

POLK HOME SALES STIR IN QUARTER 1

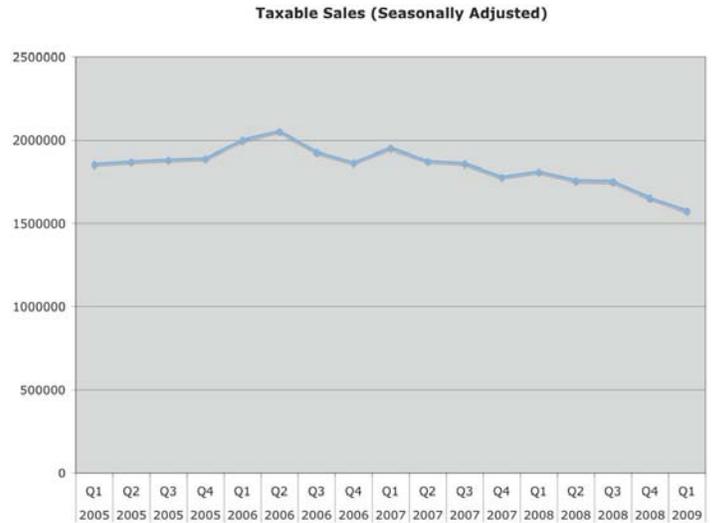
The Polk economy showed some tepid signs of life as the new year began to unfold. The Polk Progress Index of economic activity (PPI) in the first quarter of 2009 is up 1.7% from the immediately preceding quarter due to increases in home sales, and sales at area hotels and motels. The overall index remains 4.5% below the level of a year ago.

The Florida Agency for Workforce Innovation has conducted its annual benchmarking of employment data for the years 2005-2008. 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.

The newest PPI figures continue to show that the index peaked in the first half of 2006, followed by a prolonged slide based initially on drops in home sales. The rest of the local economy began to follow home sales downward in the second and third quarters of 2007. That is when we estimate that an overall decline in economic activity (recession) actually began in Polk County.

The PPI has fallen 11% since the first quarter of 2006. Taxable sales during the first quarter of 2009 are down 22.4% from the first quarter of 2006 before inflation (\$461 million). Employment in the current quarter is down 1.5% from Quarter 1 2006 (3,662 jobs lost), home sales are down 42%, and sales at area hotels and motels are off 5.1% before inflation. On the positive side, industrial electricity consumption is up 4.3% from the first quarter of 2006, and the number of residential electricity connections (a measure of population) is up 2.1%.

SALES - Retail sales in Polk County continue to fall, dropping an estimated 4.6% in the first quarter based on preliminary data adjusted for recurring seasonal variations. Actual (unadjusted) sales in the quarter are down 15.5% from the same quarter a year ago.



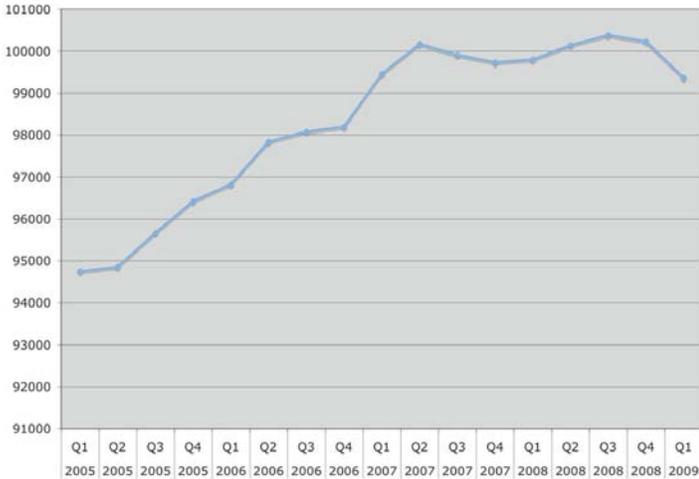
Activity at local hotels and motels appeared to recover a bit of lost ground in Quarter 1. Seasonally adjusted hotel/motel sales rose an estimated 7.4% from the preceding quarter. However, estimated sales remain 14% below the first quarter of 2008.



