

# PHILADELPHIA ECONOMIC INDEX 2001-2008



AUGUST, 2009

## 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 important categories – Employment & Income, Business Activity, Real Estate, Moving People.

The first volume of the Index was publicly released in 2007, covering the period from 2001 through 2007. The terrorist attack of September 11, 2001 created a significant shock to the U.S. economy and represents a logical base year for beginning the Index. Now in a recession, it is important to examine such indicators to track the progress of the City. Because indicators are affected by the current recession differently, some indicators will be immediately impacted, while there will be a lag in others. This second publicly released volume of the Index includes another year of data, and runs through 2008. The underlying data measures economic activity exclusively within the city of Philadelphia. Where appropriate, all figures are expressed in inflation adjusted dollars.

A review of the Index and the supporting information which follows reveals the following:

- 1) Given the recessionary economic conditions which prevailed through much of 2008, it is not surprising that the Philadelphia Economic Index declined for the first time in seven years. Consistent Index increases during 2001-2007 averaged 3% per year, which generally trailed national economic trends. In 2008, the Index contracted by 2.8%, a lesser rate of decline than that registered by most US economic indicators.
- 2) While the nation was impacted by the current recession in late 2007, Philadelphia's Key **Employment and Income** indicators remained relatively stable throughout most of 2008. For example, national job losses totaled 557,000 for the year, while Philadelphia employment appears to have realized a slight increase, with private jobs – led by Healthcare and Higher Education – achieving a fourth straight year of growth.

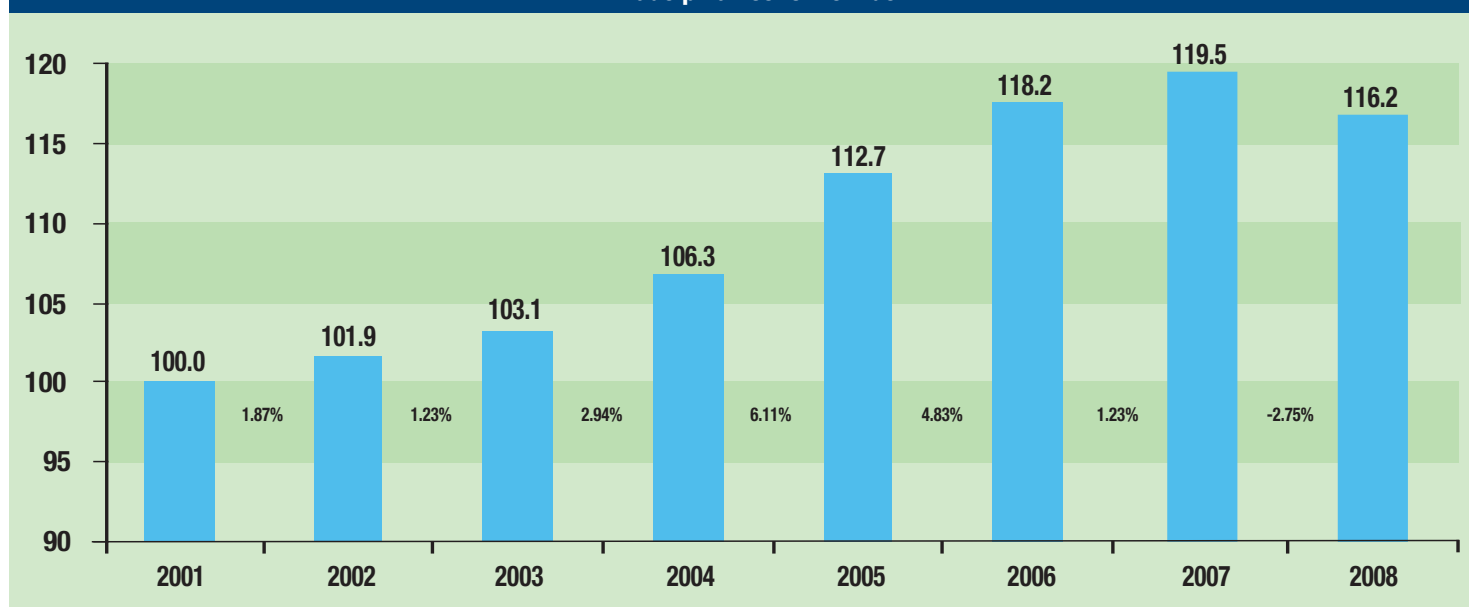
Like many other former manufacturing centers, Philadelphia has lost jobs for most of the past fifty years. National and international trends – suburbanization, migration, globalization, consolidation, productivity and the decline of manufacturing – have negatively impacted the city's economy. Only in recent years have dynamic knowledge-based service activities started to replace continued contraction in traditional sectors.

In part due to this changing mix of employment, Philadelphia's average annual wages are climbing faster than the country as a whole. Likewise, the 5.6% average annual growth of City Wage Tax collections during the period reflects higher nominal payrolls in Philadelphia and expanding job opportunities for city residents in the suburban workplace.

- 3) Trends in **Business Activity** reflected some of the impacts of the recession, with sales tax revenues in the city falling from their peak year in 2007. At the same time, however, productivity in the city grew at a faster pace than the nation, helping to narrow a historic gap and improve the city's competitive position.
- 4) **Real Estate** indicators during the period tracked closely the downturn in the residential real estate market, with transfer taxes continuing to slide from their 2006 peak. Commercial activity was mixed, with increases in total occupancy and rental rates while the average value of a commercial construction permit was down sharply.
- 5) The Index also quantified **Moving People**, with SEPTA continuing to gain riders while Delaware River Bridge tolls declined, suggesting the impact of escalating fuel prices, the declining economy and higher bridge tolls. Meanwhile, airport and visitor counts decreased from last year, a recession-related impact of individuals traveling less for leisure and business.

