

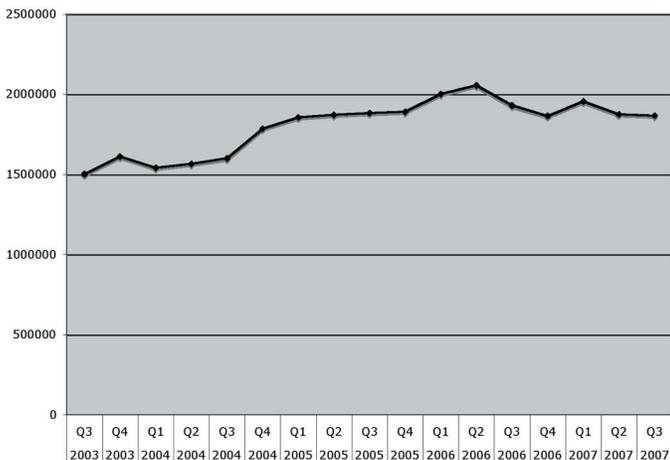
Downturn in Local Economy Extends Through Third Quarter

The Polk Economy continued to exhibit broad signs of a mild recession in the third quarter, brought on principally by the 18-month-long collapse in residential housing. That weakness has subsequently spread to retail sales and employment, bringing the overall Polk Progress Index (PPI) down about 5% over the same period.

PPI figures over the past year are revised in the current report to correct for what is felt to have been a disproportionate impact of the declines in home sales on the overall PPI in previous editions. When one of the components of the PPI (in this case home sales) varies dramatically from the other components, it tends to skew the overall index. We have attempted to correct for that bias in the revised PPI estimates.

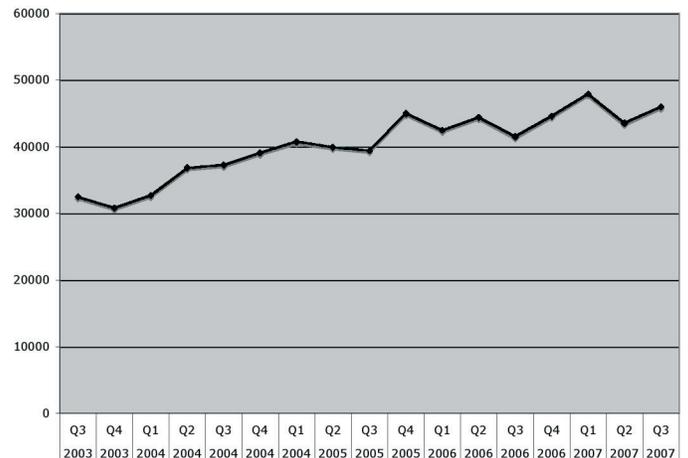
SALES - Taxable sales were essentially flat in the third quarter, dropping a seasonally adjusted 0.4% from the preceding quarter. Actual (unadjusted) taxable sales through the first three quarters of 2007 are down 5.3% (\$318 million) from the same 3-quarter period in 2006 before inflation.

Taxable Sales (Seasonally Adjusted)



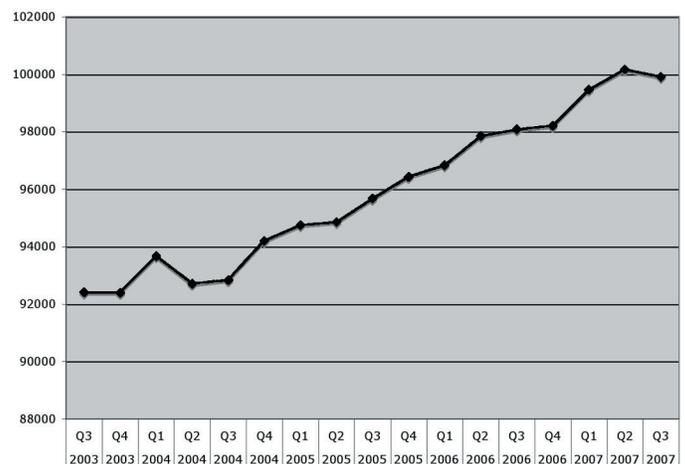
Sales at Polk County hotels and motels are running 7.1% ahead of last year through the first three quarters. Sales in the third quarter of 2007 rose 5.6% from the preceding Quarter 2 after adjusting the data for recurring seasonal variations.

