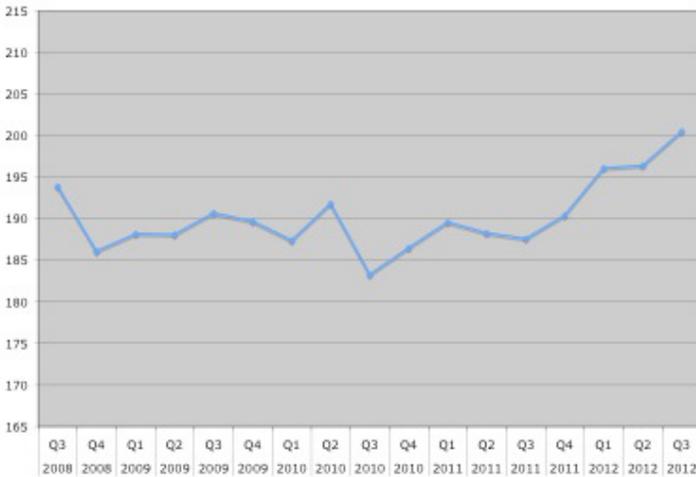
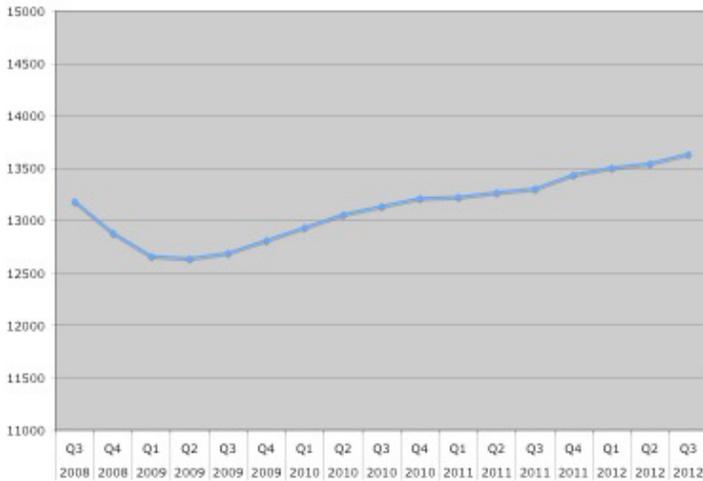


THE LOCAL ECONOMY

Polk Progress Index



US Gross Domestic Product (Price Adjusted)

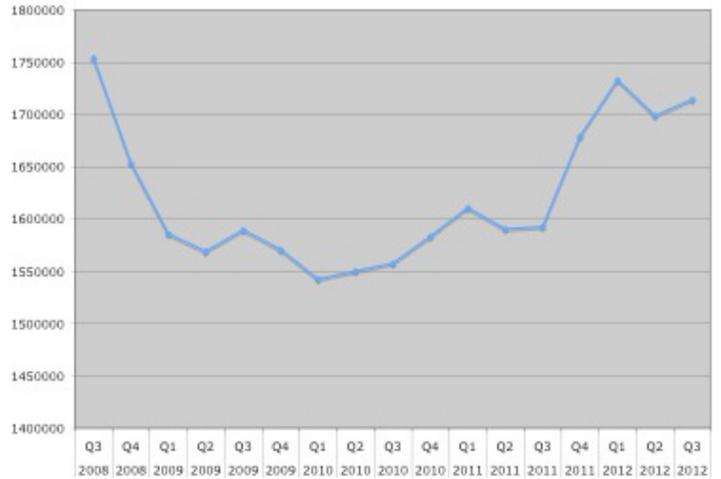


POLK ECONOMY GATHERS STEAM IN QUARTER 3

Economic growth accelerated in the third quarter with the Polk Progress Index (PPI) climbing by 2%. There were increases across the board in all components of the index, led by 1% increases in taxable sales and employment. There were particularly strong advances in hotel/motel sales and home sales, with each rising by nearly 5% from the preceding quarter. The overall PPI in the third quarter stands 6.8% above the same quarter a year ago.

SALES - Taxable sales in Quarter 3 were up 0.9% from the preceding quarter after adjusting for recurring seasonal factors. Actual (unadjusted) sales through the first three quarters of 2012 increased 10.9% (\$511 million) from the same period in 2011.