POPULATION - The latest estimate by the U.S. Census Bureau confirms that local population growth has slowed markedly as the current recession wears on. The bureau estimates the Polk population at 580,594 as of the first of July, 2008. That represents a 20% increase since the last official census, released April 1, 2000. Population growth slowed to a 1.3% annual rate between 2007 and 2008.

The fastest growing area in Polk County is the northeast corner, closest to Orlando. Polk has the 9th largest population among Florida's 67 counties.

Residential Electric Accounts (Seasonally Adjusted)



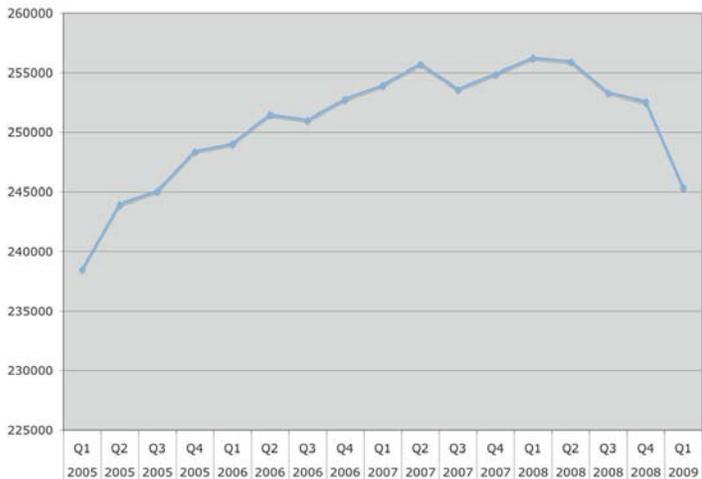
Unemployment Rate (Seasonally Adjusted)



EMPLOYMENT - Revised employment figures from the Florida Agency for Workforce Innovation show that local employment growth stagnated after the second quarter of 2007, and the level of employment actually began to fall in the second half of 2008.

Employment in the first quarter of 2009 dropped a seasonally adjusted 2.5%, and is down an estimated 10,872 workers (4.2%) from a year ago.

Total Employment



The deteriorating labor market was reflected by a surge in the unemployment rate, which rose to 10% in January, and 10.5% in both February and March. The Polk unemployment rate had last topped 10% in September of 1994.

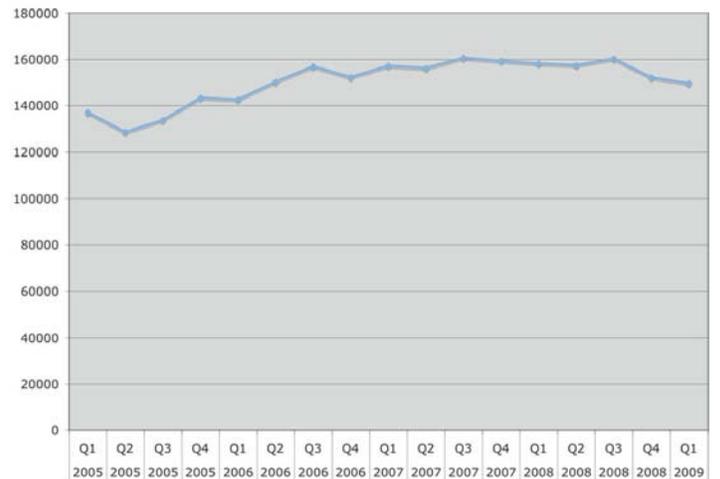
A GEICO official has reportedly informed the Lakeland Economic Development Council that the firm plans to add another 450 associate positions in Lakeland over the next year.

Colorado Boxed Beef will hire another 44 workers in Lakeland and 36 in Auburndale this year. The headquarters for Colorado Beef is in Auburndale.

Firmenich is expanding its Lakeland operations with the addition of 66 new positions. The Swiss-based flavor and fragrance company currently employs 54 workers at its West Lakeland plant located at the intersection of Kidron and Drane Field Roads. The \$20 million expansion includes an additional 12,000 square-foot building.