Hotel/Motel Sales (Seasonally Adjusted)



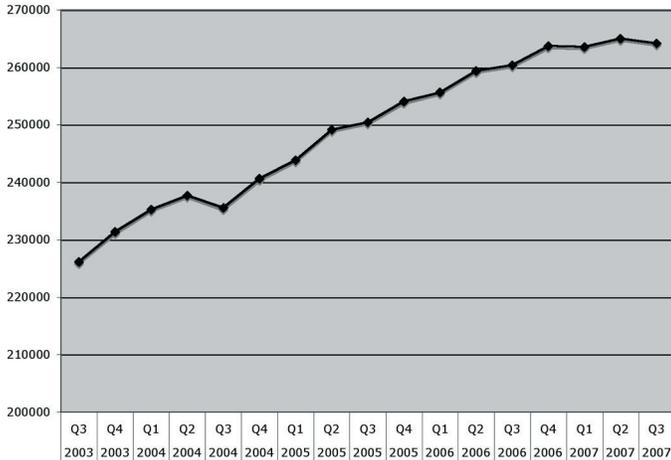
POPULATION - Local population growth appears to have slowed in response to our economic doldrums. The number of residential electricity connections maintained by the City of Lakeland underwent an unusual pause in the third quarter, actually falling a seasonally adjusted 0.1% to just under 100,000. That is the first decline since the second quarter of 2004.

Residential Electric Accounts (Seasonally Adjusted)

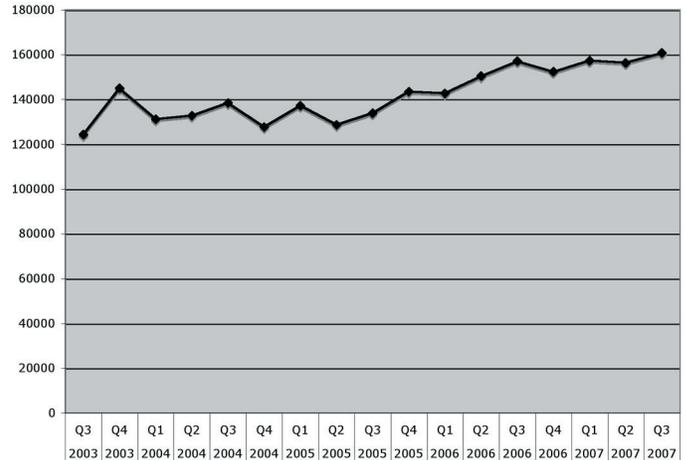


EMPLOYMENT - The steep recession in local housing has spread to other sectors of the economy at large. Employment growth in Polk County has stagnated thus far in 2007. The number of jobholders in Quarter 3 is only up 472 workers (0.2%) from the fourth quarter of 2006. In turn, the slow employment growth is being reflected in weakening retail sales.

Total Employment

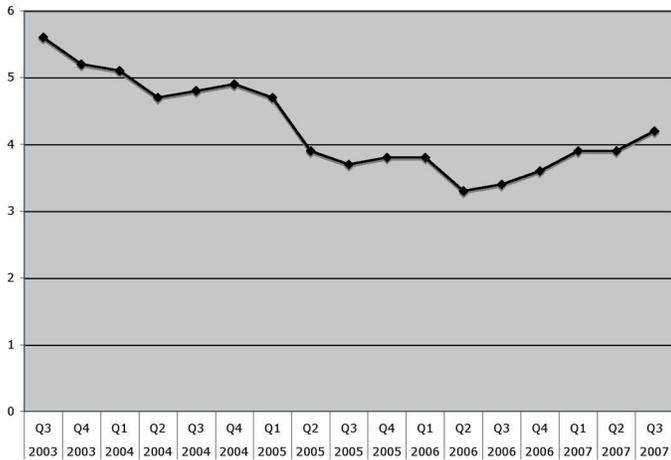


Industrial Kilowatt Hours (Seasonally Adjusted)

