

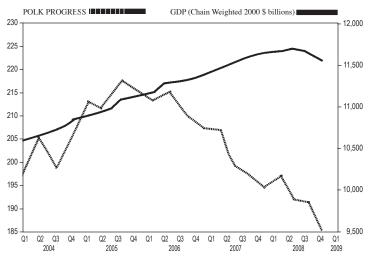
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# ECONOMIC INDICATORS FOR POLK COUNT

PREPARED BY CARL C. BROWN, PH.D, FLORIDA SOUTHERN COLLEGE

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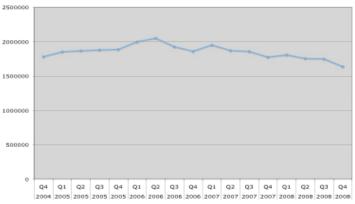
#### RECESSION BITES HARD AT LOCAL ECONOMY

The Polk economy contracted sharply in the fourth quarter as the Polk Progress Index (PPI) fell more than 4%. The decline was spread through all components of the overall index, with the lone exception of home sales. The sharpest drops were in retail sales, and sales at area hotels and motels. Seasonally adjusted home sales were up slightly due to a surge in foreclosures. The PPI is down 5.2% from a year ago.

State regulators have approved a plan by State Farm Insurance to withdraw from the Florida property insurance market over the next two years. State Farm is the largest property insurer in Florida, and has approximately 47,000 policyholders in Polk County and 800,000 statewide. State Farm employs about 1,700 workers at its Florida headquarters located in Winter Haven, some 300 of whom are dedicated to serving the Florida market.

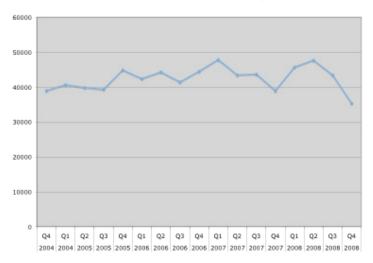
SALES - Local retailers suffered through a rough holiday season as taxable sales fell an estimated 6.4% in the fourth quarter, based on preliminary data. Total taxable sales in the county during 2008 fell an estimated 8.5% (down \$642 million) from 2007, unadjusted for inflation. Taxable Sales (Seasonally Adjusted)





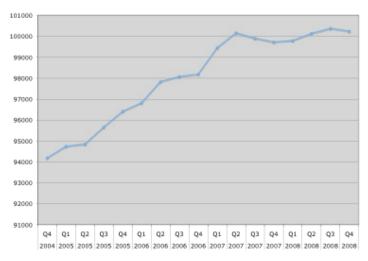
The impact of the nationwide recession finally hit Polk County tourism in Quarter 4. Gross sales at area hotels and motels plunged an estimated 18.6% from the preceding quarter after adjusting the data for seasonal variations. Fourth quarter sales were down 17.2% from the same quarter a year ago. Sales for the entire 2008 calendar year were down just 3.5% (\$6.3 million) from 2007.

#### Hotel/Motel Sales (Seasonally Adjusted)

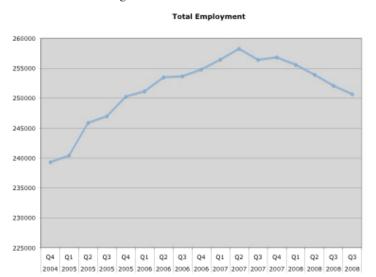


**POPULATION** - The population of Polk County has stabilized over the past 18 months, in sharp contrast to the rapid growth experienced in preceding years. These trends are exhibited by data on the number of residential electric accounts maintained by the City of Lakeland, which have closely paralleled census data for the county in the past. The average number of connections in the fourth quarter of 2008 is up an insignificant 0.3% (297 connections) from a year ago.

