

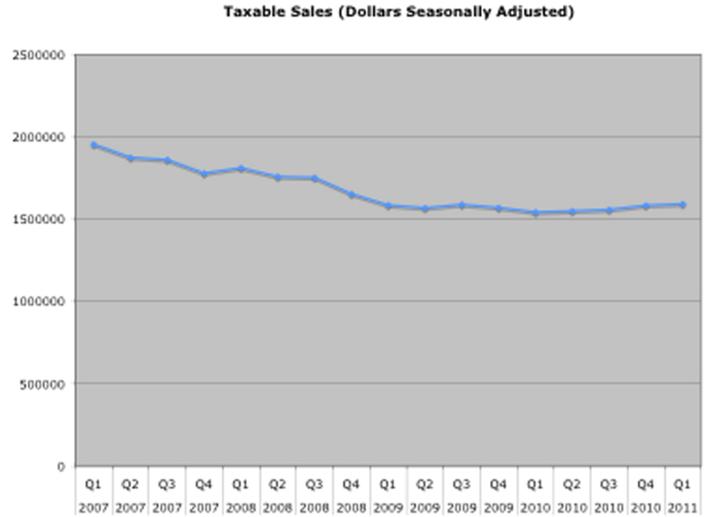
LOCAL ECONOMY GROWS IN FIRST QUARTER

The level of economic activity in Polk County expanded at a faster rate than anticipated in the first quarter of 2011. The Polk Progress Index (PPI) rose 1.2% from the preceding quarter, with increases spread throughout all components of the index with the lone exception of hotel/motel sales. The rise was led by a bump in home sales, which gives a bit skewed perception of economic vitality since most of those were distressed properties. Despite that caveat, population and employment growth has resumed, and there were continuing gains in retail sales.

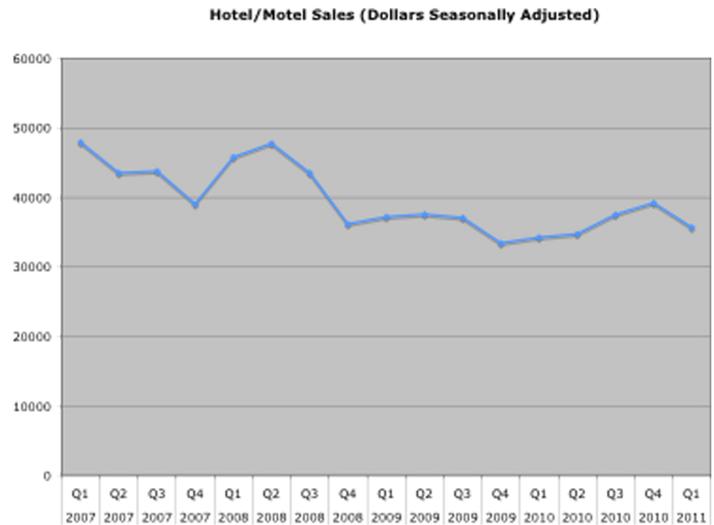
The Florida Agency for Workforce Innovation has conducted its annual benchmarking of employment data for the years 2007-2010. The benchmarked data are reported in this issue of the Polk Progress report, and have been incorporated into revised estimates of the PPI values for those same years.

SALES - Spending is what drives economic activity in the short-run. Taxable sales in Polk County for the 2010-year dropped an estimated 2% from 2009, but they were down a whopping 22% from sales in 2007. Nationally, retail sales in 2010 were down less than 3% from 2007 levels.

Taxable sales in Polk County during the first quarter of 2011 rose an estimated 0.6% from the preceding quarter based on preliminary data adjusted for recurring seasonal variations. Seasonally adjusted sales have now risen for four consecutive quarters. Though sales have stabilized and begun to rise slowly, a truly significant increase remains dependent on improvement in the local labor market.