Taxable Sales (Dollars Seasonally Adjusted)



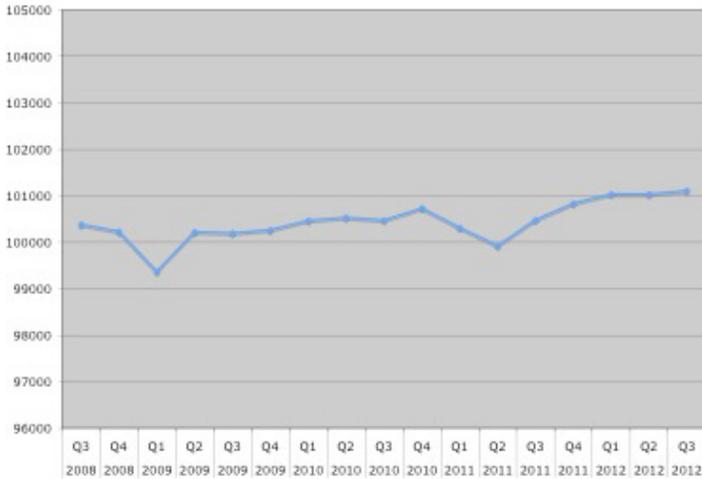
Sales at area hotels and motels climbed a seasonally adjusted 4.6% above the preceding quarter based on preliminary data. Third quarter hotel/motel sales are up 10% from the same quarter a year ago, and total sales through the first three quarters of 2012 are 9.5% higher than 2011 sales over the same three-quarter-period.

Hotel/Motel Sales (Dollars Seasonally Adjusted)



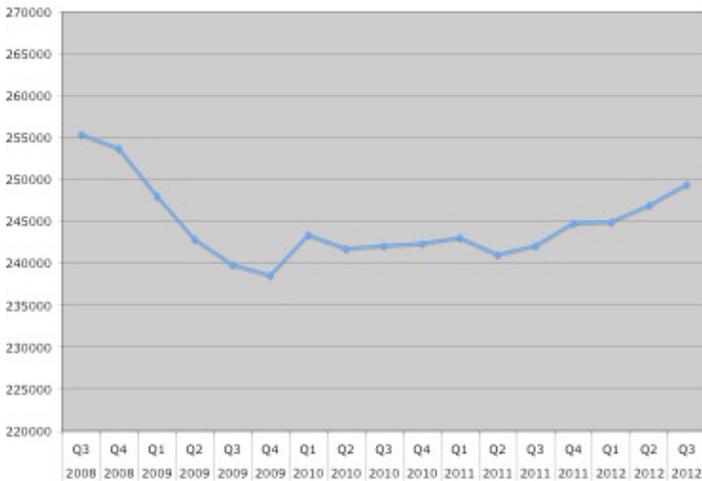
POPULATION – The slow population growth in the second half of 2011 has seemingly leveled off in 2012. Residential electric connections maintained by the City of Lakeland dipped slightly in the third quarter to a level just 0.6% above the same quarter a year ago. We expect population growth to accelerate to a 2% annual rate in the first half of 2013.

Residential Electric Accounts (Seasonally Adjusted)



EMPLOYMENT – Total employment in the county continued its yearlong climb during the third quarter, rising a seasonally adjusted 1% from the preceding quarter. The average level of employment thus far in 2012 is 2.3% above the average level through the first nine months of 2011; an increase of 5,647 jobs.

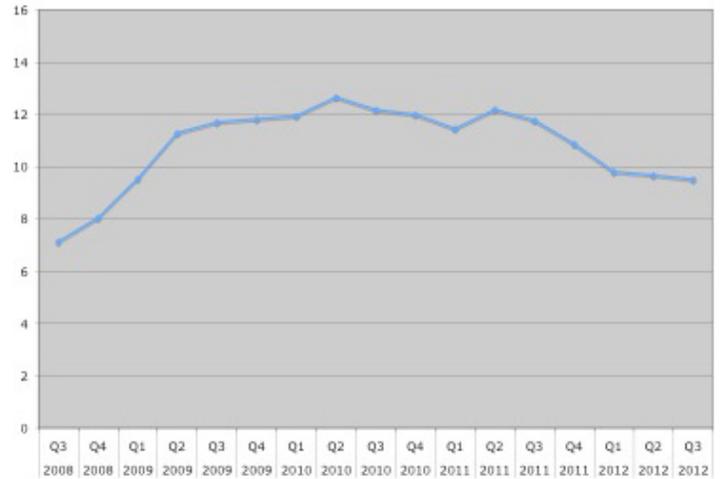
Total Employment (Seasonally Adjusted)



The unemployment rate in Polk County was 10.6% in July, 10.3% in August, and 9.9% during September, for a quarterly average of 10.3%. That is down for a 12.3% average rate during the same quarter a year ago.

