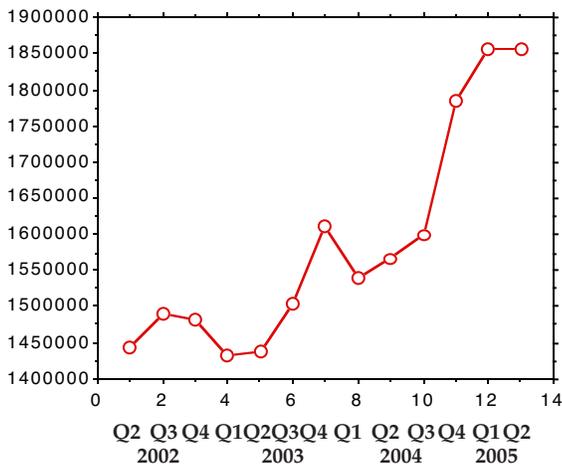


POLK EXPANSION PAUSES IN SECOND QUARTER

The local economy took a breather in Quarter 2 as the Polk Progress Index (PPI) was virtually unchanged from the preceding quarter. Modest increases in seasonally adjusted employment and home sales were offset by declines in industrial electricity consumption. The PPI is up 5.1% from the same quarter of last year.

SALES - Retail sales were unchanged from the previous quarter after adjusting the data for recurring seasonal variations. Quarter 2 sales were, however, still up a strong 19.8% from a year ago. Sales through the first six months of 2005 are almost 22% higher (\$678 million) than in the first half of 2004.

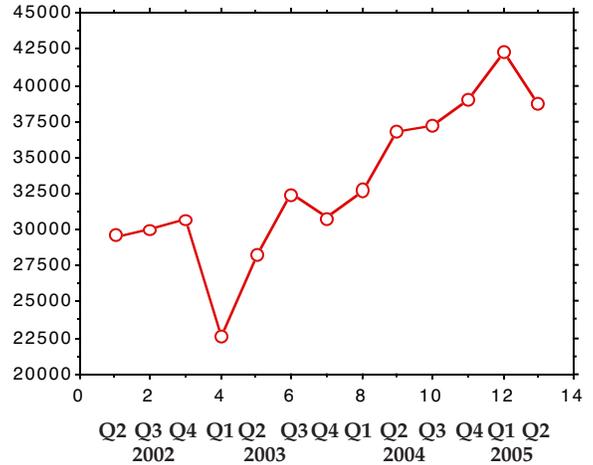
TAXABLE RETAIL SALES (SEASONALLY ADJUSTED DOLLARS)



Seasonally adjusted sales at Polk motels and hotels slipped back 8.4% in the second quarter from the strong showing in Quarter 1. It is noteworthy that the first quarter does represent the height of the tourist season, and that sales were still up smartly in Quarter 1 even

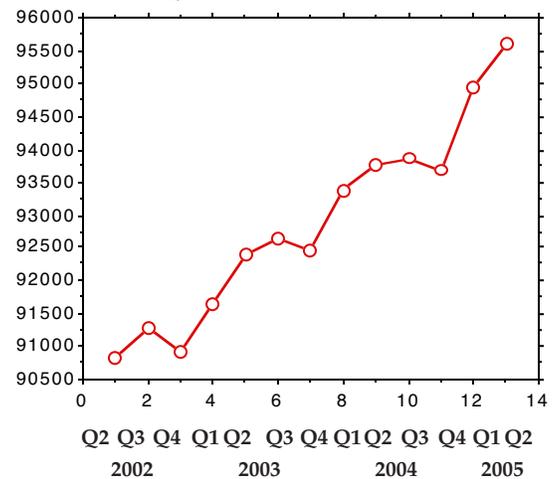
after taking seasonality into account. Sales have been on a plateau for a bit more than a year after allowing for recurring seasonal patterns, with the exception of the Quarter 1 spike.

HOTEL AND MOTEL SALES (SEASONALLY ADJUSTED DOLLARS)



POPULATION - Population growth in Polk County continues unabated. The number of residential electric connections serviced by the City of Lakeland in the second quarter is up 2.2% from a year ago. The 3-quarter moving average for residential electric accounts has risen 1.2% over the past year.

