

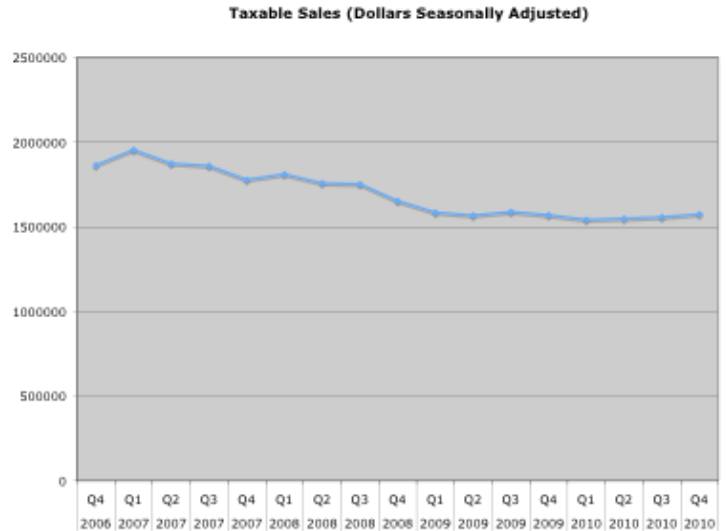
**POLK MISSES THE ECONOMIC TRAIN**

Local economic activity continues to muddle along at a level that hasn't shown much variability over the past twenty-one months. The Polk Progress Index (PPI) rose 1.4% in the fourth quarter, and now stands 1.7% above the first quarter of 2009. The average value for the PPI in 2010 is up an insignificant 0.3% from the average value in 2009.

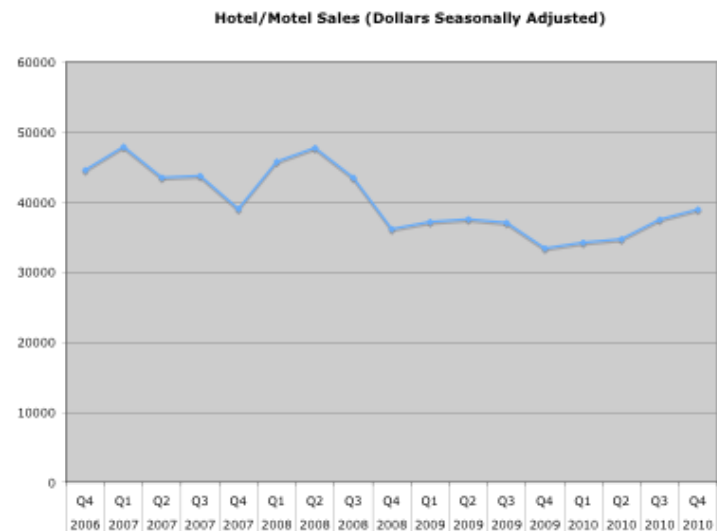
The Quarter 4 advance in the PPI was led by increases in taxable sales, home sales, and sales at county hotels and motels. There were small declines in estimated population and employment, and a 2% drop in industrial electricity consumption. The seasonally adjusted unemployment rate remains stable at around 12 percent.

**SALES** - Taxable sales in Polk County rose an estimated 1.2% in the fourth quarter of 2010 after adjusting the data for recurring seasonal variations. Sales for the preceding third quarter have been revised upward on the basis of September data, and now show a 0.5% decline from Quarter 2 rather than the previously estimated 1.2% drop.

Taxable sales for the 2010-year were down an estimated 1.9% from 2009 based on preliminary data for December. Any significant increase in sales awaits improvement in the local labor market.



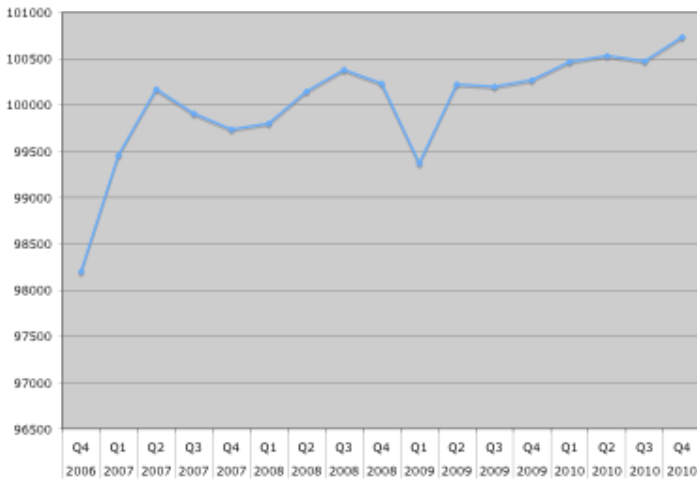
Sales at area hotels and motels climbed a seasonally adjusted 3.8% in Quarter 4 as tourism is beginning to show signs of life. Sales in the last six months of 2010 are up 8.3% from the last half of 2009. Expenditures at Polk hotels/motels over the entire 2010-year were virtually unchanged from the year before (down 0.2%).



