

Memorandum

To: City of Philadelphia Department of Commerce
From: Econsult Solutions, Inc.
Date: March 21, 2025
RE: Music Industry Economic Impact Memo

This memo provides an assessment of the economic and fiscal impacts of Philadelphia's music sector and has been completed for the City of Philadelphia Department of Commerce adjacent to a comprehensive study of the impacts of Philadelphia's nighttime economy. This research builds upon that larger study through overlapping data collection efforts and shared fundamental methodology to examine the size of the component industries within the broader 'music sector', as well as its impact on Philadelphia and its communities.

The memo is divided into three sections:

1. Introducing and Defining Philadelphia's Music Economy
2. Size and Scale of the Music Economy
3. Summary of the Music Industries' Economic and Fiscal Impacts

1 Introducing and Defining Philadelphia's Music Economy

Philadelphia is, and has always been, a music city. From Marian Anderson's pioneering career as a contralto in the 20th Century to The Roots and today's vibrant hip-hop scene, the city has consistently produced influential talent and business. Its rich musical heritage continues to drive economic growth, attracting concertgoers, fostering local talent, and producing new sounds. Today, Philadelphia's music industry remains a vital part of its cultural and economic landscape, contributing significantly to the city's identity and prosperity. On the state level, Pennsylvania was ranked 5th in music industry employment and 6th in music industry GDP in the country¹.

The Music Economy can be grouped within the following categories:

1. Recording Business
2. Infrastructure and Support
3. Mass Music Consumption
4. Local Artists and Music Education

¹ [U.S. Music Industries: Jobs and Benefits – The 2020 Report](#)

RE: Music Industry Economic Impact Memo
Date: March 21, 2025

To fully capture the music economy in Philadelphia, this study considers a broader range of industries operating within the music economy. The study identified the relevant industries based on the NAICS system (North American Industry Classification System).

Figure 1.1: Sub Industries within the Music Economy

Music Economy Sector	NAICS Sub-Industries
Infrastructure and Support	Other Sound Recording Industries
	Audio/video Equipment Manufacturing
	Musical instrument manufacturing
	Instrument/music supply stores
Local Artists and Music Education	Fine art schools
	Independent artists, writers, and performers
Mass Music Consumption	Promoters of performing arts, sports, and similar events
	Radio stations
	Musical Groups and Artists
Recording Business	Music Publishers
	Sound Recording Studios
	Agents and managers for Artists
	Software, other prerecorded CD, tape, record reproducing
	Record Production and Distribution

Source: Econsult Solutions, Inc (2024)

Establishments, wages, and employment data were sourced from the US Census Bureau's County Business Pattern Data and Non-Employer Statistics. Within any city's music industry, small, independent artists and operators make meaningful cultural and economic contributions, though without formal businesses tracked in public datasets. This study uses the Non-Employer Statistics data to capture the independent contractor portion of that population, though it is otherwise limited in its ability to capture all informal contributors. All monetary values in this report are expressed in 2023 dollars.

2 Size and Scale of the Music Economy

Philadelphia's music economy generates approximately \$3.8 billion in direct economic output annually, employing more than 21,500 people, and contributing approximately \$610.9 million in wages to workers in Philadelphia (see Figure 2.1). The Mass Music Consumption segment of Philadelphia's overall music industry makes up its largest share, representing 65 percent of workers and 67 percent of wages. This subsector covers the industry around major venues, performances, and radio broadcasting, including the touring artists, managers, sound engineers, event coordinators, and more needed for this level of production.

RE: Music Industry Economic Impact Memo
Date: March 21, 2025

Figure 2.1: Current Size of the Music Economy in Philadelphia by Sector, 2022

Music Economy Sector	# of Establishments	# of Employees	Wages (\$M)	Direct Output (\$B)
Infrastructure and Support	20	110	\$4.2	<\$0.1
Local Artists and Music Education	170	7,020	\$173.9	\$0.7
Mass Music Consumption	110	14,080	\$410.0	\$2.8
Recording Business	20	360	\$22.8	\$0.2
Total	320	21,570	\$610.9	\$3.8

Source: US Census Bureau (2021-2022), IMPLAN (2022), Econsult Solutions, Inc. (2024)

The individual sectors make distinct and important contributions to Philadelphia's overall music ecosystem and culture, they collectively provide a wide range of services and experiences for both residents and visitors, making the music economy a critical driver of employment and economic activity.

3 Summary of the Music Industries' Economic and Fiscal Impacts

The Music Economy is a significant driver of economic activity across the city and commonwealth. Using the most recent data from the U.S. Census Bureau's County Business Patterns and Non-Employer Statistics, the following analysis highlights the considerable economic contributions made by music industries in Philadelphia, including the Recording Business, Infrastructure and Support, Mass Music Consumption, and Local Artists and Music Education categories. All monetary values in this report are expressed in 2023 dollars.