Following are charts providing the Philadelphia Economic Index for 2001-2008 and the related Indicators and Definitions. PIDC will update the Index each year and looks forward to providing 2009

## Philadelphia Economic Index



## A. INDICATORS

Indicators									
Employment & Income	Weight	2001	2002	2003	2004	2005	2006	2007	2008
Employment*	13	100	99.1	98.3	95.5	95.9	96.0	96.0	96.1
Unemployment Rate	7	100	98.7	98.4	98.7	99.4	99.9	100.1	98.9
Percent of the Population in the Labor Force	6	100	100.8	99.6	99.4	99.7	99.8	100.2	102.1
Payroll*	11	100	100.1	101.8	100.2	99.2	100.0	103.1	103.4
Wage Tax Collections	11	100	102.5	105.3	110.4	117.4	123.6	132.3	145.8
<b>Sector Subtotal</b>	<b>48</b>								
Business Activity									
Productivity*	11	100	102.2	104.1	104.6	105.6	106.5	108.3	110.1
City Sales Tax Collections	9	100	95.9	93.4	90.4	93.9	96.5	100.7	99.0
<b>Sector Subtotal</b>	<b>20</b>								
Real Estate									
Real Estate Transfer Tax Collections	5	100	119.4	125.8	164.1	222.7	257.8	234.6	192.9
Occupied Commercial Space	5	100	97.9	97.6	96.9	96.8	100.8	102.9	105.2
Commercial Rents	8	100	100.4	100.2	96.9	99.1	101.5	108.4	116.4
Average Value of Large Construction Permits	4	100	117.7	124.6	148.4	188.1	239.0	235.2	145.1
<b>Sector Subtotal</b>	<b>22</b>								
Moving People									
Passengers at PHL	3	100	103.5	103.0	119.0	131.5	132.6	134.5	132.9
SEPTA Ridership	2	100	96.8	97.8	98.6	97.9	97.2	100.7	106.5
Visitors	4	100	106.5	116.1	119.2	125.7	128.3	131.1	130.2
Bridge Toll Collections	1	100	97.0	98.8	102.0	98.2	94.4	92.9	92.1
<b>Sector Subtotal</b>	<b>10</b>								
<b>TOTAL WEIGHT</b>	<b>100</b>	<b>100.00</b>	<b>101.9</b>	<b>103.1</b>	<b>106.2</b>	<b>112.6</b>	<b>118.1</b>	<b>119.5</b>	<b>116.2</b>

\* 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.
- City Sales Tax Collections – Measures 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.
- 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 city.
- Visitors – Measures the number of day and overnight visits to the Philadelphia Metropolitan Division (Bucks, Chester, Delaware, Montgomery and Philadelphia Counties).
- Bridge Toll Collections – Measures tolls collected 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.

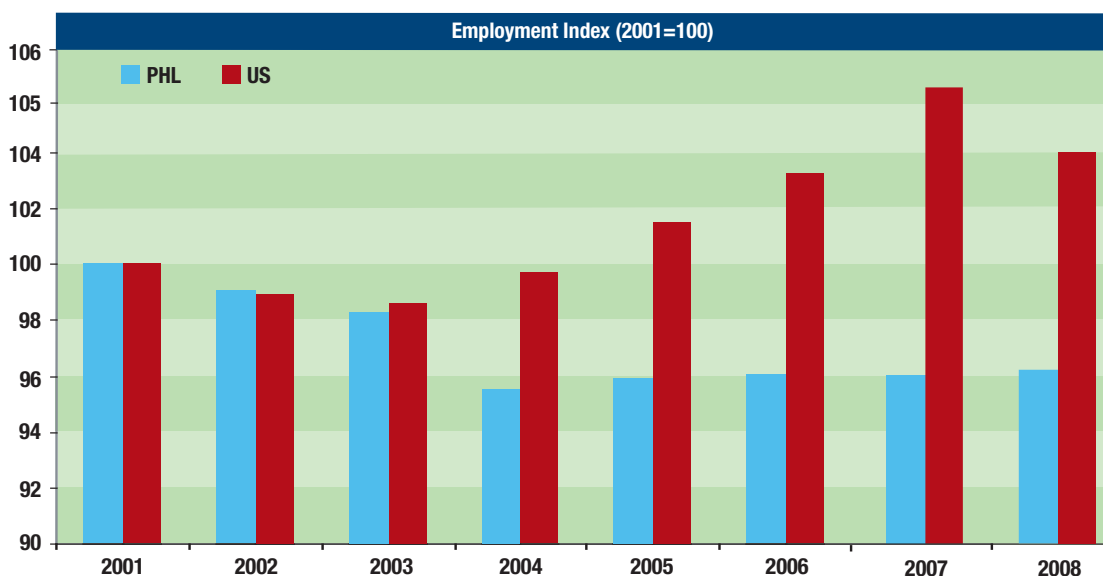
Employment and wage activity are among the most important measures of economic well-being. Employment – the number and types of jobs and the mix of industries – is at the heart of any region's economy. As for wages, their importance is illustrated by the corresponding fact that in the United States,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

Those relationships hold true for the City of Philadelphia, where employment and income related measures are of primary importance. The result is that the five indicators in this section account for nearly half of the value of the overall annual Index. For the City of Philadelphia, most of these measures have been relatively stagnant since 2001. That has significant implications for much of the rest of the city's economy.

