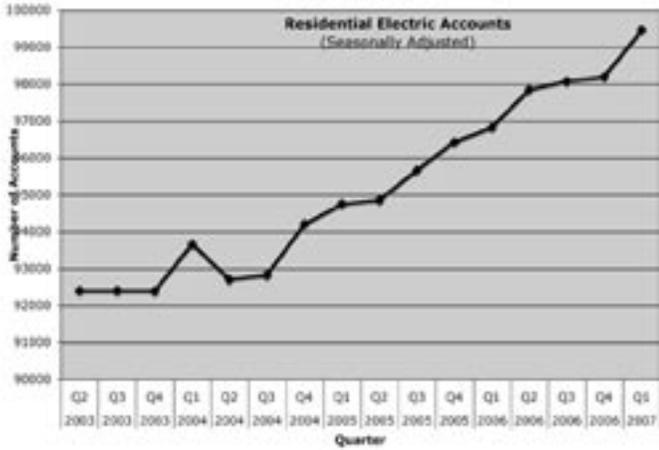
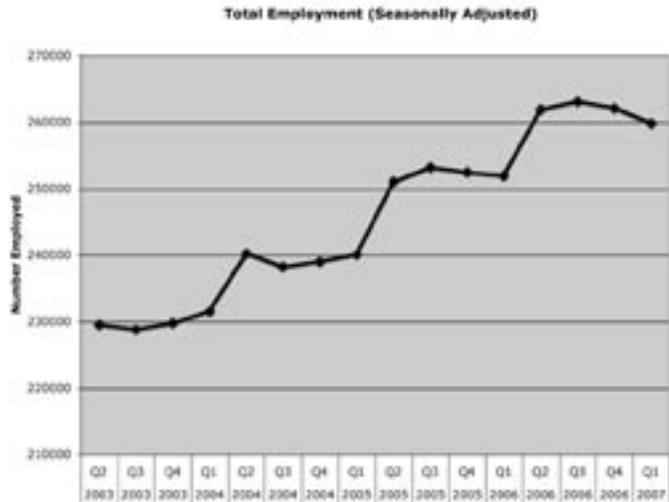




The number of residential electric accounts maintained by the City of Lakeland passed 100,000 in the first quarter to stand 2.8% above a year earlier. There was an upward surge in the first quarter even after correcting the data for recurring seasonal factors.

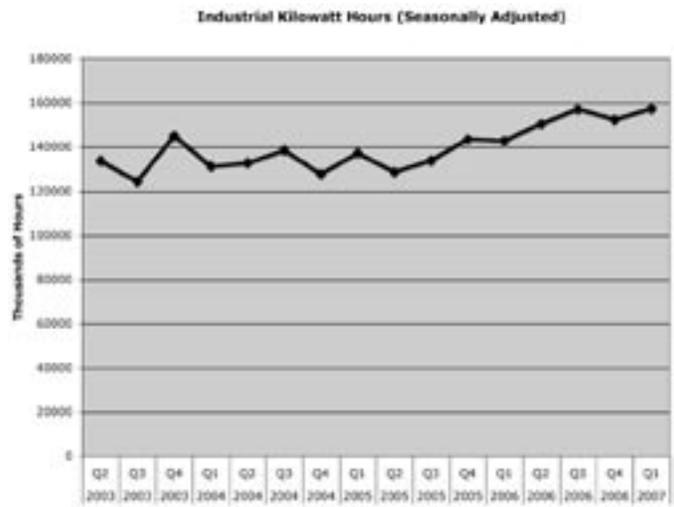
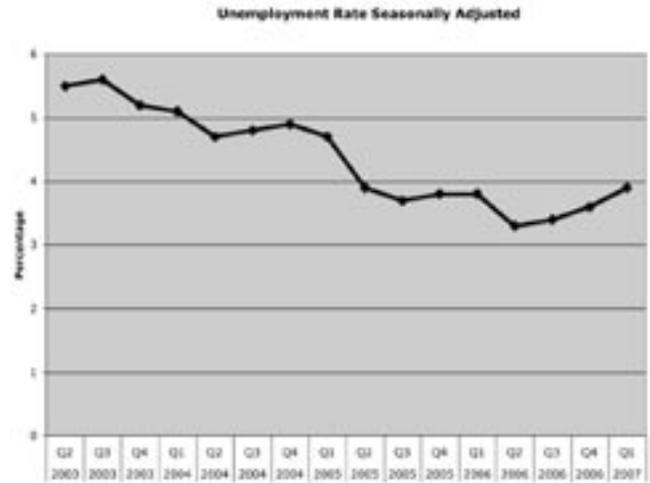


**EMPLOYMENT** - Revised employment figures from the Florida Agency for Workforce Innovation reflect a cooling of the local economy since the middle of 2006 when those data are adjusted for seasonal variations. While the raw (unadjusted) number employed in the first quarter is up 3.1% from the same quarter a year ago, the bulk of the gain occurred early in 2006. Quarter 1 employment actually fell 0.9% from the preceding quarter after seasonal adjustment.



