

**POLK ACTIVITY ADVANCES IN SECOND QUARTER**

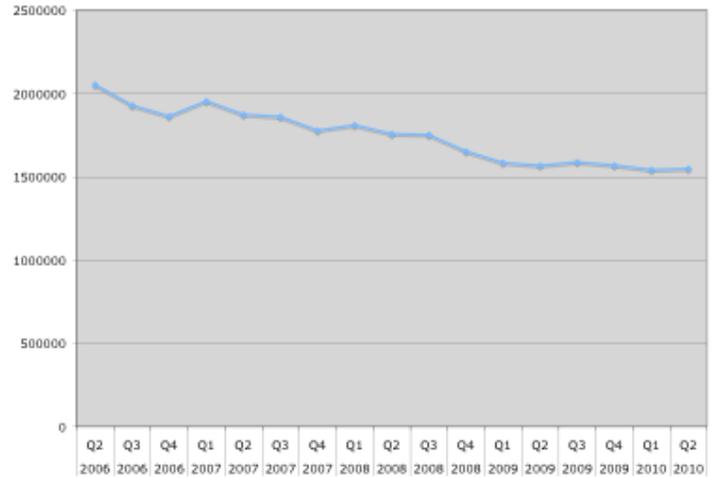
The local economic picture brightened a bit in the second quarter as the Polk Progress Index (PPI) climbed 2.1%, offsetting the dip in the preceding Quarter 1. There were increases across the board in all components of the index with the lone exception of sales at area hotels and motels. The largest increase was in home sales, with more moderate advances in taxable sales, employment, industrial electricity consumption, and estimated population.

The last issue of the Polk Progress Report overstated the decline in the PPI during the first quarter of 2010. This was due to an error in our reporting of sales at area hotels and motels. We always estimate hotel/motel sales on the basis of partial data, and last time the problem was compounded by our mistaken use of taxable sales data for the first quarter rather than gross sales data. Based on corrected data, we now estimate that the PPI declined 1.5% in the first quarter, rather than the originally estimated 3.3% decline.

The PPI has achieved a plateau over the course of the most recent five quarters. That is certainly in conjunction with the economic recovery nationwide. We have not grown as much over the past year as the rest of country due, in part, to our heavy reliance on housing construction as a component of our overall economic activity.

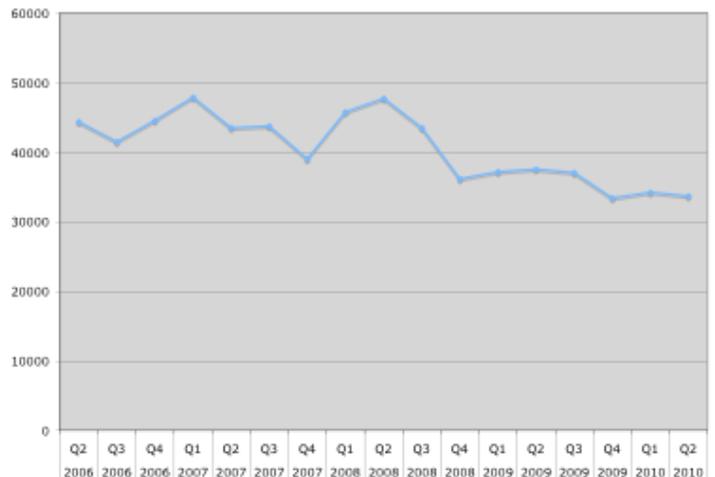
**SALES** - Retail sales in Polk County have begun to show hopeful signs of stabilization over the course of the past year. Seasonally adjusted taxable sales in the just completed second quarter rose 0.5% from the preceding quarter, partially offsetting a decline of 1.8% in the first quarter of the year. Quarter 2 figures are based, in part, on estimated sales for the month of June. Taxable sales for the first six months of 2010 are down 3.2% from the same period in 2009.

**Taxable Sales (Dollars Seasonally Adjusted)**



Sales at local hotels and motels fell 1.6% in the second quarter, based on preliminary estimated data for June. This follows a corrected 2.5% increase in seasonally adjusted hotel/motel sales during the preceding Quarter 1. Hotel/motel sales had stabilized through most of 2009, before dropping another notch in the fourth quarter of the year.

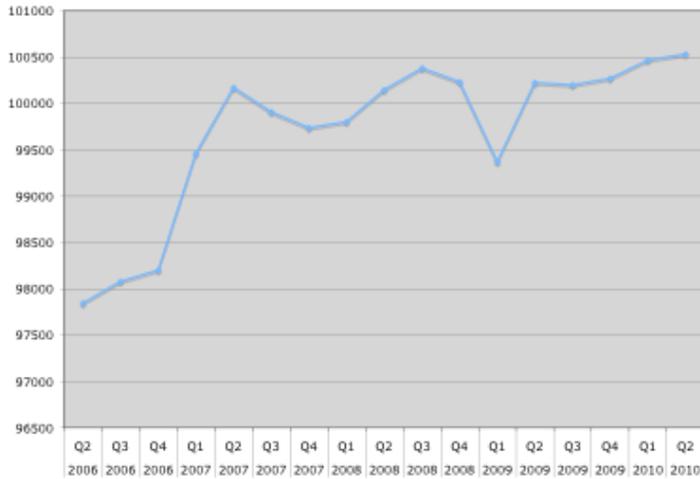
**Hotel/Motel Sales (Dollars Seasonally Adjusted)**



Polk county hotel and motel sales during the first half of 2010 were down 8% versus the first six months of 2009.