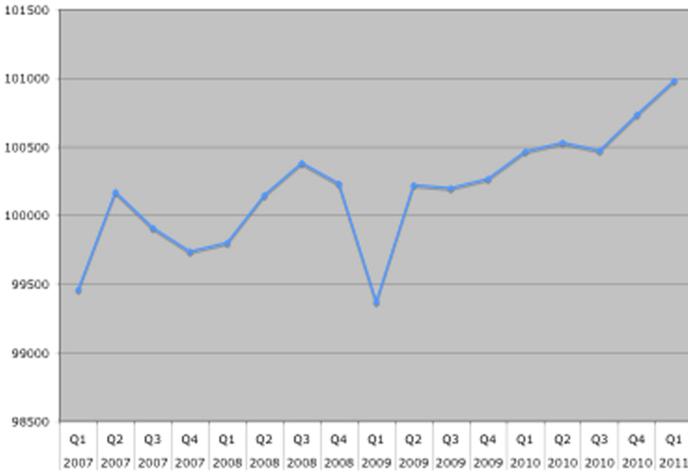
Sales at area hotels and motels fell a seasonally adjusted 9% during the first quarter based on preliminary data. Actual (unadjusted) hotel/motel in the quarter are up 1.8% from the first quarter of 2010, and sales in the past nine months are 6% higher than during the same period a year earlier.



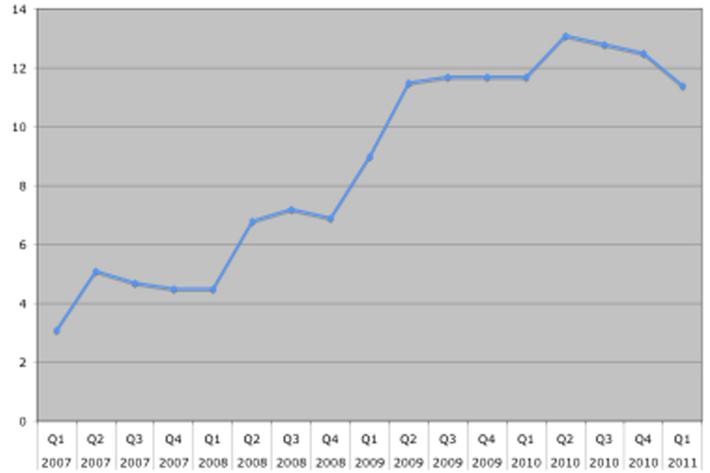
POPULATION – The latest figures from the US Census Bureau place the population of Polk County at 602,095 as of April 1, 2010. That represents a 24.4% increase in population since the year 2000. The median household income in the county during 2009 was \$44,043, with an estimated 17% of the local population living below the poverty line. (Poverty line was \$21,756 in 2009 with a 14% poverty rate nationwide).

Data on residential electricity connections over the last two quarters suggest that population growth is returning following a two-year hiatus. The number of residential connections maintained by the City of Lakeland has risen 0.5% over the last six months.

Residential Electric Accounts (Seasonally Adjusted)



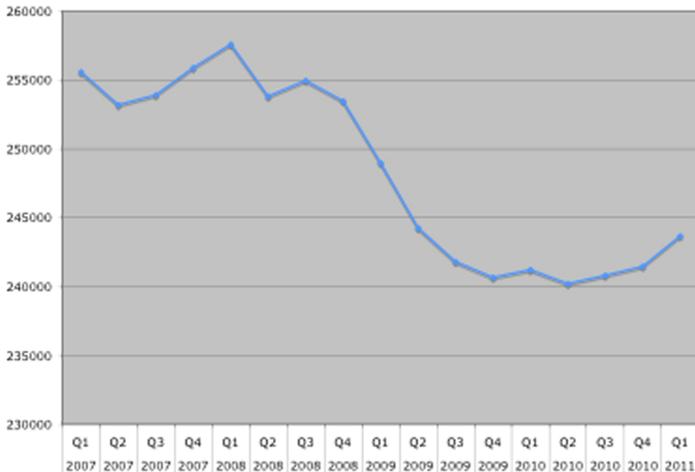
Unemployment Rate (Seasonally Adjusted)



EMPLOYMENT – Revised employment figures from the Florida Agency for Workforce Innovation confirm that local employment growth stagnated at the end of 2007, and began a prolonged drop in the second half of 2008. Employment levels stabilized in 2010.