The slowing of the Polk economy was also reflected by a small increase in the unemployment rate over the same period when data are adjusted for seasonality. The raw (unadjusted) unemployment rate in the county was 3.6% in January, 3.4% in February, and 3.3% in March. That is still quite low by historical standards, illustrating that the local labor market remains quite tight.

**MANUFACTURING** - Local manufacturing output has been on a slow upward trek over the past year and a half as measured by industrial electricity sales by the City of Lakeland. Seasonally adjusted industrial electricity sales were 3.2% in the first quarter from the preceding fourth quarter of 2006.



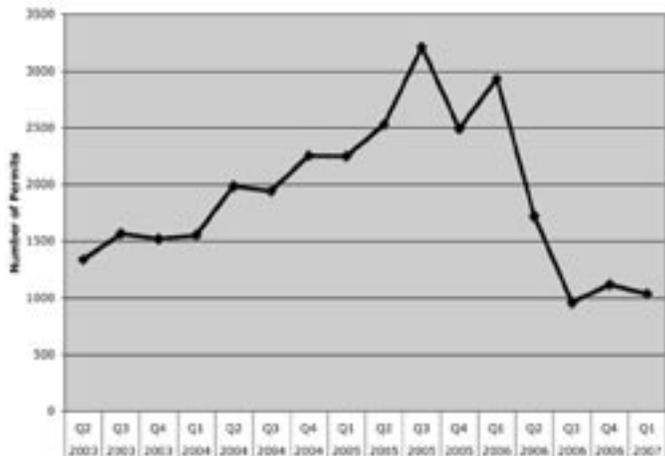
**CONSTRUCTION** - The housing segment of the Polk construction industry continues to suffer along with the rest of the nation. There were just 249 permits issued for construction of single-family homes in Polk County during the month of January. That was followed by 347 permits in February, 393 in March, and 333 in April. Permits issued during the quarter are 66% below the same quarter of last year (a decline of 1,967 permits).

A good portion of the local decline in permits is an inevitable offset to the surge in activity experienced before the implementation of higher impact fees in December of 2005. There remains, however, a conclusion that at least part of the local drop reflects the national recession in housing.

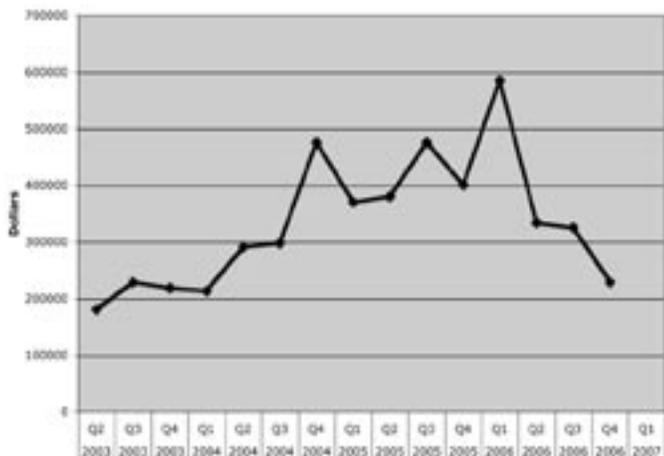
The total dollar value of building permits issued countywide show the same drop in construction activity following a peak in the first quarter of 2006. Permits values for the first quarter of 2007 were unavailable at the time of this writing.

The 961 homes sold in Polk County during the first quarter of 2007 represented a decline of 33.4% from the first quarter of 2006. There were 282 homes sold locally in January, 334 in February, and 345 in March. The median price of Polk homes sold in March was \$168,300; a decline of 4.5% from March of 2006.

