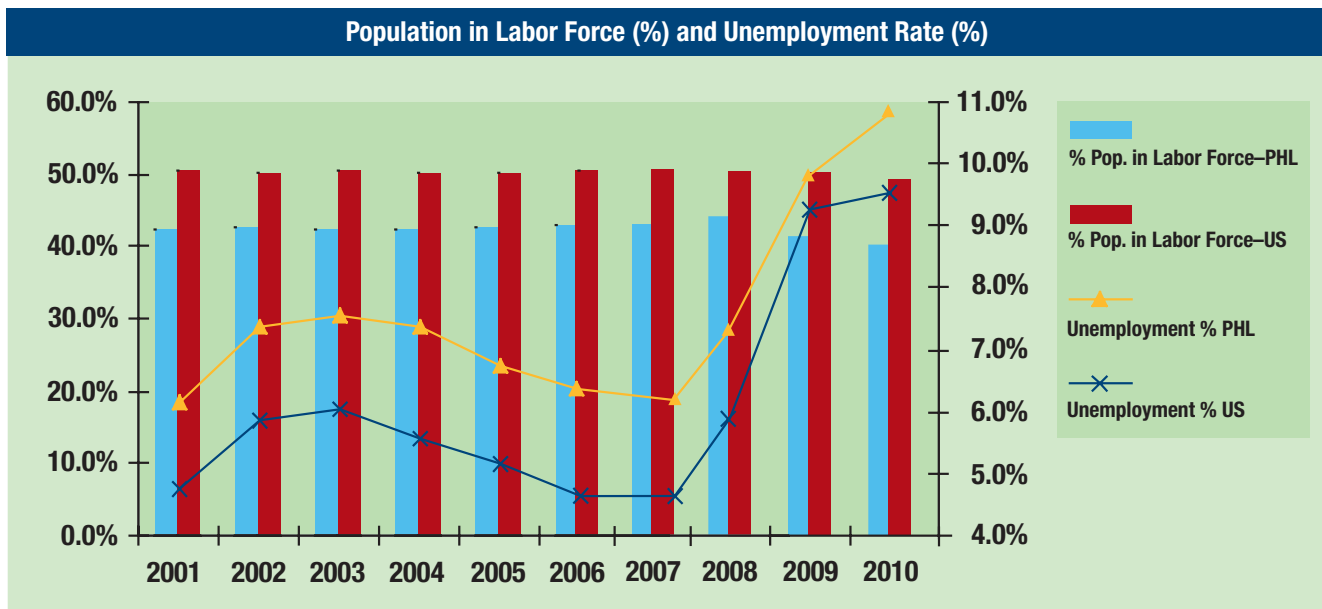
Seasonal and annual changes in the unemployment rate reflect changes in performance of the job market and the overall economy – for example, expansion or contraction – and are responsible for much of the year-to-year pattern in the data. Workers who are displaced in this recession comprise the largest share of unemployed workers in the labor force. Since unemployment data does not include discouraged workers who have stopped looking for work, it only reflects part of the recession's negative workforce impact.

Higher unemployment in Philadelphia is attributable, in part, to lower overall educational attainment and skill levels among city residents relative to the region and nation. With the slow job growth during the recovery and concerns about a possible double-dip recession, reducing the unemployment rate is a continued challenge facing national and local leaders over the next few years.

Percent of Population in the Labor Force (relative weight = 6)

As with the unemployed, having a high percentage of citizens outside the workforce places social and financial demands on families and local government. A portion of the population is too young, too old, too infirm, or otherwise unable to work. The remainder is eligible for employment, and thus has the potential to contribute more to economic growth.

In Philadelphia, the percentage of population in the labor force has remained relatively constant from 2001 to 2010, around 41%. That is below the US level of 50%. For both the nation and the city, those ratios hold reasonably steady in the short term, and only change slowly over time as a result of demographic trends. As the recession's impact continues to be felt, it is expected that the number of people out of the workforce will rise, as discouraged workers end their job searches.