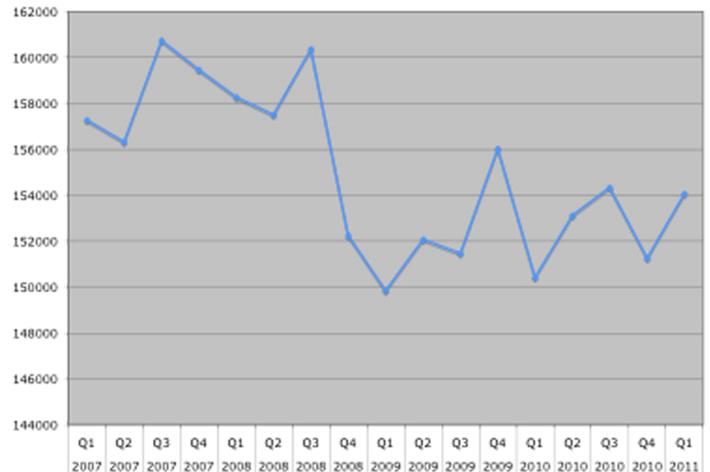
The Polk labor market showed its first signs of improvement in the first quarter of 2011. Seasonally adjusted employment rose 0.9% from the preceding quarter following a year of inaction. Local employment remains 5.4% (13,761 jobs) below the peak level achieved in mid-2007.

Total Employment (Seasonally Adjusted)



MANUFACTURING - Industrial electricity consumption tracked by the City of Lakeland offset a seasonally adjusted 2% drop in the fourth quarter of 2010 with a 1.8% rise in the first quarter of 2011. Industrial electricity consumption over the most recent 5 quarters is down about 5% from the peak period reached from the middle of 2007 through the middle of 2008.

Industrial Kilowatt Hours (Seasonally Adjusted)

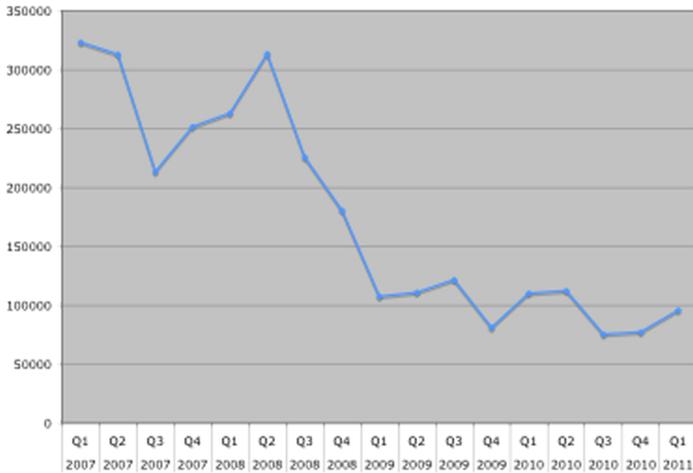


The revised average unemployment rate for Polk County in 2010 is 12.5%. The local unemployment rate fell during the first quarter of 2011 from 12.8% in January to 11.7% in February and 11.3% in March. The local unemployment rate remains close to that experienced statewide, with the Florida rate dropping to 11.1% in March. The Polk County rate in March is down from 12.1% a year ago.

The *seasonally adjusted* unemployment rate in the county fell to an average of 11.4% in the first quarter, and has declined for three consecutive quarters. The seasonally adjusted unemployment rate peaked out at 13.1% in the second quarter of 2010.

CONSTRUCTION - The total value of building permits (residential plus commercial) issued countywide appears to have stabilized, albeit at severely depressed levels. The value of permits issued during 2010 was down \$1.1 billion (74.5%) from the peak year of 2006.