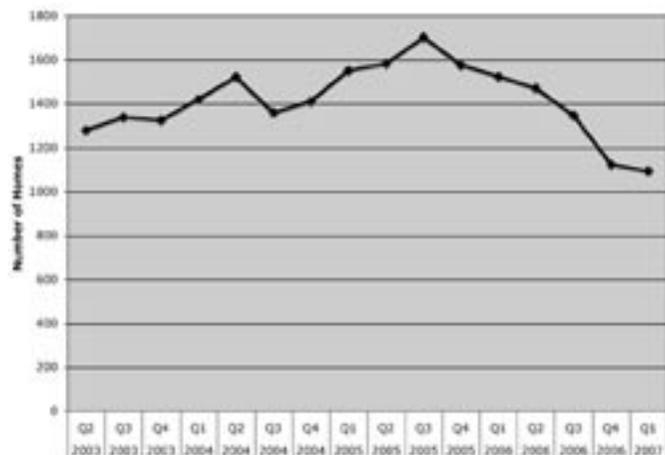
Number of Single Family Building Permits (Seasonally Adjusted)



Dollar Value of Building Permits



Home Sales (Seasonally Adjusted)

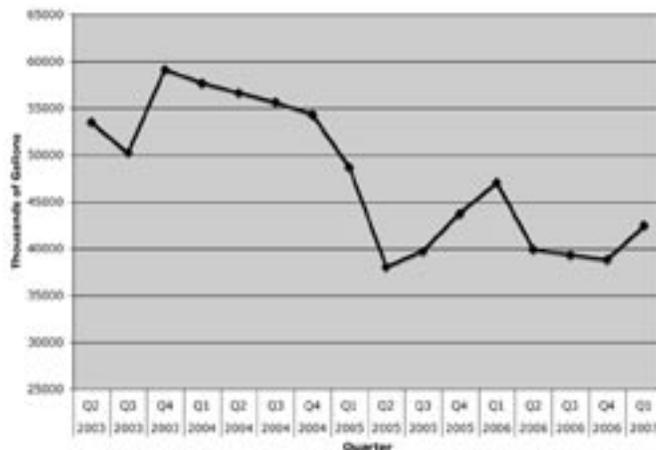


**CITRUS** - The U.S. Department of Agriculture has further reduced its estimate of the 2006-07 Florida orange crop to 130.7 million boxes. It is the second reduction from the initial estimate of the 135 million boxes forecast in October. If the latest projection is realized, the current crop will be the smallest since the 1989-90 freeze season.

Cargill Citro has announced that it will close its juice plants in Frostproof and Avon Park within 18 months. Combined employment at the two plants is between 150 and 200 persons. Cargill is the largest employer in Frostproof, and the largest purchaser of city water at a time when the city is scrambling to pay a \$4.5 million debt incurred to expand the local sewer system.

Citrus concentrate movement by Florida processors has basically remained on a plateau since the middle of 2005.

Citrus Concentrate Movement



**DEVELOPMENT** - CSX Transportation Inc. has revealed plans to build a \$100 million rail transfer center in South Winter Haven. The CSX Integrated Logistics Center is expected to employ at least 5,000 people when completed in the year 2020. The Center will include a business park with warehousing and manufacturing space.

Clear Springs Land Company has announced that it will donate \$12 million and up to 20 acres of land in Bartow to the Polk Community College Foundation. PCC intends to use the donation to build a permanent home for its Corporate College that will provide training to businesses and their employees in Polk County.

The Polk County School Board will build a football stadium and sports complex in North Lakeland to serve the new Tenoroc High School that is slated to open in August 2008. The new stadium will be built along Combee Road, with initial seating for 8,000 fans. The stadium will be designed to allow for future expansion up to 20,000 seats.

Burlington Coat Factory will move into the former Belk location in the Lakeland Square Mall in North Lakeland. It will be the first location for the New Jersey company in Polk County. Burlington will begin hiring about 100 workers later this year when remodeling plans on the 85,000 square-foot facility are complete.

J.C. Penney and Target have been announced as the two anchor stores in the retail section of the Posner Park development in Davenport. Posner Park will be a \$500 million office, residential, and retail development when completed at the intersection of U.S. 27 and Interstate 4. Other retailers to be included in the 420,000 square feet of retail space are Belk and Best Buy. The first stores are slated to open in spring of 2008.

St. Luke's Ministries is building an apartment complex to house senior citizens adjacent to West Memorial Boulevard in Lakeland. The 150-unit Senior Life Center is slated for completion in December at a cost of \$15 million.

Talbot House Ministries in Lakeland will soon break ground to build a 20-unit apartment building. The \$2.2 million structure will house men and women who have graduated from its transitional program. Talbot House is one of Polk County's largest provider of services to the homeless and poor.