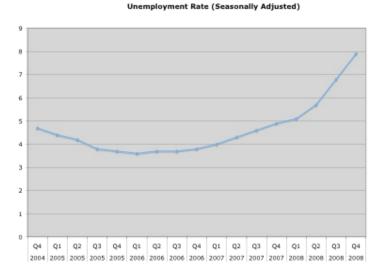
#### Residential Electric Accounts (Seasonally Adjusted)



**EMPLOYMENT** - Total employment in Polk County fell each quarter during 2008. The number employed dropped a seasonally adjusted 0.6% during the fourth quarter, and now stands 2.4% below a year ago (a loss of 6,161 jobs). The average number of workers employed locally throughout 2008 was 253,144; a decline of 1.5% from the average in 2007.

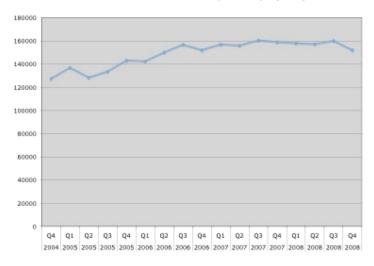


The unemployment rate in Polk County rose to 8.1% in October, 8.4% in November, and 8.7% in December. The county's unemployment rate stood at just 4.8% in December of 2007. The average unemployment rate during the just completed fourth quarter of 2008 is 7.9% after adjusting the data for recurring seasonal variations.



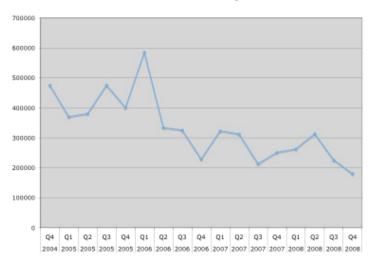
**MANUFACTURING** - Industrial electricity consumption reported by Lakeland Electric fell a seasonally adjusted 5.1% in the fourth quarter. Total industrial kilowatt hours sold during 2008 was down a slight 0.7% from 2007.





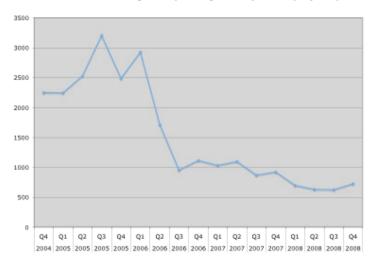
**CONSTRUCTION** - The value of building permits issued countywide has fallen over the last six months after having appeared to stabilize earlier in the year. There was \$982.5 million worth of permits issued for new construction in 2008 according to reporting agencies, a decline of 10.7% from the preceding year.

#### **Dollar Value of Building Permits**



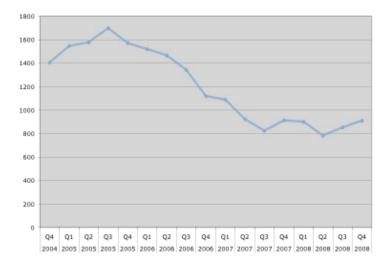
The long-running dive in residential construction continues as the number of building permits issued for new single-family homes totaled 146 in October, 122 in November, and just 83 in December. There were 2,226 permits issued in 2008, down 39% from the preceding year and the lowest pace since 1996. Scott Coulombe, the director of the Polk County Builders Association, estimates that there may only be about 1,500 permits issued for new single-family homes in 2009. Permits fell to 80 in January, down 47% from a year earlier.

#### Number of Single Family Building Permits (Seasonally Adjusted)



There were 279 existing home sold in Polk County during October, 219 in November, and 272 homes sold in December. Polk County had a total of 3,228 existing homes sold during 2008. That is down 11% from 2007, and the lowest annual total since 1999. About half the homes sold in recent months are either bank-owned or pre-foreclosure properties.

Home Sales (Seasonally Adjusted)



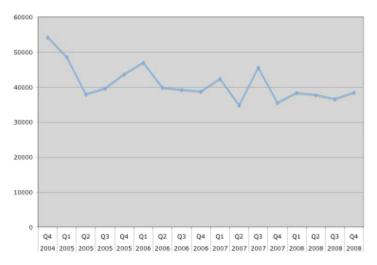
The median price of Polk homes sold in 2008 was \$140,000; down 17.2% from the \$169,000 median price in 2007. There was a record 9,467 foreclosure filings in the county during 2008, an increase of 84% from the preceding year.