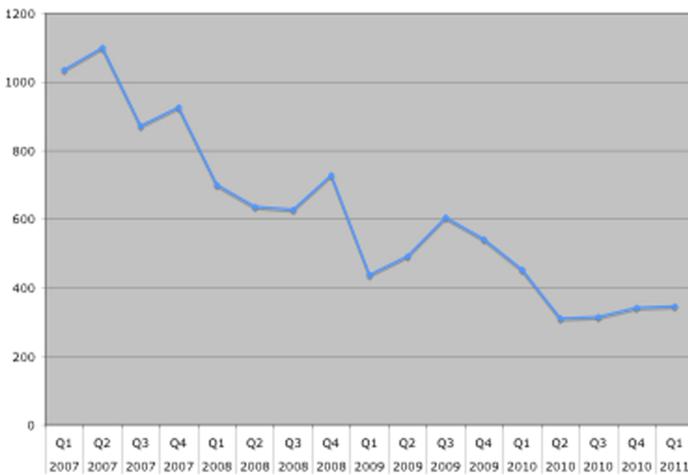
Dollar Value of Building Permits



Housing construction has been, and remains, the weakest sector in the Polk economy. There were 1,082 single-family building permits issued countywide during 2010. That is down an astounding 90% from the peak in 2005 (a decline of 10,146 permits). High inventories of unsold homes, high unemployment, and the prospect of even further declines in home prices in an already depressed market are the principal factors underlying the declines in housing construction.

There were 92 permits issued for the construction of new single-family homes in Polk County during the month of January, 81 in February, and just 73 in March.

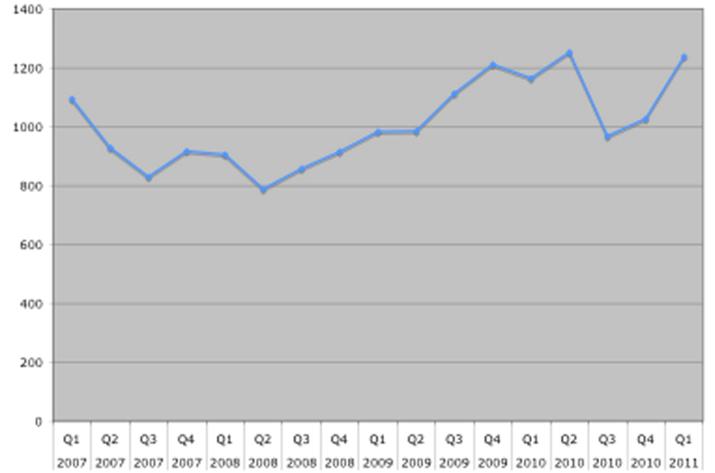
Number of Single Family Building Permits (Seasonally Adjusted)



Housing construction will not pick up until home sales improve, and we clear out some of the large inventory of unsold homes. The singular good news on the housing front was that home sales in Polk County were up 3% in 2010 from 2009, and were up even further in the first quarter of 2011. The bad news is that prices continue to fall.

There were 337 homes sold in Polk County in January, 388 in February, and 505 in March. The March sales figure is the highest in more than four years. The median price for homes sold in the county during March was \$93,300, a decline of 11% from the year before. Nationwide, prices were down 6.3% from the preceding March.

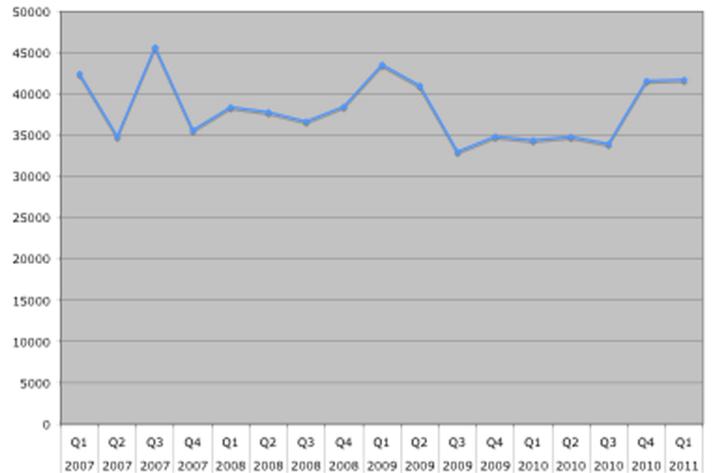
Number of Homes Sold (Seasonally Adjusted)



CITRUS - The US Department of Agriculture raised its estimate of the 2010-11 orange crop by 4 million boxes in March, then lowered it by 2 million boxes in May. The latest estimate places this year's crop at 140 million boxes, which would represent an increase of 4.8% from the preceding year.