RESIDENTIAL ELECTRIC ACCOUNTS (3 QUARTER AVERAGE)

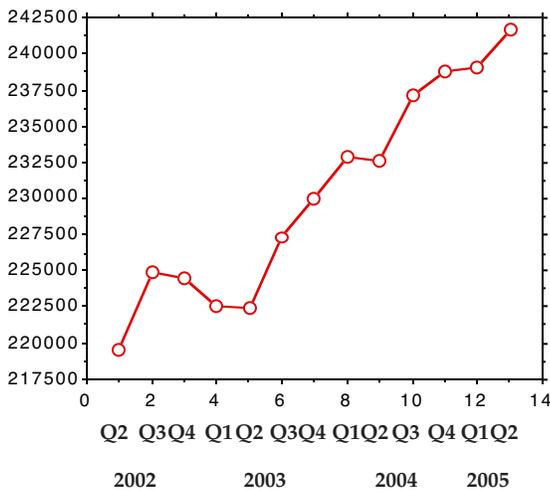


The City of Lakeland temporarily suspended issuing building permits in some sections of North Lakeland in August. The City also froze further occupancy of new homes in five North Lakeland subdivisions. The actions stemmed from capacity restraints at the 5-year-old Northwest Regional Wastewater Treatment Facility. The treatment system has been overwhelmed by rapid development and this year's heavy rainfall.

EMPLOYMENT - The number of workers employed in Polk County rose a seasonally adjusted 1.1% in the second quarter. There are an estimated 9,039 more jobs held in the county in Quarter 2 than in the same quarter of last year; an increase of 3.8%. The average number employed during the first six months of 2005 is up 3.2% from the same period in 2004.

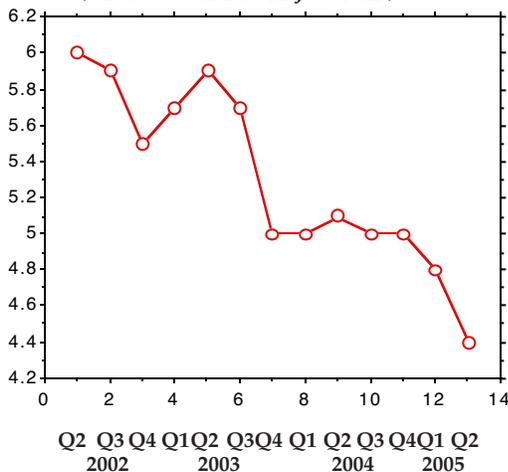
The Florida Agency for Workforce Innovation has newly benchmarked the employment data for 2002 and 2003. The revised data show that employment in Polk County actually dropped in the second half of 2001 and the first half of 2002. Employment then stabilized, and began an expansion in the second half of 2002 that continues up through the current quarter.

**TOTAL EMPLOYMENT
(SEASONALLY ADJUSTED)**



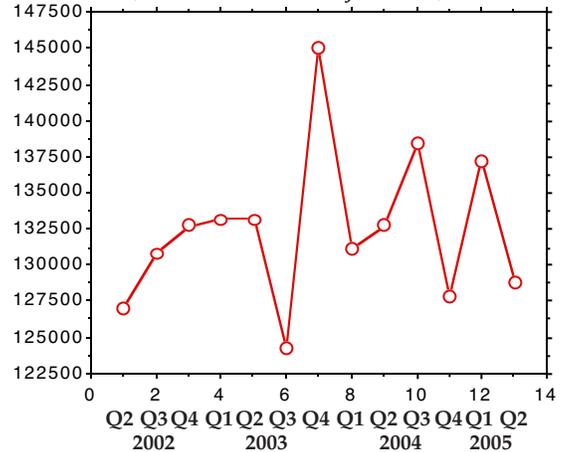
The county's seasonally adjusted unemployment rate fell to 4.4% in the second quarter after hovering near 5% for a year and a half. The raw (unadjusted) unemployment rate was 4% in April, 3.9% in May, and 4.5% during June.