**CITRUS** - The U.S. Department of Agriculture has lowered its estimate of the current (2008-09) Florida orange crop to 158 million boxes. The latest projection is down 8 million boxes from the original forecast made in October.

Last season's orange crop totaled 170.2 million boxes. This year's orange crop will be 7.1% lower than the preceding year if the latest projection holds. The forecast for the current grapefruit crop remains unchanged at 23 million boxes.

The volume of citrus concentrate movement reported by processors statewide totaled 151.4 million gallons in 2008. That is a decline of 4.5% from 2007.

Citrus Concentrate Movement (Thousands of Gallons)



**DEVELOPMENT** \* - The Annie Pfeiffer Chapel on the Florida Southern College campus in Lakeland has been named the recipient of a \$350,000 grant from the Save America's Treasures program administered by the National Parks Service. The funding will go toward a complete restoration of the Frank Lloyd Wright structure.

Keiser University has broken ground for a \$4.5 million expansion of its Lakeland Campus. The local Keiser campus is located off of Interstate Drive in North Lakeland.

The Ruthvens is constructing two new warehouse buildings along Reynolds Road in East Lakeland. Each structure contains 26,400 square feet of space, with completion expected in May of 2009.

The WalMart store located along South Florida Avenue in Lakeland is being enlarged into a Supercenter at a cost of \$6.5 million. The expansion will add 21,000 square feet of space that allows for inclusion of a grocery section.

German-based Aldi Incorporated has announced plans to build a new grocery outlet in Haines City. The 17,000 square-foot store will be Aldi's second location in Polk County, and initially employ 10 to 15 workers. The discount grocery chain established its statewide headquarters in Haines City last year, and has now opened 24 locations across central Florida. The U.S. division of Aldi operates more than 1,000 stores in 29 states.

Jack M. Berry Inc. has presented a proposal to the Winter Haven Planning Commission to build a 650-unit apartment complex in that city. The development would be located at the intersection of Eloise Loop and Pollard Road, near the proposed CSX freight terminal.

**NEW OPENINGS AND CLOSINGS** - Florida Southern College dedicated the new Sarah D. and L. Kirk McKay, Jr. Archives Center, located on the Lakeland campus adjacent to the Roux Library, in February. The center will house the collections of the Lawton M. Chiles Jr. Center for Florida History, the Florida Citrus Archives,

the archives of Florida Southern College, and the archives of the Florida Conference of the United Methodist Church. The \$3.5 million project was partially underwritten by a \$1 million gift from FSC trustee Sarah McKay and her late husband, L. Kirk McKay Ir

Watson Clinic opened a new medical facility on Bella Vista Street in North Lakeland in early February. The Lakeland-based medical group's fourteenth location houses a medical spa and hearing center, plus 11 offices for physicians and 8 additional offices for other health care providers. The three-story structure contains 50,846 square feet of space, and cost \$14 million.

Circuit City Stores Inc. declared bankruptcy in January, concurrently announcing the closure of its 567 stores across the U.S. and eliminating 30,000 jobs. Circuit City operates one store in North Lakeland, located along US 98 North adjacent to the Lakeland Square Mall.

A new \$1.9 million park for children with special needs has opened on East Edgewood Drive in Lakeland. Common-Ground Park is designed to meet the developmental needs of children of all ages. Members of the local community joined together to form Kaleidoscope, a nonprofit organization, to raise money to finance the project.

Saddle Creek Corporation recently opened a 150,000 square-foot distribution center at its compound located on Saddle Creek Road in Lakeland. Saddle Creek is a warehousing and transportation enterprise. Its northeast Lakeland facility encompasses more than 2.3 million square feet of space.

Aramsco, an environmental product distributor, has moved into the Ruthven Commerce Park in Northeast Lakeland. Aramsco distributes safety and remediation equipment to police and fire departments, and to the military. The Lakeland location will serve the southeastern U.S. and the Caribbean.