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. Volume during the first quarter of 2011 is unchanged from the preceding quarter, but over the last six months, volume is up 18.4% from the same period a year ago.

Citrus Concentrate Movement (Thousands of Gallons)



DEVELOPMENT - Florida Southern College has received a major gift to establish the Barney Barnett School of Business and Economics at its Lakeland campus. It is the first named school in the college's history, and is underwritten by a gift from Carol Jenkins Barnett in honor of her husband's birthday and 42 years of service to Publix Supermarkets. Both of the Barnetts are Florida Southern alumni, and Barney Barnett is a current member of the FSC Board of Trustees.

The Barney Barnett School of Business announcement follows a March gift of \$5 million to Florida Southern from alumnus Richard W. (Bill) Becker to name a new undergraduate business building.

The Becker Undergraduate Business Building will be located on the southeast corner of the campus facing Lake Hollingsworth, with construction scheduled to begin in late 2012. The Becker Building will feature a trading floor, meeting rooms, and classrooms, and will later be joined by a Graduate and Executive Business Building to form the nucleus of the Barney Barnett School of Business and Economics.

The City of Lakeland Planning and Zoning Commission has approved construction of a 560,000 square-foot shopping center in North Lakeland adjacent to US 98 North. Gateway Commons will house 15 businesses, including a Kohl's department store. The new center will create 480 jobs, and is the largest retail project in Lakeland since Lakeside Village was built on the south side of the city.

Matheson Tri-Gas Inc. has announced plans to build a \$40 million plant to produce and sell liquefied nitrogen, oxygen, and argon gases. The plant will be located near the intersection of North Combee Road and Saddle Creek Road in East Lakeland. The facility would become the second largest user of electricity in the city, requiring construction of a \$1.5 million substation by Lakeland Electric.

Lakeland Electric will partner with SunEdison to build a solar farm at the west end of the Lakeland Linder Regional Airport. Plans call for installation of 18,000 solar panels by 2012 that will provide enough electricity to serve 2,000 homes.

Direct Air will begin offering commercial flights from Lakeland Linder Regional Airport to four destinations in June. The daily flights are designed to offer direct service among smaller cities. Direct Air currently has service from 16 US cities, and will initially offer flights from Lakeland to Myrtle Beach, S.C.; Niagara Falls, NY; Hagerstown, MD; and Springfield, Ill.

Quantum Marketing is expanding its Lakeland headquarters in a move that will add 40 jobs to the local economy. The \$3 million expansion of the office and manufacturing facility on Craftsman Boulevard will bring total employment to 115 upon completion. Quantum Marketing has recently merged with a California firm, and will henceforth be known as ITW Automotive Products.

John Bean Technologies Corporation is expanding and moving from its Fairway Avenue site in Lakeland to a 142,000 square-foot location on Drane Field Road near the Lakeland Linder Regional Airport. John Bean is a supplier of citrus processing equipment, and the new \$16 million facility will create 23 new jobs. The firm currently employs 100 workers at the Fairway Avenue location.

A major makeover is taking place at the Merchants Walk shopping center on South Florida Avenue in Lakeland. The section that formerly housed the AMC movie theater, a restaurant, and several small shops has been demolished to make way for construction of a 50,000 square-foot hobby shop. The Hobby Lobby is scheduled to open in late 2011.

A new Family Dollar Store is under construction on Kathleen Road in North Lakeland. The 8,000 square-foot store is scheduled to open in June. Another Family Dollar Store is slated for construction at the intersection of Recker Highway and Coleman Road in Winter Haven.

Two proposed developments in Bartow have fallen victim to the economic slowdown. The Wind Meadows II housing development and the Silver Communities adult complex had both been approved for construction by the city commission, but are now cancelled.