MANUFACTURING - Local manufacturing output remained amazingly consistent up through the third quarter of 2008, as gauged by industrial electricity usage. Usage has since dropped a bit in the last six months, falling a seasonally adjusted 1.6% in the latest quarter. Actual usage in Quarter 1 2009 is 7% below the same quarter a year earlier.

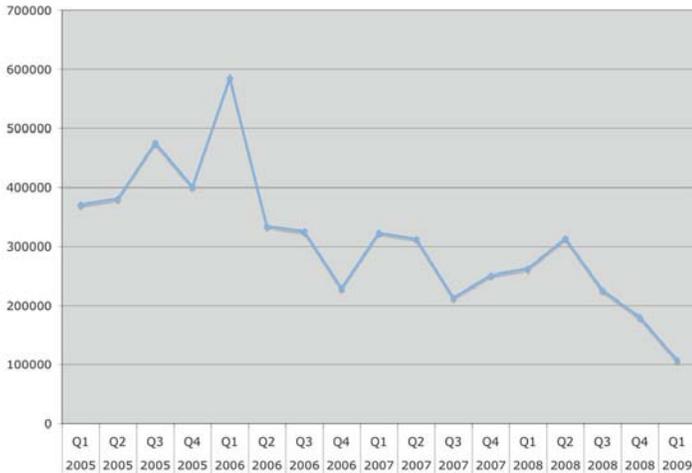
Industrial Kilowatt Hours (Seasonally Adjusted)



CONSTRUCTION - The housing sector of the Polk economy remains severely depressed, though there are hopeful signs centering on increased home sales.

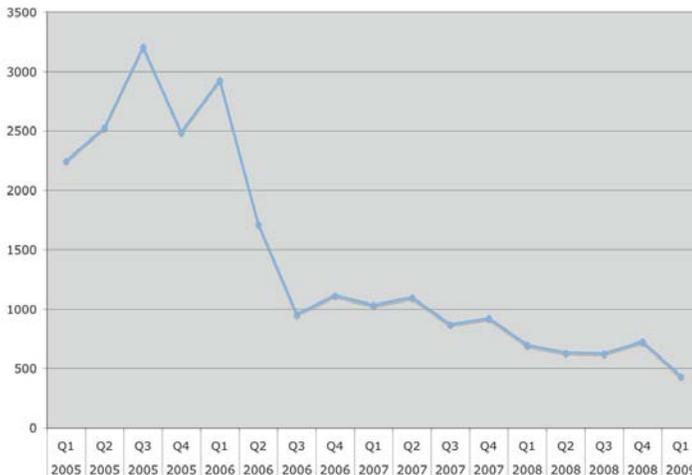
The value of building permits issued in Polk County during the first quarter plunged to just \$107.4 million. That is a decline of 81.6% from a peak level achieved in the first quarter of 2006.

Dollar Value of Building Permits



Local builders pulled just 80 permits for the construction of new single-family homes during January, 89 in February, and 102 in March. The Quarter 1 total is the lowest in more than 20 years.

Number of Single Family Building Permits (Seasonally Adjusted)



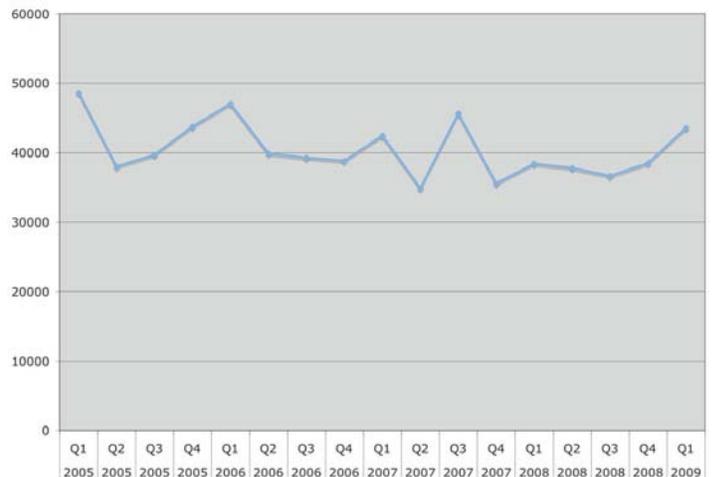
There were 230 homes sold in Polk County in January, 261 in February, and 341 in March. The median price of a home sold in March was \$108,800, a decline of 27% from March of 2008. There were 2,653 foreclosure notices filed in the county during the first quarter of 2009, compared to 2,152 during the same quarter a year ago.