DEEM Mechanical and Electrical Company is a new tenant in the Ruthven AirPark located off of Drane Field Road in West Lakeland. Indianapolis-based DEEM handles mechanical, refrigeration, plumbing, and electrical service needs ranging from new construction to renovations.

Land O' Lakes Purina Feed opened a new 104,000 square-foot distribution center at a Ruthven-owned facility in the Countyline Industrial Park located on Gateland Drive in West Lakeland this fall. The new center handles 370 different products.

Pet Supermarket has applied for a permit to open a new supersized pet store in South Lakeland. The new shop will be located in a 7,600 square-foot building along South Florida Avenue that formerly housed FYE Music. Pet Supermarket will maintain its current North Lakeland location across US 98 North from the Lakeland Square Mall.

The Happy Jack's BBQ in South Lakeland closed in January. Owner Mike Feddelke placed all items up for sale following a sixyear run at the location along U.S. 98 South.

A Lakeland surf and skate shop has closed after four years at its South Florida location. Havoc sold surfboards and related supplies, and sponsored several local surfers in contests.

The Winter Haven Municipal Airport opened its new terminal in December. The new 13,000-square-foot-terminal is accessible from U.S. Highway 92, and features a pilots' lounge, two conference rooms and a restaurant operated by Richard's Fine Coffees. The terminal building with a new runway and parking lot cost a combined \$8 million.

Cypress Gardens will reopen in Winter Haven on March 28th. The theme park will be renamed Cypress Gardens and Splash Island Water Park, with separate admission gates and tickets. Cypress Gardens had about 200 hourly employees when it closed in November.

The Zaxby's restaurant chain will soon open a new eatery in Bartow. The new Zaxby's will be located on Broadway Avenue at the former location of the Sonic drive-in restaurant.

Andy's Gyros & Subs opened for business in Bartow in January. The new eatery with seating for 100 is located in the Publix plaza on East Van Fleet Drive. Andy's features Italian, Greek, and Cuban themed sandwiches, salads, soups, and seafood.

Fleetwood Enterprises announced in December that it was closing its manufactured home plant in Auburndale, resulting in a loss of 73 jobs. Fleetwood is based in Riverside, California, and will close four plants nationwide as part of a consolidation plan.

Coca-Cola North America closed its freezer warehouse in Auburndale on January 1st. Products are being shifted from the 175,000 square-foot building on McKean Street in Auburndale to the Commercial Warehousing Inc. site on Industrial Boulevard in Winter Haven. The Auburndale facility employed 28 workers.

Defense contractor Technology Research Consultants (TRC) has shuttered its operation in Haines City. The 11,600 square-foot headquarters structure, located adjacent to U.S. Highways 17-92 West, has been put up for sale. TRC produced gyroscopes and other technology for U.S. military helicopters, and once had more than 70 employees.

A new \$5.4 million Mattress Giant distribution center opened in Davenport in November. The 83,864 square-foot center is located off of Deen Still Road in the Park 27 Distribution II, and will distribute products to 70 stores throughout Florida. The center will eventually employ between 40 and 45 workers.

**TAKEOVERS** - The Florida United Methodist Conference has approved the purchase of the former Holland & Knight office building on Lake Wire in Lakeland for \$3.4 million. The conference will spend an additional \$2.6 million to renovate the structure, which will serve as its new headquarters. The conference has also agreed to sell its current headquarters building on McDonald Street in Lakeland to Florida Southern College for \$3.5 million.

Fields BMW of Lakeland will soon take over the Central Florida EuroCars dealership located on Lake Parker Avenue in Lakeland. The February announcement did not include a price for the transaction. EuroCars holds the local franchises for Mercedes and Volkswagen, and currently has 80 employees. The dealership recently discontinued service and sales of Volvo and Subaru automobiles.

The former Michael Holley car dealership in Bartow has been purchased by Ron Hite. The dealership is located on West Van Fleet Drive, and will do business as Bartow GMC, Pontiac, Buick, Inc.

Lakeland-based MidFlorida Federal Credit Union announced its purchase of A.H. Realty in December. A.H. Realty is one of Polk County's largest real estate firms with 30 agents, and will now operate as MidFlorida Real Estate Sales.