In Philadelphia alone, the music economy produces approximately \$6.1 billion in total annual output, while across Pennsylvania, that impact rises to \$6.6 billion annually. This output is spread across several key industry subsectors that contribute to the vibrancy and sustainability of the music economy.

The distribution of economic contributions across key subsectors of Philadelphia's music economy highlights significant variation. Mass Music Consumption is responsible for over half of both wages and employees, resulting in about \$4.7 billion in total economic output for Philadelphia. This sector includes promoters of performing arts, radio and television broadcasting and performing arts companies. At a granular level, this includes live arts organizers, music promoters, and radio stations, among others. Although Mass Music Consumption is the largest sub-sector, all four sub sectors interact to collectively drive the Music Industry.

3.1 The Economic Footprint of Music Industry Employment & Wages

Philadelphia's music economy represents a significant portion of the city's overall arts and culture landscape, driving substantial employment, wages, and output across multiple industries. The total economic output from Philadelphia's music economy consists of direct, indirect, and induced impacts, all of which play a critical role in the broader economic landscape.

RE: Music Industry Economic Impact Memo
Date: March 21, 2025

- **Direct impacts** are the immediate contributions from music businesses which generate revenue, create jobs, and provide wages within these industries. This activity supports a significant portion of the city's Arts and Culture scene.
- **Indirect impacts** occur through supply chain interactions, as businesses require goods and services from various suppliers, such as food vendors, equipment providers, and transportation services. These interactions create additional economic activity and jobs outside the core music industries.
- **Induced impacts** come from the spending power of independent artists and employees working in music industries, who use their wages on housing, groceries, entertainment, and other necessities. This increased consumer spending further stimulates local economic growth, generating demand across a wide range of sectors and supporting additional businesses throughout the city and state.

The direct economic activity generated through Philadelphia's music industries generates substantial indirect and induced economic impacts throughout both the local and regional economies. As shown in Figure 3.1, the \$3.8 billion in direct economic activity from music industry employment and operations results in a total annual output of \$6.1 billion for Philadelphia. This economic activity supports nearly 31,000 jobs and contributes \$1.4 billion in employee compensation.

The economic impact of Philadelphia's music industries also extends regionally through purchasing, employee spending, and other activities that occur beyond the city limits. When including such "spillover" impacts across Pennsylvania, the total economic contribution rises to \$6.6 billion annually throughout the Commonwealth, supporting 33,000 jobs and \$1.5 billion in employee compensation.

Figure 3.1: Annual Economic Impact of Music Industries, Overall, 2022

Overall	Philadelphia	Pennsylvania
Direct Output (\$B)	\$3.8	\$3.8
Indirect & Induced Output (\$B)	\$2.3	\$2.8
Total Output (\$B)	\$6.1	\$6.6
Employment Supported (FTE)	31,000	33,000
Employee Compensation (\$B)	\$1.4	\$1.5

Source: U.S. Census Bureau (2021–2022), IMPLAN (2022), Econsult Solutions, Inc. (2024)

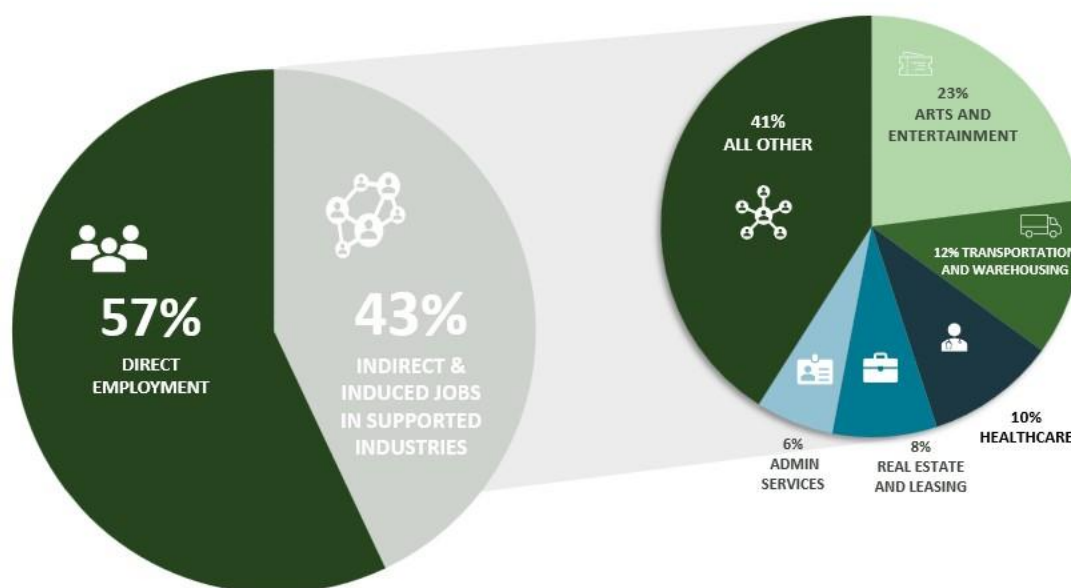
RE: Music Industry Economic Impact Memo
Date: March 21, 2025