#### Employment (relative weight = 13):

Despite a national loss of half a million jobs, overall Philadelphia job counts rose from 632,177 in 2007 to 633,461 in 2008, for a net gain of 1,284 jobs. The majority of these gains occurred in the health care and higher education sectors, while manufacturing continued its fifty-year contraction. This trend follows a similar pattern to that of the 2001 recession, where Philadelphia employment numbers were better than the nation at the start of the downturn, but subsequently did not recover as quickly as the nation.

Employment and unemployment changes typically lag significant economic downturns or upturns, with the largest effects seen either at the end or immediately following the period of change. This means that the negative impacts on employment of the recent recession were not felt immediately as the economy soured in 2008, but will likely show up in future years.



### Unemployment Rate (relative weight = 7):

For the period since 2001, the local unemployment rate reached a high of 7.6% in 2003 and, on a positive note, had not yet reached those levels again through 2008. Nevertheless, the City's 2008 unemployment rate of 7.2% remained well above the 5.8% national rate and 5.4% regional rate.

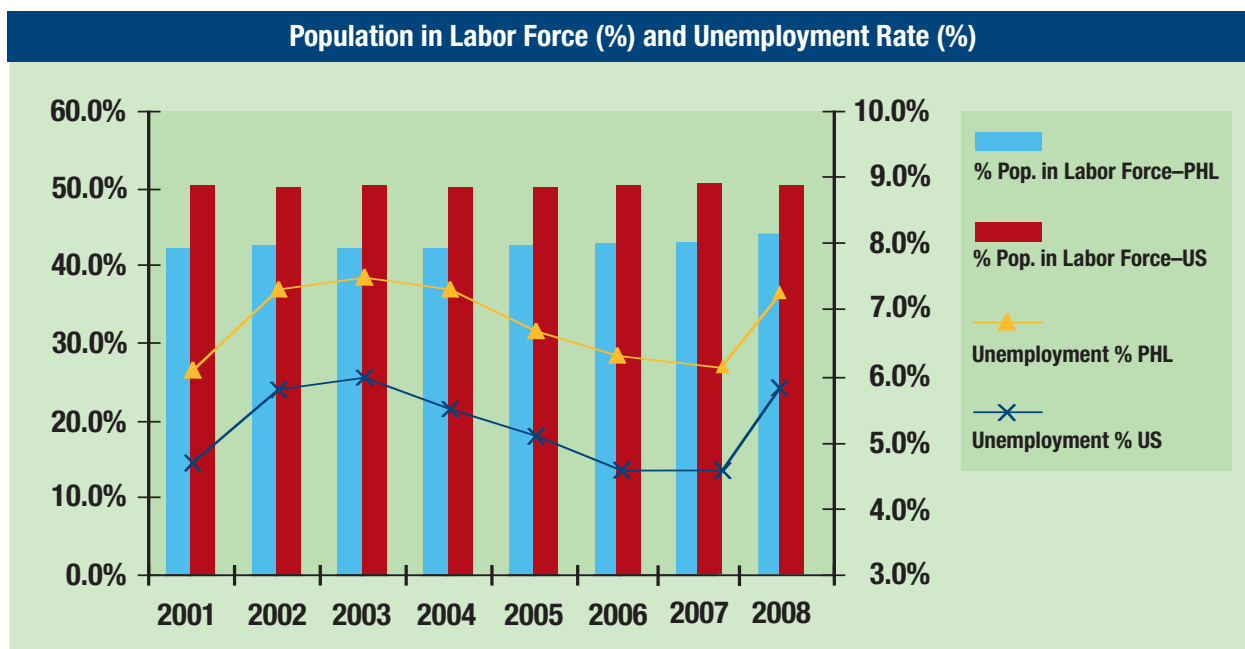
Seasonal and annual changes in the unemployment rate reflect changes in performance of the job market and the overall economy – for example, expansion or contraction – and are responsible for much of the year-to-year pattern in the data. Workers who are displaced in this recession comprise the largest share of unemployed workers in the labor force.

As the recession persists, the unemployment rate at both the national and local levels have risen, and the Philadelphia rate continues to exceed the nation. Recovery is expected to be slower following this recession, and reducing the unemployment rate will be a challenge facing national and local leaders over the next few years.

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

In Philadelphia, the percentage of population in the labor force has remained relatively constant from 2001 to 2008, around 43%. That is below the US level of 51%. 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.

