

Sales in the fourth quarter fell an estimated 0.4% from the preceding quarter after adjusting the data for seasonal variations, and were down 5.7% (\$94.9 million) from the same quarter a year ago.

Revenues from sales at area hotels and motels totaled an estimated \$141.9 million in 2009, down 19% (\$33.6 million) from the preceding year. Revenues in the fourth quarter of 2009 are down 7.7% from the preceding quarter after seasonal adjustments, and are down \$6.4 million (18.5%) from the fourth quarter of 2008.

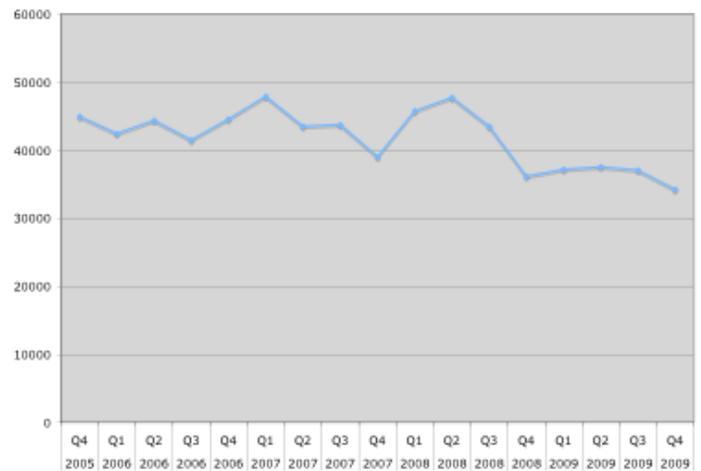
**LOCAL ECONOMY YET TO GAIN TRACTION**

The Polk Progress Index (PPI) dipped an insignificant 0.5% in the fourth quarter of 2009. Gains in home sales and industrial electricity consumption were outweighed by declines in employment, taxable retail sales, and sales at area hotels and motels. The average value for the PPI during 2009 was down 2.1% from the average value in 2008, and down 4.9% from the average value in 2007.

The Polk County tax role dropped 12% in value during 2009 according to Polk County Property Appraiser Marsha Faux. That could translate into a drop of as much as \$30 million in property tax revenue for the county.

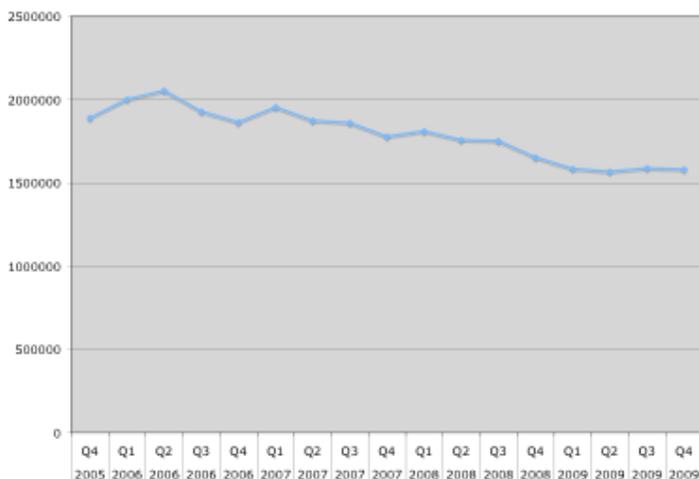
**SALES** - Taxable retail sales in Polk County during 2009 are currently estimated at \$6.16 billion, a decline of \$787.6 million (11.3%) from 2008 based on incomplete data for the fourth quarter.