**POPULATION** - The US Census Bureau estimates that the population of Polk County has risen by 17% since 2000, and now stands at 566,657. The median household income in the county during 2009 was \$44,043 according to the Census report. That represents a 22% increase from the year 2000, short of the 28% increase in prices over the same time period.

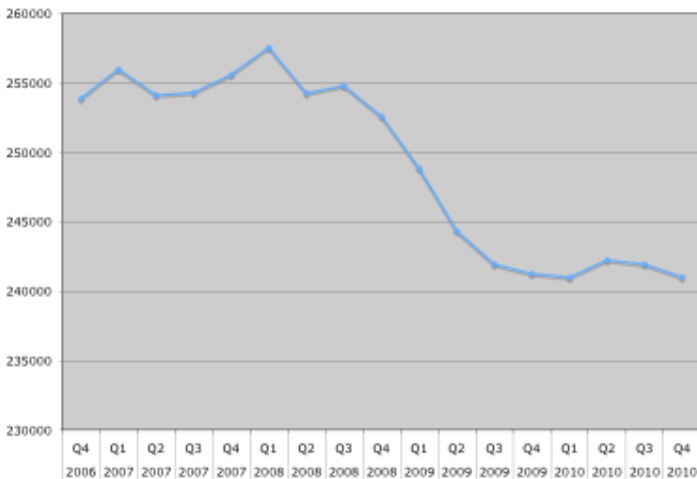
The Census Report also finds that 96,571 people in Polk County during 2009 were living below the poverty line, representing 17% of the local population. The official poverty line in 2009 was \$21,756 for a family of four.

Residential Electric Accounts (Seasonally Adjusted)



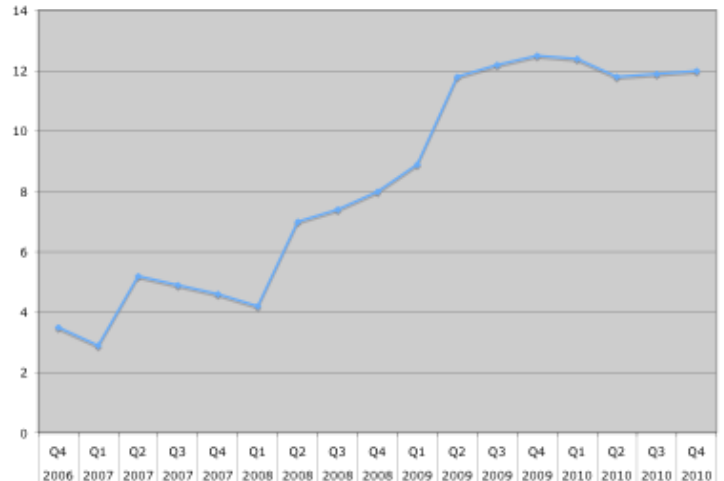
**EMPLOYMENT** - The local labor market has yet to show any signs of meaningful improvement. Total employment dipped a seasonally adjusted 0.4% in the fourth quarter, to end the year right where it began. The average level of employment during 2010 was 1.5% below the average employment in 2009, a decline of 3,717 jobs.