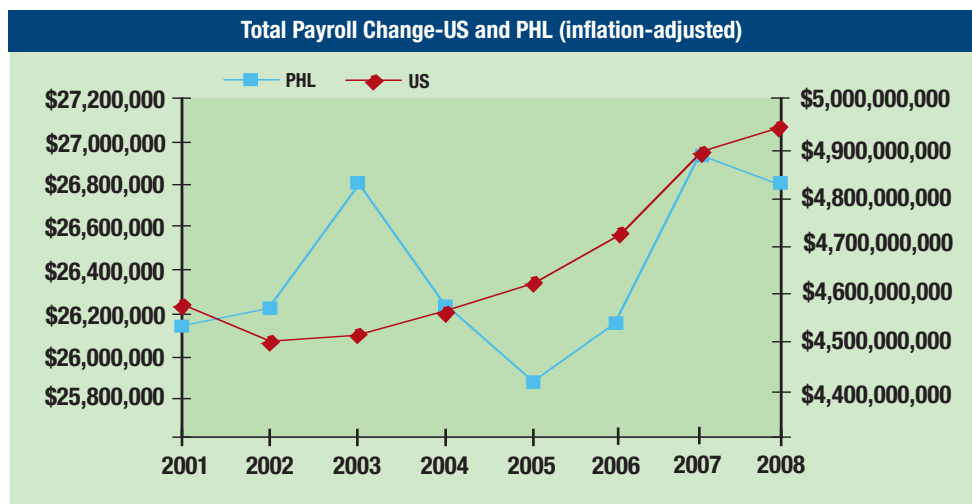
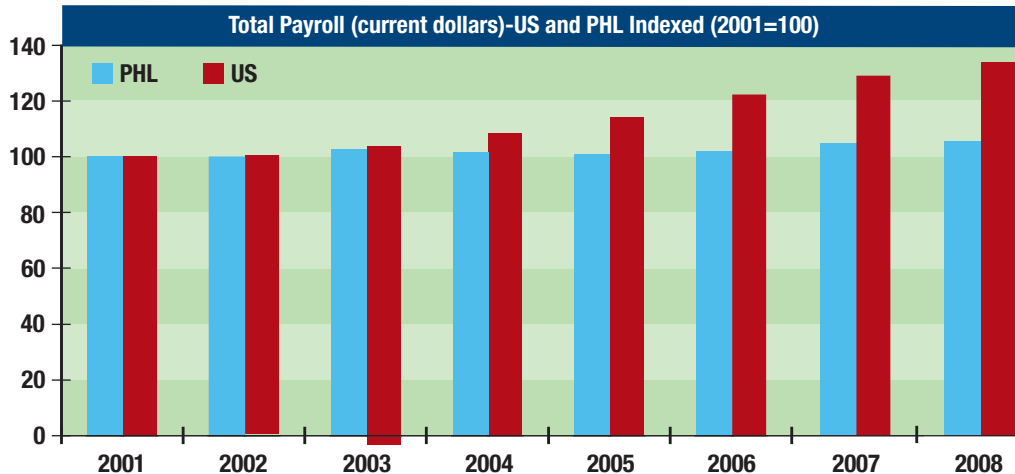
Why is this important? Some proportion of the population is too young, too old or too infirm (or otherwise incapacitated) and unable to work. Like the unemployed, a high percentage of citizens outside the workforce places social and financial demands on families and local government. The remainder is eligible for employment, and thus has the potential to contribute more to economic growth. But if the recession persists, the number of people out of the workforce will rise, as discouraged workers end job searches.



**Payroll (relative weight = 11):**

Total payroll or nominal wages for workers in the city grew from \$26.9 billion in 2001 to \$34.4 billion in 2008, an increase of 28%. After adjusting for inflation however, total payroll has been effectively flat since 2001 with a slight increase over the past year.

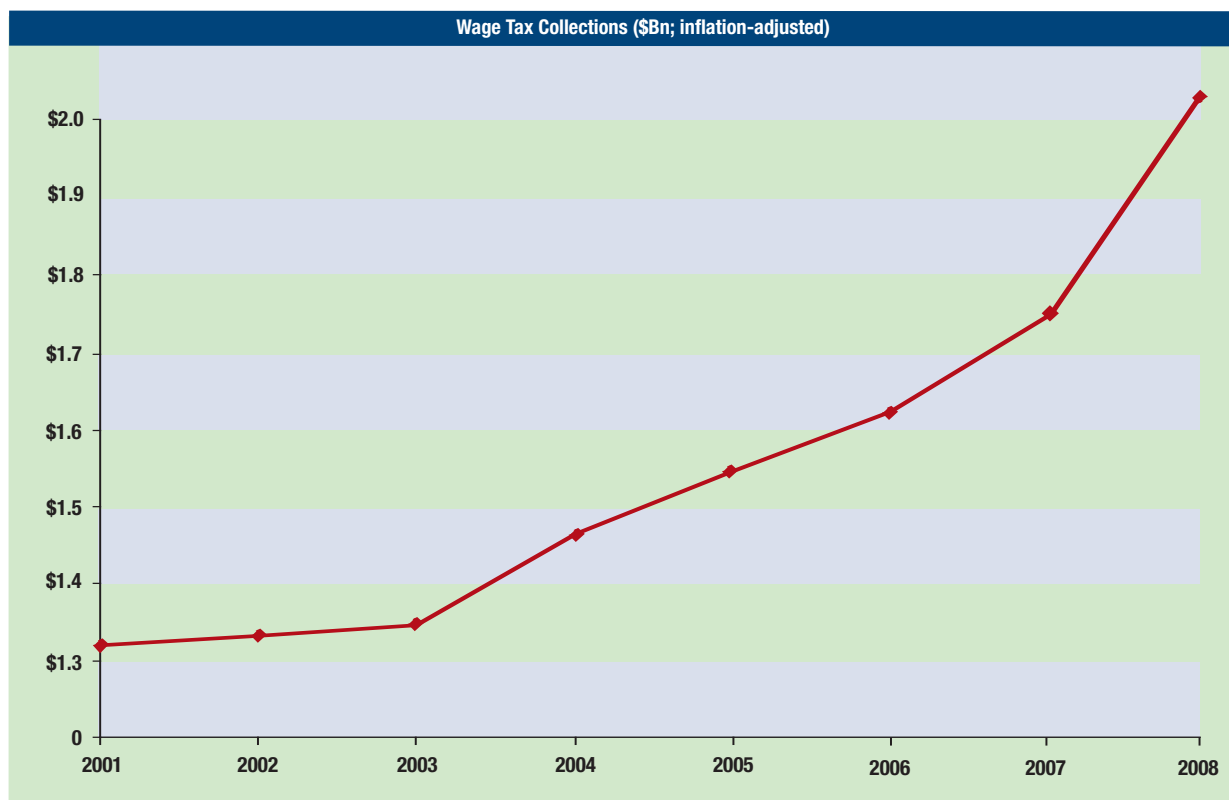
Total wage growth that does not keep up with inflation provides little opportunity for overall increased consumption spending. Nonetheless, in combination with the decline in employment over the period the result was an increase in average annual wages in Philadelphia, from \$40,813 in 2001 to \$54,244 in 2008. Higher average wages are likely to result in a different mix of consumption spending. The average wage in Philadelphia was also 19% higher than for the nation in 2008.