Providence Bank in Winter Haven has made public a plan to merge with Florida Traditions Bank of Dade City. The lone Providence location on First Street first opened in 2005, and will now become the fourth branch office of Florida Traditions Bank.

#### THE NATIONAL ECONOMY

The price-adjusted Gross Domestic Product (real GDP) fell at a 6.2% annual rate in the fourth quarter, following a 0.5% decline in the preceding Quarter 3. The latest decline is the largest quarterly drop in GDP since 1982. Positive factors in the Quarter 4 GDP were increases in federal government spending and a drop in the nation's imports. The primary negative factors dragging GDP down in the fourth quarter were drops in personal consumption expenditures, and a 19.7% plunge in real exports.

Last May it was observed in the Polk Progress Report following the first quarter of 2008 that "The US economy appeared to be in the throes of a recession as employment fell, retail sales were stagnant, and the price-adjusted GDP squeaked out a 0.6% increase for the second consecutive quarter".

Some doubt crept in regarding that conclusion as the U.S. economy appeared to grow much faster than anticipated in the second quarter, with price adjusted Gross Domestic Product (real GDP) advancing at a >3% annual rate. What kept GDP afloat was primarily export growth. Rising exports, in combination with a drop in imports, had added an estimated 2.4 percentage points to the second quarter growth in real GDP.

As we entered the third quarter, an upward surge in the exchange value of the dollar and the weakening economies of our trading partners meant that exports would not remain a source of strength for the US economy. Domestically, consumer confidence sank as the stock market plunged and unemployment rose. The net result was a collapse in overall spending, leading to further cutbacks in production and employment.

Real GDP proceeded to shrink in the third quarter at a 0.5% annual rate, and the Bureau of Economic Research subsequently declared that a recession had in fact begun all the way back in December of 2007. Our earlier observation that the US economy appeared to be in recession during the first quarter of 2008 has ultimately proven to be correct.

**CONSUMER SPENDING** - American consumers were not in the mood to spend during the fourth quarter. Disposable personal incomes were flat in October, and slipped downward by 0.3% in November and 0.2% in December. Personal Consumption Expenditures (includes spending for both goods and services) fell 1.1% in October, 0.8% in November, and 1% in December. For the year, consumer spending rose by just 3.6%, the weakest advance since 2003.

The Index of Consumer Sentiment maintained by the University of Michigan fell in December to its lowest reading in nearly a generation, 38% below the peak level achieved in January of 2007. The Conference Board similarly reported that its index of consumer confidence had fallen to the lowest level in its 41-year history.

Those reports of waning confidence were reflected in dismal sales for retailers during the all-important holiday shopping season. Retail sales (goods only) fell 3.4% during October, 2.4% in November, and another 3% in December. Total retail sales, excluding automobiles, were down 5.5% in November and 8% in December from year-earlier figures according to MasterCards SpendingPulse unit.

Consumer spending comprises 70% of aggregate demand in the US economy, and that spending is likely to fall further in the months ahead. Personal savings rose to 2.9% of disposable personal income in the fourth quarter as consumers retrenched. While the current rise in savings may benefit the individual household, it translates into less spending in the aggregate, and a further slowing of the overall economy.

Much of the consumer uncertainty is related to job insecurity and declines in household wealth. The Dow Jones industrial average fell 35% in calendar 2008, lagging only behind 1938 and 1907 for the biggest losses in a single year. Standard & Poors reported in December that its 20-city index of home prices has fallen >23% from its peak level in mid-2006.

**EMPLOYMENT** - The nation's job market began to hemorrhage in October. Nonfarm employment fell by 380,000 in October, 597,000 in November, 577,000 in December, and another 598,000 in January. Total employment has fallen by 3.6 million jobs since December 2007, and half of those losses have occurred in the last six months. The 2.5 million jobs lost in 2008 is the highest annual total since 1945.