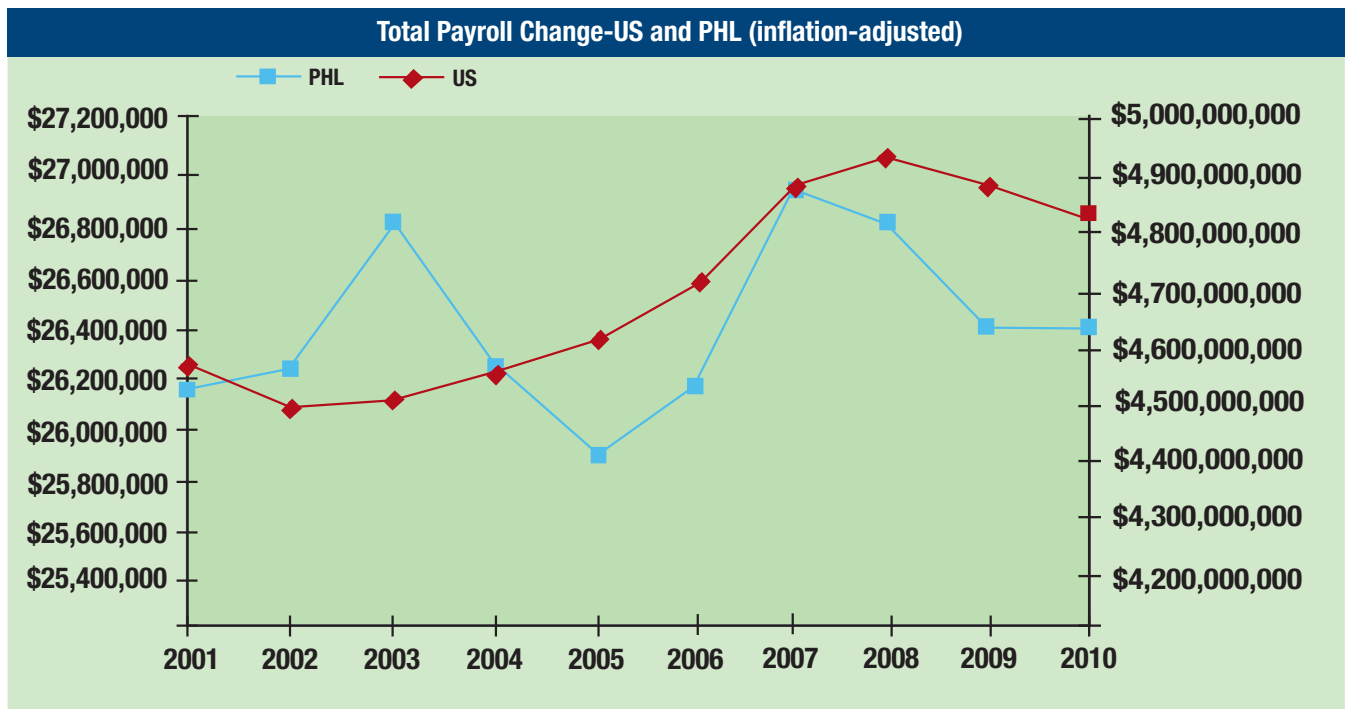


Source: Bureau of Labor Statistics, US Census, Economy League calculations

Payroll (relative weight = 11):

Total payroll or nominal wages for workers in the city grew from \$26.9 billion in 2001 to \$34.6 billion in 2010, an increase of 29%. After adjusting for inflation however, total payroll has been effectively flat since 2001 with a slight decrease for the second year in a row. Total wage growth that does not keep up with inflation provides little opportunity for overall increased consumption spending.

However, flat payroll growth combined with declining employment totals over the past decade has resulted in a dramatic increase in average annual wages, which have gone up from \$40,813 in 2001 to \$55,242 in 2010. The average wage in Philadelphia was also 18% higher than for the nation in 2010. Higher average wages are likely to result in a different mix of consumption spending.