Local home sales seemingly began the road to recovery in the second half of 2008. It is important to recall that many of the current sales are distressed properties, selling at significantly reduced prices. Sales and sale prices will have to rise considerably in the months ahead in order to generate a meaningful recovery in local construction.

CITRUS - The latest forecast by the U.S. Department of Agriculture projects that the current Florida orange crop for the season ending in July will total 157.6 million boxes. That would represent a decline of 7.4% from the preceding season's orange crop of 170.2 million boxes.

The volume of citrus concentrate movement reported by Florida juice processors rose in the first quarter to a level 13.4% above the same quarter of last year.

Citrus Concentrate Movement (Thousands of Gallons)



DEVELOPMENT - The Florida legislature has approved the expenditure of \$16.4 million in the new state budget for construction and faculty salaries at the new University of South Florida Polytechnic campus north of Lakeland. Supporters of the project have also secured \$28 million in federal stimulus funding to build a new road connecting the campus to the Polk Parkway.

WellDyne RX, a Colorado-based pharmacy services firm, has moved into a 66,000 square-foot complex in West Lakeland. The firm plans to hire 100 employees in the first year, and expand local operations by another 578 jobs by the end of 2010. WellDyne RX has invested \$20 million in the leased facility, located near the intersection of County Line Road and Interstate 4.

GTech has announced that it intends to employ about 300 workers within the next five years at its new \$45 million high-tech printing operation located on Frontage Road in West Lakeland. The GTech facility prints scratch-off lottery tickets.

Ring Power Corporation is building a 90,000 square-foot equipment dealership in East Lakeland near the intersection of the Polk Parkway and U.S. 98 South. Ring Power is one of the largest Caterpillar dealers in the Southeast, and plans to have 40 employees at the Lakeland operation when it opens in August.

General Growth Properties, a Chicago-based corporation that owns both the Lakeland Square Mall and the Eagle Ridge Mall in Lake Wales, has filed for Chapter 11 bankruptcy protection. General Growth Properties has an ownership stake in more than 200 malls across the country. All of the mall properties will maintain normal operations for the present.

A new 84-unit senior housing facility is under construction in Winter Haven. Lakeside Terrace will be located at the intersection of Avenue O and Second Street Northeast, serving people aged 55 and older. The \$11 million project will feature 42 two-bedroom apartments, a community room, and an outside recreation court.

Marcobay Construction has received a permit to build a 200,000 square-foot structure at the intersection of Avenue G and 42nd Street in Winter Haven. The building will house Packaging Corporation of America upon completion, scheduled for October 1st.

NEW OPENINGS AND CLOSINGS - A new Save-A-Lot Supermarket has opened in the Wabash Shopping Center on George Jenkins Boulevard in West Lakeland. The 70,000 square-foot shopping center was purchased by Lakeland-based Century retail from Publix Super Markets last summer.

The U.S. Veterans Administration opened a new 20,000 square-foot clinic along Pipkin Road in Southwest Lakeland to serve local veterans on March 30th. The complex is composed of two 10,000 square-foot buildings that will house a staff of 80, including doctors, physician assistants, psychologists, nurse practitioners, and support staff.

The Lakeland Suzuki dealership announced that it was closing in March. The local 11,000 square-foot showroom and service area first opened in 2006, and was subsequently purchased by a group headed by Lee Barlas. That group also owns the Suzuki dealership in Orlando, which is slated to close as well. The South Lakeland dealership was located along South Florida Avenue.

Several new restaurants are scheduled to open soon in South Lakeland. Ciao Bella will open its second restaurant in April. The newest Italian eatery will be located in the Lake Miriam Plaza on South Florida Avenue. The original Ciao Bella is located on North Socrum Loop Road in North Lakeland.