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

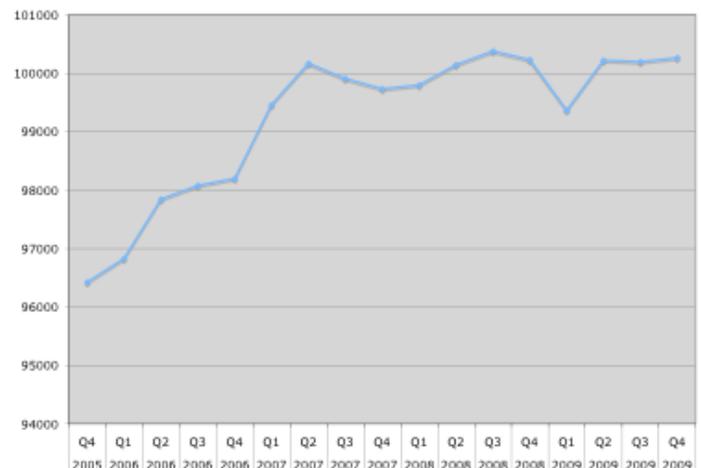


**POPULATION** - We estimate that the population of the county has remained basically unchanged over the course of the past year. The average number of residential electric accounts maintained by the City of Lakeland in the fourth quarter of 2009 is down an insignificant 0.2% from a year earlier. That is in sharp contrast to the rapid population growth experienced in preceding years.

**Taxable Sales (Dollars Seasonally Adjusted)**

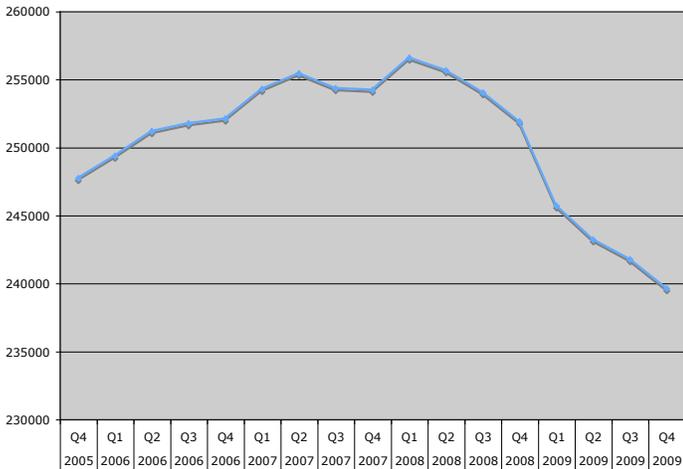


**Residential Electric Accounts (Seasonally Adjusted)**



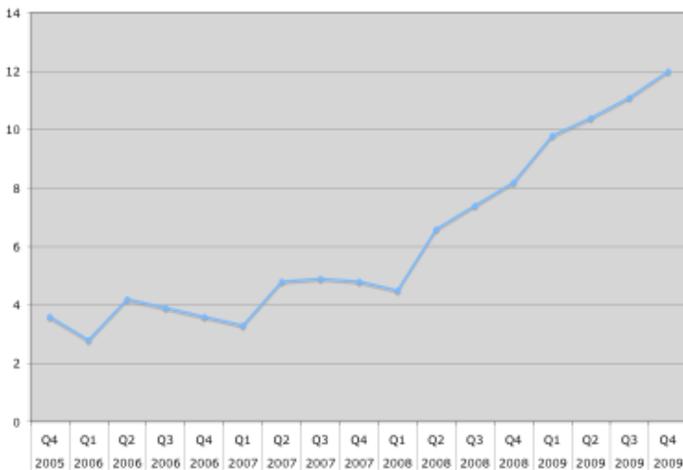
**EMPLOYMENT** - Local employment in the fourth quarter fell a seasonally adjusted 0.9% from the preceding quarter. The actual (unadjusted) level of employment in Quarter 4 is down 5.4% from a year ago, representing a loss of 13,707 jobs. The average level of employment throughout 2009 is 4.9% below the average employment level in 2008.

Total Employment (Seasonally Adjusted)



The Polk unemployment rate was 12.6% in October, 12.9% in November, and 12.8% in December. November registered the highest monthly unemployment rate in the county since September of 1992. The unemployment rate in Polk County averaged 11.6% during 2009, the highest annual average in 25 years. The county's unemployment rate now stands at 12% after adjusting the data for recurring seasonal variations.