**POPULATION** - The local population count has resumed a slow climb over the most recent three quarters. The three quarter moving average for residential electric connections maintained by the City of Lakeland rose 0.4% in the second quarter. The actual number of residential connections in Quarter 2 is up slightly from the same quarter a year earlier.

Residential Electric Accounts (Seasonally Adjusted)



Florida Governor Charlie Christ vetoed \$46 million in construction funds for the University of South Florida Polytechnic campus in North Lakeland in late May. The funding, which had been previously approved by the state legislature, included \$35 million for the first phase of construction, and \$10 million for a pharmacy and allied health building. The governor also vetoed \$12.2 million in funding for Polk State College, including \$10.2 that had been budgeted to restore its learning resource center.

The Polk County Property Appraiser announced in June that the value of taxable property in the county during 2010 has fallen by 13.9% from the preceding year. The \$26.1 billion tax roll will serve as the basis for local government revenue calculations and budgets. At current tax rates, the revenue loss versus last year will be \$29.9 million. This marks the third consecutive year that the tax roll has fallen from a peak value of \$35.6 billion in 2007.

A recent study published by the U.S. Environmental Protection Agency has awarded the EPA’s energy star to Lakeland. The list released in March ranks Lakeland seventh in the nation in terms of the largest number of energy efficient buildings, behind Los Angeles, Washington D.C., San Francisco, Denver, Chicago, and Houston. Lakeland and New York City are the only two new members of the top ten.

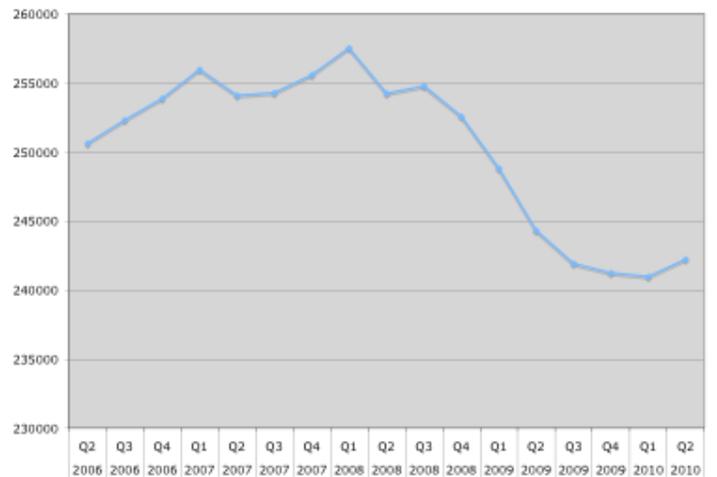
A study recently released by the Brookings Institution finds that the Lakeland-Winter Haven metropolitan area (Polk County) economy is among the 20 weakest in the nation. The report measures changes in job growth, home prices, and economic output among other variables in the 100 largest metropolitan areas of the US. Other Florida metropolitan areas ranked in the bottom 20 include Tampa, Bradenton, Jacksonville, and Miami.

The same Brookings Institution report ranks Polk 96th among the nation’s 100 largest metropolitan areas in terms of the percentage of the adult population that holds a bachelor’s degree. “The State of Metropolitan America” study reports that just 18.7% of Polk residents aged 25 and older hold 4-year college degrees. The national average is 28.7% of the population earning bachelor’s degrees.

**EMPLOYMENT** - Total employment in Polk County rose a seasonally adjusted 0.5% during the second quarter. This marks the first quarterly increase in seasonally adjusted employment in Polk County since the first quarter of 2008.

This certainly does not mean that the local labor market is in anything other than dire shape. The average (unadjusted) level of employment during the first six months of 2010 is down 1.8% (4,442 workers) from the average level in the first half of 2009. But the Quarter 2 rise in seasonally adjusted employment may mark a tiny first step on the road to recovery in the Polk labor market. It is well to recall that employment is a lagging indicator of economic activity.