### 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 perform services (that is, inside or outside Philadelphia). Non-residents who work in Philadelphia must also pay the Wage Tax (albeit at a reduced rate). Since 1996, the Wage Tax rate has been decreasing on an annual basis for residents and non-residents. The rates in 2008 were 3.98% for residents and 3.54% for non-residents.

After adjusting for inflation and changes in the tax rate, revenue from the City Wage Tax increased from \$1.3 billion in 2001 to \$1.9 billion in 2008, average annual growth of 5.6%. The increase in Wage Tax collections represents increases in overall city employment, as well as other trends contributing to Philadelphian's economic well-being: growing job markets in the suburbs (where city residents also pay Wage Tax), higher nominal payrolls in the city (which may reflect a change in the composition of employment) and collection of delinquent and underreported taxes.





## B. BUSINESS ACTIVITY:

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

- Productivity;
- City Sales Tax Collections.

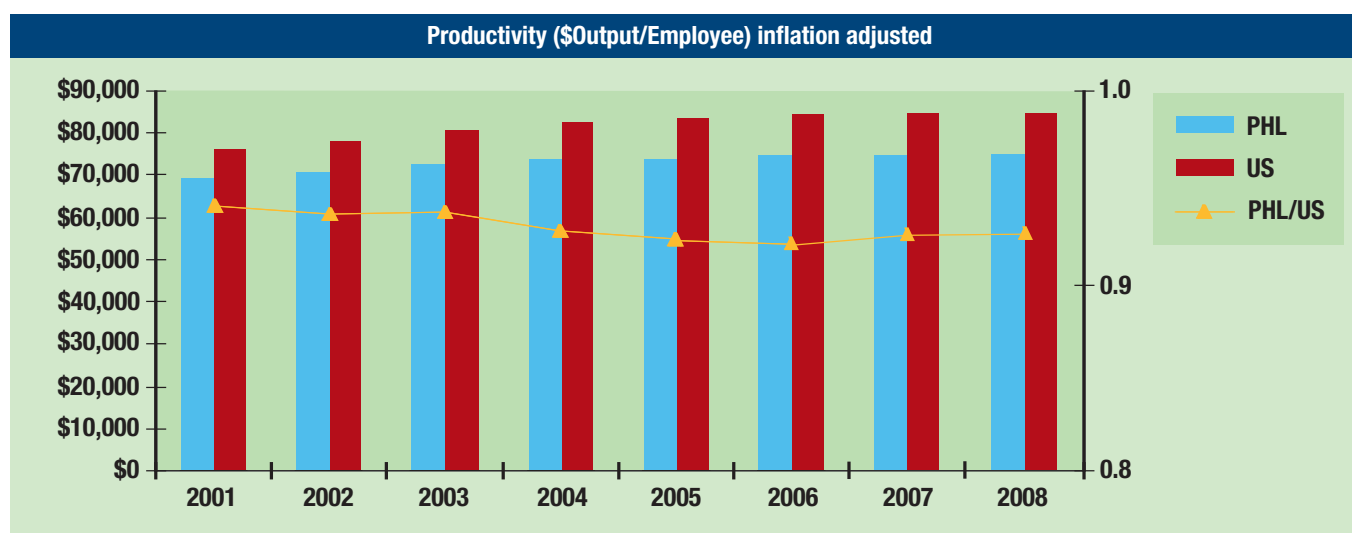
These indicators provide an overview of economic activity for the City of Philadelphia. Their combined weight contributes to one-fifth of the total value of the Economic Index—an indication of their importance.

While the measures are different, they are also related. The timing and magnitude of movement for each indicator is independent. Overall, business activity has shown modest upward gains since 2001.

### 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.

National and local productivity trends have both been positive since 2001. In 2008, national productivity was about 7% higher than the corresponding measure for Philadelphia. However, over the past two years, Philadelphia has seen faster productivity growth than the nation. If that trend continues, and the gap between national and city productivity narrows, the city will be in a more competitive position.



Productivity Change							
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
PHL	2.2%	1.9%	0.5%	0.9%	0.8%	1.7%	1.6%
US	2.7%	2.9%	2.5%	1.1%	1.0%	0.9%	1.5%

**City Sales Tax Collections (relative weight = 9):**

Sales tax receipts are an indicator of retail spending, which is related to disposable income. While the data shows much volatility from year to year, declining from 2001 through 2004, rising to a peak in 2007, and then falling 2008, the overall level in 2008 when adjusted for inflation is slightly below the 2001 level.

The 2008 decline reflects the sharp curtailment of consumer spending as a result of the economic downturn. Sales taxes are one of the first indicators of a downturn, and often respond quickly when the economy recovers.