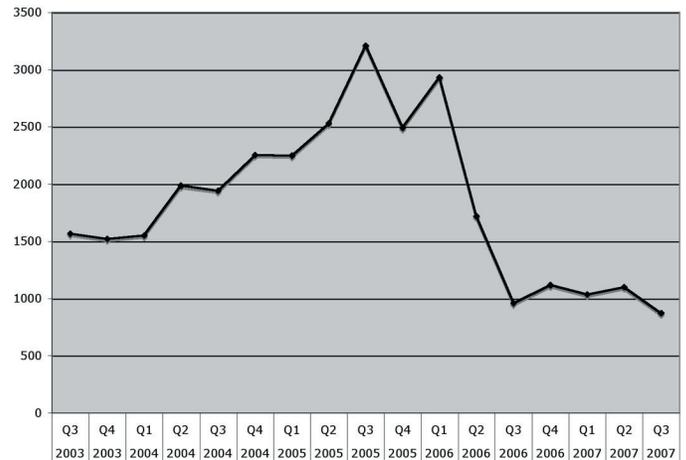


The local unemployment rate has crept upward in the face of slow employment growth over the past year. The unemployment rate in Polk County was 4.8% in July, 4.9% in August, and 4.8% in September. The Polk unemployment rate has now risen back above 4% after adjusting the data for recurring seasonal variations.

Unemployment Rate (Seasonally Adjusted)

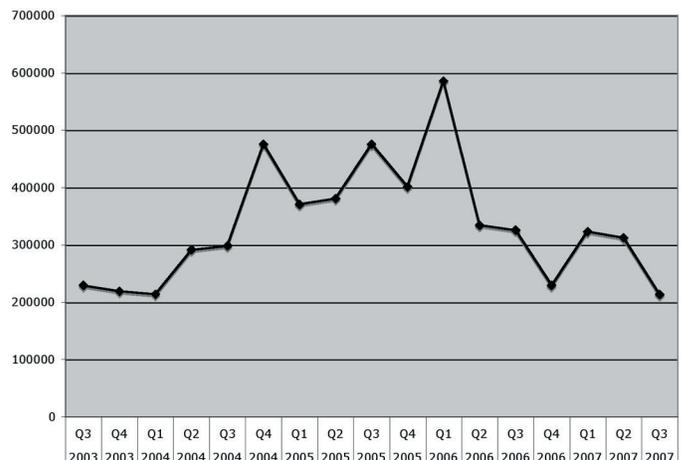


Number of Single Family Building Permits (Seasonally Adjusted)



The total dollar value of building permits issued countywide reflects the same precipitous drop in construction activity in the last year and a half.

Dollar Value Building Permits



Colonial Bank has revealed that it may lay off 1/3 of the employees at the recently acquired C&C Bank in Polk County. Colonial purchased C&C for \$219 million last year, and has identified 80 positions that may be eliminated as operations are consolidated. C&C Bank was founded in 1954 in Bartow as Citrus and Chemical Bank, and was the largest community bank in Polk County when it was acquired by Colonial.

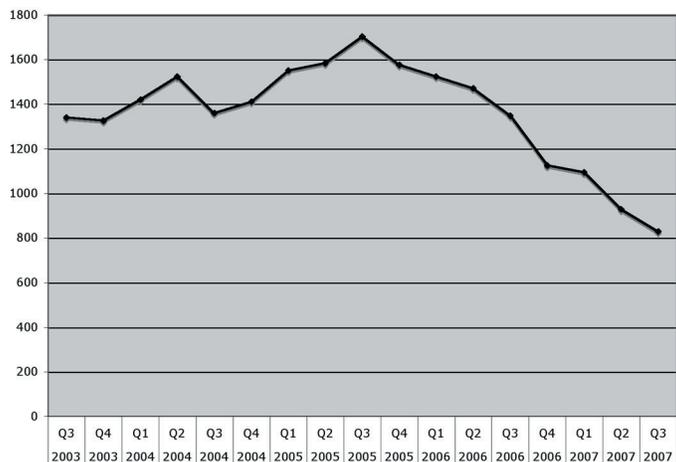
The Lakeland Ledger has announced that it will cut 14 positions due to declining revenues. Many newspapers around the country face similar difficulties as their readership declines.