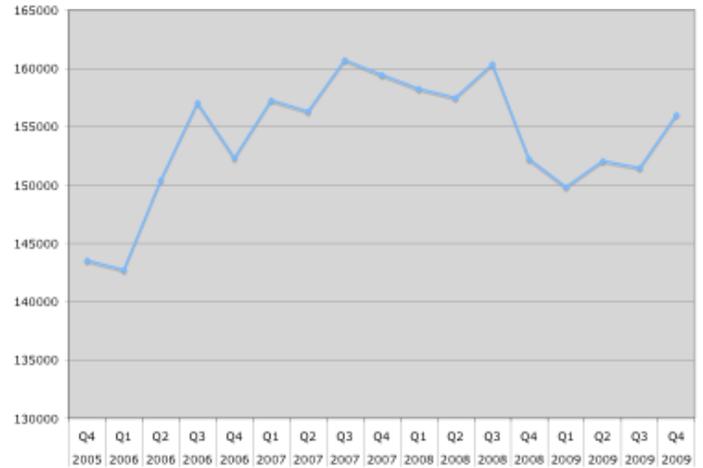
Unemployment Rate (Seasonally Adjusted)



Sam's Club Incorporated has announced that it will cut 40 positions at its two Lakeland stores. The layoffs are part of a company-wide plan to eliminate demonstration program associate positions, and contract that work out to other firms.

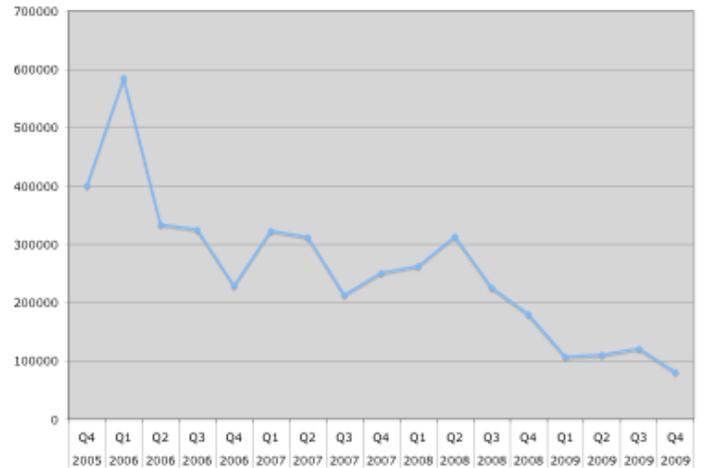
**MANUFACTURING** - Local industrial electricity consumption has remained surprisingly steady over the course of the recession. Consumption rose a seasonally 3% in the fourth quarter, and now stands 1.3% above the same quarter in 2008. Total commercial consumption for the 2009-year was 3.5% below total consumption in 2008.

Industrial Kilowatt Hours (Seasonally Adjusted)



**CONSTRUCTION** - The local construction sector continues to flounder as we enter 2010. The value of building permits issued throughout Polk County in 2009 fell an estimated 57.2% from the preceding year, a decline of about \$562 million. The value of permits issued during the fourth quarter was down 55% from the same quarter a year ago.

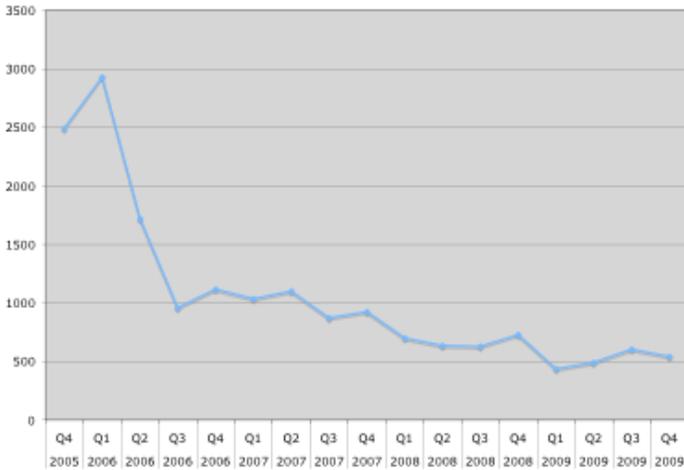
Dollar Value of Building Permits



Housing remains the big drag on local construction. There were 84 permits issued for the construction of new homes in Polk County during the month of October, 63 in November, and 86 in December. The 1,072 permits issued throughout 2009 represents a drop of 52% from 2008.