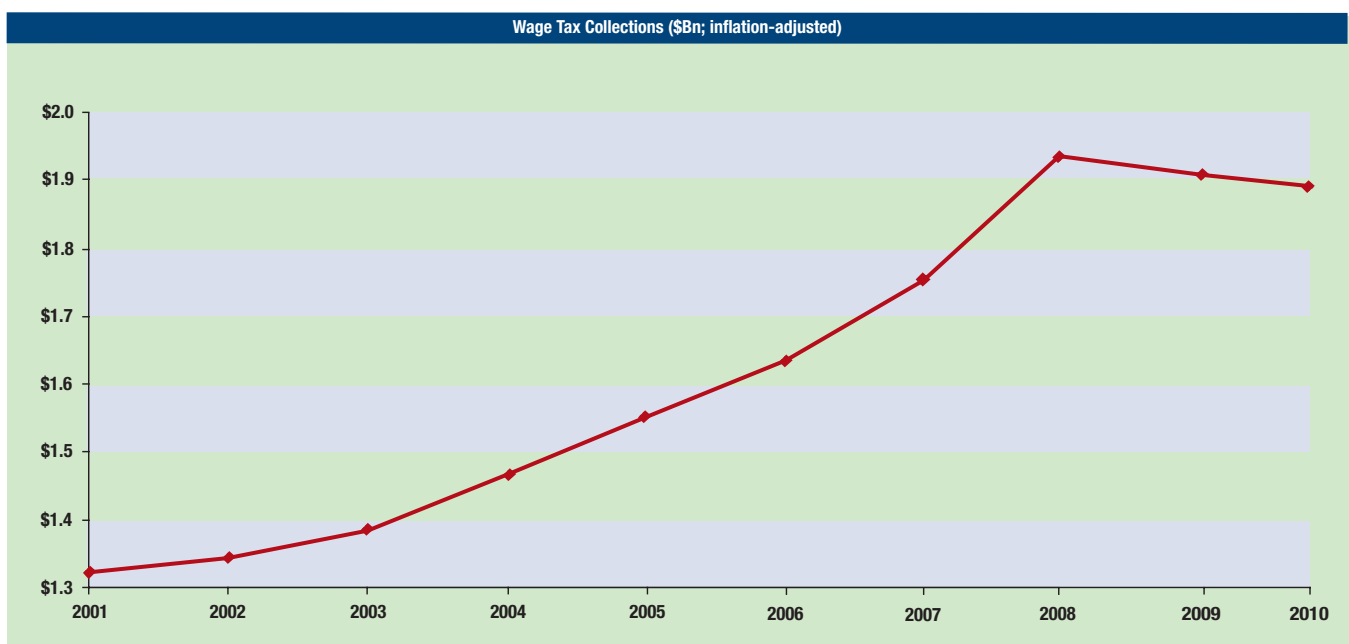


Source: Bureau of Labor Statistics, Economy League calculations

Wage Tax Collections (relative weight = 11):

The city wage tax is collected on salaries, wages, commissions and other compensation. Wage tax receipts amount to nearly one-third of the City of Philadelphia's annual revenues. All Philadelphia residents owe city wage tax regardless of where they work (that is, inside or outside Philadelphia). Non-residents who work in Philadelphia must also pay the wage tax (albeit at a reduced rate). The wage tax rate has been decreasing on an annual basis between 1996 and 2009 for both residents and non-residents, but has held at 3.93% for residents and 3.50% for non-residents for the past two years.

After adjusting for inflation and changes in the tax rate, revenue from the city wage tax decreased slightly by \$10.5 million or 0.6% over the past year, which marks the second consecutive year that collections have dropped following steady increases from 2001 to 2008. The decrease in wage tax collections represents decreases in overall city employment from the recession, as well as other trends contributing to Philadelphian's economic well-being: shrinking job markets and lower nominal payrolls in the city.



Source: Philadelphia Revenue Department; CAFR, Economy League calculations

B. BUSINESS ACTIVITY:

The Economic Index includes two measures related to commerce and economic growth:

- Productivity;
- Total Retail Sales for Taxable Items.

These indicators provide an overview of economic activity for the City of Philadelphia. Their combined weight contributes one-fifth of the total value of the Economic Index—an indication of their importance.

While the measures are different, they are also related. The timing and magnitude of movement for each indicator is independent.

Productivity (relative weight = 11)

Productivity is a measure of economic efficiency or competitiveness. It is reported as output (in dollars) per employee. Nationally, productivity represents Gross Domestic Product (GDP) per employee. The corresponding local measure is Gross County Product per employee. Adjusting the data for inflation provides a more accurate measure of the change in productivity over time.

Continuing a decade-long trend, employee productivity in Philadelphia had a modest increase in 2010 (+1%). Despite the recession, GDP per employee grew by 3.5 nationally, potentially reflective of steady or slightly increased output amidst workforce reductions.