MANUFACTURING - Manufacturing activity in the county has held up well over the past year despite the weakness in other areas of the economy. Industrial electricity consumption reported by Lakeland Electric through the first three quarters of 2007 is up 5.8% from the same period in 2006.

CONSTRUCTION - There were 310 permits issued for the construction of new single-family homes in Polk County during the month of July. That was followed by 296 permits issued in August and just 271 in September. The total number of permits issued in the third quarter is 18.6% below the same quarter of last year. The number of single-family permits issued through the first three quarters of 2007 is down 48.8% from the same period in 2006 (a decline of 2,834 permits).

There were 855 homes sold in Polk County during the third quarter of 2007, representing a decline of 531 homes (38.3%) from the third quarter of 2006. There were 278 homes sold in the county during July, 340 in August, and 237 in September.

Home Sales (Seasonally Adjusted)



The number of homes sold in Polk County during the first three quarters of 2007 is 2,864. That is 36.1% below sales through the first three quarters of 2006, a decline of 1,617 homes sold.

CITRUS - The 2006- 07 Citrus Summary issued by U.S. Department of Agriculture ranks Polk as the largest citrus- producing county in the state. Polk growers produced 22.4 million boxes of oranges, grapefruit, tangerines, and specialty citrus fruit during the latest crop year.

The 2006- 07 Florida citrus crop fell to 162.3 million boxes, the third smallest total in the past 40 years. Despite the low production, the latest crop still had a near historically high value of \$1.4 billion, due to record-high prices received for oranges.

Citrus acreage in Polk County fell 6.2% in 2007 from the preceding year, and now totals 81,019 acres according to the Florida Agricultural Statistics Service. The county has 9.64 million citrus trees in 2007, a decrease of 5.7% from 2006. The loss of citrus acreage and trees will likely continue in the face of competing economic development.

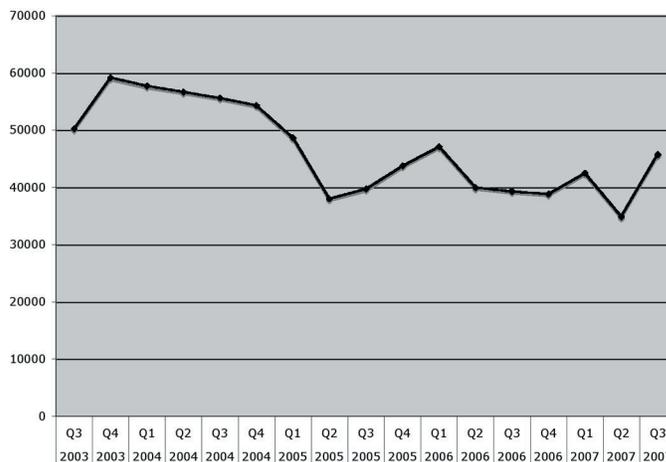
Forecasters at the Florida Department of Citrus are predicting a second straight season of strong prices for Florida citrus growers in the current crop year. They are projecting only a slight rollback from the 21.6% increase in retail orange juice prices realized last season.

The U.S. Department of Agriculture has projected that Florida growers will produce 168 million boxes of oranges in the current 2007- 08 season. That would be an increase of 30% (39 million boxes) from the preceding 2006- 07 season. Florida grapefruit production is projected to be 25 million boxes this year, a decline of 8% (2.2 million boxes) from last year.