The U.S. unemployment rate has climbed from 6.2% in September 2008 to 7.6% in January 2009. The number of persons who are officially unemployed in the U.S. has now risen past 11 million, and an additional 3 million jobs are now expected to be lost by the spring of 2010. While many of the job losses in the past year have been in the manufacturing sector, the recession has now spread to all segments of the labor market.

**INDUSTRIAL PRODUCTION** - Output at U.S. mines, factories, and utilities managed to rise 1.8% in October before falling back 1.3% in November and 2% in December. Industry operated at 76.3% of designed capacity in October, 75.2% in November, and just 73.6% of capacity in December. For the entire 2008 year, industrial production dropped 7.8% from 2007.

Factory orders plunged 6% in October, 6.5% in November, and 3.9% in December. New orders for durable goods were down 8.5% in October, 3.7% in November, and another 2.6% during December.

Manufacturers and retailers continue to try and pare inventories of unsold goods. Inventories fell 0.6% in October, 1.1% in November, and 1.3% in December.

**CONSTRUCTION** - The construction sector of the American economy shows no signs of bottoming out from its long slide. Total expenditures for new construction fell 0.6% in October, 1.3% in November, and 1.4% in December. Construction spending for all of 2008 was down 5.1% from the preceding year.

Housing starts across the country plummeted 6.9% in October, 15.1% in November, and 15.5% during December. December starts were down 45% from December of 2007. Housing starts fell another 16.8% in January to their lowest level in 50 years. The number of building permits issued for private housing construction fell 9.3% in October, 15.8% in November, and 107% in December. December permits were 50.6% lower than a year earlier.

The immediate future for home building doesn't look any brighter. Sales of new single-family homes were down 6.5% during October, 4.4% in November, and 14.7% in December. Total sales for 2008 were off 37.8% from 2007.

Existing home sales, including condos and townhouses, slid 4.5% in October and 9.4% in November before managing to rebound upward 6.5% in December. However, the December rise is considered an aberration linked to many foreclosure sales, and is unlikely to be repeated in the coming months. Sales of existing homes for all of 2008 were down 13.1% from 2007, marking the lowest annual total since 1977. The median price of an existing home sold in December 2008 is 15.3% lower than a year earlier.

**FOREIGN TRADE** - The volume of International trade continues to contract in the face of the now worldwide recession. The monthly U.S. trade deficit in goods and services narrowed from \$57.2 billion in October to \$41.6 billion in November and \$39.9 billion in December. December marked the smallest monthly trade deficit in six years. The trade deficit for all of 2008 totaled \$677.1 billion, a decline of \$23.2 billion from 2007.

One of the dangers in an economic downturn such as we are experiencing now is the rising pressure for protectionist trade measures. The economic stimulus bill just passed by Congress stipulates that many of the construction projects be built with American resources such as steel. This may be looked upon by other nations as an illegal subsidy under the rules of the World Trade Organization (WTO), and could provoke retaliatory measures that might ultimately lead to a trade war such as was experienced in the great depression of the 1930's. The WTO held a special meeting of member nations in February to try to stem the rising protectionist tide.

**COST OF LIVING** - The potential for an extended period of deflation was apparent in the fourth quarter as the Consumer Price Index fell in all three months. The CPI was down 1% in October, 1.7% in November, and 0.7% in December. The pricing numbers certainly give the Federal Reserve room to continue focusing its policies on expanding bank lending and aggregate demand.

Consumer Price Index (A)										
Year	Q1	Q2	Q3	Q4						
2004	186.3	188.6	189.5	190.8						
2005	192.2	194.1	196.6	197.5						
2006	199.3	201.7	203.2	202.1						
2007	204.1	207.1	208.0	210.2						
2008	212.8	215.4	219.0	213.8						

(A) Figures are revised by the Department of Commerce as of January, 2009. The data reflect the average CPI reading during each quarter. The base period of the CPI is 1982.

MONETARY POLICY - The Federal Reserve cut its target for the benchmark federal funds rate that commercial banks charge one another on overnight loans to 1.5% on October 9, the lowest level in more than four years. The Fed then cut its target rate by another half a percentage point to a level of 1% on October 29th, and moved in mid-December to lower the target again to a 0 -.25% range; the lowest ever in the 95-year history of the Federal Reserve system.