Source: Moody's Economy.com, Bureau of Economic Analysis, Bureau of Labor Statistics, Economy League calculations

Total Retail Sales for Taxable Items (relative weight = 9)

Total retail sales for taxable items are an indicator that represents disposable income and is based on city sales tax receipts. While the data shows much volatility from year to year, the overall level in 2010 when adjusted for inflation is at the lowest level in the 10 years examined in the Index.

The 2010 decline from \$10.2 billion to \$9.3 billion represents the curtailment of consumer spending as a result of the economic downturn. As the recession continues, Philadelphians are spending less due to reduced overall income and in an effort to save. It is possible that some of the retail spending decrease in 2010 might also be attributable to the sales tax rate increase from 7% to 8% that occurred in October 2009. Retail sales tend to respond quickly and sharply to changes in the economy, with a significant rebound possible with an improved economic climate.



Source: Philadelphia Revenue Department; CAFR, Economy League calculations

C. REAL ESTATE:

The Economic Index includes four individual measures related to the city's commercial and residential real estate sectors:

- Real Estate Transfer Tax Collections;
- Occupied Commercial Office Space;
- Commercial Office Rents;
- Average Value of Construction Permits.

The combined weight of these measures comprises just under one-fourth of the total Index weight. Real estate activity is important to the city's economic growth by itself, and is also a byproduct of other economic activity—for example, employment in many sectors—as well as being related to yet other indicators—such as income and wages. Real estate activity also generates corresponding employment activity in the construction sector—a high-wage industry that further benefits the city and region through direct and indirect spending.

In a more general sense, real estate activity also reflects location preference and desirability. The recession continues to hit this set of indicators, particularly indicators like transfer taxes and occupied commercial office space, but there is hope that Philadelphia's real estate market will weather the recession better than some of its competitors due to strong basic fundamentals.



Source: Economy League calculations

Real Estate Transfer Tax Collections (relative weight = 5):

The Real Estate Transfer Tax is paid upon sale of a property. Changes in tax receipts reflect both changes in home prices and sales volume. Sharp increases in tax collections from 2001 to 2006 were the result of rapidly growing residential real estate activity. In addition, evidence of increased economic activity was visible in both the new construction and conversion markets (for example, warehouses and even office space being converted to apartments and condominiums), as well as the resale market. Increased property values in combination with larger sales volume both contributed to growing real estate transfer tax receipts.

After three straight years of significant declines, real estate transfer tax revenues have grown slightly (1%) over the past year. Despite a 53% drop in collections since the market peak in 2006, real estate transfer tax revenues are still up 20% from 2001.

Occupied Commercial Office Space (relative weight = 5)

Occupied commercial office space reflects availability and demand for office space, and is a byproduct of employment in related sectors. It considers total inventory as well as the vacancy rate. Total occupied commercial office space dropped last year for the second consecutive year, declining from 34.9 million square feet in 2009 to 34.1 million square feet in 2010. This decrease reflects sluggish overall job growth as well as a general trend of downtown office tenants choosing to occupy less space upon lease renewal. However, the city's commercial office market continues to have a lower vacancy rate than its suburbs and other cities, and may be poised for a more rapid rebound than in previous downturns.

Commercial Office Rents (relative weight = 8)

Commercial office rents reflect availability and demand for office space. The decline of office rents in Philadelphia during the first part of the period was the result of weak employment activity coupled with new additions to the stock of office space. Rents fell to \$27.65 after an increase in 2009 as landlords adjusted their published "Asking Rates" in response to the downturn. The combination of flat occupied office space and rents over the past decade corresponds with the limited new office construction in the city during this period.

Average Value of Construction Permits (relative weight = 4)