The Red Elephant Pizza and Grill is slated to open a little further to the South this summer, also along South Florida Avenue. The new eatery will be located at the former site of the Barnhill's Buffet. The restaurant chain currently has locations in Carrollwood, Tallahassee, Panama City, and Jacksonville.

The Cask & Barrel Wine Shop has closed in downtown Lakeland. The closing comes just eight months after the shop first opened on South Kentucky Avenue.

The Cedar Creek restaurant opens this summer along Edgewood Drive, just south of downtown Lakeland. The seafood eatery will begin serving patrons in July.

A vintage clothing store also plans to open just south of downtown Lakeland in June. The 360° Unlimited store will be located on South Florida Avenue near the intersection of McDonald Street, targeting high school and college students in the area.

The U.S. Postal Service has announced that it will close part of its North Lakeland mail processing operation in October, impacting 39 local employees. The Postal Service is in the process of shuttering its Lakeland Processing and Distribution Center, consolidating those operations with a center in Tampa.

A Publix Pix convenience store is under construction at the intersection of Kathleen and Griffin Roads in North Lakeland. The 3,150 square-foot store will include a brushless car wash.

Another new restaurant is scheduled to open soon in Highland City. Anna's Diner will be located in the Highland City Towncenter, adjacent to U.S. Highway 98 South.

Homes of Merit will close its manufactured home plant in Bartow after 36 years in operation. The plant is located next to the Bartow Municipal Airport, and employs 85 workers. Homes of Merit will consolidate the Bartow operations into another company facility in Lake City.

International Paper has announced that it will close its plant in Auburndale by the end of June, resulting in a loss of 96 jobs. Memphis-based International Paper first opened the Auburndale plant located on Recker Highway in 1958. International Paper will continue to operate a corrugated packaging plant in Lake Wales that employs 87 workers.

The owners of the Rolling Pin Kitchen Emporium in the Eagle Ridge Mall in Lake Wales are relocating to a new shop in the downtown area. Bob and Diane Armington plan to open as the Village Kitchen Shop on East Stuart Avenue in April.

TAKEOVERS - A plan by Sparkman Automotive Group, which recently purchased Bartow Chevrolet, to buy the Lott-Mather Chevrolet dealership in Haines City and the Lott-Mather Buick Pontiac GMC in Plant City has been put on hold. That decision was prompted by the announcement from General Motors that it was dropping the Pontiac brand and eliminating some 2,600 GM dealerships across the country.

THE NATIONAL ECONOMY

The worst economic downturn since the 1930's deepened during the first quarter as the price adjusted Gross Domestic Product (real GDP) plunged at a 6.1% annual rate. That follows a 6.3% drop (annual rate) during the preceding fourth quarter of 2008.

Negative factors underlying the contraction in GDP during the first quarter included falling exports, and declines in business inventory investment and construction. Positive contributors to GDP were increased consumer spending, and a sharp drop in imports.

The good news was the rise in consumer spending, which climbed 2.2% in Quarter 1 after falling 4.3% in the preceding quarter. Almost half of the decline in first quarter GDP was due to businesses paring inventories. Consumer spending represents about 70% of aggregate demand in the U.S. economy, and the Quarter 1 increase suggests that the economy is moving toward stabilization.

CONSUMER SPENDING - Personal Consumption Expenditures (PCE's include spending for goods and services) rose 1.1% in January and 0.4% in February. PCE's slipped back 0.2% during March. Retail sales (goods only) were up 1.7% in January and 0.3% in February. Retail sales then fell 1.2% in March.

Disposable personal incomes increased 1.6% in January, and were unchanged in both February and March. Consumers remained cautious, saving 4.4% of their disposable income in January, 4% during February, and 4.2% during March.

The March Survey of Consumer Sentiment conducted by Reuters/University of Michigan was largely unchanged from the record lows reached last October.

EMPLOYMENT - Job losses continued to mount at an exasperating pace in Quarter 1. Nonfarm employment fell by 741,000 in January; 651,000 in February; and by 663,000 workers in March. Losses were widespread across all sectors of the labor market. Job losses slowed to 539,000 in April. Thus far, the nation has lost 5.6 million jobs since the recession began in December of 2007. Two-thirds of those losses (3.8 million jobs) have occurred in the last six months.