Total Employment (Seasonally Adjusted)



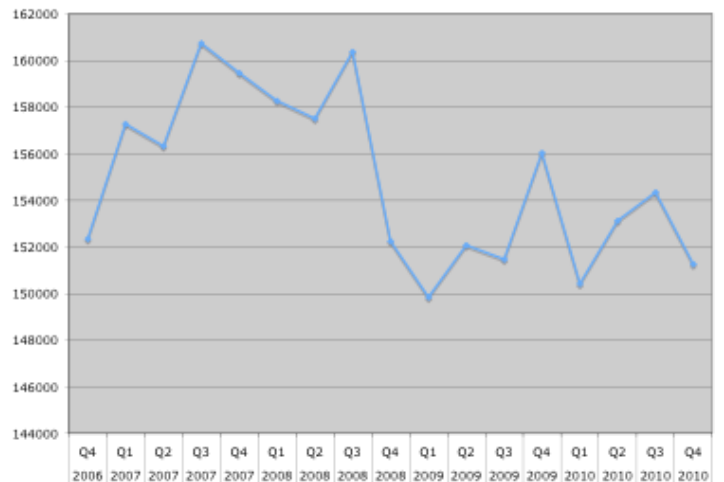
Polk's unemployment rate exhibited normal seasonal variation in the fourth quarter, falling to 12.6% in October, then rising to 13.3% in November before receding again to 12.5% in December. The average unemployment rate during 2010 was 12.9%, up from 11.4% in 2009. The unemployment rate has been pretty stable at around 12% on a seasonally adjusted basis since the second quarter of 2009.

Unemployment Rate (Seasonally Adjusted)



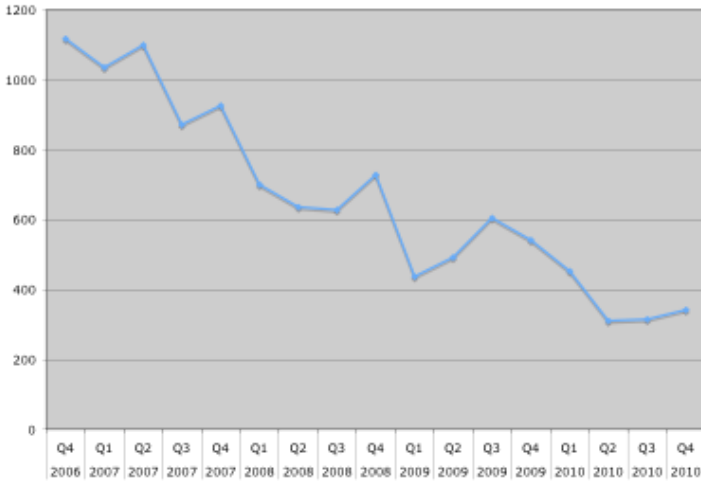
**MANUFACTURING** - Local manufacturing activity fell 1.2% during 2010 from the preceding year as measured by industrial electricity consumption. Industrial consumption ended 2010 on a down note, falling 2% in the fourth quarter after adjusting for seasonal factors.

Industrial Kilowatt Hours (Seasonally Adjusted)



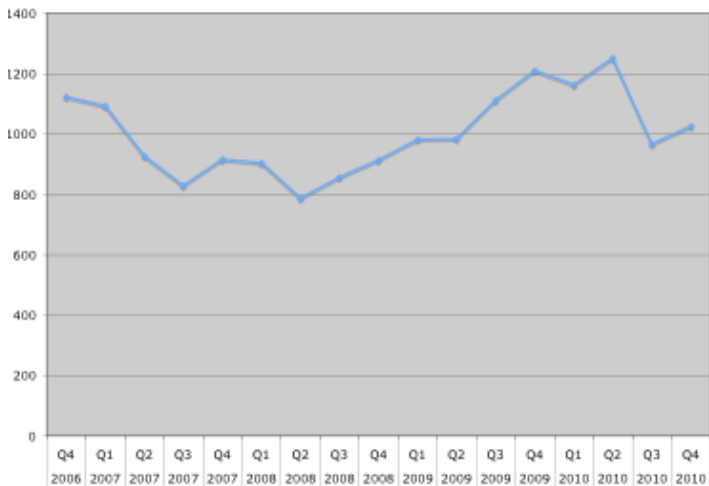
**CONSTRUCTION** - There were just 84 permits issued for the construction of single-family homes in Polk County during October, 61 in November, and 60 in December. A total of 1,082 single-family building permits was issued countywide in 2010, an insignificant increase from 2009.

Number of Single Family Building Permits (Seasonally Adjusted)



Local home sales totaled 293 in October, 307 in November, and 375 in December. There were 4,441 homes sold in Polk County during 2010 at a median price of \$101,500. That represents a 3% increase in sales and a 9% drop in prices from 2009. Statewide, home sales were up 4% and prices were down 5% for the year.