The Federal Reserve is also moving to reduce specific interest rates; e.g. those charged on mortgages for homebuyers. The Fed will buy long-term U.S. Treasury securities to force up their prices and reduce their yield, narrowing the spread between short and long-term interest rates. The central bank is likely to stick to its current approach of near-zero interest rates and a focus on special lending programs for the foreseeable future.

FISCAL POLICY - On October 3rd President Bush signed into law a \$700 billion plan designed to rescue the US financial system. The US Treasury initially proposed to buy distressed assets from struggling financial institutions, with the money slated for the purchase of "toxic" mortgage-backed securities whose value had fallen with home prices. But following the lead of European governments, then Secretary of Treasury Henry Paulson later announced that he would instead use hundreds of billions of dollars to buy stock in healthy banks and other financial institutions, injecting capital in order to spur lending (Troubled Asset Relief Program – TARP). The Treasury also committed \$12 billion of TARP funding as loans to General Motors and Chrysler, with more aid for those auto firms expected to follow.

Concentration is a measure of the extent to which economic activity in an industry is controlled by a small number of large dominant firms. Since the early 1980's, we have seen unprecedented increases in concentration in a number of U.S. industries, including commercial banking, as we have relaxed (and in some cases effectively eliminated) enforcement of our antitrust laws.

There is a strong incentive for banks and business corporations to merge with one another in order to dominate their markets and realize large economic profits. Human genius being what it is, there will be cases where firms succeed in developing market structures that are no longer competitive in a traditional economic context.

Several large commercial banks have now utilized TARP funds to acquire other banks, rather than as a basis for expanding credit to the general public. This, in effect has allowed them to use taxpayer money to finance a takeover of their competitors and further increase the levels of concentration.

If these banks and corporations expect the government to rescue them from a crisis largely of their own making, they must also expect to undergo either extended government regulation of their activities, or increased government efforts to restore competitive market structures.

In early February the U.S. Congress passed an additional fiscal stimulus bill at the behest of the incoming Obama Administration. The latest \$789.5 billion package contains about \$276 billion in tax cuts, with the remainder devoted to increased spending for traditional infrastructure, school construction, energy efficiency, broadband access, health information technology, and aid to state governments. The widespread rise in joblessness has led to steep cuts in state and local government budgets, and exhausted state unemployment resources. The state of Florida expects to receive more than \$12 billion in aid from the federal government under the stimulus plan.

The Congressional Budget Office now projects that the federal budget deficit over the next two years will total nearly \$2 trillion. The total federal debt currently stands at \$10.8 trillion. Some \$4.7 trillion of the outstanding federal debt is owed to other US government institutions such as the Social Security Trust Fund, leaving \$6.1 trillion held by private investors.

**LEADING INDICATORS** - The Index of Leading Economic Indicators compiled by the Conference Board slid 1% in October and 0.4% in November. The index managed a small 0.3% advance in December, mainly due to an increasing money supply. The decrease in the leading index over the last six months is the steepest since 1980, and suggests that the recession will continue at least until summer.

Orders for nondefense capital goods, an indicator of future investment plans by businesses, declined 6.7% in October, before rebounding upward by 1.7% during November. Orders fell again in December by 2.8%.

The Federal Reserve has sharply downgraded its outlook for the rest of 2009, forecasting that unemployment will reach 9% of the labor force by the end of the year. Fed officials don't expect the unemployment rate to return to more normal levels near 5% before 2012 at the earliest.

The latest monthly survey of 55 economists by the Wall Street Journal yielded an average forecast that real GDP will drop at a 4.6% annual rate in the first quarter of 2009, and at a 1.5% annual rate in the second quarter. The consensus of the group then calls for GDP to inch upward in the third quarter at a 0.7% annual pace.

**SUMMARY** - The price-adjusted GDP fell at a 6.2% annual rate during the fourth quarter, as the now-official recession heads into its second year with no end yet in sight. Financial markets appear moribund as the Dow Jones Industrial Average has fallen nearly 50% over the past 18 months, and teeters toward a 10-year low.