The local unemployment rate invariably rises during the summer months, yielding a 9.5% unemployment rate for the quarter after adjusting for recurring seasonal variations. We expect the local unemployment rate to continue drifting downward in the months ahead.

Unemployment Rate (Seasonally Adjusted)

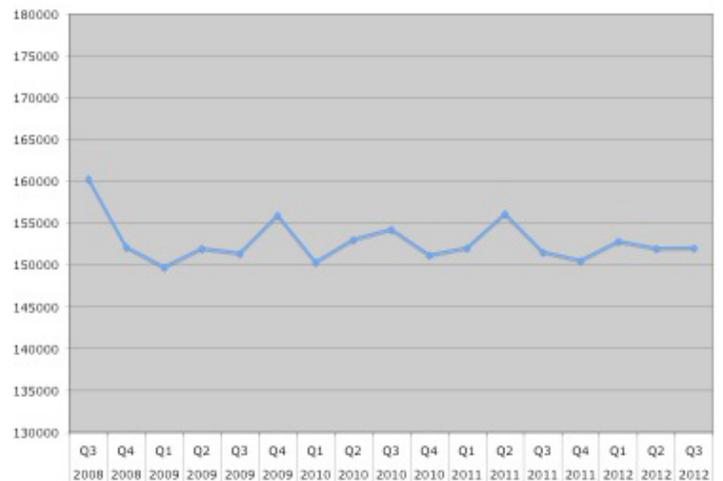


ButterKrust Bakery laid off 32 workers at its Lakeland bakery in September. ButterKrust was sold to Flowers Foods of Thomasville, Georgia, in 2008, and is one of 44 bakeries across the southeast owned by Flowers.

The latest quarterly survey by ManpowerGroup found 22% of Polk employers planning to add staff in the fourth quarter, while just 6% plan staff reductions. That ranks Polk as having the seventh best employment outlook among the 100 metropolitan areas surveyed.

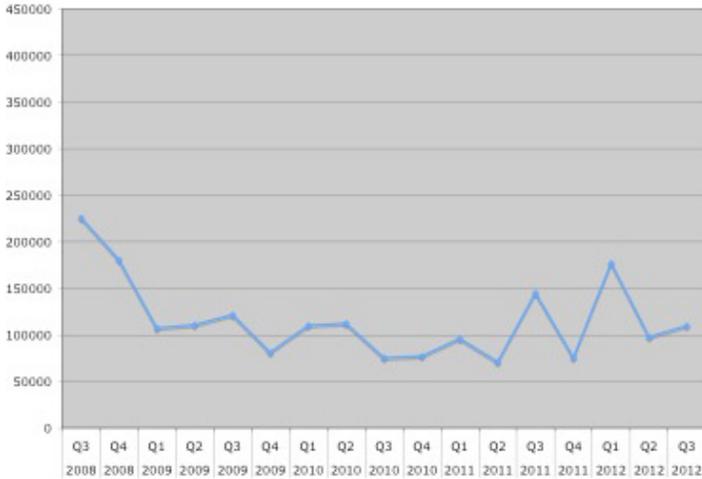
MANUFACTURING - Local manufacturing activity has been flat over the last six months as reflected by industrial kilowatt hour usage. Kilowatt hours sold to industrial users during the third quarter by the City of Lakeland are virtually unchanged from a year ago (up 0.5%).

Industrial Kilowatt Hours (Seasonally Adjusted)



CONSTRUCTION – New construction remains mired at depressed levels despite signs that a recovery may be imminent. The value of new building permits issued during the third quarter did manage to rebound a bit from a second quarter slide, which itself followed a sharp rise in the opening quarter of the year. The data have been quite volatile over the past year. The value of permits issued thus far in 2012 is 23% higher than the value of those issued over the same period in 2011.