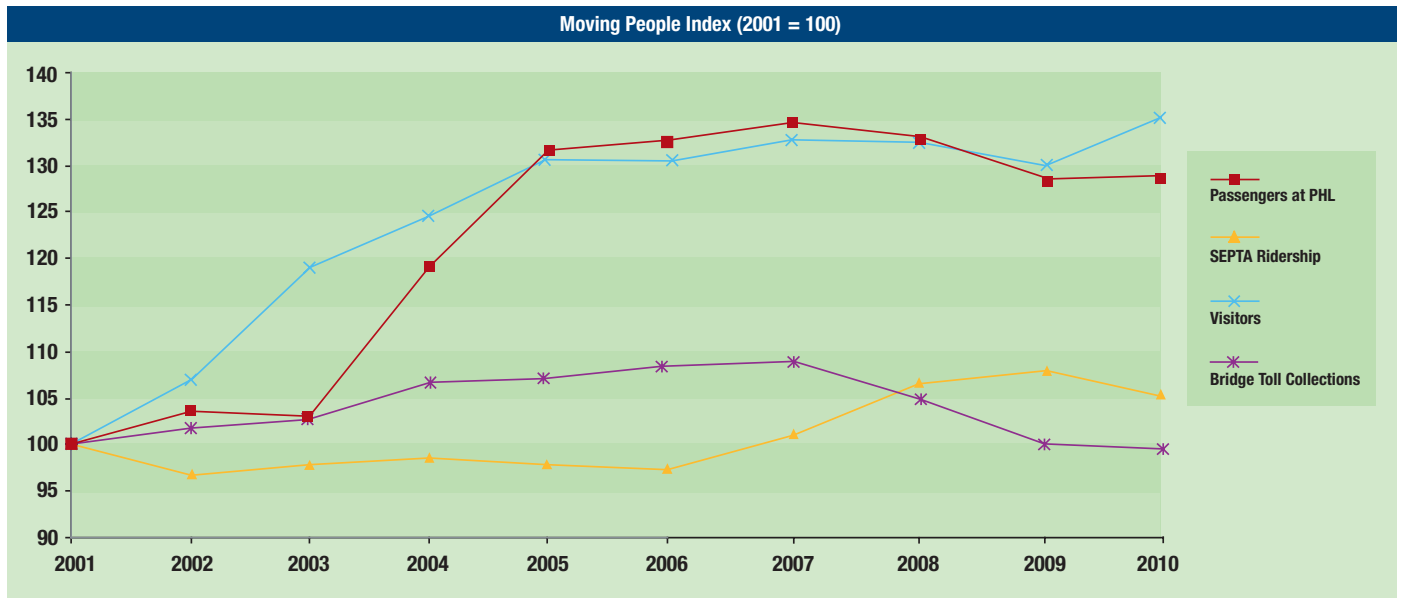
Construction permit data are leading indicators for other varieties of economic activity, and construction itself is also a strong generator of direct and indirect spending in the city. With the slow-down in real estate activity due to lingering effects of the recession, the average construction permit value fell by 20% over the past year.

D. MOVING PEOPLE:

The Economic Index includes four measures of Moving People:

- Passengers at Philadelphia International Airport;
- SEPTA Ridership;
- Visitors;
- Total Bridge Toll Traffic.

These indicators track the movement of people within, to and from, and near the City of Philadelphia, and are a reflection or byproduct of other economic activity. The combined weight of these four measures is 10% of the total value of the Index. Results were mixed in 2010. Airport activity and visitors to Philadelphia showed gains overall, while SEPTA ridership and bridge traffic fell. Increases in the cost of gasoline and the state of the economy have contributed in some part to these outcomes.



Source: Economy League calculations

Passengers at Philadelphia International Airport (PHL) (relative weight = 3):

In 2010, enplanements increased by 106,000, representing less than 1% growth. This represents a rebound from the 4% decrease in passenger enplanements in 2009 due to the recession and a general downturn in travel. Philadelphia continues to remain one of the fastest growing airports in the country, with average growth in passenger enplanements of 3% per year from 2001 through 2010.

SEPTA Ridership (relative weight = 2)

After significant growth in ridership from 2006 to 2009, SEPTA ridership fell by 8.6 million unlinked trips to 321 million in 2010. The loss is in part attributable to the dramatic increase in unemployment during the recession, which has had a far reaching negative effect on transit ridership. SETPA has reported record ridership for their 2011 fiscal year, which ended in June. However, the FY 2010 data actually showed a decrease of 2.5%, so it is expected that this measure will increase substantially in the 2011 Index.

Visitors (relative weight = 4)

After losses in 2008 and 2009, the number of visitors to Philadelphia grew by 4% in 2010 to record Index numbers. The growth points to increases in discretionary and business travel as the worst of the recession passed. Total visitors are up over 35% since 2001.

Total Bridge Toll Traffic (relative weight = 1)

Total bridge toll traffic has remained relatively flat since 2001. Declines since 2007 are likely a result of the September 2008 increase in bridge tolls, resulting in switch by some commuters to public transit and carpooling. Toll traffic includes passenger and commercial vehicles at four bridges across the Delaware River, all owned by the Delaware River Port Authority (DRPA).