Number of Homes Sold (Seasonally Adjusted)



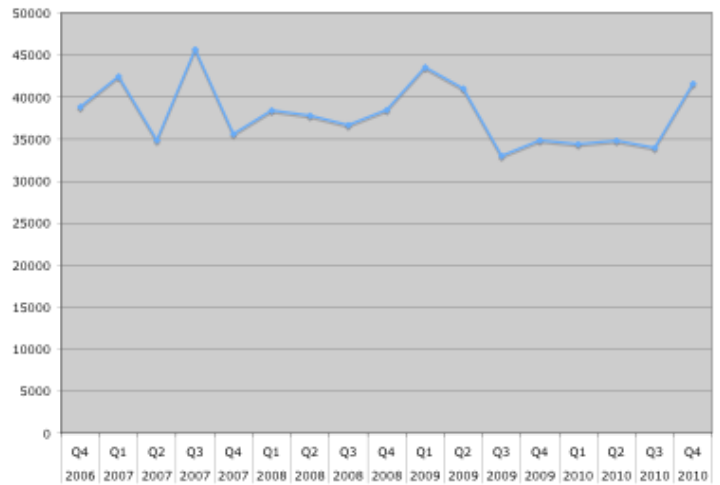
Sixty percent of the homes sold locally in 2010 were distressed properties. The total number of foreclosure filings in the county fell during 2010 by 7% from the preceding year.

**PHOSPHATE** - Cargill Inc. announced in January that it was divesting itself of its ownership stake in Mosaic Company. Cargill owns 64% of the outstanding stock of Mosaic, and will distribute the shares among Cargill stakeholders and debt holders. Mosaic employs more than 2,000 workers at its three phosphate mines and two fertilizer plants located in Polk County.

**CITRUS** - The US Department of Agriculture has again lowered its estimate for the current orange crop. A February projection based on a statewide survey of citrus groves projects an orange crop of 138 million boxes. That is down 5.5% from the original USDA forecast issued in October. The latest survey reflects several freezes in mid-December. The month of December saw seven days that witnessed record-low temperatures for the date.

The volume of citrus concentrate produced by Florida processing plants fell 5% in 2010, a decline of 7.6 million gallons from the previous year.

Citrus Concentrate Movement (Thousands of Gallons)



**DEVELOPMENT** - The local economy suffered a severe setback with the decision by newly-elected Governor Scott to cancel the proposed high-speed rail connection between Tampa and Orlando. It is difficult to estimate the number of potential jobs and other economic benefits that will now go unrealized. The more than \$2 billion previously committed to the project by the federal government will likely be diverted to a similar project in another part of the country.

A recent statewide economic forecast released by the University of Central Florida projects a slow decline of the unemployment rate in Polk County to 12.3% by the end of 2011. The slow pace of recovery in employment is attributed to the heavy reliance of the local economy on housing construction.

An economic impact study released by the Central Florida Development Council projects that the new University of South Florida Polytechnic campus and associated research park in Lakeland could potentially generate 20,000 jobs and an annual economic impact of \$3.2 billion.

Publix Supermarkets is seeking permission to double the size of a 550,000 square-foot warehouse in West Lakeland. The expansion of the warehouse on County Line Road includes a 50,000 square-foot recycling center, with construction beginning later this year pending approval by the City of Lakeland.

The Lakeland-based One Life America insurance company is moving its offices from Lakeland Hills Boulevard to a new location on Bartow Road. The relocation will be in conjunction with the hiring of 100 additional call center sales associates.

The Lakeland City Commission has given approval for a planned \$20 million expansion of the First United Methodist Church located along Lake Morton. The expansion includes a 58,100 square-foot children's ministry and a 57,000 square-foot worship center to house conferences and concerts.

The Family Worship Center in Lakeland has begun construction of a \$9.5 million expansion that features a 42,500 square-foot sanctuary. The new sanctuary seats 3,200, making it the second largest in the county. The church is located on East Main Street near downtown Lakeland.

Three new dollar stores are in the works for Lakeland. The first to open will be a 9,324 square-foot Dollar General outlet adjacent to Harden Boulevard in West Lakeland. It is the fifth Lakeland location for Dollar General, which now operates 473 stores in Florida.

A Dollar Tree Store is taking over the old location of Books-A-Million on South Florida Avenue, and a Family Dollar Store is soon scheduled to open along Kathleen Road near Eighth Street.