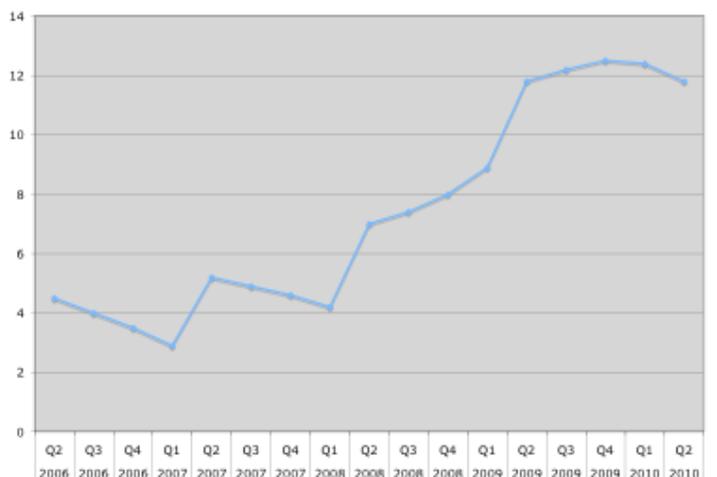
Total Employment (Seasonally Adjusted)



The Polk County unemployment rate was 12.1% in April, 12% in May, and 12.5% in June. The local unemployment rate climbed to 13.1% during July. It is also important to recall that the unemployment rate traditionally rises in Polk County during the summer months, historically peaking in June. The seasonally adjusted unemployment rate in the second quarter was 11.8%.

It would be premature to draw conclusions from one quarter’s worth of data, much less one month’s worth. But the data over the past year suggest that the unemployment rate has reached a peak in the current cycle.

Unemployment Rate (Seasonally Adjusted)



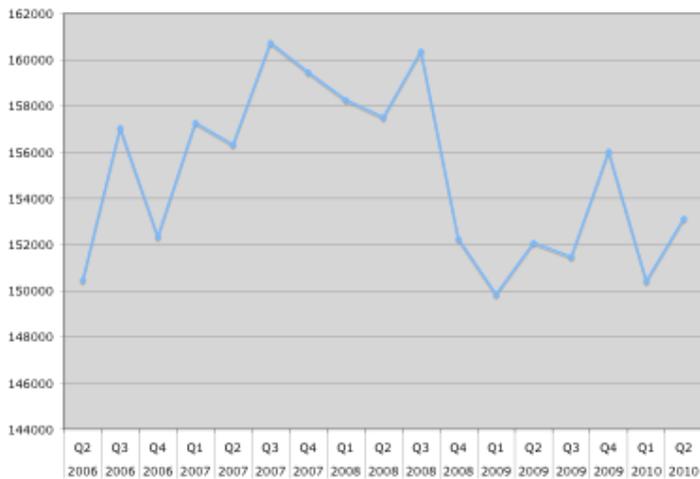
Polk County government has eliminated 272 job positions over the last two years according to County Manager Mike Herr. The latest cutbacks entail 44 jobs, primarily located in the utilities and transportation departments. Most of the job losses were necessitated by declines in property tax revenues.

The Mosaic Company sent layoff notices to 221 workers at its South Fort Meade Mine in mid-July. Mosaic has stated that it will shut the mine down indefinitely if it is denied permission to expand the operation into neighboring Hardee County. Three environmental groups have sought a federal court order to block the expansion, which had been approved by the U.S. Army Corps of Engineers. One hundred forty of the workers received notices on August 20th not to report to work the following Monday, with the remainder of the layoffs scheduled to become effective in mid-September, pending the outcome of the lawsuit.

Continental Plastic Containers Inc. has announced that it will close its Lakeland plant at the end of September. The plant located on Region Court has 44 employees, and is one of 65 Consolidated Container plants in the U.S. and Canada.

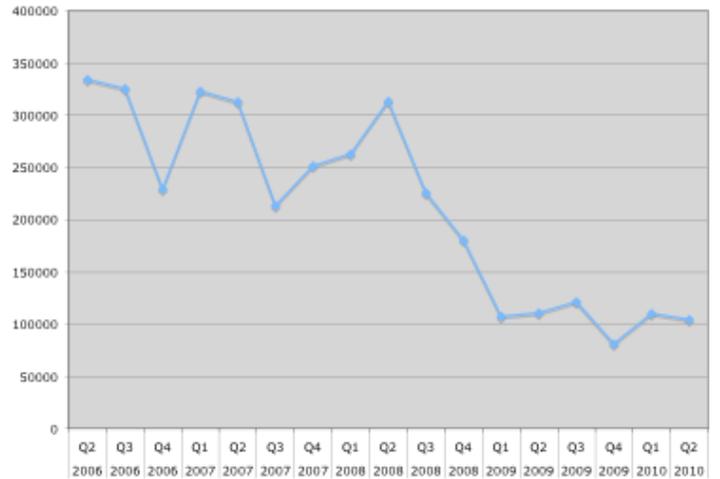
**MANUFACTURING** - Local manufacturing activity appears to have roughly achieved a plateau over the course of the past year. Industrial electricity consumption reported by the City of Lakeland over the past five quarters is down just 2.9% from the peak five-quarter-period reached from the middle of 2007 through the middle of 2008.