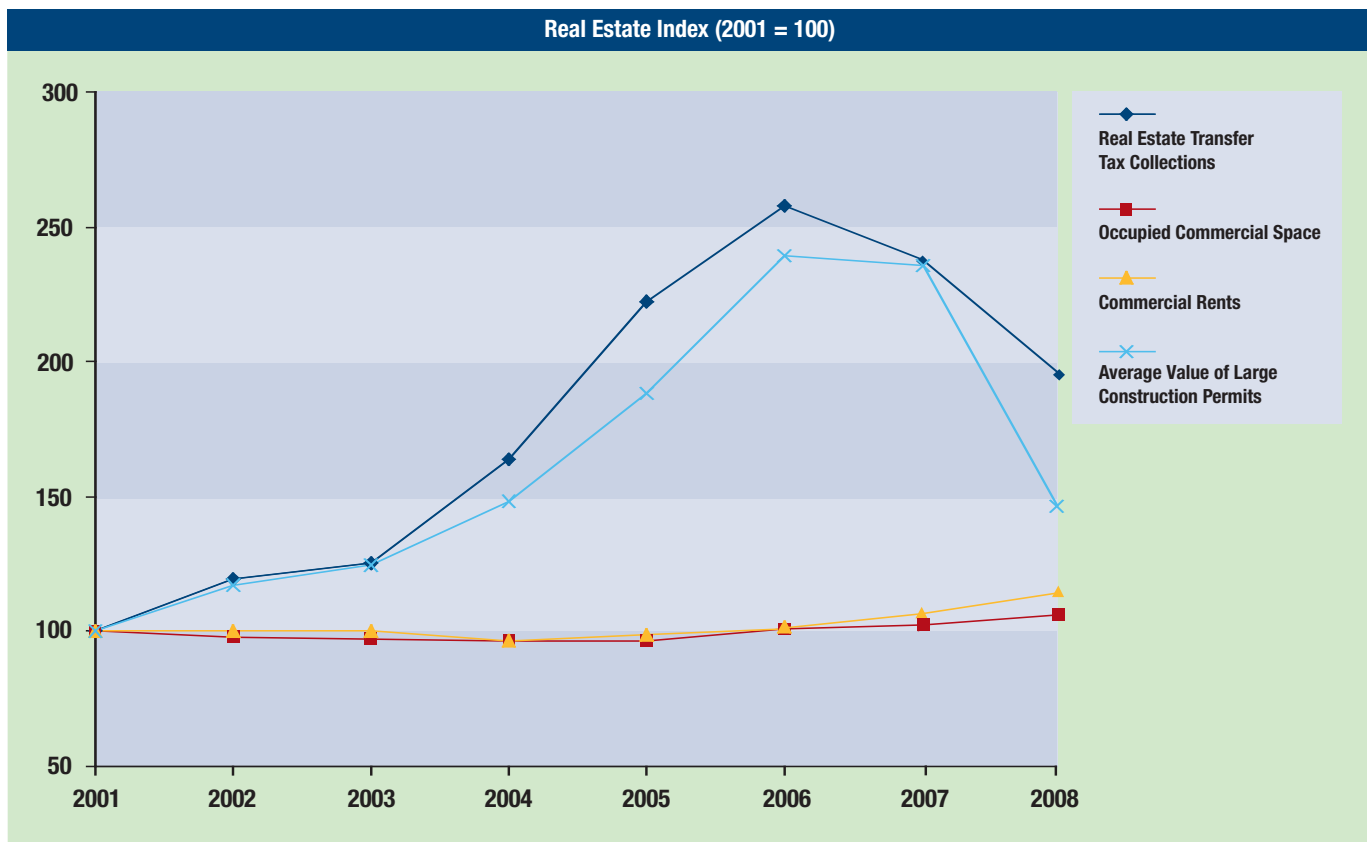
## C. REAL ESTATE:

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. Evidence from the data collected for this section as well as other sections of the Index suggests that Philadelphia has become a more desirable place to live as well as to work—at least, with respect to the downtown office market. The recession is hitting this set of indicators, particularly the transaction based indicators like transfer taxes and construction permits, 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 built on a history of conservative approaches.



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

The Real Estate Transfer Tax is typically paid at the time of a property sale. 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.

However, real estate transfer tax revenues have fallen sharply in 2007 and 2008, as a result of the slowdown in the residential real estate markets. Over the past two years, transfer tax revenues have fallen by 9% in 2007 and 8% in 2008. Even with those declines, real estate transfer tax revenues are up 86% from 2001, although we should expect continued declines in 2009.

**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. The mid-period decline in occupied space was due to an increase in inventory – the result of new construction – that preceded an increase in leasing activity. In other words, as new construction came on the market, the initial effect was an increase in the vacancy rate. More recent trends have seen a decline in vacancy rates and increase in occupied space as new buildings like the Cira Centre and Comcast Center have come online. Considering the current turmoil in the national economy, unlike the past two down cycles, Philadelphia enters the 2009 cycle with relatively sound fundamentals (a high building occupancy, a stable sublease market and no new City construction underway).

**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. More recently, as office employment – and occupied commercial office space – increased, rents have demonstrated a corresponding rebound.