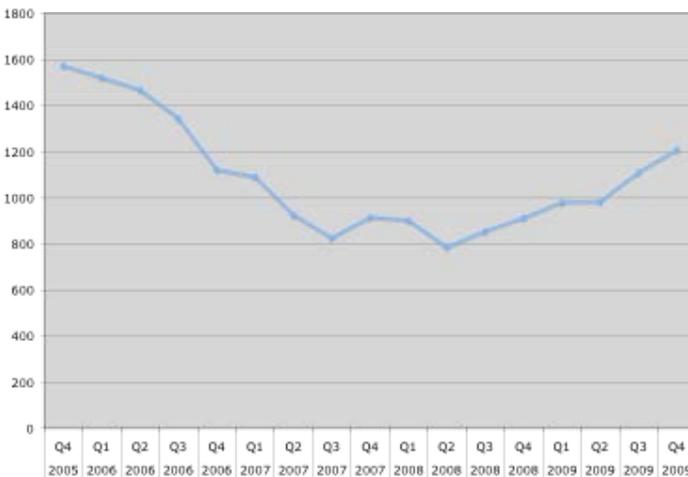
Home sales in Polk County totaled 389 in October, 356 in November and 376 in December. There were 4,290 sales of existing homes in the county during 2009, an increase of 23% from 2008, and the highest total since 2006. The bad news is that more than half of those sales were distressed properties, and the median price of homes sold fell 20% from the year before to a level of \$111,800. There were 10,747 foreclosure cases filed in the county during 2009.

Number of Single Family Building Permits (Seasonally Adjusted)



**CITRUS** - The U.S. Department of Agriculture has designated Polk as one of 60 Florida counties eligible for federal disaster assistance following recent episodes of freezing weather. Farmers affected are eligible for partial reimbursement of their economic losses, as well as low-interest federal loans.

Number of Homes Sold (Seasonally Adjusted)



Citrus concentrate movement at Florida juice processors totaled 152.45 million gallons in 2009. That is an increase of 0.7% from the concentrate movement reported in 2008.

**DEVELOPMENT** - The Cypress Gardens Theme Park in Winter Haven has been sold to Merlin Entertainments Group of Poole, England for a reported price of \$23.2 million. Merlin is the world's second largest owner of tourist attractions after Walt Disney Co., and plans to convert the Winter Haven site into a Legoland Florida. Merlin currently operates 60 attractions in 13 countries, including four Legoland parks; three of which are located in Europe and the other in California.

Legoland Florida is expected to provide 1,000 new jobs when it opens in 2011. The new owners intend to preserve the existing botanical gardens along with their Cypress Gardens name.

In early February the Polk County Commission approved agreements to provide Merlin Entertainment payments totaling \$5 million over the first ten years that the park is in operation.

The State Farm Insurance Corporation and regulators for the state of Florida have reached an agreement that will prevent State Farm from withdrawing all insurance coverage within the state. Under the agreement, State Farm will shed 125,000 current policyholders, and raise rates by 14.8% for another 685,000 customers. There are an estimated 47,000 State Farm property policyholders in Polk County. State Farm employs 1,700 workers in its Winter Haven office. Three hundred of those employees work specifically for State Farm Florida.

Polk State College trustees have approved selection of an architect for the planned Chain of Lakes Collegiate High School in Winter Haven. The 15,000-square-foot-structure will house seven classrooms as well as laboratories and administrative space, and will cost \$3 million to build. Students will earn a high school diploma and an associate of arts degree during their four years of attendance. The new facility is expected to open in time for the fall 2011 term. The school is currently housed in portable classrooms on the Winter Haven campus of Polk State College.