Industrial Kilowatt Hours (Seasonally Adjusted)



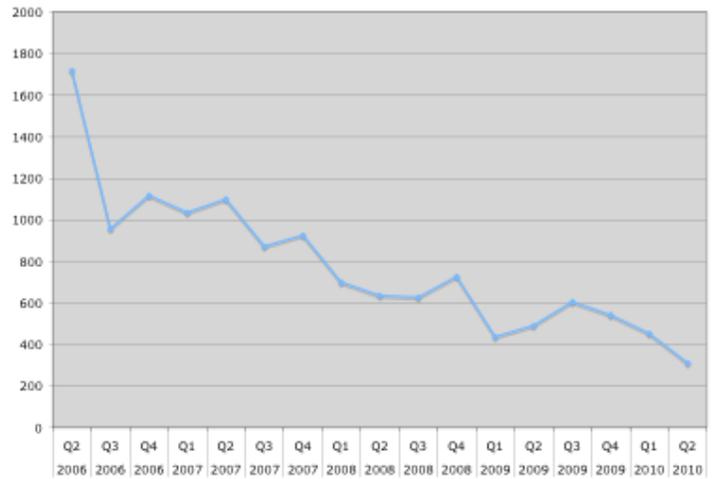
**CONSTRUCTION** - The total value of building permits (residential plus commercial) issued countywide has stabilized over the past five quarters, albeit at severely depressed levels. The value of permits issued during that period is down \$1.27 billion (70.9%) from the peak five-quarter-period ranging from the first quarter of 2006 through middle of 2007.

Dollar Value of Building Permits



There were 139 permits issued for the construction of single-family homes in Polk County during April, 110 in May, and just 70 during the month of June. High unemployment and the prospect of even further declines in home prices in an already depressed housing market are the principal factors underlying the declines in housing construction.

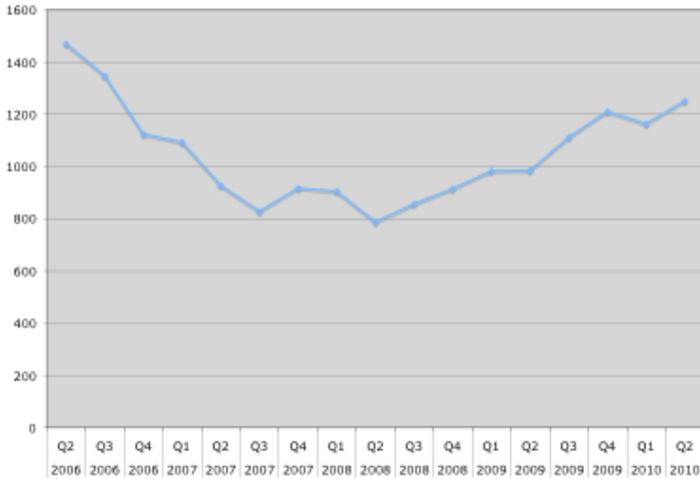
Number of Single Family Building Permits (Seasonally Adjusted)



The number of permits issued during the first six months of 2010 is actually up 17.1% from the same period in 2009. However, the permits issued in the first six months of 2010 are down 87.8% from the first half of 2005 (a decline of 4,502 permits).

There were 467 homes sold in the county during April, encouraged, in part, by the federal tax credit for homebuyers that expired on April 30th. There were 420 home sales in May, and 442 in June. Local home sales subsequently slipped to 325 in July. The median sale price in June was \$103,500, a decline of 14% from a year earlier according to the Florida Association of Realtors. Nationwide, the median sale price in June was up 1% from the preceding year.

Number of Homes Sold (Seasonally Adjusted)



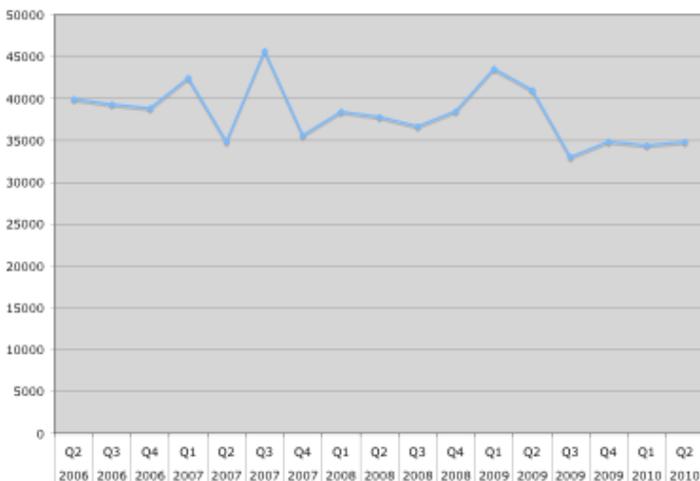
The good news is that home sales were up in Polk County during the second quarter. The bad news is that 60% of the sales represented distressed properties according to records appearing in the Lakeland Ledger, sold at prices that continue to drag housing values downward. A Brookings Institution report finds that home prices in the county dropped 36% between the first quarters of 2007 and 2010. There were 613 foreclosures in the county during the month of June.