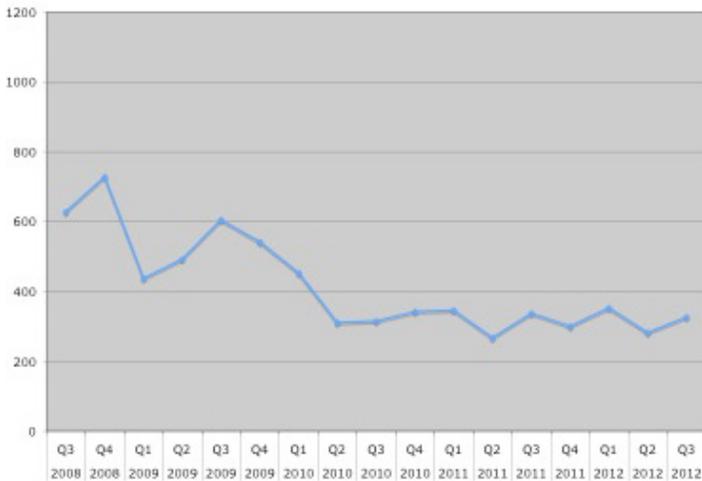
Dollar Value of Building Permits



The National Association of Homebuilders has rated the Lakeland-Winter Haven metropolitan area among the nation’s most improving housing markets. The index is calculated on the basis of housing permits, employment, and house prices.

Polk County issued 112 permits for the construction of new single-family homes in July, 151 in August, and 97 during September. The August total was the highest for any month in 2012. Polk has issued 941 permits this year through the month of September, and will likely surpass the 1,041 total recorded for all of 2011.

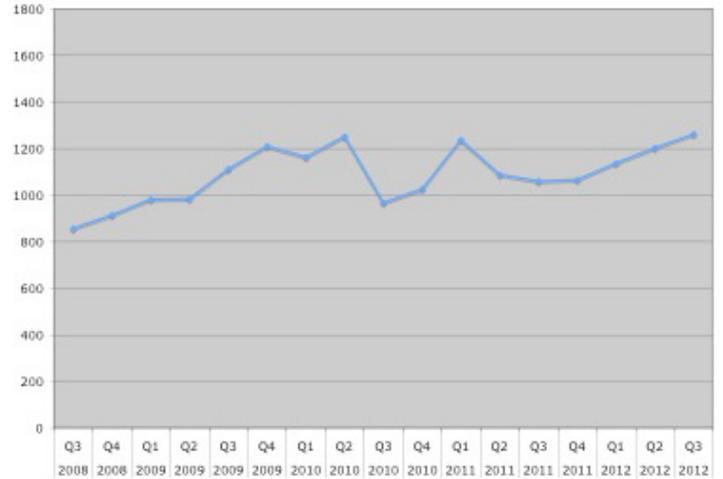
Number of Single Family Building Permits (Seasonally Adjusted)



There were 439 homes sold in Polk County in July, 455 during August, and 391 in September. The median price for homes sold in September was \$103,000, up 3% from a year ago.

Home sales have totaled 3,817 through the first nine months of 2012, an increase of 8.5% from the year before. One must remember that the percentage increase in sales during 2012 is moving from a depressed base figure. We remain a long way below the lofty levels that preceded the recession, where in 2005, 5,045 homes were sold locally in the first nine months of the year.

Number of Homes Sold (Seasonally Adjusted)



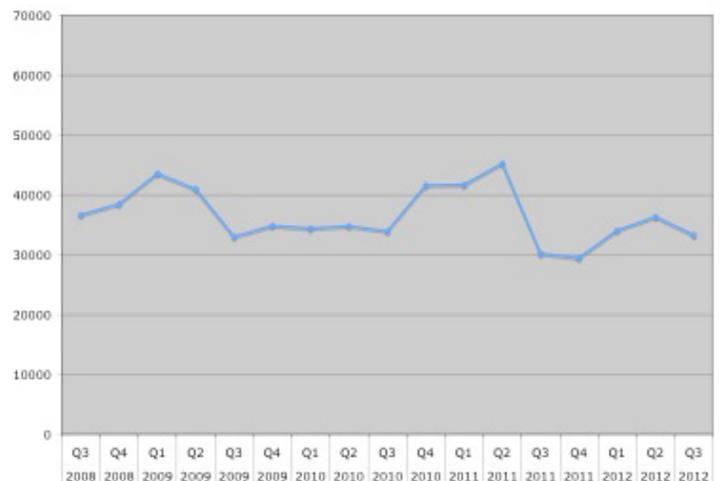
Local foreclosure filings remained elevated through the third quarter. There were 537 initial foreclosure notices filed on homes in Polk County during October (latest month), versus 462 filings in October of 2011.