The U.S. unemployment rate rose to 7.6% in January, 8.1% in February, 8.5% in March, and 8.9% during April. Analysts widely expect the unemployment rate to continue rising through the 2009 year, perhaps topping 10% by yearend.

INDUSTRIAL PRODUCTION - The manufacturing sector continued to contract as output at the nation's mines, factories, and utilities fell 2.1% in January, 1.5% in February, and 1.5% in March. Production at the end of the quarter was down 12.8% from March of 2008. Utilization of existing productive capacity fell to 71.3% in January, 70.3% in February, and just 69.3% during March. A year ago industry was operating at 79.8% of designed capacity.

New orders placed with factories fell 3.5% in January, rose 0.7% in February, and were down 0.9% in March. Factory orders have fallen in seven of the last eight months. Orders for durable goods have similarly fallen in seven of the last eight months, dropping 7.8% in January, rising 2.1% in February, and receding a relatively small 0.8% in March.

Businesses continued to pare their inventory levels in the first quarter. Inventories fell 1.3% in January, 1.3% in February, and 1% in March.

CONSTRUCTION - The construction sector continued to languish in the first quarter. Spending for new construction fell 3.4% in January and another 1% in February, before managing a slight 0.3% increase in March. Total spending in the third quarter was down 10.9% from the same period in 2008.

Housing starts fell another 12.5% in January, reaching their lowest level in 50 years. Starts rebounded an unexpected 17.2% in February before giving most of that back with a 10.8% decline in March. March housing starts remain 48% below the level of a year earlier.

The number of building permits issued for private housing dipped 2.9% in January. Permits were up 6.2% in February, then fell 9% in March. The number of permits issued in March is down 45% from the year before.

There are some tentative signs that the dramatic plunge in housing may be approaching a bottom as home sales have exhibited an up-and-down pattern in recent months. Sales of new single-family homes followed an 11% fall in January with an 8.2% gain in February. The February advance was the first monthly increase in seven months. Sales dipped an insignificant 0.6% in March, to close the quarter down 30% from March 2008.

Existing home sales were off 5.3% in January, up 4.9% in February, and down again by 3% in March. Sales of existing homes in March are just 7% below the year earlier figure, while the median price of \$175,200 is down 12.4% from a year ago. It is important to bear in mind that housing inventories remain high, and much of the current sales volume represents distressed sales, such as foreclosures.

FOREIGN TRADE - One of the few positive economic developments over the past six months has been the dramatic shrinkage in the size of the U.S. international trade deficit. The trade deficit has fallen by more than half in the past year. The U.S. trade deficit in goods and services fell to \$36.2 billion in January and \$26 billion in February. The February deficit is down \$35.9 billion (58%) from February of 2008. The trade deficit rose slightly in March to \$27.6 billion.

COST OF LIVING - The seasonally adjusted Consumer Price Index (CPI) rose a modest 0.3% in January and 0.4% in February, then receded a slight 0.1% in March. The compounded annual rate of inflation for the latest 3-month period is 2.2%. The index has decreased 0.4% over the last year, the first 12-month-decline since August 1955.

Consumer Price Index (A)				
Year	Q1	Q2	Q3	Q4
2005	192.2	194.1	196.6	197.5
2006	199.3	201.7	203.2	202.1
2007	204.1	207.1	208.0	210.2
2008	212.8	215.4	219.0	213.8
2009	212.6			

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

MONETARY POLICY - The Federal Reserve held interest rate policy unchanged in the first quarter, keeping its target for the benchmark federal funds rates in the zero-to-0.25% range. Any concerns that the Federal Reserve might have to move interest rates higher to head off inflation have evaporated as oil prices have come down, and with the prolonged weakness in consumer spending and the reluctance of commercial banks to expand the availability of credit.

The Fed is also moving to reduce specific interest rates; e.g. those charged on mortgages for homebuyers. The Fed has announced plans to purchase some \$300 billion of long-term U.S. Treasury securities and hundreds of billions of dollars more in mortgage-related securities to force up their prices and reduce their yield, narrowing the spread between short and long-term rates. The rate on 30-year fixed-rate mortgages for credit-worthy borrowers has fallen to about 4.75%.