**UNEMPLOYMENT RATE
(SEASONALLY ADJUSTED)**



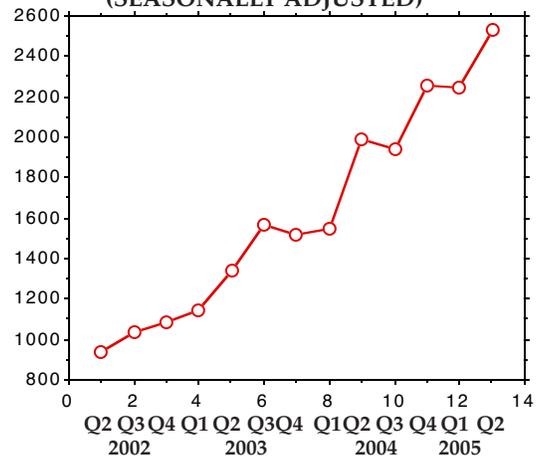
MANUFACTURING - Industrial electricity consumption by customers of Lakeland Electric dipped a seasonally adjusted 6.2% in Quarter 2. Usage has varied around a mean level of about 132.5 million kilowatt hours for about 3 years. The variations in the past two years seem to primarily result from reporting lags in the data.

**INDUSTRIAL KILOWATT HOURS
(SEASONALLY ADJUSTED)**



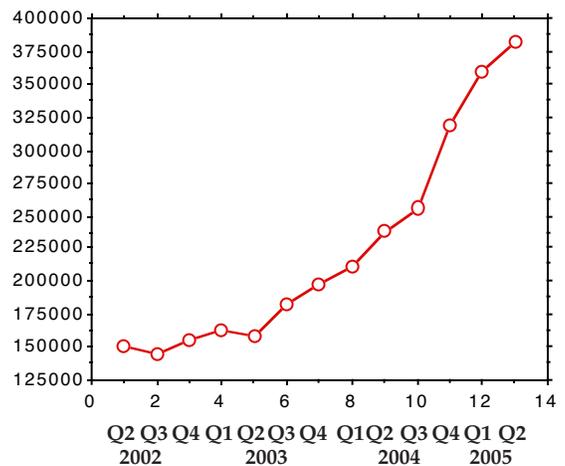
CONSTRUCTION - There were 840 permits issued for the construction of single-family homes in Polk County during the month of April, 877 in May, and 1,119 in June. The June permit total is the second highest on record.

**NUMBER OF SINGLE FAMILY BUILDING PERMITS
(SEASONALLY ADJUSTED)**

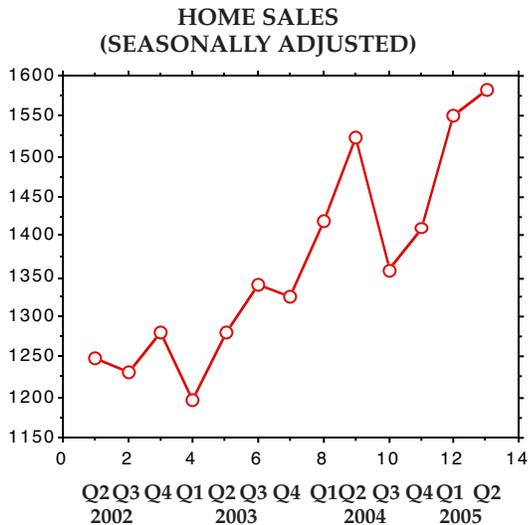


The dollar value of all building permits issued countywide during the first six months of 2005 is up \$246.6 million from the same period in the preceding year, an increase of 48.9%.

**DOLLAR VALUE BUILDING PERMITS ISSUED
(4 QUARTER MOVING AVERAGE)**



Realtors sold 592 homes in Polk County during April, 545 in May, and 662 in June. Home sales in June broke the previous record of 627 which was set in March of this year. Home sales include single-family homes, duplexes, condos, co-ops, townhouses, manufactured and mobile homes. Home sales climbed a seasonally adjusted 2% during the second quarter.



The median price of homes sold in Polk County during Quarter 2 was \$142,900. That represents a 31% increase from the second quarter of 2004.

PHOSPHATE - Mosaic Company has announced that it will close the Kingsford phosphate mine located south of Mulberry on September 12th. The closing will result in a loss of 275 jobs, and leave the county with four active mines.