Construction of a new regional county park in the Four Corners area begins in April. The park will be built adjacent to US 27 near Lake Davenport. The first phase will include soccer fields and pavilions, as well as tennis, basketball, and racquetball courts.

The holders of franchise rights for Dunkin Donuts in Polk County have plans to open five new stores in the county over the next five years. There are presently six Dunkin Donut locations in Polk County.

The owner of the Care Plus Pharmacy on South Combee Road in Lakeland will open another pharmacy in Eagle Lake. The new pharmacy will be located adjacent to US 17 North.

NEW OPENINGS AND CLOSINGS - National Flood Services is opening an office in Lakeland that will create 50 new jobs locally. The new office will be located in the Heritage Business Center on Commerce Point Drive. The California-based firm provides insurance processing and support services for property and casualty insurers.

Lakeland's first Krispy Kreme doughnut franchise opened in April. The new store is located on South Florida Avenue and serves customers 24 hours a day.

The Istanbul Café in downtown Lakeland has closed. The restaurant had just opened at the intersection of Kentucky Avenue and Lemon Street in February.

A new children's apparel and gift store will open in May in downtown Lakeland. Tougie Baby will serve customers Monday through Saturday at its Kentucky Avenue location.

An Australian based clothier has announced plans to open a new store in the Lakeland Square Mall on US 98 North. Cotton On will be located between Dillard's and the food court.

Bealls is hosting a reopening for its Winter Haven store on Van Fleet Drive in May. The Bealls Outlet in the Golden Gate shopping center has been completely remodeled, and enlarged by 5,000 square feet.

A Five Guys hamburger restaurant is slated to open in Winter Haven in September. The new eatery will be located in the Walmart shopping center on Cypress Gardens Boulevard.

Sundown Southern Eatery in Winter Haven is closing in May. The Third Street S.W. location will be remodeled and reopen as a Manny's Original Chophouse. Manny's has two other locations, one in Haines City and the other in Lake Wales.

TAKEOVERS - The Lakeland-based accounting firm of NCT Group is soon to be acquired by the Minneapolis firm of LarsonAllen CPAs, Consultants & Advisors. LarsonAllen has 1,800 employees in 40 locations around the country, while NCT has 64 employees in 3 Central Florida locations.

The Garden Bistro at Lake Mirror in downtown Lakeland has been sold to Barbara Shaw Reardon. The new owner will operate under the Garden Bistro name, but will change the décor and modify the menu to include wine and appetizers on Friday nights.

THE NATIONAL ECONOMY

The pace of economic expansion slowed during the first quarter as price adjusted Gross Domestic Product (real GDP) advanced at a 1.8% annual rate. That follows a 3.1% growth rate in the preceding fourth quarter of 2010. The deceleration in growth was attributed to a slowdown in consumer spending growth, a sharp increase in imports, and reduced federal and state government spending.

Positive contributors to Quarter 1 GDP growth were increasing exports, private inventory investment, and nonresidential fixed investment. Personal consumption expenditures were up as well, albeit at a slower growth rate than in Quarter 4.

CONSUMER SPENDING - Consumer spending, which accounts for 70% of aggregate demand, grew an inflation-adjusted 2.7% in the first quarter. That is down from a 4% growth rate in the fourth quarter of 2010.

Personal Consumption Expenditures (includes spending for both goods and services) rose 0.5% in January, 0.9% in February, and 0.6% in March. Retail sales (goods only) climbed 0.3% in January, 1% in February, and 0.4% during March. Quarter 1 retail sales are up 8.1% from the first quarter of 2010.

Disposable personal incomes were up 0.8% in January, 0.4% in February, and 0.6% during March. Households remained cautious in the first quarter as they saved a relatively high 5.9% of their disposable income in January, and 5.5% in both February and March.

The Reuters/University of Michigan group reported that its Index of Consumer Confidence fell sharply in March due to rising food and gasoline prices. The index dropped from a reading of 77.5 in February to 67.5 in March, reversing the gains of the preceding four months.