**Average Value of Construction Permits (relative weight = 4):**

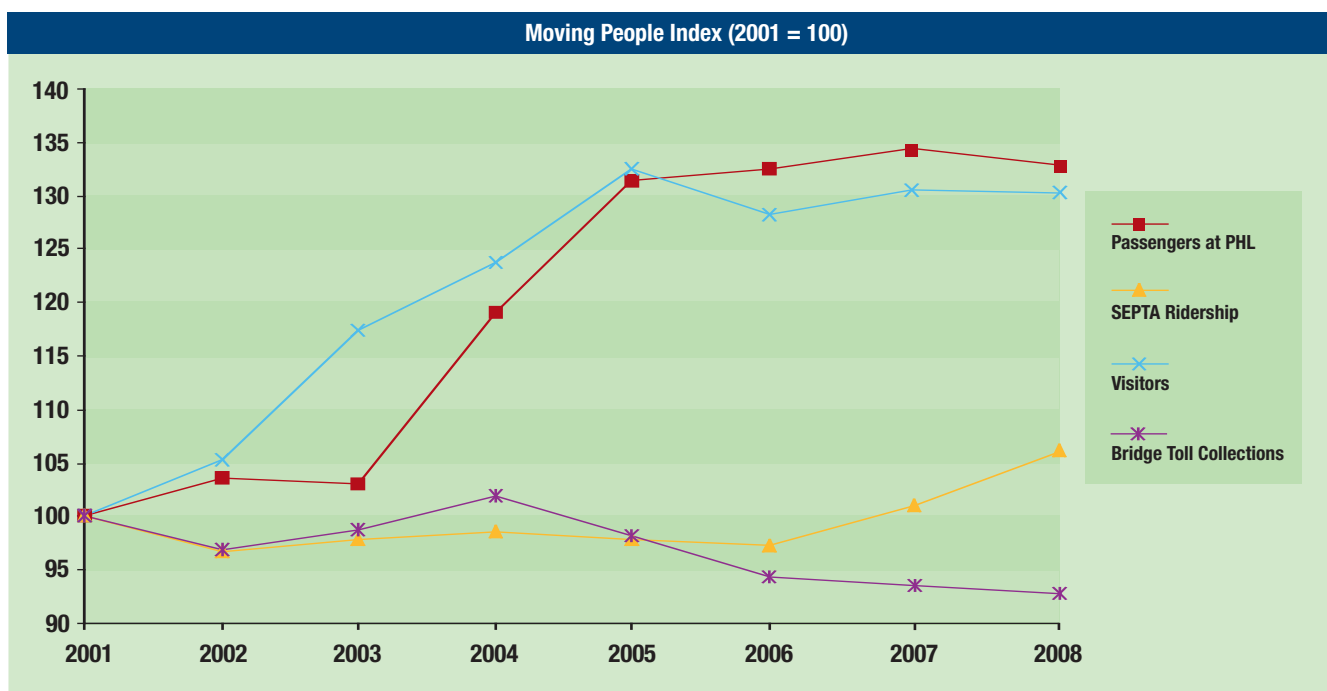
Construction permit data are leading indicators for other varieties of economic activity, and construction itself is also a strong generator of direct and indirect spending in the city. For much of this decade, the city has experienced a construction boom that reaches across many sectors and spans a broad swath of geography – from Center City out to particular sites, including University City, the Navy Yard and Philadelphia International Airport. The dramatic decrease in the average value of construction permits through 2007 reflected both a decrease in the number of new projects as well as higher construction values due to increases in the costs of materials and labor. The impact of the recession is being seen here also, as the average value of construction permits fell sharply from 2007 to 2008 due to the economic slowdown and lack of available capital.

## D. MOVING PEOPLE:

The Economic Index includes four measures of Moving People:

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

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 for the period. Visitors to Philadelphia, airport activity and SEPTA ridership showed definite gains overall. Bridge toll collections have fallen steadily since 2004. No doubt, increases in the cost of gasoline and the state of the economy have contributed in some part to these outcomes.



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

From 2001 to 2007, passenger enplanements grew steadily at Philadelphia International Airport, growing from just under 24 million passengers in 2001 to over 32 million in 2007. A number of factors contributed to the gain, including the construction and opening of the new International Terminal, as well as the commencement of flights by Southwest Airlines in the first quarter of 2004. In addition to increasing the number and frequency of flights, the presence of Southwest drove competitors' average domestic fares down significantly, spurring additional demand for flights into and out of the Airport. From 2007 through 2008, enplanements contracted by 1.2%, reflecting the economic recession and a general downturn in travel. Nonetheless, Philadelphia remains one of the fastest growing airports in the country, with average growth in passenger enplanements of 4.3% per year from 2001 through 2008.

**SEPTA Ridership (relative weight = 2):**

After relatively flat ridership from 2001 to 2006, SEPTA ridership has grown significantly over the past two years. In the past year, ridership jumped to 325.1 million unlinked trips, as compared to 296 million in 2006. The uptick is in part attributable to the drastic rise in gasoline prices, which have a positive effect on transit ridership by increasing the cost of automobile use.

**Visitors (relative weight = 4):**

After significant gains from 2001 to 2007, the number of visitors dropped slightly in 2008, contracting by 0.7% over the past year. Leisure visitors account for about 80% of all travelers, and the down economy has resulted in decreases in discretionary and business travel. Despite the contraction in 2008, total visitors are still up over 30% since 2001.

**Bridge Toll Collections (relative weight = 1):**

Bridge toll collections have declined since 2001 at a yearly average of 1.1%, from \$171.7 million to \$158.2 million in 2008. Recent declines are likely a result of the high gasoline prices as well as the September 2008 increase in bridge tolls, resulting in a switch by some commuters to public transit. Tolls are collected from passenger and commercial vehicles at four bridges across the Delaware River; all owned by the Delaware River Port Authority (DRPA).

**EXHIBIT I:**

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

**Table 1 - Economic Index Raw Data Values: 2001-2008**

Indicator	2001	2002	2003	2004	2005	2006	2007	2008
Employment*	658,827	652,769	647,713	629,387	632,048	632,755	632,177	633,461
Unemployment Rate	6.1%	7.3%	7.6%	7.3%	6.7%	6.2%	6.0%	7.2%
% of the Population in the Labor Force	42.4%	42.7%	42.2%	42.1%	42.3%	42.4%	42.5%	43.3%
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	\$27,058,936,537
City 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
Productivity (output/employee)*	\$72,532	\$74,104	\$75,595	\$76,820	\$77,195	\$78,346	\$79,698	\$80,958
City Sales Tax Collections	\$108,186,669	\$103,709,193	\$101,052,281	\$97,746,980	\$101,605,762	\$104,366,181	\$108,893,490	\$107,134,933
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
Occupied Commercial Space	33,832,079	33,122,273	33,018,406	32,785,600	32,758,660	34,089,095	35,588,284	35,588,284
Commercial Rents (per sq. foot; unadjusted)	\$23.82	\$23.92	\$23.86	\$23.07	\$23.60	\$24.2	\$25.8	\$27.7
Average Value of Construction Permits	\$119,647	\$140,792	\$149,029	\$177,610	\$225,013	\$285,953	\$281,400	\$173,636
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
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
Visitors	22,297,710	23,740,120	25,877,827	26,574,015	28,032,585	28,617,881	29,240,729	29,040,000
Bridge Toll Collections	\$171,719,021	\$166,494,196	\$169,709,237	\$175,155,366	\$168,676,780	\$162,186,940	\$159,608,384	\$158,198,040

\*Source: Economy League of Greater Philadelphia

**EXHIBIT 2:**

The following tables provide detailed average annual employment data for Philadelphia and the United States for the 2001-2008 period.