Economists have become decidedly more pessimistic regarding their immediate outlook for the U.S. economy. That pessimism is related to a weakening global economy that will reduce the demand for American exports, and a further slowdown in consumer spending here at home. A number of economists are projecting that real GDP will drop at a near-4% annual rate in the first quarter of 2009, with deterioration slowing to a lower rate of decline in the second quarter.

It's going to take time to work our way out of this crisis. Confidence among investors and consumers will only be rebuilt slowly through experience. The current situation does require major actions by the federal government of the type being undertaken. The question then becomes, how do we avoid a recurrence in the future?

There is now faint hope that GDP may turn upward in the second half of 2009. A meaningful rebound in the economy is unlikely before 2010 as the impact of federal government stimulus efforts hopefully take hold.

#### THE POLK OUTLOOK

The Polk Progress Index (PPI) declined sharply in the fourth quarter of 2008, and is expected to deteriorate somewhat further in the first half of 2009.

Fishkind Associates, a prominent economic consultancy group based in Orlando, projects the Polk economy will undergo a very modest recovery beginning in 2010. The group notes that the Polk housing market underwent severe speculation preceding the current economic downturn, and must now work off the large existing inventory of homes. Fishkind does not expect any substantial rebound in local housing sales through 2012.

We expect the PPI to fall modestly over the next six months, with a firming of home sales perhaps sooner than projected by Fishkind. Employment and retail sales will drift lower in the coming months, and the local unemployment rate will likely rise above 10%. A sustained recovery is unlikely before 2010.

#### **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 (.17); Total Employment (.19); Home Sales (.17); Residential Electric Accounts (.17); Industrial Kilowatt Hours (.12); and Hotel/Motel Sales (.17). The index explains 83% 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											•	
	01		006	0.4	01		07	0.4	01		008	0.4	2009
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*
Taxable Sales (1,000 of \$)	2,054,087	2,095,853	1,886,081	2,002,136	2,027,485	1,903,232	1,779,393	1,865,177	1,884,270	1,771,663	1,641,568	1,635,800*	1,732,458*
Total Employment	251,226	253,587	253,747	254,870	256,533	258,338	256,501	256,908	255,665	253,996	252,166	250,747	247,734
Residential													
Telephone Access	195,700	185,292	180,587	179,333	176,436	169,517	161,221	154,704	149,461	141,988	134,760	128,356	127,602
Business													
Telephone Access	69,565	69,488	69,246	69,232	69,462	69,104	68,878	68,371	67,772	67,090	65,930	64,751	64,115
Industrial Electric													
KWH (1,000's)	133,499	152,001	166,754	159,507	148,252	157,108	172,932	164,148	149,630	157,040	173,592	157,469	150,707
Number of Single													
Family Building Permits	2,956	1,776	1,077	931	989	1,109	877	669	601	737	537	351	360
Hotel/Motel Sales													
(1,000's of \$)	47,564	45,623	40,720	45,054	54,980	44,495	41,285	38,096	52,770	48,696	39,524	31,526*	42,077
Number of Homes Sold	1,442	1,653	1,386	1,124	961	1,048	855	759	752	858	848	770	671
Citrus Concentrate													
Movement (1,000's of gallons)	47,065	39,923	39,307	38,822	42,462	34,872	45,678	35,608	38,432	37,813	36,666	38,499	36,599
Building Permits													
(1,000's of \$)	585,205	334,336	325,443	229,284	323,101	312,761	213,343	251,441	262,959	313,424	225,632	180,479	
Number of Residential													
Electric Accounts	99,071	98,225	97,784	99,641	101,841	100,556	99,455	100,242	102,023	100,570	99,822	100,539	102,046
POLK PROGRESS	212.6	214.9	209.5	207.3	206.7	199.5	197.2	194.6	197.5	192.9	192.5	184.4	182.2

<sup>\*</sup>Estimated values for taxable sales and motel/hotel sales in Q4 2008, and forecast values for Q1 2009

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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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.