The volume of citrus concentrate produced by Florida processors was up sharply in the third quarter. The volume of concentrate movement through the first three quarters of this calendar year is virtually unchanged from the year before at just over 126 million gallons.

DEVELOPMENT - A Swiss- based flavor technology company is considering a \$150 million expansion of its plant located near Lakeland Linder Airport. Firmenich Corporation intends to build two 100,000 square-foot buildings on its present 54- acre site at the intersection of Kidron Road and Drane Field Road in West Lakeland. The expansion would create an additional 240 jobs.

Citrus Concentrate Movement (Thousands of Gallons)



The Pepperidge Farm Corporation has announced a 20,000 square-foot expansion of its plant on Interstate Drive in North Lakeland in order to add a fifth production line. The addition to the existing 300,000 square-foot building will create 45 new jobs, bringing total employment at the facility to 335 people.

Florida Southern College has broken ground for construction of a new three-story classroom building overlooking Lake Hollingsworth. The Dr. Marcene H. and Robert E. Christoverson Humanities Building will be located at the intersection of Lake Hollingsworth Drive and Johnson Avenue. The \$3 million structure is being designed by Robert Stern, dean of the Yale School of Architecture and a Frank Lloyd Wright scholar, and is dedicated to the study of literature and language.

Florida Southern College also unveiled the new Frank Lloyd Wright Water Dome at the Lakeland campus on October 25th. Wright designed the dome 69 years earlier, but the technology to make it function correctly was not yet available. Completion was made possible through a \$1 million grant. About 250,000 gallons of water fill the circular pool underlying the spectacular dome.

The Polk County Commission has committed \$5 million to help underwrite construction of a new campus for the University of South Florida northeast of Lakeland. The Central Florida Development Council hopes to secure a matching state grant, then use the \$10 million total to leverage an additional \$35 million needed for construction. Governor Crist recently vetoed a bill approving \$10 million of state funding for the proposed USF Lakeland campus.

The Polk County Commission has also approved plans to construct a new \$7.2 million baseball complex in Northeast Auburndale. The commission okayed an additional \$2.2 million expenditure to relocate the county's tourism and economic development offices to the site. The Lake Myrtle complex is located between Berkley Road and the Polk Parkway.

Commercial bank deposits in Polk County totaled \$5.7 billion at the end of the second quarter of 2007. This latest figure from the Florida Bankers Association shows weak growth in deposits over the last year, largely reflecting the sub- prime mortgage crisis being experienced nationwide. SunTrust Mid- Florida Incorporated remains the largest bank in Polk County with \$1.2 billion in deposits.

Lake Wales- based Citizens Bank and Trust has announced plans to open four new branch offices in Polk County before the end of the year. Three of the proposed offices are in the Lakeland area, and one is in Bartow. The planned Lakeland locations are on South Florida Avenue, Edgewood Drive, and West County Road 540- A. The Bartow location under consideration is on Broadway Avenue.

DayJet Corporation began passenger air service at Lakeland Linder Airport on October 4th. The startup airline caters to middle-class regional business travelers, and now offers service out of Lakeland, Tallahassee, Pensacola, Gainesville, and Boca Raton.

NEW OPENINGS AND CLOSINGS - Central Florida Health Care's Lakeland Primary Care Center was scheduled to open in mid-October on East Parker Street. The new health care facility is being established through a combination of government and private financing. It is anticipated that the new center will relieve current pressure on the emergency room at Lakeland Regional Medical Center.

The Dunkin' Donuts chain will soon open a new outlet in South Lakeland. The city's newest donut shop will be located on South Florida Avenue, and is scheduled to begin serving customers on November 16.

Kazbor's Grille plans to open a new restaurant in Lakeland in February. The 3,700 square-foot eatery will be located in the Grove Park Shopping Center along U.S. 98 South, east of the downtown area.

Barnhill's Buffet closed its restaurant on South Florida Avenue in Lakeland in November. The South Lakeland location was one of sixteen the Barnhill's chain operates in Florida.