Florida Traditions Bank of Dade City plans to open a new branch office near downtown Lakeland. The new office will be located on South Florida Avenue, and becomes the second branch for the bank in Polk County.

The Winter Haven City Commission will soon consider a development plan for The Landings, a complex proposed to replace the city's Orange Dome and baseball stadium located on 45 acres of land bordering Lake Lulu. The Landings will include two hotels, restaurants, and a major retailer; plus other retail operations and a movie theater. Construction may begin in early summer.

Packaging Corporation of America has completed a \$17 million expansion of its manufacturing facility in Winter Haven. The plant is located on 42nd Street N.W., and has hired 40 additional workers in conjunction with the expansion. PCA makes packaging for citrus and produce industries, and for industrial customers.

Polk State College held a groundbreaking ceremony in January for a permanent home for its Chain of Lakes Collegiate High School. It will be the first new building on the Winter Haven campus in ten years. The 15,000 square-foot structure will house computer and science labs in addition to classrooms.

The Polk County Commission has approved plans for a new park in Poinciana. The Commission appropriated \$3.5 million to begin construction next year of a 29-acre park between Poinciana Parkway and Allegheny Road. The park will include playing fields and basketball courts, in addition to picnic shelters.

**NEW OPENINGS AND CLOSINGS** - FedEx is completing the closure of its facility on Griffin Road in North Lakeland as part of a companywide consolidation. The long-haul trucking unit employed 160 workers at the Lakeland location.

A Buffalo Wild Wings franchise will be coming to North Lakeland in February. The 7,400 square-foot restaurant is located along US 98 North in the building formerly occupied by Don Pablo's Mexican Restaurant, and will employ 100 people. Parent company Diversified Restaurant Holdings operates six Buffalo Wild Wings outlets in Florida, and another thirteen in Michigan.

The B-C Corral store on East Memorial Boulevard in Lakeland is winding down after 34 years in business. B-C Corral specialized in western apparel, and owners cited the struggling economy as a factor in the decision to close.

The CDB's Italian Restaurant located on Memorial Boulevard closed in early January. The Tampa-based CDB's has now been reduced from a seven-restaurant chain down to the single original location in Tampa.

A Turkish restaurant recently began serving patrons in downtown Lakeland. The Istanbul Restaurant is located at the intersection of Kentucky Avenue and Lemon Street, featuring a variety of Turkish cuisine.

A downtown Lakeland Cuban restaurant shuttered its doors in early January. Pipo's Restaurant was adjacent to Kentucky Avenue, and first began serving customers in June of 2009.

Zohra's Restaurant overlooking Lake Wire near downtown Lakeland closed in late January. The owners are relocating to North Florida.

Harry's Restaurant on East Main Street in Lakeland closed in December, but is scheduled to reopen under new ownership in early March. A series of eateries have operated from the Harry's location for nearly sixty years. The restaurant is not affiliated with the Harry's Seafood Bar & Grill in downtown Lakeland.

A new Irish pub began serving patrons in South Lakeland in December. The Paddy Wagon operates in the former location of Ted's Hideaway adjacent to South Florida Avenue.

Subway Restaurants intends to open a location in South Lakeland in February. The newest Subway will be in the Lakeside Village next to the Cobb Theater complex.

Press 101 has plans to open another eatery in the Lakeside Village this spring. Press 101 is an upscale sandwich and wine bar based in Orlando, and is owned by the founder of the Crisper's Restaurant chain.

The Grass Roots Organic Restaurant on South Florida Avenue in Lakeland served its last meal in December. It was the only all-vegetarian restaurant in Polk County since it opened in 2008. There are two Grass Root restaurants in Tampa.

Bongos Latin Café opens on South Florida Avenue in February. The cafe will feature breakfast items, seafood, and Cuban sandwiches.

Greatwide Dedicated Transport has announced that it will cease operations in April. The Winter Haven trucking firm employs 130 people, the majority of whom are drivers. Greatway is located on Winter Haven Boulevard, and mainly does contract work for Publix.

The Winter Haven Housing Authority opened its new administrative center in January. The center houses administrative offices and the Journey Learning Center at the Lake Deer Apartments, which will provide education services for low-income residents. The Housing Authority oversees 338 housing units scattered among five locations in the city.

The Harborside Restaurant in Winter Haven went out of business in December. The Harborside was located along the shores of Lake Shipp, and was a popular destination for Polk diners for many years.