Zillow.com, an online real estate marketer, has released a survey estimating that 56% of homeowners in Polk County owe more on their mortgages than the current value of their home. The study of 141 metropolitan areas in the U.S. finds that Polk's negative equity rate is the seventh highest in the nation.

**CITRUS** - Initial estimates by private forecasters of the 2010-11 Florida orange crop place the total around 150 million boxes. If realized, that would be an increase of about 15% from the most recent 2009-2010 crop, estimated by the US Department of Agriculture at 133.6 million boxes.

The volume of citrus concentrate movement reported by processors in the state of Florida has remained stable over the last three quarters.

Citrus Concentrate Movement (Thousands of Gallons)



Florida Citrus Mutual has received a \$200,000 grant from the U.S. Commerce Department for a project using aerial photography and computer analysis to identify diseased citrus trees. The project is part of the effort to monitor the spread of a bacterial disease, citrus greening.

**DEVELOPMENT\*** - The Lakeland City Commission has approved the expenditure of \$500,000 toward funding a Frank Lloyd Wright Tourist and Education Center at Florida Southern College. The center will serve as a gateway for visitors to the campus, which has the world's largest collection of Frank Lloyd Wright designed buildings. The FSC campus ranks ninth on the Princeton Review's "Most Beautiful Campus" list. The list is compiled as part of the Princeton Review's college guide to "The Best 373 Colleges" in the US.

Florida Southern was recently ranked by U.S. News & World Report as one of the Top 10 Best Regional Colleges in the South, and the highest-ranked regional college in Florida. FSC is also rated as one of 45 "Best Buy Schools" in the "Fiske Guide to Colleges", based on "stellar academic programs, modest tuition costs, and outstanding quality of life for students".

Polk State College has combined efforts with two other Florida colleges to share a Community Based Job Training Grant funded through the U.S. Department of Labor. PSC will focus on automation and robotics as part of an Engineering Technology and Advanced Manufacturing Initiative. The \$2.9 million grant will fund the training of almost 800 workers at the three colleges over the next three years.

A steel company based in Taiwan is relocating a distribution center from Davenport to North Lakeland, bringing 25 jobs to the area. Ta Chen International has leased 140,000 square feet of space in the Bridgewater Industrial Park, located at the intersection of Interstate 4 and SR 33. Local economic development officials are hopeful that the move by Ta Chen will serve as a catalyst for more development in the area.

Construction will begin this fall on a new 18,000 square-foot office building in North Lakeland. Gateway Center will be located adjacent to Lakeland Hills Boulevard, with construction beginning this fall and an expected completion date of fall 2011.

A \$14 million administration building is currently under construction at Kathleen High School in Lakeland. Completion of the new administration and music buildings on the campus is slated for November. A new \$6.4 million cafeteria building and \$5.2 million freshman academy are scheduled to open in August 2011.

The new headquarters for the Florida Methodist Conference was dedicated in Lakeland in June. The Conference spent \$3.4 million to purchase the 34,000 square-foot building which formerly served as the Holland & Knight law firm's Lakeland office, and spent nearly \$3 million more on renovation. The new headquarters will house conference staff, the Florida United Methodist Foundation, and the Georgia-Florida United Methodist Credit Union.

Krispy Kreme Doughnuts will soon establish a new store in Lakeland. Polk County's first Krispy Kreme will be located on South Florida Avenue near the Imperial Swan hotel. It is scheduled to open in September.

The Reececliff restaurant in Lakeland has added an outdoor seating area that will accommodate 20 patrons. The South Florida Avenue eatery has been in business since 1934.

Premier Transportation has leased 70,000 square feet of space on Pipkin Road in Southwest Lakeland. Premier is a distributor for major retailers, and expects to initially hire 45 workers to handle distribution for Marshalls and T.J. Maxx clothing stores located throughout Florida.

The owner of the Juice Bowl citrus processing plant in South Lakeland plans to add 32 employees in conjunction with a new high-tech bottling line. Whitlock Packaging presently has 125 employees at its Juice Bowl plant, located along US 98 South.

The local chapter of Tampa Lighthouse for the Blind has broken ground for a new building at the intersection of Avenue D Northwest and Second Street Northwest in Winter Haven. The \$1.5 million facility will provide a new home for the local agency that currently serves about 300 people in Polk and Hardee counties. The two counties jointly share an estimated population of 15,000 people who are visually impaired.

The Krystal chain has announced plans to build a new restaurant at the intersection of Cypress Gardens Boulevard and Sixth Street Southeast in Winter Haven. The new eatery will be located at the former site of a Shell gasoline station.

The city of Auburndale has received a \$1.5 million Community Development Block Grant from the Polk County Commission to help finance a 33,000 square-foot combination gymnasium and community center. The \$3 million center will also house classrooms and exercise rooms. The center will be located along Bennett Street near Charles Avenue, with an anticipated opening in the fall of 2011.