The Fish City Grill began serving diners in South Lakeland in late October. The new restaurant is on Town Center Drive in the Lakeside Village. It is the first location for the Dallas-based chain in the state of Florida.

The ALFA Trains N Hobbies shop has closed in Lakeland after twenty years in business. The model railroading shop had undergone several relocations in that time span, moving to its final location along U.S. 98 North three years ago.

Publix Corporation unveiled its latest in-store design with the opening of a new supermarket in Haines City during October. The 45,600 square-foot store is located in the St. Charles Plaza along U.S. 27. The newest Publix includes both deli and seafood departments, and will employ about 140 people. The Lakeland-based Publix now operates 20 stores in Polk County.

Publix is also building a similarly sized store in Highland City as part of the Highland City Town Center, currently under construction adjacent to U.S. 98 South. Palace Pizza, Subway, Great Clips, Coffee Cuppy's, Lee Spa Nails, Lakeland Chiropractic, Bamboo Wok, and NBT Liquor have all signed up as tenants for the 100,000 square-foot center.

TAKEOVERS - Cypress Gardens in Winter Haven has been sold for the third time in twelve years. The new owner is Mulberry-based Land South Holdings, which purchased the park in a bankruptcy proceeding for \$16.8 million. The new owners have not revealed plans regarding the park's operations.

Harry's Restaurant in downtown Lakeland has been sold to Doug and Wanda Jowais. The Jowais are former food service managers at Cypress Gardens, and recently closed their Wanda's Country Café in Winter Haven.

The Lakeland-based real estate firm CDC Properties has been purchased by Brooks Chandler Realty, also of Lakeland. Brooks Chandler will keep the CDC name to oversee its property management and commercial real estate operations. Brooks Chandler will henceforth focus on residential real estate.

THE NATIONAL ECONOMY

Economic activity was stronger in the third quarter than analysts expected. The price-adjusted Gross Domestic Product expanded at a 4% annual rate, slightly besting the 3.8% growth rate in the preceding Quarter 2. GDP growth was led by increases in personal consumption expenditures, exports, federal and local government spending, and private inventory investment. Negative factors included a drop in residential fixed investment, and rising imports.

CONSUMER SPENDING - Spending by consumers remains surprisingly robust in the face of a recession in housing, higher oil prices, and uncertainty in the financial markets. Personal Consumption Expenditures (includes goods and services) climbed 0.4% in July, 0.5% in August, and by 0.3% in September. Retail sales (goods only) rose 0.6% in July, 0.3% in August, and 0.6% during September.

Personal incomes grew 0.5% in July, and by 0.4% in both August and September. Personal savings was 0.9% of disposable personal income in July, 0.8% in August, and 0.9% in September.

Consumer confidence appeared to weaken as the third quarter drew to an end. The Consumer Sentiment Index published by the University of Michigan fell from 83.4 in September to 80.9 in October and 75.0 in early November, reflecting problems in the housing market and higher prices for oil and food. The Index of Consumer Expectations maintained by the Conference Board slipped from 74.1 in September to 70.1 in October.

EMPLOYMENT - Employment gains were weak throughout the third quarter, then rallied a bit during October. Nonfarm employment rose by 93,000 workers in both July and August, and by 96,000 in September. The number of jobholders was up by 166,000 in October, the largest gain in five months. The cheery October gain in employment did not dispel the view of many economists that the U.S. economy is slowing significantly.

The slow job growth in Quarter 3 was reflected by slight increases in the nation's unemployment rate. The U.S. unemployment rate rose from 4.5% in June to 4.7% in September. The September unemployment rate is the highest in a year. Manufacturing employment continues to slip, falling by 4,000 workers in July; 45,000 in August; 17,000 in September; and another 19,000 in October.

INDUSTRIAL PRODUCTION - There are signs of stabilization in the manufacturing sector. Industrial production was up 0.6% in July, then was unchanged in August before registering a small 0.1% increase in September. Industry operated at 82.2% of capacity in July, and at 82.1% of designed capacity in both August and September.