CITRUS - The Florida Agriculture Statistics Service estimates the value of the recently completed 2011-2012 Florida citrus crop at \$1.35 billion. That is a 1% drop from the preceding season, but still the third highest in history. Polk County was again the state’s largest producer, harvesting 31.2 million boxes of citrus (18% of the statewide total). The Polk citrus crop was up 5% from the 2010-2011 season.

Polk was also first among Florida counties in orange production at 27.8 million boxes, representing 19% of Florida production. In 2012 Polk also ranked first in the state in citrus acreage (82,572 acres), and first in the number of citrus trees (9.9 million).

The volume of citrus concentrate movement by Florida processors during the first three quarters of 2012 is down 11.5% from the preceding year.

Citrus Concentrate Movement (Thousands of Gallons)



An August survey of citrus growers conducted by Florida Citrus Mutual and the Florida Nursery, Growers and Landscape Association found that 39% of respondents plan to increase future orders of citrus nursery trees, and 45.5% plan to maintain their current level of orders.

The U.S. Department of Agriculture projects that Florida will produce 154 million boxes of oranges in the current 2012-2013 crop year. That is an increase of 5% from the preceding year. Grapefruit production is slated to rise 8% and tangerine production by 3% from the 2011-2012 year levels.

DEVELOPMENT * - Ground has finally been broken for construction of the new CSX rail terminal in Winter Haven. The terminal is being built on a 318-acre plot to accommodate rail traffic that will be moved from lines in Orlando in order to clear the way for the Orlando commuter-rail project. The new Winter Haven terminal and planned business park will bring a projected 8,500 jobs to the area, with an annual payroll estimated at \$282.2 million.

Developers have announced plans for a 550,000 square-foot shopping area on a 70-acre plot in southwest Lakeland. The South Village will be built along Harden Boulevard near the Polk Parkway, just south of Lakeside Village. The new retail center will bring a projected 1,000 jobs to the area upon completion in early 2015.

Ground was broken on November 1st for construction of the Lakeland Park Center shopping complex along U.S. 98 in North Lakeland near the intersection of Interstate 4. That development will bring an estimated 550 new jobs to the area upon completion in 2014.

The University of South Florida has unveiled plans to create the USF Health System with Lakeland Regional Medical Center as an inaugural member and teaching hospital. Under terms of the partnership LRMC will host some 200 medical residencies annually. The program will commence with the first residencies beginning in July 2015.

A new auto parts distribution center is slated for construction on County Line Road west of Lakeland. O'Reilly Auto Parts of Springfield, Missouri, has filed plans for a 350,000 square-foot complex that is expected to bring between 300 and 400 new jobs to the area. O'Reilly is one of the nation's top five auto parts retailers, operating 3,859 retail outlets in 39 states.

Cola5 intends to open a \$20 million data center in North Lakeland in March 2013. The Jacksonville-based company provides data recovery and cloud computing services, and will occupy a 105,000 square-foot space in the Lakeland Interstate Business Park on Interstate Drive.

Lakeland-based Publix Supermarkets had a \$368.4 million profit in the third quarter, with sales at an annual pace of \$6.7 billion. The third quarter profit was up 18% from the same quarter a year ago.

Ground has been broken for a new complex to provide health care for the elderly in Lakeland. A new 30,000 square-foot building will serve as the Good Shepherd Hospice, a 16-bed facility to care for hospice patients. The other building will house PACE (Program of All Inclusive Care for the Elderly), a 13,300 square-foot structure that will provide care for up to 230 senior citizens.

Construction will soon begin on a 6,000 square-foot addition to Trinity Medical Group and Owl Now Urgent Care offices in South Lakeland. The medical practice is located on South Florida Avenue.

Charter service provider Sky King Airlines has filed for Chapter 11 bankruptcy protection. Sky King is based in California, and employs 50 workers in an 8,450-square-foot space leased at Lakeland Linder Regional Airport in Lakeland.

Restaurant Technologies Inc. will soon open a storage and collection facility in the Ruthven Industrial Center located on Drane Field Road in West Lakeland. The firm recycles cooking oil into biodiesel and animal feedstock.

Another Wawa convenience store is planned for southeast Lakeland. The new store will be at the intersection of U.S. 98 and Edgewood Drive, and is the third location announced for the Lakeland/Winter Haven area in recent months.

A new Dollar General store will soon be built along U.S. 27, just north of Interstate 4. Construction of the 9,100 square-foot store is slated to begin by the end of 2012.