The Florida Department Transportation has awarded a \$34.8 million contract to Jacobs Engineering and APAC to design and build an entrance road to serve the new University of South Florida Polytechnic campus north of Lakeland. The road is slated for completion by the fall of 2011, while the first phase of the new campus is scheduled to open in the fall of 2012.

Florida Southern College has announced a restructuring of its MBA program beginning in August. The accelerated program pairs each student with a business world mentor, and allows students to hold a job and still complete the program within 16 months.

Republic Services intends to add a \$4 million recycling center to its existing facility on Maine Avenue in East Lakeland. The new center is slated to open in November and will employ 15 people processing recyclables from commercial and government customers throughout central Florida.

AutoZone is building a new store in North Lakeland. The planned 7,381 square-foot outlet is under construction along U.S. 98 North, and will join ten other AutoZone locations in Polk County.

Quantum Marketing has announced plans to expand its existing facilities on Craftsman Park Drive in Lakeland by 1,400 square feet, plus add a 2,500 square-foot tank farm. The automotive-additives manufacturer intends to hire an additional 30 workers over the next year in conjunction with the expansion.

Tampa Electric Corporation (TECO) plans to add a 25-megawatt solar power facility to it Polk Power Station located south of Mulberry. Energy 5.0 LLC of West Palm Beach will design and build the new plant.

A new county park will soon be under construction near the south end of Lake Kissimmee. Coleman Park will be located on a 136-acre site off of Shady Oaks Drive near Lake Wales. The park is expected to open this October.

**NEW OPENINGS AND CLOSINGS** - The last section of a four lane six-mile stretch of CR 540A in South Lakeland was completed and opened for traffic in December. The road-widening project took four years and \$79 million to complete.

Polk County's first Jimmy John's Gourmet Sandwich shop will soon open in downtown Lakeland. The new eatery will be located on the ground floor in the Lofts On The Park along Kentucky Avenue.

The Barnes & Noble bookstore located on U.S. 98 North in North Lakeland announced that it will cease operations in February. The nationwide chain is closing a number of stores around the country as part of a restructuring plan. The nearby Waldenbooks store in Lakeland Square Mall has announced that it will soon close as well.

The End Zone restaurant in North Lakeland is relocating across Highway U.S. 98 North to the Liberty Square Plaza. The restaurant is moving to a larger location that formerly housed Nana's Kitchen.

Blockbuster Video has shuttered another Polk outlet, the third closure in the last four months. The latest casualty is a location on U.S. 92 East, which closed in January. Blockbuster will close as many as 960 existing stores across the U.S. by the end of 2010 as part of its restructuring plan.

Discovery Point Child Care services is opening a new franchise in Highland City that will provide 35 jobs. The newest Discovery Point will be located in the Highland City Town Center on U.S. 98 North and be licensed to serve up to 230 children.

The Lake Myrtle Sports Complex was dedicated in December in Auburndale. The \$2.2 million complex contains eleven soccer fields, nine baseball fields, and a 1,500-seat stadium.

The Lott-Mather Chevrolet dealership in Haines City closed in December. Lott-Mather had been in business since 1978, and is also closing its dealerships in Plant City and in Fitzgerald, Georgia.

**TAKEOVERS** - The McKay Building in downtown Lakeland has been purchased by Broadway Office Investors LLC for \$2.8 million. The 27,000 square-foot building is located at the intersection of Main Street and Kentucky Avenue, and currently houses a Merrill Lynch brokerage office and Kelly Services.

Regal Auto Group has purchased the former Michael Holley Chevrolet complex on Bartow Road in Lakeland in a bankruptcy proceeding. The 10.5-acre property holds 58,000 square feet of facilities. Regal had previously acquired the Chevrolet franchise rights and an adjacent Kia dealership for \$12 million in June.

The Colonial Promenade shopping center in Winter Haven has been purchased by an Israeli real estate company. Dixengoff-Trading Group bought the 278,741 square-foot center for \$20.75 million in December.