3.2 Industry Distribution Analysis

Philadelphia's music economy supports a wide range of industries, generating employment across various sectors. The total employment impact of the music economy amounted to approximately 33,000 full-time equivalent (FTE) jobs across Pennsylvania, distributed between direct, indirect, and induced impacts. Reflecting the wide-reaching economic impact of music industries, direct music employment accounts for 57 percent of this total, while the remaining 43 percent represents indirect and induced jobs in supporting industries.

Through the multiplier effect, the direct expenditures of the music industries catalyze job creation in other related industries across many sectors. This includes sectors such as Transportation and Warehousing, Healthcare, and Real Estate. These and other sectors collectively constitute around 43 percent of all jobs supported by Philadelphia's music economy. This distribution of employment underscores the extensive and varied economic impact of the city's music economy beyond the immediate scope of music employment.

Figure 3.2: Industry Distribution of Statewide Employment Impacts from Philadelphia's Music Economy



Source: U.S. Census Bureau (2021–2022), IMPLAN (2022), Econsult Solutions, Inc. (2024)

RE: Music Industry Economic Impact Memo
Date: March 21, 2025

3.3 Tax Revenues Generated by the Music Economy

This section examines the various streams of tax revenue that arise at both a city and state level from Philadelphia's music industries, including sales taxes, property taxes, and income taxes. These revenues are vital for funding city services, infrastructure improvements, public safety, and other government initiatives.

The taxes generated by the music economy are not limited to the businesses themselves. Employee wages, consumer spending, and the supply chain activities of businesses also play a key role in expanding the tax base. Understanding the contribution of the music economy to tax revenues provides a clearer picture of its broader economic impact, beyond employment and business output.

Fiscal Impacts Across Music Industries

The annual fiscal contributions of Philadelphia's music economy generate revenues for both the City of Philadelphia and the Commonwealth of Pennsylvania. The music economy generates annually approximately \$64 million in total tax revenues for the City of Philadelphia, with the largest portion coming from wage taxes totaling \$32 million (see Figure 3.3). This is followed by business taxes at an estimated \$21 million and sales taxes at an estimated \$11 million.

For the Commonwealth, the economic activity driven by Philadelphia's music industries contributes annually approximately \$121 million in total tax revenue. This consists of \$67 million in sales taxes, \$27 million in income taxes, and approximately \$27 million in business taxes. These tax revenues highlight the significant role that the music economy plays not only in supporting Philadelphia but also in contributing to the broader fiscal health of Pennsylvania.

Figure 3.3: Annual Tax Impact of Philadelphia's Music Economy, Overall, 2022

	City of Philadelphia	Commonwealth of Pennsylvania
Wage/Income (\$M)	32.0	27.1
Sales (\$M)	11.4	67.3
Business (\$M)	20.5	26.5
Total Tax Impact (\$M)	63.9	121.0

Source: IMPLAN (2022), Commonwealth of PA Office of Budget (2023), City of Phila. Budget Office (2023), Econsult Solutions, Inc. (2024)

RE: Music Industry Economic Impact Memo
Date: March 21, 2025

Appendix

Input Output Methodology

In an interconnected economy, every direct dollar spent generates two spillover impacts:

- First, some amount of the proportion of that expenditure that goes to the purchase of goods and services gets circulated back into an economy when those goods and services are purchased from local vendors. This represents what is known as the **indirect effect** and reflects the fact that local purchases of goods and services support local vendors, who in turn require additional purchasing with their own set of vendors.
- Second, some amount of the proportion of that expenditure that goes to labor income gets circulated back into an economy when those employees spend some of their earnings on various goods and services. This represents what is known as the **induced effect** and reflects the fact that some of those goods and services will be purchased from local vendors, further stimulating the economy.

To model the impacts resulting from the direct expenditures of Philadelphia's music economy, ESI developed a customized economic impact model using IMPLAN's input-output modeling system. Utilizing an industry standard approach, IMPLAN's input-output modeling system allows users to assess the economic and job creation impacts of industry-based events and public policy changes within a county or its surrounding area. IMPLAN has developed a social accounting matrix (SAM) that accounts for the flow of commodities through economics. From this matrix, IMPLAN also determines the regional purchase coefficient (RPC), or the proportion of local supply that satisfies local demand. These values not only establish the types of goods and services supported by an industry or institution, but also the high level at which they are acquired locally. This assessment determines the multiplier basis for the local and regional models created in the IMPLAN modeling system. IMPLAN takes these multipliers and divides them into 546 industry categories in accordance with the North American Industrial Classification System (NAICS) codes.