Mosaic also announced an \$85 million agreement terminating a contract that had obligated Mosaic to provide phosphate rock to U.S. Agri-Chemicals Corporation. As a result of the agreement, USAC is expected to halt operations in Polk County before the end of this year when it exhausts its current inventories of raw materials. USAC closure of that firm's phosphate fertilizer plant in Bartow and phosphoric acid plant in Fort Meade will eliminate another 280 jobs in the county.

CITRUS - The final crop projection for the 2004-05 season reflects a 1% reduction from previous estimates in the expected orange crop. Officials now expect to harvest a total of 149.6 million boxes of oranges. That would represent a 38% decline from last year's total. The latest reduction was attributed to heavy rains in June and a shortage of fruit pickers.

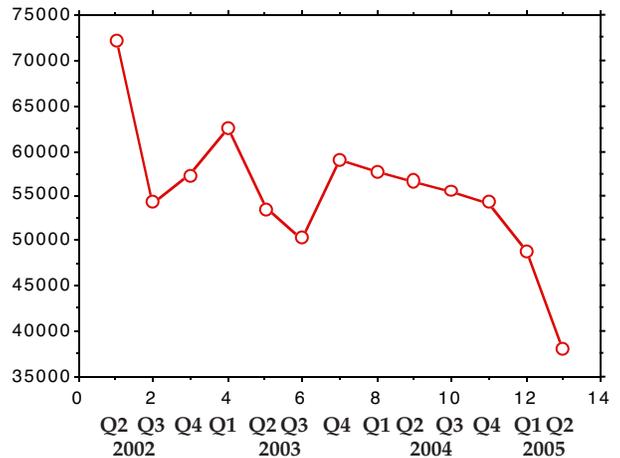
The Florida Citrus Commission approved a 12% increase in the state tax on juice oranges in June. Florida growers will now pay 18.5 cents per box of juice oranges harvested during the 2005-06 season. This season the tax is 16.5 cents per box. Florida growers are expected to produce 201 million boxes of oranges next season, of which 97% will go to juice.

Inspectors have confirmed two outbreaks of citrus canker in Polk County. The first occurred in May in a grove near Frostproof, where 1,200 acres of citrus were destroyed. The second discovery was in a grove near Poinciana in early August, that will necessitate destruction of some 260 acres of trees.

The volume of citrus concentrate movement reported statewide by Florida Citrus Mutual continues a downward pattern that has

persisted for several years. The volume of concentrate reported for the first six months of 2005 is 24% below that achieved in the same period of the preceding year.

CITRUS CONCENTRATE MOVEMENT (000'S GALLONS)



DEVELOPMENT - Florida Southern College has announced an ambitious plan to revamp its Lakeland campus. The plan envisions a new student center and quad located along Ingraham Avenue, restoration of the original Frank Lloyd Wright fountain in front of the library, and relocation of the tennis courts to a new athletic complex on the east side of the campus. The entire plan, if realized, could cost up to \$100 million.

Efforts to revive residential housing in downtown Lakeland got a boost with the Downtown Community Redevelopment Agency announcement that it has acquired 80% of a blighted 14-acre tract located behind the city's police station on Massachusetts Avenue. The CRA plans for a mixture of about 400 townhouses and condominiums to be built on the site, and has budgeted \$7.8 million to purchase the land and demolish the existing structures.

Rooms To Go has recently added 250,000 square feet of space and 50 employees to its warehouse on Airport Road in West Lakeland. The addition will be used for reprocessing, and brings the total space in the facility up to 1.5 million square feet. The furniture retailer has also increased the size of its showroom on U.S. 98 North by 10,000 square feet.

The Lakeland Ledger is incorporating a new 100-ton press tower into its publishing plant along West Lime Street that will expand printing capacity and facilitate the inclusion of more color pages. The \$7 million project is slated for completion by October 1st.

Sixteen more miles of Interstate 4 in Polk County were opened to three lanes of traffic in each direction in late June. Interstate 4 will be six lanes completely across the county by the end of the year, marking completion of a 30-month construction effort.

Bealls has announced plans to build a new 77,000 square-foot store on Lakeland Highlands Boulevard. The new South Lakeland store will be located adjacent to Lowe's, and is expected to open next March.