Factory orders were virtually unchanged in the third quarter, rising 3.4% in July and falling 3.5% in August before closing with a slight 0.2% gain during September. The September advance was the third increase in the last four months.

New orders for durable goods climbed 5.9% in July, then more than offset that gain with declines of 5.3% in August and 1.7% in September.

Manufacturers and trade inventories rose 0.5% in July, 0.1% in August, and by 0.4% during September.

CONSTRUCTION - Expenditures for new construction slipped 0.8% in July and 0.2% in August, before managing to advance 0.3% in September. Construction spending through the first nine months of 2007 is down 3.2% from the same period in 2006.

There are no signs of any improvement in housing. U.S. housing starts plunged another 6.6% in July, 3.2% in August, and 10.2% during September. The number of building permits issued for residential construction fell 1.7% in July, 4.8% in August, and by 7.3% in September.

New single-family home sales were unchanged in July, then fell 7.9% in August to their slowest pace in seven years. Sales regained a bit of the lost ground with a 4.8% increase in September, but remain depressed.

Sales of existing homes slipped 0.2% in July and fell another 4.3% in August. Sales dropped another 8% in September to a level more than 19% below a year earlier. The current inventory of unsold homes is sufficient to satisfy 10 months of demand at the current sales pace. Two years ago, the inventory stood at less than five months. The median price of homes sold in September is down 4.2% from September of 2006.

FOREIGN TRADE - The U.S. trade deficit in goods and services narrowed from \$59 billion in July to \$57.6 billion in August, and \$56.4 billion in September. The \$10 billion-per-month drop in the trade deficit from the same three months in 2006 added a full percentage point to GDP growth in the third quarter.

Recent declines in the trade deficit have been a bit of a surprise to some analysts who had expected higher deficits due to the rising price of imported oil. A significant part of the narrowing trade deficit is due to the declining foreign exchange value of the American dollar. The Euro now exchanges for \$1.44, the strongest the Euro has been in terms of the dollar since it was first introduced in 1999.

There are concerns that the falling dollar may contribute to higher U.S. inflation. Import prices were up 9.6% in September from a year ago, though there is emerging evidence of a willingness by foreign firms to absorb depreciation of the dollar by cutting profit margins rather than by continuing to raise dollar prices and lose U.S. market share.

There is also some fear that if the dollar falls too far and too fast, it could trigger a rise in interest rates and further rattle the stock market. As long as the dollar's decline is gradual, most economists view it as a positive development.

COST OF LIVING - Inflation remains gratifyingly moderate as the Consumer Price Index (CPI) rose by just 0.1% in both July and August, before climbing 0.3% in both September and October. Rising energy costs were partly offset by modest price increases for housing and discretionary items. Though consumer prices in October are up 3.5% from a year ago, the core CPI (excludes energy and food prices) was up just 2.2%.

Year	Consumer Price Index (A)			
	Q1	Q2	Q3	Q4
2003	183.0	183.7	184.5	184.8
2004	186.3	188.6	189.5	190.8
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	

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

MONETARY POLICY - The Federal Reserve moved aggressively in the third quarter, twice cutting interest rates in an attempt to calm financial markets and head off an economic downturn. The Fed cut its target for the benchmark federal funds rate charged on overnight loans between commercial banks from 5.25% to 4.75% in September, then to 4.5% in October.

The price index for personal consumption expenditures, the inflation gauge preferred by the Federal Reserve, is up just 1.8% in October from a year ago, which is inside the Fed's perceived comfort zone of 2%. The Fed has made it clear that it now regards the risks for rising unemployment and rising inflation to be equally weighted. Thus the Fed is unlikely to alter its target for the federal funds rate in the foreseeable future.

LEADING INDICATORS - The Index of Leading Economic Indicators maintained by the Conference Board rose 0.7% in July, then offset that with a 0.8% drop in August. The leading indicators were up 0.3% during September. The leading index has been basically flat thus far in 2007.

The monthly survey of 55 economists in November by the Wall Street Journal yielded a consensus that the credit crunch will take some time to play itself out. More than half the respondents said the crunch was about half over, while 25% said it was still in its early stages.