Plans are underway to expand the Winter Haven Medical Complex on First Street North in Winter Haven. A new three-story 12,000-square-foot building will be constructed to house a team that currently includes eight doctors with varied specializations.

A new Golden Corral restaurant is planned for Winter Haven. The 7,300 square-foot eatery will be built on the east side of Cypress Gardens Boulevard, with construction beginning by early January.

Construction is underway of a new 49,000 square-foot academic center at Warner University in Lake Wales. The \$7.5 million Darby Academic Building is scheduled for completion in August 2013.

NEW OPENINGS AND CLOSINGS * - Florida Southern College dedicated the new Wynne Warden Tennis Center on the Lakeland campus in September. The \$1.6 million complex at the intersection of Harvard Road and Duke Place contains ten courts and a 400-seat red-roofed grandstand.

An Aprons Cooking School opens in early November in the Lake Miriam Square Publix supermarket on South Florida Avenue in Lakeland. It will be the eighth cooking school operated by Publix.

The Brass Tap Bar is scheduled to open in southwest Lakeland in January. The new bar will be located in the Lakeside Village along Harden Boulevard, featuring live music several nights a week. The Brass Tap chain operates three locations in Tampa.

A new wine bar will soon be serving patrons at the former location of the Red Door Wine Market in Lakeland. Patio850 will offer food and music in addition to wine at the Tennessee Avenue location. The Red Door Wine Market plans to reopen at a new location on Palmetto Street near downtown.

Another new restaurant recently opened in Lakeland. Hot Wacha's Smokehouse is located on Gary Road east of downtown, featuring barbecue and live music.

Southern Archery Outfitters has opened an indoor archery range on Edgewood Drive in Lakeland. The store features archery supplies and bow repair in addition to 10-lane 20-yard indoor range.

A new child-care center to serve the North Mulberry/South Lakeland area is slated to open in January. Brilliant Minds Academy will be able to serve up to 100 children at its location at the intersection of Shepherd Road and Sundance Boulevard.

A new Chick-fil-A restaurant will open in Winter Haven on December 13th. The latest Chick-fil-A is located on Landings Boulevard, just off Cypress Gardens Boulevard.

KB Staffing has relocated to a new office on Sixth Street in Winter Haven. The new location offers more space for certification workshops and resume writing seminars.

Tanners Pub on Central Avenue in Winter Haven closed in September. The pub first opened in 2000, and was sold to new owners in January 2011.

A Good Health Pharmacy is scheduled to open in Winter Haven by the end of 2012. The First Street South location will be the twelfth for the pharmacy chain, which also has a store in Tampa.

A new restaurant recently opened at the Lake Ashton Country Club in Lake Wales. The View offers steak, chicken, sandwiches and salads, with seating for 200 patrons.

The former Crazy Cuban Café in Lake Wales has reopened as the Downtown Deli. The New-York-style eatery is located on Park Avenue, featuring a full deli, soups, salads, and sandwiches.

A new Big Lots store will open in Haines City on November 9th. The 40,000 square-foot store is located in the Heart of Florida Shopping Center in U.S. 27, and will have 45 employees.

TAKEOVERS * - The Bartow Chevrolet dealership located on West Main Street in Bartow has been sold. The dealership was sold in September to Stingray Chevrolet of Plant City for an undisclosed sum.

A 40,000 square-foot industrial warehouse in southeast Lakeland was sold in September for \$1.2 million. AgriWorld Business Inc. is the new owner of the building located on Mine and Mill Road.

THE NATIONAL ECONOMY

The price adjusted Gross Domestic Product (GDP) increased at an annual Rate of 2.7% in the third quarter. That is up from a revised 1.3% annual growth rate in the preceding Quarter 2.

The increase in real GDP during the third quarter primarily reflected increases in business inventories, defense spending by the federal government, and residential fixed investment. Negative factors included a drop in exports, a decline in nonresidential fixed investment, and rising imports.

CONSUMER SPENDING - Consumers increased their average annual spending by 3.3% in 2011 according to data released by the U.S. Department of Labor. The average level of spending during the year was \$49,705, the highest since 2008.

Personal incomes fell in 2011 for the fourth consecutive year according to the Census Bureau. The price-adjusted median annual household income in 2011 stood 8.9% below its all-time peak of \$54,932 recorded in 1999.