EMPLOYMENT - Nonfarm employment rose by only 68,000 workers in January as bad weather inhibited hiring. The January slowdown in hiring does not represent a departure from the upward trend in job creation. Job growth accelerated to 194,000 in February; 221,000 new hires in March; and 244,000 in April.

The 268,000 jobs added by the private sector in April is the largest monthly gain in more than five years. Total payroll employment has grown by 1.75 million jobs since February 2010. 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 nation's unemployment rate fell to 9% in January, 8.9% in February, and 8.8% in March. The unemployment rate rebounded to 9% in April as more discouraged workers reentered the active labor force. The peak unemployment rate during the recent recession was 10.1% in late 2009.

INDUSTRIAL PRODUCTION - Output at US mines, factories, and utilities climbed 0.1% in both January and February, and 0.8% during March. Capacity utilization rose from 76.9% in January and February to 77.4% in March.

Factory orders advanced throughout the quarter, increasing by 3.3% in January, 0.7% in February, and 3% in March. New orders for durable goods rose 3.7% in January, 0.7% in February, and by 2.5% in March.

Manufacturing and trade inventories rose 1% in January, 0.5% in February, and 1% in March.

CONSTRUCTION - Total expenditures for new construction dropped 1% in January and 2.4% in February before recording an increase of 1.4% in March. March construction spending was down 6.7% from a year ago.

Housing starts were up 20.3% in January, then offset most of that with a drop of 18.5% in February. Housing starts were up 7.2% in March, but fell another 10.6% in April to a level 24% below April 2010. The immediate future for housing starts doesn't look much brighter as single-family building permits fell 10.2% in January and 5.2% in February, before a partial recovery of 11.2% during March. March permits remain 13.3% below the year before.

Home values fell 3% in the first quarter, the largest quarterly decline since late 2008. Midway through last year as price depreciation slowed, analysts were anticipating that the market would bottom out by late 2011. However, the improving picture last year was related to the \$8,000 tax credit offered first-time buyers that expired last summer. Prices have been dropping ever since.

Sales of new single-family homes were down 6.6% in January and 13.5% in February. New home sales rebounded upward 11.1% in March, but were still down 21.9% from the preceding year.

Sales of existing homes showed no real signs of improvement in the first quarter, rising by 3.4% in January before falling 8.9% in February. Sales were up 3.7% in March, but remained 6.3% below sales of March 2010. Distressed sales accounted to 40% of home sales in March, and the median sale price during the month was down 6% from a year ago. The housing market won't really recover until stronger income and job growth induce more families to purchase homes and work through the accumulated inventory.

FOREIGN TRADE - The US international trade deficit in goods and services continued to drift upward, rising to \$47 billion in January before receding slightly to \$45.8 billion in February and climbing back to \$48.2 in March.

The foreign exchange value of the US dollar continued to drop in the first quarter, which is good news for American exporters. Rising exports have contributed about half of the 3% annualized growth rate in real GDP since the economic recovery began in the third quarter of 2009. On the down side, a declining dollar could worsen the domestic inflation rate in coming months.

The main factor underlying the dollar's recent decline is low interest rates in the United States. With US interest rates likely to remain low for months to come and China hinting that it may diversify its

gigantic foreign exchange holdings away from the American currency, the dollar will probably continue its downward trend.

COST OF LIVING - The inflation rate picked up in the first quarter, largely on the basis of increases in food and gasoline prices. The Consumer Price Index (CPI) rose 0.4% in January, and by 0.5% in both February and March. The CPI has risen by 2.7% over the past 12 months.

Year	Consumer Price Index (A)			
	Q1	Q2	Q3	Q4
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
2011	222.3			

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

MONETARY POLICY - The Federal Reserve maintained its pro-growth policy of low interest rates through the first quarter. The Fed will complete its program to purchase \$600 billion of US government bonds in June as part of its effort to narrow the gap between short-term and long-term interest rates. The Fed is expected to shift toward a more neutral monetary policy in the months ahead in order to head off inflationary pressures in the long run.

FISCAL POLICY - The decline in tax revenues resulting from the December decision to extend the Bush era tax cuts is expected to push the federal budget deficit for the current fiscal year ending September 30 (2011) to over \$1.6 trillion.