EXHIBIT I:

Table 1 outlines the data used to create the Index. Unless noted, dollar values are adjusted for inflation.

Table 1 - PHILADELPHIA INDEX INDICATOR VALUES, 2001-2010

Indicator	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employment*	658,827	652,769	647,713	629,387	632,048	632,755	632,177	633,664	622,392	626,000
Unemployment Rate	6.1%	7.3%	7.6%	7.3%	6.7%	6.2%	6.0%	7.1%	9.8%	10.9%
Percent of the Population in the Labor Force	42.0%	42.0%	41.2%	40.8%	40.8%	40.6%	40.5%	40.9%	42.0%	41.5%
Payroll*	\$26,177,043,078	\$26,213,417,263	\$26,635,190,577	\$26,216,545,616	\$25,954,711,364	\$26,183,233,267	\$26,980,483,010	\$27,063,288,184	\$26,956,446,419	\$26,803,671,423
Wage Tax Collections	\$1,317,685,346	\$1,350,746,875	\$1,387,949,595	\$1,454,214,391	\$1,546,475,387	\$1,628,316,280	\$1,742,865,763	\$1,921,335,328	\$1,901,649,900	\$1,891,126,303
Productivity (output/employee)*	\$84,467	\$86,292	\$87,388	\$88,276	\$89,106	\$89,729	\$90,968	\$91,925	\$93,165	\$94,101
Total Retail Sales for Taxable Items*	\$10,818,666,872	\$10,370,919,274	\$10,105,228,144	\$9,774,698,026	\$10,160,576,176	\$10,436,618,196	\$10,889,348,986	\$10,713,493,303	\$10,193,805,882	\$9,302,753,068
Real Estate Transfer Tax Collections	\$76,074,280	\$90,826,633	\$95,696,811	\$124,852,935	\$169,407,924	\$196,139,880	\$178,486,213	\$146,775,042	\$90,482,498	\$91,312,149
Occupied Commercial Space	33,832,079	33,122,273	33,018,406	32,785,600	32,758,660	34,089,095	34,809,136	35,588,284	34,950,963	34,141,481
Commercial Rents (per sq. foot; unadjusted)	\$23.8	\$23.9	\$23.9	\$23.1	\$23.6	\$24.2	\$25.8	\$27.7	\$27.8	\$27.65
Average Value of Construction Permits	\$119,647	\$140,792	\$149,029	\$177,610	\$225,013	\$285,953	\$281,400	\$173,636	\$194,069	\$155,500
Passengers at PHL	23,953,052	24,799,470	24,671,075	28,507,420	31,495,385	31,768,272	32,211,439	31,834,725	30,669,564	30,775,961
SEPTA Ridership	305,171,840	295,270,159	298,325,816	301,018,217	298,730,503	296,587,290	307,188,000	325,118,000	329,582,000	320,984,300
Visitors*	27,740,000	29,650,000	33,000,000	34,560,000	36,190,000	36,170,000	36,800,000	36,720,000	36,010,000	37,420,000
Total Bridge Toll Traffic*	50,666,000	51,631,000	51,967,000	53,808,000	54,065,000	54,865,000	55,076,000	53,399,000	50,637,000	50,414,000

*See Exhibit 3: Sources and Methods

EXHIBIT 2:

The following tables provide detailed average annual employment data for Philadelphia and the United States for the 2001-2010 period.