Efforts are underway to sell the Grenelefe Golf and Tennis Resort near Haines City. The 1,273-acre resort was purchased by Marcus & Millichap Real Estate Investment Services in a 2002 bankruptcy sale for \$12.75 million. The property includes three eighteen-hole golf courses and 432 condominiums.

## THE NATIONAL ECONOMY

Economic growth accelerated sharply during the fourth quarter. The price-adjusted Gross Domestic Product (real GDP) rose at a 5.7% annual rate, led by increases in consumer spending, private inventory investment, and exports. A deceleration in the rate of growth for imports also contributed to the advance in Quarter 4 GDP.

The GDP growth rate in the fourth quarter was the fastest pace in six years. Real GDP rose at a revised 2.2% annual rate in the preceding third quarter of 2009. U.S. GDP remains 1.8% below the peak level achieved in 2008.

**CONSUMER SPENDING** - Consumers are growing more confident, but remain cautious overall. Personal Consumption Expenditures (PCE's include goods and services) rose 0.6% in October, 0.7% in November, and by 0.2% during December. Retail sales (goods only) climbed 1.2% in October and 2% in November before slipping back a slight 0.1% in December. Retailers reported strong sales during the important holiday season, with MasterCard estimating holiday sales by retailers up by 3.6% from the preceding year.

Personal disposable incomes rose 0.4% in October, 0.5% in November, and 0.4% in December. Caution remained apparent as Americans saved 4.6% of their disposable incomes in October, 4.5% in November, and 4.8% in December.

A January survey of consumer confidence by Reuters/University of Michigan found consumer confidence at its highest level in two years, though personal finances remain "dismal". The report projected that price-adjusted PCE's will rise by just 1.8% in 2010. The Conference Board reported similar results in its December survey, but confidence appeared to plunge in its February report when its Consumer Confidence Index fell 11 points to a level of 46, erasing three months of improvement.

**EMPLOYMENT** - The long, painful slide in employment appears to be drawing to an end. Total nonfarm jobs fell by 224,000 in October, then rose by 64,000 in November before falling back again in December by 150,000. The number employed fell by just 20,000 in January. Thus far, the nation has shed an estimated 8.4 million jobs in the now-labeled "great recession". The good news is that total employment has shown little net change over the last three months.

The U.S. unemployment rate rose to 10.1% in October before receding to 10% in November and December. The unemployment rate fell to 9.7% in January. Even the most optimistic forecasts have the unemployment rate remaining above 9% for the remainder of 2010. We would have to create an estimated 3 million jobs this year just to bring the unemployment rate down by 1 percentage point.

The U.S. Senate passed a bipartisan \$15 billion bill in February to create more jobs. The centerpiece is a tax credit for employers who hire new workers. The House of Representatives passed a larger bill in December, which must now be reconciled with the Senate bill.

**INDUSTRIAL PRODUCTION** - Production in the nation's mines, factories, and utilities continues to rise, climbing 0.2% in October, by 0.6% in both November and December, and by 0.9% in January. Production has risen for seven consecutive months, and factories added 11,000 jobs in January for the first employment gain in more than two years. Industry increased its utilization of existing capacity to 71% in October, 71.5% in November and 72% in December.

Factory orders climbed 0.8% in October, and by 1% in both November and December. New orders for durable goods exhibited a more mixed signal, falling 0.1% in October and 0.4% in November, before managing to rebound upward 0.3% in December.

Business inventories fell again during the fourth quarter in a hopeful sign for future production. Manufacturing and trade inventories followed a 0.3% increase in October with declines of 0.5% in November and 0.2% in December.

**CONSTRUCTION** - Total expenditures for new construction rose 1.5% in October, then more than offset the gain with declines of 1.2% in both November and December.

The number of housing starts swung widely in the fourth quarter, dropping 10.6% in October, rising 10.7% in November, and falling back again by 4% in December. The number of building permits issued for private housing units fell 4.2% in October before rising 6.9% in November and 10.9% during December.