The Dixieland Mini Mall in Lakeland is scheduled to undergo a half million-dollar renovation. The 30,000 square-foot office and retail center is located on South Florida Avenue.

Linens 'n Things plans to open an outlet in the Shoppes of Lakeland along U.S. 98 North. The 27,000 square-foot parcel in the North

Lakeland center is the former location of Service Merchandise. An early 2006 opening is planned.

Central Florida Eurocars is building a 3,000 square-foot Subaru dealership at its complex on South Lake Parker Drive in Lakeland. The new facility is scheduled to open this fall.

The Lakeland-based Crispers chain has revealed plans to build 10 additional restaurants around the state. Crispers is primarily owned by Publix Super Markets, and intends to expand operations into locales including Tallahassee and Vero Beach.

Collany Properties is developing an innovative 35,000 square-foot business center in downtown Winter Haven. The four-story high-tech office building will cost \$5 million to construct over a 10-to-12 month period.

84 Lumber has acquired 16 acres in the Haines City's new industrial park. The company intends to build an outlet on the site along County Road 544 at an estimated cost of \$2.5 million. The facility will include four separate buildings covering 76,000 square feet of space. 84 Lumber currently has some 500 locations across the United States.

Cox Lumber has also revealed plans to build a complex along County Road 544 in Haines City. Those plans include construction of a 55,000 square-foot truss plant, a 25,000 square-foot door plant, a 25,000 square-foot distribution facility, and a 16,000 square-foot administration building.

NEW OPENINGS AND CLOSINGS - Cobb Theaters is scheduled to open an 18-screen complex in the new Lakeside Village on Harden Boulevard in South Lakeland on November 10th. The state-of-the-art facility will have more than 3,200 seats.

Belk will close its department store in the Lakeland Square Mall in North Lakeland concurrent with the opening of its new location at Lakeside Village. The Lakeside Village store is scheduled to open on October 12th.

La-Z-Boy furniture opened a new outlet in South Lakeland in April. The 15,202 square-foot store targeting middle-and-upper income families is located on South Florida Avenue.

Batteries Plus opened a new store in Lakeland in July. The North Florida Avenue location offers some 12,000 different kinds of batteries, and houses an on-site tech center.

Zohra's restaurant will begin serving customers on the first of August. The 4,000 square-foot eatery is located on Lake Wire Drive near downtown Lakeland, and will feature Greek shrimp salad and southern dishes.

The Krystals restaurant on Memorial Boulevard in Lakeland closed in late June when the holder of the local franchise quit the business. A Krystals spokesman said the firm will reopen the Lakeland location within two months, either as a chain-owned outlet or with a new franchisee.

The Pizza Hut location on East Memorial Boulevard will close at the end of August. A Pizza Hut spokesperson said that the lease on the building was expiring, and the company is seeking a better location for a new restaurant.

Tapatios restaurant will inaugurate a second Lakeland location in the Shoppes of Christina plaza south of Lakeland. The Mexican eatery is scheduled to begin service in September.

Lighthouse Christian Bookstore of Winter Haven will open a branch operation in South Lakeland this September. The new store will be located along South Florida Avenue.

Hill Nissan officially opened its new 24,000 square-foot car dealership in Winter Haven on June 12th. The new facility is located on Cypress Gardens Boulevard near the Cypress Gardens Adventure Park, and cost \$4 million.

Providence Bank will commence operations in Winter Haven October 1st. Polk's newest financial institution will be located on First Street South, and in initially employ eight people,

Community First Credit Union & Community Café began serving customers at its Bartow location in July. The unusual combination credit union and internet café is situated in a 4,300 square-foot building on North Broadway Avenue that previously housed a Burger King restaurant.

SunTrust Bank is opening a new branch office in the Mulberry Wal-Mart Supercenter. The Church Avenue (U.S. 37) location is expected to begin serving customers in June.

TAKEOVERS - Lowe's Cos. Inc. has completed the purchase of a former WalMart store location on U.S. 98 North in Lakeland. Lowe's intends to replace the current structure with a new 136,999 square-foot facility that will serve as the chain's fourth outlet in Polk County.