The City of Auburndale has approved zoning changes for construction of a new Japanese steakhouse. The new restaurant will be located along U.S. 92 East, replacing the recently demolished Ricky's Café.

**NEW OPENINGS AND CLOSINGS\*** - The Dr. Marcene H. and Robert E. Christoverson Humanities Building is scheduled to open on the Florida Southern College campus in Lakeland on November 12th. The 22,500 square-foot structure is located at the intersection of Lake Hollingsworth Drive and Johnson Avenues, and features an art gallery, film studies center, and language lab, as well as classrooms and faculty offices. The \$3 million building was designed by Robert Stern; Dean of the Yale School of Architecture, and a Frank Lloyd Wright scholar.

The Lakeland Square 10 Cinema theater complex on US 98 North closed in December. The theater has been sold to Trademark Cinemas of Coral Springs, which plans a \$3million upgrade of the facility. The new owners expect the renovations to be completed by the first quarter of 2011.

The former Michael Holley Chevrolet dealership in Lakeland reopened as part of Lakeland's Regal Automotive Group in July. The pathway for the restructured dealership was cleared when a petition contesting the reopening, filed by Plant City Stingray Chevrolet, was dropped.

MidFlorida Credit Union intends to close its Gary Road branch office in Lakeland in October. Customer accounts will be transferred to a new MidFlorida location at the intersection of Crystal Lake Drive and U.S. 98 South.

The Black Swan Bazaar opened in Lakeland in late July. The bazaar is open Tuesdays through Saturdays on McDonald Street, and has 20 booths offering an imaginative variety of items. The nearby Big Wahoo opened on McDonald Street in August, featuring homemade Italian ice, gelato, and Haagen-Dazs ice cream.

Two Lakeland restaurants have recently closed. The Golden Corral restaurant on South Florida Avenue closed in June, and the Good Buddies BBQ on Kentucky Avenue in downtown Lakeland closed in early July.

Yia Yia's Beads & Gifts shop on Tennessee Avenue in downtown Lakeland closed in August. Owner Kristine Robertson is relocating the shop to Siesta Key after a 10-year run in Lakeland.

The owner of TJ's Bridal & Formalwear on South Florida Avenue is closing the store and relocating further south to Lakeside Village. The new store is called Tux Shop, and will continue to rent and sell tuxedos and custom clothing.

Vintage Wine Cellars in Lakeland is closing at the end of August. The closing follows a 15-year run in the Southgate Shopping Center on South Florida Avenue.

Sears is relocating a Sears Hometown Store from Bartow to Highland City at the end of August. The new Sears will be located at the intersection of US 98 South and County Road 540A, selling tools, electronics, and large appliances.

Polk County opened a new Emergency Operations Center in May. The \$5.5 million center is located along CR 540 between Lakeland and Winter Haven. The 11,594 square-foot building is constructed to withstand 165 mph winds, and houses a bevy of technologically sophisticated equipment.

Winter Haven's new \$5.2 million Fire Safety Complex had a grand opening in May. The new complex, located at the intersection of Avenue G S.W. and Third Street Southwest, is the city's first "green" building. Green buildings are so certified based on efficient energy and water usage. The complex includes an administration building, firehouse, and maintenance facility, encompassing a combined 22,000 square feet of space.

Lighthouse Ministries opened its fifth thrift store in July. The new store is adjacent to Sixth Street N.W. in Winter Haven, in a structure that formerly housed the St. Matthews Thrift Store. In addition to providing inexpensive secondhand goods to the public, the stores provide job training for ministry clientele.

Winter Haven is the home for Polk County's first oriental market. The aptly named First Oriental Market is located along Cypress Gardens Boulevard in a small strip-shopping plaza.

A new 3,000-square-foot daycare is scheduled to open in August in Winter Haven. The World Daycare Center will be located on Havendale Boulevard, offering 24 hour a day service.

The Fazoli's restaurant located along Cypress Gardens Boulevard S.W. in Winter Haven closed in July. The closing reflected the restaurant chain's decision to close all of its Florida locations and focus on expansion in the Midwest.

A new ABC Wine & Spirits store will open in Lake Wales in early August. The new 10,000-square-foot store is in the Eagle Ridge Mall, located along U.S. Highway 27. It is the first store in Polk County to feature a new ABC company-adopted interior design.

**TAKEOVERS\*** - MidFlorida Credit Union has announced plans to merge with Tampa-based Bay Gulf Credit Union. Lakeland-based MidFlorida has 25 branches located in Polk, Highlands, Hardee, DeSoto, and Okeechobee counties. Bay Gulf has 8 branches located Hillsborough, Pasco, and Pinellas counties. Plans call for Bay Gulf to become part of MidFlorida when the merger is completed in October.