Table 2.a - Philadelphia Annual Employment: 2001-2010

Philadelphia Sector	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Total Employment	658,827	652,769	647,713	629,387	632,048	632,755	632,177	633,664	622,392	626,000
Total Employment (Private)	542,328	536,005	533,881	517,828	522,480	525,998	528,154	530,575	518,304	520,385
Goods-Producing	53,271	50,097	45,627	42,914	42,891	42,147	39,896	38,939	35,689	34,240
-Manufacturing	40,140	38,013	33,862	32,064	31,212	30,068	28,312	27,242	25,972	24,716
-Construction	13,082	12,032	11,727	10,816	11,636	12,051	11,553	11,660	9,687	9,475
Service-Providing	489,058	485,908	488,255	474,915	479,589	483,851	488,258	491,636	482,616	486,146
-Professional and Business Svs	82,174	82,839	82,112	80,736	79,282	80,927	81,978	81,841	75,279	77,592
-Information	16,518	16,455	16,790	13,280	13,057	12,612	12,567	12,078	12,239	11,968
-Education and Health Svs	163,302	166,249	170,430	170,346	173,304	178,758	183,433	188,596	191,325	193,588
-Leisure and Hospitality Svs	57,730	53,657	51,794	52,908	56,058	57,290	57,983	57,645	56,620	57,950
-Other Services	23,226	23,126	23,691	22,733	22,808	21,772	21,754	21,783	20,694	20,725
-Wholesale Trade	18,333	18,845	17,739	16,898	17,203	16,080	15,825	15,233	14,326	13,959
-Retail Trade	52,490	50,357	49,848	47,986	47,515	47,011	46,579	46,726	45,568	46,400
-Trans, Warehousing, and Utilities	94,646	92,842	93,093	87,162	87,576	85,574	84,491	84,502	82,516	82,979
-Finance	51,325	50,604	50,171	47,684	47,453	46,899	46,027	45,161	43,939	41,342
Total Government Employment	116,499	116,764	113,832	111,559	109,568	106,757	104,023	103,088	104,088	105,615

* See Exhibit 3: Sources and Methods

EXHIBIT 2B:**Table 2.b - United States Annual Employment: 2001-2010**

United States Sector	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Total Employment	129,635,800	128,233,919	127,795,827	129,278,176	131,571,623	133,833,834	135,366,106	134,805,659	128,607,842	127,831,898
Total Employment (Private)	109,304,802	107,577,281	107,065,553	108,490,066	110,611,016	112,718,858	114,012,221	113,188,643	106,947,104	106,198,248
Goods-Producing	24,865,272	23,554,614	22,788,417	22,848,815	23,183,755	23,489,588	23,222,363	22,390,009	19,542,766	18,774,566
-Manufacturing	16,386,001	15,209,192	14,459,712	14,257,380	14,190,394	14,110,663	13,833,022	13,382,697	11,810,371	11,487,828
-Construction	6,773,512	6,683,553	6,672,360	6,916,398	7,269,317	7,602,148	7,562,732	7,124,886	5,948,837	5,489,076
Service-Providing	84,439,530	84,022,667	84,277,136	85,641,251	87,427,261	89,229,270	90,789,858	90,798,634	87,404,338	87,423,682
-Professional and Business Svs	16,324,890	15,939,596	15,858,457	16,294,776	16,869,852	17,469,679	17,859,796	17,705,280	16,488,835	16,707,779
-Information	3,591,995	3,364,485	3,180,752	3,099,633	3,056,431	3,040,577	3,029,789	2,989,161	2,807,721	2,704,037
-Education and Health Svs	14,849,666	15,346,718	15,738,013	16,084,963	16,479,482	16,916,228	17,433,162	17,954,103	18,321,635	18,658,619
-Leisure and Hospitality Svs	11,884,966	11,995,950	12,162,238	12,467,597	12,739,466	13,024,615	13,327,559	13,395,477	13,001,028	13,004,774
-Other Services	4,206,345	4,246,011	4,261,165	4,287,999	4,324,015	4,364,889	4,438,439	4,484,907	4,369,780	4,349,437
-Wholesale Trade	5,730,294	5,617,456	5,589,032	5,642,537	5,752,802	5,885,194	5,987,206	5,954,915	5,561,787	5,465,985
-Retail Trade	15,179,753	15,018,588	14,930,765	15,060,686	15,256,340	15,370,040	15,509,017	15,307,933	14,544,111	14,479,851
-Trans, Warehousing, and Utilities	25,648,091	25,217,313	25,041,844	25,276,319	25,658,289	26,006,269	26,338,207	26,092,799	24,651,647	24,439,431
-Finance	7,678,974	7,706,265	7,826,930	7,890,786	8,037,850	8,162,063	8,145,981	7,968,376	7,589,821	7,401,536
Total Government Employment	20,330,998	20,656,638	20,730,273	20,788,110	20,960,607	21,114,976	21,353,885	21,617,017	21,660,738	21,633,650

* See Exhibit 3: Sources and Methods

EXHIBIT 3: SOURCES AND METHODS

The following paragraphs provide additional information about the measures used in the Philadelphia Economic Index. Where available, national equivalent data was compared to local data. Unless otherwise indicated, all data are for the period from 2001 to 2010.