Without Walls International Church, based in Tampa, has bought the 9,000-seat sanctuary of Carpenter's Home Church in North Lakeland. Carpenter's Home will relocate their services to a 3,000-seat sanctuary in Auburndale that it will take over from Without Walls International. The exchange is valued at \$15 million.

The Best Western motel on U.S. 98 North in Lakeland has been sold for \$4.2 million. New owner Neil Lal is renovating the structure, and hopes to add an additional 50 guest rooms to the current total of 120. Completion of the project is anticipated by the fall of 2006.

The historic Bryant Block Building in downtown Lakeland has been purchased by a local investment group headed by Wakeman Financial Planning. The two-story, 16,000 square-foot structure sold for \$1.4 million.

The El Coqui restaurant on South Florida Avenue in Lakeland is now under the ownership of Jaypher Perez and Maria Vazquez. The new owners have plans to expand the Puerto Rican eatery to seat up to 160 patrons.

Whistle Junction buffet has taken over three former Ryan's Steakhouse locations in Polk County. The restaurants are located on Lakeland Hills Boulevard and Bartow Road in Lakeland, and on U.S. 17 in Winter Haven.

The former Gene's Lakeside Marine in Winter Haven has been acquired by Bart and Alan Garbrecht. The full-service marina is located on Lake Shipp Drive, and will henceforth be known as Lakeside Marine Incorporated.

THE NATIONAL ECONOMY

Real GDP climbed at a 3.4% annual rate during the second quarter. Major contributors to the overall advance were increases in personal consumption expenditures, exports, residential fixed investment, and government spending.

GDP growth in Quarter 2 marked a modest reduction from the 3.8% annual growth rate of the preceding first quarter, and the 4.2% expansion for all of 2004. The slowing of growth was due, in part, to companies aggressively cutting inventory levels amid concerns earlier in the year that demand might be cooling. Those same cuts have subsequently left manufacturers and retailers in a position to step up production in the second half of the year in order to meet demand in the months ahead.

CONSUMER SPENDING - Consumer spending rose strongly in the second quarter. Personal Consumption Expenditures (goods and services) climbed by 0.8% in April, then receded a slight 0.1% in May before rising another 0.8% during June. Retail sales (includes goods only) showed a similar pattern, rising 1.7% in April, then dipping 0.3% in May before rebounding upward by 1.7% in June.

Personal incomes rose a healthy 0.7% in April, 0.2% during May, and by 0.5% in June. The fact that consumer spending continues to outpace income growth has driven the savings rate down to its lowest level since October 2001. Personal savings was a meager 0.2% of disposable personal income in April, 0.4% in May, and fell to zero in June.

It is difficult to envision that consumer spending will continue to grow at its current pace in the coming months. The Conference Board reports that consumer confidence waned a bit in July from a June reading that was the highest in three years. The Index of Consumer Confidence slipped from 106.2 in June to 103.2 in July, largely reflecting growing concern about job availability. Public perceptions of the labor market are regarded as the most important determinant of consumer confidence.

EMPLOYMENT - There was actually good news in the labor market as nonfarm employment rose by a seasonally adjusted 292,000 workers in April. Job gains slowed to advances of 126,000 in May and 166,000 in June, before climbing a healthy 207,000 in July. Though monthly payroll figures are volatile, the trend suggests that the U.S. economy expanded solidly during the second quarter.

The nation's unemployment rate dipped from 5.2% in April to 5.1% in May, then dropped to a 5% rate in both June and July. The 5% unemployment rate is the lowest since September of 2001.

The latest quarterly survey of 16,000 employers by Manpower Incorporated found that 57% of responding firms foresee no change in workforce levels during the third quarter. Thirty-one percent of the firms expect to increase their hiring, while only 6% projected a cut in their labor force.

INDUSTRIAL PRODUCTION - Manufacturing output continued to climb in the second quarter. Production at the nation's mines, factories, and utilities rose 0.3% in both April and May, then followed with a 0.9% advance in June. About half of the June increase was related to a rise in output at utilities due to warm weather. Industry operated at 79.2% of designed capacity in April, 79.4% in May, and at 80% of capacity in June.