McGillicuddy's Restaurant opened in Winter Haven in January. The new eatery is located on Lake May, and features a country music-themed bar.

An Auburndale sports bar called American Joe's opened for business in December along highway US 92 West. The specialty of the house is Big Mama's Country Fried Chicken.

The Belk store in Davenport will soon close. The 74,000 square-foot outlet is located at Posner Park, and has only been open since March of 2008.

**TAKEOVERS** - Florida Southern College has entered into an agreement to purchase the Lake Morton Apartments, several blocks north of its Lakeland campus. The eight brick buildings currently contain 80 apartment units, which will be converted into housing for upperclassmen and graduate students. Terms were not disclosed.

BCI Engineers and Scientists Incorporated was recently bought by international engineering firm AMEC. BCI is based in Lakeland, and employs 200 workers in seven offices. AMEC employs 23,000 workers in 40 countries.

### THE NATIONAL ECONOMY

The price adjusted Gross Domestic Product rose at a 2.8% annual rate during the fourth quarter of 2010. That follows a 2.5% annual rate of increase in the preceding third quarter of the year.

The real GDP advance in the fourth quarter was led by increases in personal consumption expenditures, exports, and residential fixed investment. Negative factors included a decline in federal government spending, weaker inventory investment, and a deceleration in nonresidential fixed investment.

US output has just regained the level achieved before the recession began three years ago in December of 2007. At the low point during the summer of 2009, US real GDP had fallen by 4.14% from the pre-recession peak.

Current dollar (nominal) Gross Domestic Product at the end of 2010 stands at \$14.87 trillion. The price adjusted Gross Domestic Product (real GDP) in calendar 2010 rose by 2.9%.

**CONSUMER SPENDING** – Consumers are showing signs of loosening up and taking the lead in the economic expansion. Personal Consumption Expenditures (goods and services) rose 0.7% in October, 0.3% in November, and by 0.7% again in December. Retail Sales (goods only) were up 1.8% in October, 0.8% in November, and 0.5% during December.

The rise in consumer spending is being fueled by continuing increases in their incomes. Disposable personal income climbed 0.4% in October, 0.3% in November, and 0.4% in December. There remains an air of some caution among consumers as they saved 5.5% of their disposable incomes in October and November, and 5.3% of disposable income in December.

The most recent surveys of consumer confidence posited in the Reuters/University of Michigan Survey of Consumer Sentiment reflect the highest levels of confidence in three years. Despite the

gains, consumer confidence remains well below levels associated with a healthy economy. The number of Americans filing for person bankruptcy rose above 1.5 million in 2010, an increase of 9% from the preceding year.

**EMPLOYMENT** - Nonfarm payroll climbed by 171,000 workers in October; 93,000 in November; and 121,000 in December. Employment growth receded sharply in January with the creation of only 36,000 jobs. The January slowdown in hiring was attributed to bad weather during the month, and is not believed to represent a departure from the upward trend in job creation. Employment figures will be hampered in the months ahead by mounting layoffs of state and local government workers as states are forced to cut back in order to meet balanced budget mandates.

The US unemployment rate edged up slightly to 9.9% in November, then dropped sharply to 9.4% in December and 9% in January. Analysts held that the drop in the unemployment rate in January overstates the improvement in the labor market in light of the weak growth in the number of jobs.

US businesses have been able to raise output over the past year and a half without large increases in employment due to the rising productivity of the American worker. Worker productivity rose 3.6% in 2010 following a 3.5% increase in 2009, lowering unit labor costs by 1.5% in each year.

**INDUSTRIAL PRODUCTION** - Output at US mines, factories, and utilities was unchanged in October before climbing 0.3% in November and 1.2% during December. Industry operated at 75.2% of designed capacity in October, 75.4% in November, and 76.2% in December.

Manufacturing employment rose by 136,000 workers (1.2%) in 2010. That is the first annual increase in manufacturing employment since 1997. Economists project that another 330,000 jobs will be created in 2011, bringing the total number of manufacturing jobs in the US to about 12 million.

A 0.7% decline in factory orders during the month of October was doubly offset by advances of 1.3% in November and 0.2% in December. Orders for durable goods fell throughout the fourth quarter, declining 3.1% in October, 0.1% in November, and 2.5% during December. Most of the declines in durable orders were related to a fall in commercial aircraft orders, which tend to be volatile.