Sales of existing homes surged in October and November ahead of the originally scheduled deadline for expiration of the tax credit given first-time homebuyers. Sales rose 9.9% in October and 7.4% in November before sliding downward 16.7% in December. Sales of existing homes for all of 2009 were up 4.9% from the year before, the first annual gain since 2005. The median price for sales in December was up 1.5% from December of 2008, though the median price for all homes sold in 2009 was down 12% from the median price in 2008.

Sales of new single-family homes continued to languish during the fourth quarter, following a 6.2% gain in October with declines of 11.3% in November and 7.6% in December. New home sales for all of 2009 were down 23% from 2008. Sales plunged again in January by 11.2%, their lowest level since the government began tracking the data in 1963. Sales of new single-family homes account for about 15% of total home sales.

A recent study by John Burns Real Estate Consulting Inc. estimates that 7.7 million U.S. households are behind in their mortgage payments. Some five million of those homes are expected to eventually enter foreclosure.

**FOREIGN TRADE** - The nation's international trade deficit in goods and services receded to \$33.2 billion in October, then widened to \$36.4 billion in November and \$40.2 billion in December as spending in the U.S. accelerated faster than spending overseas. The fact that U.S. exports and imports are both growing rapidly is considered a sign of economic vitality.

The trade deficit for all of 2009 was \$380.7 billion, a 45% decline from the deficit of \$695.7 billion in 2008. The U.S. trade deficit

fell from 4.8% of GDP in 2008 to 2.7% of GDP in 2009. As long as imports remain larger than exports, international trade will not, on balance, make a positive contribution to U.S. economic growth.

**COST OF LIVING** - Inflation is making a somewhat muted reappearance in the US economy. The Consumer Price Index (CPI) climbed 0.3% in October, 0.4% in November, and 0.1% in December. The average CPI value for the fourth quarter of 2009 is 1.5% higher than a year ago.

Consumer Price Index (A)				
Year	Q1	Q2	Q3	Q4
2005	191.9	194.5	196.9	197.9
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

(A) Figures are revised by the Department of Commerce as of January 2010. The data reflect the average CPI reading during each quarter. The base period of the CPI is 1982.

**MONETARY POLICY** - The Federal Reserve continued its policy designed to keep interest rates near historically low levels during the fourth quarter. The Fed's target for the benchmark federal funds rate that commercial banks charge one another on overnight loans remains between 0 and 0.25%.

Fed Chairman Ben Bernanke was confirmed by the U.S. Senate for a new four-year term, and has outlined the Fed's plan for tightening credit as the economic recovery gains strength. The Federal Reserve did raise the discount rate that it charges commercial banks that borrow reserves directly from the Fed through the discount window by a quarter percentage point in February. In so doing, the Fed seeks to increase the differential between the discount rate and the federal funds rate.

Bernanke also indicated that the Fed will soon begin to make changes in the interest rate that it pays commercial banks on excess reserves that they maintain with the Fed as a way of influencing credit conditions. The Fed has previously relied on changes in the targeted federal funds rate as its main policy instrument.

U.S. commercial banks posted their sharpest decline in 67 years in the number of loans outstanding during 2009. The Federal Deposit Insurance Corporation (FDIC) reported that the number of banks that are considered to be in danger of failing reached 702 at year-end, the highest level in 16 years.

**LEADING INDICATORS** - The Conference Board reported that the U.S. Index of Leading Economic Indicators climbed 0.3% in October, 1% in November, and 1.1% during December. The index has risen steadily for nine consecutive months, rising at a 10.8% annual rate over the last six months.

Orders for nondefense capital goods excluding aircraft, a widely followed indicator of business investment spending plans, continued to climb in the fourth quarter. Orders offset a 1.8% drop in October with increases of 3.1% in November and 1.3% in December.

**SUMMARY** - Real GDP grew at an unexpectedly rapid 5.7% annual rate during the fourth quarter. Concerns remain as to how well the recovery will hold when the effects of government stimulus programs begin to fade.