Factory orders increased 0.7% in April, 3.6% in May, and by another 1% during June. The rise in factory orders is largely the result of increased automobile sales, driven by large discounts offered by U.S. car companies. The May increase in factory orders was the largest in 14 months.

Business investment plans appear to be on a solid footing despite international concern with rising oil prices. Spending on new construction in the manufacturing sector for the 12-month period ending in May was up 24% from the preceding year. Orders for

durable goods, a closely watched indicator of future economic activity, advanced smartly in Quarter 2; climbing 1.5% in April, 6.4% in May, and 1.4% in June.

Business inventories rose modestly during the second quarter, advancing by 0.2% in April and 0.1% in May. Inventory levels were unchanged in June.

CONSTRUCTION - Spending for new construction dropped modestly throughout the second quarter. Expenditures fell by 0.9% in April, 1.7% in May, and by 0.3% in June. Nonetheless, construction spending for the first six months of 2005 remains 9.3% above that of the same period in 2004.

The housing market remained hot in Quarter 2. Sales of new single-family homes slipped a modest 1.8% during April, then resumed their long-run climb with advances of 3% in May and 4% in June. Existing home sales rose 4.5% in April then dipped a slight 0.6% during May, before rising another 2.7% to a new record-high level in June. The median price for homes sold nationwide in June was \$219,000, an increase of 14.7% from a year earlier. Home sales will likely remain strong until mortgage rates start to climb.

The outlook for residential construction is likely to remain strong through the fall as housing starts advanced a sharp 10.6% in April. Starts were off 1.1% in May and unchanged in June. The number of private building permits issued nationwide climbed 6.3% in April, then fell 4% in May before rebounding upward by 2.4% in June.

There is emerging evidence that beyond the next few months we will likely see the residential markets cool. Sales at home-related stores have posted substantial declines, and housing inventory levels (unsold homes) are rising sharply in a number of the more active markets.

FOREIGN TRADE - The U.S. international trade deficit in goods and services declined slightly to \$56.9 billion in April and \$55.4 billion in May, as American exports rose to their highest level in history and oil prices dipped. The trade gap expanded sharply to \$58.8 billion in June, primarily in response to rising prices for imported oil. The outlook is for even larger trade deficits in the months ahead as oil prices hover around \$67 per barrel.

COST OF LIVING - The U.S. economy received a welcome dose of tame inflation as price increases slowed in May and June following a modest spurt in April. The Consumer Price Index (CPI) climbed 0.5% during April, then was actually down 0.1% in May and unchanged in June as energy prices retreated temporarily.

Year	Q1	Q2	Q3	Q4
2002	177.9	179.9	180.6	181.2
2003	183.0	183.7	184.5	184.8
2004	186.3	188.6	189.5	190.8
2005	192.2	194.1		

(A) Figures are revised by the Department of Commerce as of August. The data reflect the average CPI reading over each quarter. The base period of the CPI is 1982.

MONETARY POLICY - The Federal Reserve Board raised its target for the federal funds rate for the 10th consecutive time at its August meeting by a quarter percentage point. The benchmark rate that commercial banks charge one another on overnight loans now stands at 3.5%. The Fed's target rate is expected to drift still higher

in the months ahead because the economy appears to be strengthening, and the Fed is still concerned about the potential for future inflation and the fact that long-term interest rates remain unusually low.

LEADING INDICATORS - The Index of Leading Economic Indicators maintained by the Conference Board rose 0.2% in April, and was unchanged in May. The leading index was up 0.9% in June, suggesting that the current pace of economic activity may be sustained over the next several months.

Orders for nondefense capital goods excluding aircraft, a widely followed harbinger of business investment plans, rose 1.7% in April, then receded by 0.6% in May. Orders climbed a more significant 3.8% during June.

A semiannual survey of 56 economists by the Wall Street Journal in June yielded a consensus outlook calling for slower growth over the next year. Real GDP is expected to expand at a 3.5% annual rate in the second half of 2005, then slow to a 3.3% annual growth rate during the first six months of 2006.

SUMMARY - The U.S. economy continues to expand at a respectable rate, still being driven by consumer spending and residential construction. Income growth has not kept up with spending, driving personal savings as a percentage of disposable income down to zero in June. Job growth remains solid, and the unemployment rate has again fallen to 5%.