Highlands Storage, located on Exploration Avenue in Lakeland, has been sold for \$1.25 million. The 59,102 square-foot storage facility is climate controlled, and was built in 2007.

### THE NATIONAL ECONOMY

US economic growth slowed significantly in the second quarter as the price adjusted Gross Domestic Product (real GDP) advanced at a 1.8% annual rate. Real GDP was up at a revised 3.7% annual pace in the preceding first quarter of the year.

GDP in the second quarter benefited from increases in personal consumption expenditures, exports, federal government spending, private inventory investment, and both residential and nonresidential fixed investment. The deceleration in GDP growth from the preceding quarter is partially attributable to an increase in imports, and cutbacks in state and local government spending.

The Department of Commerce has completed its annual revision of GDP data for preceding years. It now estimates that real GDP grew at a 1.9% annual rate in 2007, was flat in 2008, and declined 2.6% during 2009. For the period of contraction from Quarter 4 2007 to Quarter 2 2009, real GDP fell at an average annual rate of 2.8%.

**CONSUMER SPENDING** – Consumers remain cautious in the face of worrisome employment figures. Spending is flat as Personal Consumption Expenditures (goods and services) dipped 0.1% in April, were up 0.1% in May, and were virtually unchanged in June. Retail sales (goods only) were similarly weak, more than offsetting a 0.3% increase in April with declines of 1% in May and 0.3% in June.

Surveys of consumer sentiment took a tumble toward the end of the second quarter. The Conference Board's Consumer Confidence Index fell 7.2% during the month of June. The Consumer Confidence survey undertaken by Reuters/University of Michigan in July showed a 10.8% drop from the preceding month.

Income growth has been moderate as disposable personal incomes increased 0.5% in April, 0.3% in May, and less than 0.1% in June. Americans are saving more, with savings rising to 6.4% of disposable personal income in June.

**EMPLOYMENT** - Nonfarm employment rose by 313,000 workers in April and 432,000 in May. There followed growing concern about employment growth as the number of Americans working fell by 221,000 in June and another 131,000 in July. Continued growth in manufacturing employment has recently been offset by declines in the number of service jobs.

The nation's unemployment rate rose to 9.9% in April, then receded to 9.7% in May and 9.5% in June. The unemployment rate was unchanged in July at 9.5%. Private sector job growth has averaged 90,000 per month thus far in 2010. That is well below the estimated 125,000 monthly increase in jobs necessary just to absorb new entrants moving into the labor force. There are an estimated 14.6 million Americans currently looking for work.

**INDUSTRIAL PRODUCTION** - Output at US mines, factories, and utilities advanced 0.4% in April and 1.3% in May, before slipping a slight 0.1% in June. Utilization of existing industrial capacity continued to rise, climbing to 73.1% in April and 74.1% in both May and June.

Factory orders followed an advance of 1% in April with declines of 1.8% in May and 1.2% during June. New orders for durable goods followed a similar pattern, climbing 2.9% in April, but then offset much of that gain with drops of 0.8% in May and 1% in June.

Manufacturers and trade inventories rose 0.4% in April, 0.2% in May, and another 0.3% in June. The inventory buildup in the face of weak sales suggests that inventory growth will subside in coming months.

**CONSTRUCTION** - Expenditures for new construction rose 2.3% in April, then declined 1% in May. Spending varied little in June, rising a scant 0.1%. During the first six months of 2010 construction spending is down 11.2% from the same period in 2009.

The number of private housing starts climbed 7.1% in April, but swooned downward by 13.4% in May and 8.7% in June. The number of building permits issued for private housing dropped 10.9% in April, then rose by 5.9% in May and 1.6% during June.

Sales of new single-family homes were up 9.9% in April, before plunging 36.7% in May following expiration of the federal income tax credit for homebuyers at the end of April. Sales rebounded 23.6% in June, but remain down 16.7% from June of 2009.

Sales of existing homes (includes single-family units, townhouses, and condominiums) increased 8% in April, followed by declines of 2.2% in May and 5.1% in June. Sales of existing homes tend to lag a month or two behind new home sales due to the nature of the way the statistics are compiled.

**FOREIGN TRADE** - The slowing of economic growth in other nations has led to a decline in US exports and further deterioration in the nation's foreign trade balance. The US trade deficit in goods and services was little changed in April at \$40.3 billion, but subsequently rose to \$42 billion in May and \$49.9 billion in June. The June trade gap was the largest since October of 2008, and caused the initially estimated Quarter 2 GDP figure to be revised downward.

**COST OF LIVING** – Inflation remains a nonfactor in the current economic environment, with some concern arising that the nation might actually slip into a sustained period of deflation. The Consumer Price Index (CPI) fell throughout the second quarter, dipping 0.1% in April, 0.2% in May, and 0.1% in June. Excluding the volatile categories of food and energy, the CPI in June is up less than 1% from June of 2009. US inflation is now at its lowest level in 44 years.