Most analysts expect GDP growth to slow to about a 3% annual rate for the rest of 2010. That will not bring any appreciable decline in the nation's unemployment rate. It is estimated that real GDP growth would have to average 5% for all of 2010 to bring the unemployment rate down by 1 percentage point.

### THE POLK OUTLOOK

Local economic activity has certainly bottomed out over the past year, though at a significantly lower level than achieved in the preceding two years. Retail sales fell 11% during 2009, though hope arises from the fact that in the fourth quarter they were down by about half that from a year earlier. Tourism remains depressed, with no signs of an upturn on the immediate horizon.

Employment is down about 5% from a year ago, and the Polk unemployment rate has topped 12%. The average unemployment rate in the county during 2009 is the highest annual rate recorded in 25 years. Construction remains the weakest link in the local econo-

my, with the number of building permits for new homes plunging 52% during 2009. Home sales are up in recent months, but most of those are distressed properties facing foreclosure.

A firming of retail sales is the best sign at the moment, but long-term improvement in the overall economy ultimately depends on employment growth. Look for the PPI to rise modestly in the next quarter.

### METHODOLOGY

The Polk Progress Index is developed on the basis of quarterly observations of six variables. The base period for the index is the first quarter of 1992. Data are adjusted for seasonal fluctuations where appropriate. The statistical technique of factor analysis was employed to assign weights to the observed variables and derive estimates of the underlying factor. The weights used are Taxable Sales (.17); Total Employment (.19); Home Sales (.17); Residential Electric Accounts (.17); Industrial Kilowatt Hours (.12); and Hotel/Motel Sales (.17). The index explains 83% of the variation in the combined variables. The weights and variables are subject to future verification and modification in light of changing relationships.

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

POLK PROGRESS INDEX													
	2007				2008				2009				2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*
Taxable Sales (1,000 of \$)	2,027,485	1,903,232	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	1,556,270*	1,543,447
Total Employment	253,958	255,741	253,625	254,895	256,258	255,959	253,332	252,571	245,386	243,425	240,175	238,864	235,662
Residential													
Telephone Access	176,436	169,517	161,221	154,704	149,461	141,988	134,760	128,356	121,523	114,945	108,959	103,027	99,729
Business													
Telephone Access	69,462	69,104	68,878	68,371	67,772	67,090	65,930	64,751	63,071	61,376	60,075	58,623	57,108
Industrial Electric													
KWH (1,000's)	148,252	157,108	172,932	164,148	149,630	157,040	173,592	157,469	139,193	151,828	164,912	159,477	147,817
Number of Single													
Family Building Permits	989	1,109	877	669	601	737	537	351	271	260	308	233	218
Hotel/Motel Sales													
(1,000's of \$)	54,980	44,495	41,285	38,096	52,770	48,696	39,524	34,453	43,075	38,286	32,434	28,076	39,411
Number of Homes Sold	961	1,048	855	759	752	858	848	770	832	1,031	1,101	1,121	1,200
Citrus Concentrate													
Movement (1,000's of gallons)	42,462	34,872	45,678	35,608	38,432	37,813	36,666	38,499	43,576	41,017	33,013	34,846	37,335
Building Permits													
(1,000's of \$)	323,101	312,761	213,343	251,441	262,959	313,424	225,632	180,479	107,385	110,634	121,500	81,028	
Number of Residential													
Electric Accounts	101,841	100,556	99,455	100,242	102,023	100,570	99,822	100,539	101,128	100,618	99,470	100,384	100,833
<b>POLK PROGRESS</b>	<b>206.7</b>	<b>198.4</b>	<b>197.6</b>	<b>192.4</b>	<b>198.2</b>	<b>194.2</b>	<b>193.8</b>	<b>186.0</b>	<b>187.9</b>	<b>188.1</b>	<b>190.7</b>	<b>189.7</b>	<b>191.4</b>

\*Estimated values for taxable sales and motel/hotel sales in Q4 2009, and forecast values for Q1 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.

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**THE POLK PROGRESS**

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