Spending by consumers rose \$111.4 billion (4.0 %) in the just completed third quarter of 2012, compared with an increase of \$57.4 billion (2.0 %) in the preceding second quarter. Personal Consumption Expenditures (spending for both goods and services) were up 0.3% in July, 0.3% in August, and 0.8% in September. Retail sales (goods only) rose 0.8% in July, 1.1% in August, and 1.3% during September.

Current-dollar personal income increased \$89.3 billion (2.7%) during the third quarter, compared with an increase of \$130.3 billion (4%) in the second quarter. Disposable personal income rose 0.2% in July, 0.1% in August, and by 0.4% in September.

Households saved a bit less of their incomes during the third quarter. The personal saving rate (personal saving as a percentage of disposable personal income) was 4.1% in July, 3.7% in August, and 3.3% in September.

The Conference Board's Consumer Confidence Index rose to 68.4 in September and 72.2 in October. The Reuters/University of Michigan Index of Consumer Sentiment is 30% above the reading of a year ago, rising to a five-year high in October.

EMPLOYMENT - Total nonfarm employment increased by 163,000 workers in July, 96,000 in August, 114,000 in September, and 171,000 in October. Employment growth has averaged 157,000 per month thus far in 2012, about the same as the average monthly employment growth of 153,000 per month in 2011. Job growth in September pushed total employment above the level existing when President Obama took office (January 2009) for the first time.

The U.S. unemployment rate rose to 8.3% in July, before falling to 8.1% in August and 7.8% in September. The unemployment rate inched back up to 7.9% in October, primarily due to more people re-entering the labor force in search of jobs.

INDUSTRIAL PRODUCTION - Manufacturing activity contracted slightly in the third quarter. Output at U.S. mines, factories and utilities climbed 0.7% in July, fell 1.4% in August, and rose 0.4% during September. Industry operated at 79.2% of designed capacity in July, 78% in August, and 78.3% in September.

New orders for manufactured goods rose 2.6% in July, fell 5.1% in August, and rose 4.8% in September.

Orders for durable goods were up 3.3% in July, fell 13.1% in August, then rebounded upward 9.8% in September. The August decline was the sharpest monthly dip in more than three years, but was largely the result of a drop in orders for commercial aircraft, which tend to be volatile.

Business inventories rose by 0.8% in July, 0.6% in August, and 0.7% during September.

CONSTRUCTION - Total expenditures for new construction fell 0.9% in July and 0.1% in August, before rising 0.6% in September. During the first nine months of this year construction spending is up 8.9% from the same period in 2011.

Housing starts dipped 3% in July, then offset that with a 3% rise in August. Starts shot upward by 15.1% in September, and will likely continue to rise in coming months on the basis of building permits data and new home sales.

The number of building permits issued for the construction of new housing units rose 6.7% in July, fell 1.2% in August, and rose 11.1% during September. The September rate is the highest since July 2008.

New single-family home sales rose 3.6% in July, fell 1.3% in August, and rose 5.7% in September. September sales were at their highest level in more than two years, and 27% above the same month in 2011. The median sale price is up 11% from a year ago.

Sales of existing homes were up 2.3% in July and 7.8% in August, before dipping 1.7% in September. Sales were up again in October by 2.1% to their highest level in two and a half years. The national median existing home price in October was \$178,600, which is 11.1% above a year earlier. Inventory is down to a 5.4-month supply, the lowest since February of 2006.

FOREIGN TRADE - Global trade is stalling, dimming hopes that exports will serve as a stimulus to the U.S. economy in coming months. The World Trade Organization (WTO) predicts that the volume of international trade will expand by just 2.5% this year.

The U.S. international trade deficit in goods and services widened slightly to \$42.5 billion in July and \$43.8 billion in August in the face of reduced exports to a recession-ridden Europe. The trade deficit narrowed to \$41.5 billion during September.

The Obama administration has filed its third trade complaint against China this year with the WTO. It is the eighth trade complaint filed since Obama took office in 2009.

COST OF LIVING - The Consumer Price Index (CPI) was unchanged in July, and rose 0.6% in both August and September. Over the past twelve months the index has risen by 2%. Most of the increases in August and September were the result of rising gasoline prices.

Year	Consumer Price Index (A)			
	Q1	Q2	Q3	Q4
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
2011	222.3	224.5	226.2	226.7
2012	228.3	229.8	230.1	

(A) Figures are revised by the Department of Commerce as of October, 2012. The data reflect the average CPI reading during each quarter. The base period of the CPI is 1982.