President Obama and the Republican leadership of the House of Representatives have each laid out the parameters of a broad plan to reduce the size of future deficits in the federal budget.

The Obama plan calls for a combination of spending cuts and tax increases that reduce projected deficits by a combined \$4 trillion over the next 10 years. The Republican plan centers on a dramatic restructuring of Medicare and Medicaid, and other spending cuts in combination with a lowering of tax rates.

LEADING INDICATORS - The Conference Board reported that its index of leading economic indicators rose 0.2% in January, 1% in February, and 0.4% during March. The index points toward sustained growth through the end of the year.

Orders for nondefense capital goods excluding aircraft, a widely followed indicator of business investment plans, fell by 5.9% in

January and 0.5% during February. Orders were up 3.7% in March.

SUMMARY - US economic growth slowed markedly in the first quarter with price adjusted GDP rising at a 1.8% annual rate. Most economists believe that the factors that slowed growth in the first quarter were temporary, and economic growth is expected to pick up in the second quarter.

Consumer spending and exports are now leading the economic expansion, and job growth has finally returned in a meaningful way. Consumer spending and job growth will continue to feed off one another in the months ahead, and GDP growth should return to the 3% to 4% range in the second quarter.

POLK OUTLOOK

The Polk economy parallels the national economy much more closely than it did 25 years ago. We do, however, remain heavily dependent on home construction. With the collapse in the local housing market now fully reflected in the Polk Progress Index, the index has more closely correlated with the US GDP over the past year. That will continue to be the case in the coming months, with retail sales and employment remaining the keys to economic recovery in the county.

Construction remains the weakest link in the Polk economy, and we will likely continue to struggle until the local housing market truly stabilizes. Home sales are up, but most of those are distressed properties facing foreclosure that drive housing prices down even further.

Retail sales have stabilized, but they have a very long way to go before reaching pre-recession levels. There were positive developments on the population and employment fronts during the first quarter, and we expect the Polk economy to continue growing at a 2% to 3% annual rate over the remainder of 2011.

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	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2*
Taxable Sales (1,000 of \$)	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	1,569,664	1,6-9,485*	1,530,073
Total Employment	256,522	254,731	252,425	247,481	246,977	241,582	239,611	239,713	242,926	240,572	240,401	242,158	243,249
Residential													
Telephone Access	141,988	134,760	128,356	121,523	114,945	108,959	103,027	98,897	94,101	89,062	84,166	83,218	82,700
Business													
Telephone Access	67,090	65,930	64,751	63,071	61,376	60,075	58,623	57,364	56,383	54,806	53,135	51,474	50,017
Industrial Electric													
KWH (1,000's)	157,040	173,592	157,469	139,193	151,828	164,912	159,477	137,023	150,327	167,135	153,419	139,466	148,290
Number of Single													
Family Building Permits	737	537	351	271	260	308	233	304	319	264	205	246	251
Hotel/Motel Sales													
(1,000's of \$)	48,696	39,524	32,453	43,075	38,286	32,434	28,076	40,509	35,551	33,931	31,912	41,237*	35,386
Number of Homes Sold	858	848	770	832	1,031	1,101	1,121	1,054	1,329	1,030	975	1,238	1,251
Citrus Concentrate													
Movement (1,000's of gallons)	37,813	36,666	38,499	43,576	41,017	33,013	34,846	35,551	34,831	33,964	41,620	41,730	38,077
Building Permits													
(1,000's of \$)	313,424	225,632	180,479	107,385	110,634	121,500	81,028	110,024	112,237	75,350	77,177	95,755	
Number of Residential													
Electric Accounts	100,570	99,822	100,539	101,128	100,618	99,470	100,384	101,933	100,725	99,509	100,586	102,193	101,324
POLK PROGRESS	194.0	193.9	186.1	188.2	188.1	190.7	189.9	187.2	191.6	188.5	191.8	194.8	195.5

*Estimated values for taxable sales and motel/hotel sales in Q1 2011, and forecast values for Q2 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.

*Thank you to the sponsor
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