Manufacturing and trade inventories rose 0.8% in October, 0.4% in November, and by 0.8% again in December.

**CONSTRUCTION** - Total expenditures for new construction rose 1.1% in October before falling 0.2% in November and 2.5% in December.

Homebuilding remains weak as the number of housing starts continued to plummet in the fourth quarter. Housing starts fell 11.3% during October, recovered a slight 2.8% in November, and slid another 5.1% in December. Some improvement may be on the way as the number of building permits issued for the construction of private housing climbed 15.3% in December, following a 0.9% increase in October and a 1.4% decline in November.

New home sales dropped 11.7% in October and were unchanged in November. Sales surged upward 17.5% in December, but remained 7.6% below December of 2009. New home sales for the 2010 calendar year were down 14.2% from 2009. That is the lowest annual total for new home sales since the federal government began compiling those statistics in 1963.

Sales of existing homes dipped 2.2% in October, then climbed sharply by 6.1% in November and 12.3% during December. Sales volume for the 2010 year is the lowest since 1997. Prices appear to be firming, but will remain depressed until the large inventory of unsold homes begins to clear. That process is becoming more difficult as banks begin to tighten their loan requirements, including demands for larger down payments.

The National Association of Realtors is investigating whether it has been overestimating home sales as far back as 2007. Any revisions may show that the downturn in existing home sales was even more severe than currently believed, and that the time necessary to pare down the inventory of unsold homes may be longer than now projected.

**FOREIGN TRADE** - The US international trade deficit in goods and services shrank to \$38.3 billion in both October and November. Those were the lowest monthly trade deficits in nine months. The nation's trade deficit rebounded upward to \$40.6 billion in December. The trade deficit for all of 2010 was \$498 billion. That represents an increase of 32.8% from the preceding year despite a 17% increase in US exports, which was offset by an even larger 20% increase in imports.

The US trade deficit with China hit a record \$273 billion in 2010. China is our nation's largest source of imports, and the third largest destination for US exports.

**COST OF LIVING** - Inflation remained tame at yearend as the Consumer Price Index (CPI) climbed just 0.2% in October, 0.1% in November, and 0.4% in December.

Consumer Price Index (A)				
Year	Q1	Q2	Q3	Q4
2006	198.9	202.3	203.4	201.7
2007	203.8	207.7	208.2	209.7
2008	212.1	216.8	219.3	213.1
2009	212.0	214.3	215.7	216.2
2010	217.0	217.2	218.0	219.5

(A) Figures are revised by the Department of Commerce as of January, 2011. The data reflect the average CPI reading during each quarter. The base period of the CPI is 1982.

**MONETARY POLICY** - The Federal Reserve is continuing to enact its latest plan to buy \$600 billion of US Government bonds by June in an effort to lower interest rates and stimulate spending. The Fed Board of Governors reaffirmed its commitment to the program at a meeting in late January.

**FISCAL POLICY** - The Fed's push for an accompanying loosening of fiscal policy was answered when Congress extended the Bush era tax cuts for all income groups in December. The decline in tax revenues is expected to push the federal budget deficit for the fiscal year ending September 30 (2011) to over \$1.6 trillion.

President Obama has sent his budget proposal for fiscal year 2012 to Congress for consideration. The \$3.7 trillion proposed budget would reduce the annual deficit to \$1.1 trillion in 2012, and reduce federal spending to 23.6% of GDP from the current 25.3% of GDP. Republicans are calling for significantly larger budget cuts, including an additional \$60 billion in the current (2011) fiscal year.

**LEADING INDICATORS** - The Index of Leading Economic Indicators maintained by the Conference Board continued its upward path in the fourth quarter, climbing 0.2% in October, 1.1% in November, and by 0.8% during December.

New Orders for nondefense capital goods excluding aircraft, a widely followed indicator of business investment plans, offset a 3.2% drop in October with advances of 3.1% in November and 1.9% in December.

Economists are ratcheting upward their projections for GDP growth in 2011. The monthly survey of 55 economists by the Wall Street Journal has increased their average estimate for 2010 growth in real GDP from 3% in their December 2010 survey to 3.5% in their February 2011 survey.

**SUMMARY** - The US economy is transitioning from one led by business spending to rebuild inventories to one led by increases in consumer spending. Price adjusted GDP grew at a 2.8% annual rate in the fourth quarter. Real GDP rose by 2.9% during the 2010 calendar year.