Orders for nondefense capital goods excluding aircraft, a leading indicator of business investment plans, were up 0.9% in July, dipped slightly by 0.1% in August, then finished the quarter by climbing 0.4% during the month of September.

SUMMARY - The collapse in the housing market and residential construction, the impact of falling home prices on consumer wealth and spending, uncertainty in the financial markets due to the subprime lending crisis, and rising oil prices have together greatly increased the likelihood of an economic recession. Despite these risks, a majority of economists still appear to believe that the U.S. economy will be able to avoid the prescribed two consecutive quarters of declines in real GDP that would constitute an official recession.

A recent poll of economists by the Wall Street Journal put the odds of a recession at about one-in-three. GDP growth is, however, expected to slow sharply in the fourth quarter from the 4% annual growth rate experienced in Quarter 3.

The National Association for Business Economics now forecasts that GDP growth in the fourth quarter will be at a 1.5% annual rate. A lot of whether we avoid a recession or not will depend on how well retail sales hold up during the holiday season.

THE POLK OUTLOOK

The nationwide downturn in housing has been particularly acute across Florida and within Polk County. Retail sales in the county have been flat thus far in 2007, as has employment growth. Local tourism is doing well, and manufacturing activity appears to be holding steady.

Polk County remains the state's largest citrus producer, and this season's statewide crop is projected to be up 30% from last year, while prices remain strong. Population growth may be slowing a bit, and the local unemployment rate is likely to continue to creep upward in the months ahead.

There are, unfortunately, no signs that the problems in local housing will subside in the near future, and retail sales look weak as we head into the holiday season. It is projected that the overall Polk Progress Index will continue to drift slightly downward in the fourth 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.

POLK PROGRESS INDEX													
	2004	2005				2006				2007			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4*
													Projected
Taxable Sales (1,000's of \$)	1,921,294	1,894,422	1,902,462	1,882,583	2,043,415	2,054,087	2,095,853	1,886,081	2,002,136	2,027,485	1,903,232	1,787,271*	1,982,945
Total Employment	240,613	243,803	249,149	250,444	254,033	255,626	259,337	260,374	263,682	263,515	264,984	264,154	271,210
Residential Telephone Access	211,433	212,898	202,464	197,162	197,208	195,700	185,292	180,587	179,333	176,436	169,517	161,221	160,941
Business Telephone Access	72,940	69,985	69,585	68,783	69,147	69,565	69,488	69,246	69,232	69,462	69,104	68,878	68,252
Industrial Electric KWH (1,000's)	130,529	126,839	128,771	142,947	149,870	133,499	152,001	166,754	159,507	148,252	157,108	172,932	166,607
Number of Single Family Bldg. Permits	2,348	2,288	2,836	3,604	2,500	2,956	1,776	1,077	931	989	1,109	877	792
Hotel/Motel Sales (1,000's of \$)	37,569	46,928	40,766	39,126	44,926	47,564	45,623	40,720	45,054	54,980	44,495	43,954*	47,657
Number of Homes Sold	1,375	1,493	1,799	1,781	1,522	1,442	1,653	1,386	1,124	961	1,048	855	873
Citrus Concentrate Movement (1,000's of gal.)	54,337	48,668	38,034	39,708	43,751	47,065	39,923	39,307	38,822	42,462	34,872	45,678	41,314
Building Permits (1,000's of \$)	475,416	370,708	380,505	475,379	401,096	585,205	334,336	325,443	229,284	323,101	312,761	213,343	-
Number of Residential Electric Accounts	94,659	96,972	95,204	95,218	96,796	99,071	98,225	97,784	99,641	101,841	100,556	99,455	100,991
POLK PROGRESS	202.1	213.7	211.8	218.8	215.0	212.9	215.7	214.1	212.6	210.5	206.1	204.8	203.5

*Estimated values for taxable sales and motel/hotel sales for Q3 2007, and forecast values for Q4 2007.

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 Index 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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