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

(A) Figures are revised by the Department of Commerce as of July, 2010. 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 target for the benchmark federal funds rate in the historically low range of 0% to 0.25% throughout the second quarter. The Fed has grown more pessimistic in recent months about the prospects for economic growth, and some of members of the Federal Reserve Board have begun to openly discuss the possibility of deflation. Thus the Fed is now not expected to raise its targeted range for interest rates anytime before early 2011.

**LEADING INDICATORS** - The Index of Leading Economic Indicators maintained by the Conference Board dipped 0.1% during April, then rose 0.5% in May before dropping back again 0.2% in June. The index points toward slower economic growth through the fall.

Orders for nondefense capital goods excluding aircraft, a key indicator of business investment plans, dropped 2.8% in April, before rising 4.6% in May and 0.6% in June.

The most recent monthly survey of 53 economists conducted by the Wall Street Journal yields a consensus forecast of weak economic growth and persistently high unemployment through the rest of 2010. Those surveyed project job growth over the next year to average just 136,000 per month. That is barely enough to absorb new entrants to the labor force as the population grows. Therefore, the unemployment rate is expected to remain above 9% over the same period, while real GDP will grow at a 2.5% - 3% annual rate.

**SUMMARY** - The immediate outlook for the American economy has darkened in the face of tepid job growth and the subsequent caution of consumers.

The service sector has been a non-contributor to job growth in the current recovery, and has yet to give any indication that it will provide an appreciable boost to the economy anytime soon. Meanwhile, the recent improvements in the industrial sector will moderate in coming months as inventory growth slows. The fading inventory effect means that economic growth now largely depends on how much consumers are willing to spend.

GDP growth through the remainder of 2010 is expected to remain weak, likely in the vicinity of a 2.5% annual rate. Interest rates will remain stable, inflation low, and the unemployment rate above 9%.

**POLK OUTLOOK** - Retail sales and employment remain the keys to economic recovery in Polk County. Retail sales have shown some stability during the past year, while employment in the second quarter actually rose on a seasonally adjusted basis for the first time in two years. The local unemployment rate remains stalled at about 12%.

Population growth has resumed at a slow rate, while the value of building permits issued in the county has at least leveled off over the past five quarters. The number of single-family building permits continues to drop to levels unprecedented in generations. Home sales are up, but most of those are distressed properties that drive housing prices down even further.

With the collapse in the local housing market now fully reflected in the PPI, the index has more closely paralleled the US GDP over the past year. We expect the Polk economy to grow at a slow pace over the rest of 2010, with the seasonally adjusted unemployment rate remaining near 12%.

#### 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													
	2007		2008				2009				2010		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2*	Q3*
Taxable Sales (1,000 of \$)	1,779,393	1,865,177	1,884,270	1,771,663	1,641,568	1,651,233	1,603,497	1,546,925	1,474,307	1,541,420	1,545,277	1,505,700*	1,434,277*
Total Employment	254,015	255,189	256,050	256,377	254,504	252,193	244,339	246,469	241,646	240,847	239,501	242,422	243,267*
Residential													
Telephone Access	161,221	154,704	149,461	141,988	134,760	128,356	121,523	114,945	108,959	103,027	98,897	94,101	91,603*
Business													
Telephone Access	68,878	68,371	67,772	67,090	65,930	64,751	63,071	61,376	60,075	58,623	57,364	56,383	55,280*
Industrial Electric													
KWH (1,000's)	172,932	164,148	149,630	157,040	173,592	157,469	139,193	151,828	164,912	159,477	137,023	150,327*	168,945*
Number of Single													
Family Building Permits	877	669	601	737	537	351	271	260	308	233	304	319	342*
Hotel/Motel Sales													
(1,000's of \$)	41,285	38,096	52,770	48,696	39,524	32,453	43,075	38,286	32,434	28,076	40,509	34,270*	30,071*
Number of Homes Sold	855	759	752	858	848	770	832	1,031	1,101	1,121	1,054	1,329	1,027*
Citrus Concentrate													
Movement (1,000's of gallons)	45,678	35,608	38,432	37,813	36,666	38,499	43,576	41,017	33,013	34,846	34,413	34,831	38,712*
Building Permits													
(1,000's of \$)	213,343	251,441	262,959	313,424	225,632	180,479	107,385	110,634	121,500	81,028	110,024	104,457	
Number of Residential													
Electric Accounts	99,455	100,242	102,023	100,570	99,822	100,539	101,128	100,618	99,470	100,384	101,933	100,725	99,688*
<b>POLK PROGRESS</b>	<b>197.6</b>	<b>192.6</b>	<b>198.3</b>	<b>194.0</b>	<b>193.9</b>	<b>186.1</b>	<b>188.2</b>	<b>188.1</b>	<b>190.6</b>	<b>190.0</b>	<b>187.2</b>	<b>191.1</b>	<b>192.7</b>

\*Estimated values for taxable sales and motel/hotel sales in Q2 2010, and forecast values for Q3 2010

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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