Though household spending is on the rise, surveys show consumers remain cautious in the face of high unemployment and continued uncertainty in the housing market. With state and local governments forced to cut spending in the months ahead, sharp cutbacks in the fiscal stimulus at the federal level could potentially derail the fledgling economic expansion.

**POLK OUTLOOK**

The national economic recovery, weak as it may be, has yet to appear in Polk County. Taxable sales and employment are down 1.5% to 2% in 2010 from 2009, and the unemployment rate remains mired at about 12% of the workforce. Tourism has shown some signs of life over the past six months, but the housing sector remains flat on its back.

While the Polk economy has become less reliant on the old mainstays of citrus and phosphate, we have dramatically increased our dependence on home construction as the engine of economic activity. It is desirable that we continue to diversify our economic base in order to reduce the amplitude of variations in local economic activity.

The immediate outlook for the Polk economy is for slow growth through 2011. The housing sector will come back, but not in any significant way until 2012 at the earliest. Employment and sales will grow in 2011, and the unemployment rate will recede slowly as the year progresses.

The outlook for the national economy is GDP growth at a 3.5% rate in 2011. In Polk County, the economic growth rate will more likely be in the 1.5% to 2% range.

**METHODOLOGY**

The Polk Progress Index is developed on the basis of quarterly observations of six 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 (.18); Total Employment (.19); Home Sales (.15); Residential Electric Accounts (.17); Industrial Kilowatt Hours (.17); and Hotel/Motel Sales (.14). The index explains 89% of the variation in the combined variables. The weights and variables are subject to future verification and modification in light of changing relationships.

\* Items appearing in the local development section are primarily based on articles appearing in the Lakeland Ledger and other local news reporting agencies.

POLK PROGRESS INDEX													
	2008				2009				2010				2011
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*
Taxable Sales (1,000 of \$)	1,884,270	1,771,663	1,641,568	1,651,233	1,603,497	1,546,925	1,474,307	1,541,420	1,545,277	1,506,401	1,438,311	1,560,645*	1,577,507
Total Employment	256,050	256,377	254,504	252,193	244,339	246,469	241,646	240,847	239,501	242,422	240,054	239,345	240,401
Residential													
Telephone Access	149,461	141,988	134,760	128,356	121,523	114,945	108,959	103,027	98,897	94,101	89,062	84,166	76,682
Business													
Telephone Access	67,772	67,090	65,930	64,751	63,071	61,376	60,075	58,623	57,364	56,383	54,806	53,135	52,603
Industrial Electric													
KWH (1,000's)	149,630	157,040	173,592	157,469	139,193	151,828	164,912	159,477	137,023	150,327	167,135	153,419	146,319
Number of Single													
Family Building Permits	601	737	537	351	271	260	308	233	304	319	264	205	235
Hotel/Motel Sales													
(1,000's of \$)	52,770	48,696	39,524	32,453	43,075	38,286	32,434	28,076	40,509	35,551	33,931	31,574*	41,509
Number of Homes Sold	752	858	848	770	832	1,031	1,101	1,121	1,054	1,329	1,030	975	1,000
Citrus Concentrate													
Movement (1,000's of gallons)	38,432	37,813	36,666	38,499	43,576	41,017	33,013	34,846	35,551	34,831	33,964	41,620	40,612
Building Permits													
(1,000's of \$)	262,959	313,424	225,632	180,479	107,385	110,634	121,500	81,028	110,024	112,237	75,350		
Number of Residential													
Electric Accounts	102,023	100,570	99,822	100,539	101,128	100,618	99,470	100,384	101,933	100,725	99,509	100,586	101,836
<b>POLK PROGRESS</b>	<b>198.3</b>	<b>194.0</b>	<b>193.9</b>	<b>186.1</b>	<b>188.2</b>	<b>188.1</b>	<b>190.6</b>	<b>190.0</b>	<b>187.2</b>	<b>191.8</b>	<b>188.1</b>	<b>191.4</b>	<b>192.6</b>

\*Estimated values for taxable sales and motel/hotel sales in Q4 2010, and forecast values for Q1 2011

Individual variables in the table represent raw data, unadjusted for seasonal factors. Industrial electric consumption reflects sales by the City of Lakeland.

Citrus concentrate movement is for the state of Florida. All other data are county specific.

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

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**THE POLK PROGRESS**

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