The immediate policy concern for the Fed centers on efforts to stimulate spending and reduce the risk of a protracted recession. In testimony before Congress, Fed Chairman Bernanke pledged to keep rates low for the time being, and sounded notes of optimism that the recession may well end this summer.

LEADING INDICATORS - The Index of Leading Economic Indicators maintained by the Conference Board dipped 0.2% in both January and February, and by 0.3% during March. This suggests that the recession may continue through the summer, but the intensity will subside.

Orders for nondefense capital goods excluding aircraft, a widely followed indicator of business investment plans, fell 12.3% in January, but followed with increases of 4.1% in February and 1.5% in March. That marks the first back-to-back gain in orders since last summer.

The Index of Consumer Expectations published by Reuters/University of Michigan is at nearly the same level it was a year ago. The good news is that the free fall in consumer confidence has apparently ended.

SUMMARY - The U.S. economy is still weak, but there are increasing signs supporting cautious optimism. The rebound in consumer spending and stronger housing demand suggest that the economy has hit bottom in the current economic slide.

Economists in the latest Wall Street Journal forecasting survey yield a consensus projection that the economic recession will end in September, though the unemployment rate will continue to rise through the rest of 2009. The economy will resume slow growth in the third and fourth quarters as the benefits of monetary and fiscal stimulus begin to kick in.

THE POLK OUTLOOK

An increase in home sales led the Polk Progress Index (PPI) of local economic activity to rebound slightly in the first quarter of 2009. However, all components of the index remain weak, and a sustained recovery in economic activity is unlikely to begin before the latter part of the year.

Home sales should continue to improve in the second quarter, while employment will stabilize near current levels. Retail sales will probably continue to drift lower through the summer. The overall PPI may fall back slightly in the second quarter, near the level reached in the fourth quarter of 2008.

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													
	2006			2007				2008				2009	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2*
Taxable Sales (<i>1,000 of \$</i>)	2,095,853	1,886,081	2,002,136	2,027,485	1,903,232	1,779,393	1,865,177	1,884,270	1,771,663	1,641,568	1,651,123*	1,593,123*	1,558,480
Total Employment	251,489	251,042	252,782	253,958	255,741	253,625	254,625	256,258	255,959	253,332	252,571	245,386	246,786
Residential Telephone Access	185,292	180,587	179,333	176,436	169,517	161,221	154,704	149,461	141,988	134,760	128,356	121,523	120,730
Business Telephone Access	69,488	69,246	69,232	69,462	69,104	68,878	68,371	67,772	67,090	65,930	64,751	63,071	64,265
Industrial Electric KWH (<i>1,000's</i>)	152,001	166,754	159,507	148,252	157,108	172,932	164,148	149,630	157,040	173,592	157,469	139,193	150,894
Number of Single Family Building Permits	1,776	1,077	931	989	1,109	877	669	601	737	537	351	271	250
Hotel/Motel Sales (<i>1,000's of \$</i>)	45,623	40,720	45,054	54,980	44,495	41,285	38,096	52,770	48,696	39,524	34,453	45,145*	43,139
Number of Homes Sold	1,653	1,386	1,124	961	1,048	855	759	752	858	848	770	832	904
Citrus Concentrate Movement (<i>1,000's of gallons</i>)	39,923	39,307	38,822	42,462	34,872	45,678	35,608	38,432	37,813	36,666	38,499	43,576	37,026
Building Permits (<i>1,000's of \$</i>)	334,336	325,443	229,284	323,101	312,761	213,343	251,441	262,959	313,424	225,632	180,479	107,385	
Number of Residential Electric Accounts	98,225	97,784	99,641	101,841	100,556	99,455	100,242	102,023	100,570	99,822	100,539	101,128	100,154
POLK PROGRESS	214.5	210.6	207.3	206.7	198.4	197.6	192.4	198.2	194.2	193.8	186.0	189.2	187.5

*Estimated values for taxable sales and motel/hotel sales in Q1 2009, and forecast values for Q2 2009

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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