There are emerging signs that the housing market and consumer spending may both begin to cool toward the end of the year. The international trade outlook is grim, and the Fed will likely continue its efforts to drive interest rates higher even though inflation remains tame.

The leading economic indicators suggest little change over the next several months, with real GDP growing at about a 3.5% annual rate over the remainder of 2005.

THE POLK OUTLOOK

The local outlook for the third quarter closely parallels that of the nation. We anticipate little immediate change in the overall Polk Progress Index. Industrial electricity consumption will likely rebound a bit from the Quarter 2 decline, and there will be modest gains in employment and retail sales. Employment will be adversely impacted by the pending layoffs in the phosphate industry, and the Polk unemployment rate will rise, in part due to recurring seasonal factors. We may also begin to see some slight contraction in housing related sectors of the local economy.

METHODOLOGY

The Polk Progress Index is developed on the basis of quarterly observations of five variables. The base period for the index is the first quarter of 1992. Data are adjusted for seasonal fluctuations where appropriate. The statistical technique of factor analysis was employed to assign weights to the observed variables and derive estimates of the underlying factor. The weights used are Taxable Sales (.17); Total Employment (.25); Home Sales (.17); Residential Electric Accounts (.25); and Industrial Kilowatt Hours (.17). The index explains 80% of the variation in the combined variables. The weights and variables are subject to future verification and modification in light of changing relationships.

	POLK PROGRESS INDEX												
	2002		2003				2004				2005		Q3*
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Projected
Taxable Sales (1,000's of \$)	1,432,950	1,516,318	1,400,020	1,448,058	1,454,526	1,673,398	1,526,920	1,573,160	1,596,057	1,921,294	1,894,422	1,884,399*	1,898,094
Total Employment	222,180	224,858	222,910	225,064	224,610	229,797	233,250	235,282	234,473	238,575	239,420	244,321	242,265
Residential Telephone Access	217,549	218,642	221,178	214,624	213,059	214,906	218,061	211,433	212,847	211,433	212,898	202,464	210,257
Business Telephone Access	81,507	80,282	79,413	77,428	76,665	74,639	73,638	72,490	72,040	72,940	69,985	69,585	67,548
Industrial Electric KWH (1,000's)	142,032	133,312	123,966	135,111	127,882	147,362	120,033	135,198	147,336	130,529	126,839	128,771	143,071
Number of Single Family Bldg. Permits	1,111	1,067	1,185	1,496	1,723	1,518	1,575	2,211	2,148	2,348	2,288	2,836	2,827
Hotel/Motel Sales (1,000's of \$)	25,530	27,092	28,441	27,002	29,679	27,125	38,134	36,832	35,607	37,569	46,928	39,276*	39,629
Number of Homes Sold	1,253	1,235	1,127	1,427	1,417	1,306	1,355	1,697	1,430	1,375	1,493	1,799	1,644
Citrus Concentrate Movement (1,000's of gal.)	54,269	57,285	62,629	53,507	0,218	59,124	57,687	56,638	55,630	54,337	48,668	38,034	45,708
Building Permits (1,000's of \$)	133,314	157,649	162,059	181,056	229,087	219,174	213,300	291,345	298,307	475,416	370,708	380,505	-
Number of Residential Electric Accounts	90,114	91,319	93,478	92,408	92,030	92,879	95,228	93,176	93,198	94,659	96,972	95,204	95,259
POLK PROGRESS	182.7	185.4	180.1	185	188.6	194	194.6	200	194.9	198.9	210.4	210.1	210.3

*Estimated values for Taxable Sales and Motel/Hotel sales in Q1, and forecast values for Q2, 2005.

Individual variables in the table represent raw data, unadjusted for seasonally. Industrial electric consumption reflects sales by the City of Lakeland. Phosphate sold or used is for Florida and North Carolina (Polk County averages 40% of this combined total). Citrus concentrate movement is for the state of Florida. All other data are county specific.

The composition of the Polk Progress Index is explained in the methodology section at the end of this report. Data are seasonally adjusted when appropriate to computation of the overall index.

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THE POLK PROGRESS

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