ECONOMIC INDICATORS

Employment & Income

Employment:: Data are from the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW). 2010 data are annual average estimates based on preliminary data.

Unemployment Rate: Data are from the Bureau of Labor Statistics Local Area Unemployment Statistics Program (LAUS).

Percent of the Population in the Labor Force: The labor force includes persons age 16 and over. Population data are from the Population Division, U.S. Census Bureau. Labor force data are from the Bureau of Labor Statistics Local Area Unemployment Statistics Program (LAUS).

Payroll: Wages represent total compensation paid during the calendar year, regardless of when services were performed. Included in wages is pay for vacation and other paid leave, bonuses, stock options, tips, the cash value of meals and lodging. Data are from the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW), and is adjusted for inflation. 2010 employment data are annual estimates based on preliminary data.

Wage Tax Collections: Annual Wage, Earnings and Net Profits Tax Revenues, including taxes collected on behalf of the Pennsylvania Intergovernmental Cooperation Authority. Data are standardized to reflect the amount of tax that would have been collected using the 2000 tax rate. Data are further adjusted for inflation and for changes in the tax rate.

Business Activity

Productivity: Output per worker. Gross County Product is the local equivalent of Gross Domestic Product, which measures Value Added at each step of production. Gross County Product data are from Moody's Economy.com, and is adjusted for inflation. Employment data are from the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW), and is adjusted for inflation. 2010 data are annual average estimates based on preliminary data.

Total Retail Sales for Taxable Items: Data are from the city's Comprehensive Annual Financial Report (CAFR). In prior years, the Index included City Sales Tax Collections instead of the current Total Retail Sales indicator, but this was changed due to the city's increase in the sales tax rate from 1% to 2% in October 2009. Data now includes the total Retail Sales for Taxable Items that the city recognizes from its 8% Sales Tax, and is adjusted for inflation.

Real Estate

Real Estate Transfer Tax Collections: Revenue generated from the city's transfer tax on the sale of real estate. Data are from the City of Philadelphia's Comprehensive Annual Financial Report (CAFR), and is adjusted for inflation.

Occupied Commercial Office Space: Total commercial space less vacant space. Occupied Commercial Space data are from Grubb and Ellis.

Commercial Office Rents: Average rent per square foot for commercial office space in the Central Business District (CBD). Data are from Grubb and Ellis.

Average Value of Construction Permits: Total reported value of construction divided by the number of total permits. Data are from the Department of Licenses and Inspections, and is adjusted for inflation.

Moving People

Passengers at PHL: Total enplanements and deplanements at Philadelphia International Airport. Data are from Philadelphia International Airport.

SEPTA Ridership: The number of unlinked (that is, including transfers) SEPTA trips in the Greater Philadelphia Region. Data are from SEPTA.

Visitors: The number of visitors that come to Philadelphia each calendar year. A visitor is one person traveling 50 miles or more away from home or any overnight stay. Data are from the Greater Philadelphia Tourism Marketing Corporation (GPTMC). Differences in prior Index data reflect GPTMC's recalculation of historical data.

Total Bridge Toll Traffic: Measures the total traffic from the Benjamin Franklin Bridge, the Betsy Ross Bridge, the Walt Whitman Bridge, and the Commodore Barry Bridge. Because bridge toll traffic is a proxy for passenger volumes, no inflation adjustments were made. Previously this indicator calculated Bridge Toll Collections but was changed to account for past and future increases in bridge toll rates. Data are from the Delaware River Port Authority.

EXHIBIT 4: METHODOLOGY:

There are 15 component indicators in the Economic Index. The indicators were selected based on input from a panel of experts. The base year for the Index is 2001. The terrorist attacks on September 11, 2001 resulted in much of the relevant data reaching a peak prior to that date and contracting subsequently. As a result, the Index is sensitive to the timing of the business cycle. Individual indicators were indexed accordingly, with base year equal to 100.

Next, each indicator included in the Economic Index was assigned a weight originally assigned after consultation with a panel of experts. Weights were selected to give each indicator a level of influence appropriate for the outcome of the overall Economic Index and to reflect its relative importance for the City of Philadelphia's economic health. The sum of the individual weights for the 15 indicators in the Economic Index is 100, so the weights of individual components reflect their proportional impact on the total. The average weight for all 15 indicators is 7. The highest weight assigned is 13 and the lowest weight is 1.