MONETARY POLICY - The Federal Reserve has issued an open-ended commitment to buy mortgage-backed securities in conjunction with a promise to keep interest rates low until the job market improves significantly. The Fed will purchase \$40 billion of the securities monthly for the indefinite future.

In June the Fed extended another program, Operation Twist, through which the Fed will purchase \$45 billion a month of long-term U.S. Treasury bonds.

A survey of 47 economists by the Wall Street Journal found that many remain skeptical regarding the effectiveness of the latest round to quantitative easing by the Fed.

FISCAL POLICY - The prospect of a dramatic shift toward contractionary fiscal policy looms as the nation approaches increases in taxes and reductions in government expenditures scheduled to take effect the first of January. The uncertainty of a satisfactory resolution to the “fiscal cliff” is beginning to act as a drag on financial markets and the overall economy as the third quarter ends.

LEADING INDICATORS - The Index of Leading Economic Indicators compiled by the Conference Board suggests that the economy will continue expanding modestly through the early part of 2013. The index matched a 0.4% increase in July with a 0.4% decline in August, before rising 0.5% in September and 0.2% in October.

The latest quarterly survey of 48 economists by the Wall Street Journal yielded a consensus forecast that the unemployment rate will remain at least 7.8% through next June, while the annual GDP growth rate remains below 2%.

SUMMARY - The national economy is in recovery and will remain so in the months ahead as long as we avoid the fiscal cliff. Rising home prices will continue to have a wealth effect on consumer spending, and, in conjunction with low mortgage rates, will stimulate further increases in home construction. We look for real GDP to grow at slightly above a 2% annual rate over the next six months.

POLK OUTLOOK

The outlook for the Polk economy is a bit brighter following continued gains in employment and taxable sales. Indications are that it will be a successful holiday season for local retailers, and that homebuilding will pick up with the new-year in the face of rising home sales. There will likely be some cooling of overall PPI growth from the rapid pace of Quarter 3, but we still expect to end the year on a positive note with further gains in employment and sales, and a further drop in the unemployment rate down toward 9%.

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													
	2009		2010				2011				2012			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Taxable Sales (1,000 of \$)	1,541,420	1,545,277	1,506,401	1,438,311	1,569,664	1,630,745	1,562,423	1,492,858	1,697,787	1,783,895	1,690,533	1,634,976*	1,774,800*	
Total Employment	239,611	239,713	242,926	240,572	240,401	242,073	242,417	239,065	240,578	243,879	248,137	248,480	250,300*	
Residential														
Telephone Access	103,027	98,897	94,101	89,062	84,166	80,414	76,390	72,010	67,607	63,425	59,240	56,061	54,020*	
Business														
Telephone Access	58,623	57,364	56,383	54,806	53,135	52,178	50,914	50,089	49,070	48,372	47,332	46,678	45,780*	
Industrial Electric														
KWH (1,000's)	159,477	137,023	150,327	167,135	153,419	137,088	153,904	164,038	151,928	139,017	150,679	164,831	154,780*	
Number of Single														
Family Building Permits	233	304	319	264	205	246	258	327	210	315	266	360	310*	
Hotel/Motel Sales														
(1,000's of \$)	28,076	40,509	35,551	33,931	31,912	42,885	38,513	35,668	33,050	48,723	40,231	39,225*	38,500*	
Number of Homes Sold	1,121	1,054	1,329	1,030	975	1,230	1,212	1,074	1,023	1,168	1,375	1,285	1,200*	
Citrus Concentrate														
Movement (1,000's of gallons)	34,846	35,551	34,831	33,964	41,620	41,730	45,265	30,205	29,501	34,103	36,327	33,333	32,500*	
Building Permits														
(1,000's of \$)	81,028	110,024	112,237	75,350	77,177	95,755	71,018	144,852	75,655	176,880	97,764	109,625		
Number of Residential														
Electric Accounts	100,384	101,933	100,725	99,509	100,586	101,375	99,855	99,547	100,872	102,104	101,065	100,169	100,890*	
POLK PROGRESS	189.7	187.4	191.8	183.3	186.5	189.6	188.3	187.6	190.4	196.1	196.4	200.5	201.2*	

*Estimated values for taxable sales and motel/hotel sales in Q3 2012, and forecast values for Q4 2012

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.

Thank you to the sponsors of Polk Progress



THE POLK PROGRESS

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