**Table 2.a - Philadelphia Annual Employment: 2001-2008**

Philadelphia Sector	2001	2002	2003	2004	2005	2006	2007	2008*
Total Employment	658,827	652,769	647,713	629,387	632,048	632,755	632,177	633,461
Total Employment (Private)	542,328	536,005	533,881	517,828	522,480	525,998	528,154	530,399
Goods-Producing	53,271	50,097	45,627	42,914	42,891	42,147	39,896	38,926
-Manufacturing	40,140	38,013	33,862	32,064	31,212	30,068	28,312	27,235
-Construction	13,082	12,032	11,727	10,816	11,636	12,051	11,553	11,654
Service-Providing	489,058	485,908	488,255	474,915	479,589	483,851	488,258	491,473
-Professional and Business Svs	82,174	82,839	82,112	80,736	79,282	80,927	80,927	81,801
-Information	16,518	16,455	16,790	13,280	13,057	12,612	12,567	12,081
-Education and Health Svs	163,302	166,249	170,430	170,346	173,304	178,758	183,433	188,555
-Leisure and Hospitality Svs	57,730	53,657	51,794	52,908	56,058	57,290	57,983	57,623
-Other Services	23,226	23,126	23,691	22,733	22,808	21,772	21,754	21,777
-Wholesale Trade	18,333	18,845	17,739	16,898	17,203	16,080	15,825	15,219
-Retail Trade	52,490	50,357	49,848	47,986	47,515	47,011	46,579	46,716
-Trans, Warehousing, and Utilities	94,646	92,842	93,093	87,162	87,576	85,574	85,574	84,468
-Finance	51,325	50,604	50,171	47,684	47,453	46,899	46,027	45,135
Total Government Employment	116,499	116,764	113,832	111,559	109,568	106,757	104,024	103,063

\* See Exhibit 3: Sources and Methods

**EXHIBIT 2b:****Table 2.b - United States Annual Employment: 2001-2008**

United States Sector	2001	2002	2003	2004	2005	2006	2007	2008*
Total Employment	129,635,800	128,233,919	127,795,827	129,278,176	131,571,623	133,833,834	135,366,106	134,809,552
Total Employment (Private)	109,304,802	107,577,281	107,065,553	108,490,066	110,611,016	112,718,858	114,012,221	113,192,473
Goods-Producing	24,865,272	23,554,614	22,788,417	22,848,815	23,183,755	23,489,588	23,222,363	22,390,698
-Manufacturing	16,386,001	15,209,192	14,459,712	14,257,380	14,190,394	14,110,663	13,833,022	13,383,162
-Construction	6,773,512	6,683,553	6,672,360	6,916,398	7,269,317	7,602,148	7,562,732	7,125,029
Service-Providing	84,439,530	84,022,667	84,277,136	85,641,251	87,427,261	89,229,270	90,789,858	90,801,775
-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	17,706,430
-Information	3,591,995	3,364,485	3,180,752	3,099,633	3,056,431	3,040,577	3,029,789	2,988,732
-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	17,953,686
-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	13,394,811
-Other Services	4,206,345	4,246,011	4,261,165	4,287,999	4,324,015	4,364,889	4,438,439	4,483,967
-Wholesale Trade	5,730,294	5,617,456	5,589,032	5,642,537	5,752,802	5,885,194	5,987,206	5,954,232
-Retail Trade	15,179,753	15,018,588	14,930,765	15,060,686	15,256,340	15,370,040	15,509,017	15,306,516
-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	26,089,599
-Finance	7,678,974	7,706,265	7,826,930	7,890,786	8,037,850	8,162,063	8,145,981	7,967,036
Total Government Employment	20,330,998	20,656,638	20,730,273	20,788,110	20,960,607	21,114,976	21,353,885	21,617,078

\* 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 2008.

### ECONOMIC INDICATORS

#### Employment & Income

**Employment::** Data are from the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW). 2008 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 are 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. 2008 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. 2008 data are annual average estimates based on preliminary data.

**City Sales Tax Collections:** Data are from the city's Comprehensive Annual Financial Report (CAFR). Data includes the total Sales Tax Revenue that the city recognizes from its 7% 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 city. 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.

**Bridge Toll Collections:** Measures the total value of tolls collected from the Benjamin Franklin Bridge, the Betsy Ross Bridge, the Walt Whitman Bridge, and the Commodore Barry Bridge. Because bridge tolls are a proxy for passenger volumes, no inflation adjustments were made. 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.

## EXHIBIT 5: STUDY PARTICIPANTS

### Philadelphia Industrial Development Corporation

Philadelphia Industrial Development Corporation (PIDC) is a private, not-for-profit Pennsylvania corporation, founded in 1958 by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce to promote economic development throughout the city.

### Economy League of Greater Philadelphia

The Economy League of Greater Philadelphia (ELGP) is an independent, nonpartisan, nonprofit organization dedicated to research and analysis of the region's resources and challenges with the goal of promoting sound public policy and increasing the region's prosperity.