CenterState Bank is building a new \$3.5 million branch office on U.S. 27 in Haines City. The 30,000 square-foot facility will be the bank's 12th location in Polk County.

A new Chili's Bar & Grill is under construction in Lake Wales. The new restaurant will be located along U.S. 27, and is the fourth outlet for the nationwide chain in Polk County. A fifth Polk location is planned for Auburndale in the fall of 2008.

Publix is relocating its store in the Southeast Plaza on Cypress Gardens Boulevard in Winter Haven. The store will be moved from the center of the plaza to a 39,000 square-foot space on the east end. The new store is scheduled to open at the end of 2008.

**NEW OPENINGS AND CLOSINGS** - A new Sam's Club discount center will open in South Lakeland at the end of May. The new 128,000 square-foot Sam's is located along Lakeland Highlands Boulevard facing the Polk Parkway. Sam's also has a discount center in North Lakeland on U.S. 98 North.

Caterpillar Logistics Services Inc. has opened a new 80,000 square-foot center in North Lakeland. The new facility is located in the FirstPark at Bridgewater business park on State Road 33 near the intersection of Interstate 4, and will employ 50 people to service the maintenance and repair supply needs of the Mosaic Company.

Exit Realty of Lakeland opened a new 3,000 square-foot office in North Lakeland's Northtowne Square Shopping Center in March. The US 98 North office is the company's fourth location in Lakeland.

Lakeland's Oxford Lumber Company ceased operations at its Main Street location in March. The firm was a long-established central fixture in the local construction industry. The company was founded by T.J. Oxford in 1930.

The Artist Within has expanded to a second shop in downtown Lakeland. The new 4,000 square-foot location is just down the street from the existing store on Kentucky Avenue. The new store will provide space for classes, and a gift shop where artists can sell their works. The original location will continue to sell antiques and home décor.

The owner of the former Red Barn Restaurant in Lakeland has opened a new meat-and-grocery store on East Edgewood Drive. Meat the Jones's offers high quality unusual cuts in addition to more traditional meats.

A new bank opened for business in South Lakeland in May. The locally owned Community Southern Bank is located at 3340 South Florida Avenue.

W.S. Badcock has announced that it will close its bedding manufacturing facility in Mulberry in June. The 30,000 square-foot facility produces 800 to 1,000 mattresses per week and has 39 employees.

Bartow Regional Medical Center opened a new Center for Therapy & Wellness in March. The \$300,000 therapy center is to be followed by construction of a \$1 million 12-bed post-surgical unit.

Café Panino has closed its restaurant in the Times Square building in downtown Winter Haven. Café Panino continues to operate two locations in Lakeland.

**TAKEOVERS** - The Lakeland office complex housing Summit Consulting has been purchased for \$17.5 million by a New Jersey investor. The 130,000 square foot facility contains 13 buildings and is located on Commerce Point Drive.

MidFlorida Federal Credit Union announced in March that it will merge with Imperial Polk Credit Union. The two credit unions have combined assets of more than \$1.1 billion, serving nearly 125,000 customers. The proposed merger would be the tenth for MidFlorida since 1990.

Exit Realty has taken over the former Prudential Tropical Realty office in downtown Lakeland, adding the 18 former Prudential sales agents to the existing Exit staff of nearly 175.

#### THE NATIONAL ECONOMY

The U.S. economy continued to slow in the first quarter of 2007 as the price-adjusted Gross Domestic Product (real GDP) grew at a meager 1.3% annual rate. That follows a 2.5% growth rate in the preceding fourth quarter of 2006 and was the weakest quarterly growth in four years.

Quarter 1 GDP growth was centered on advances in personal consumption expenditures, and state and local government spending. On the down side, GDP growth in the first quarter was held back by weakness in residential fixed investment, reductions in federal government spending, rising imports, and falling exports.

**CONSUMER SPENDING** - Household spending continued to pace the economy in the first quarter. Personal Consumption Expenditures (PCE's include goods and services) rose 0.6% in January, 0.7% in February, and 0.3% in March. Retail sales (goods only) climbed 0.1% in January, 0.7% in February, and by 1% in March.

Disposable personal income growth remained steady and consistent with that of the two preceding quarters. Disposable personal income increased 0.9% in January, 0.6% in February, and 0.7% during March. Americans continue to spend beyond their current incomes, with dissavings equal to a - 1.1% of disposable income in January, - 1.2% in February, and - 0.8% of disposable income in March.

The University of Michigan's Index of Consumer Sentiment finds that consumer confidence in April 2007 is about 10% below a year ago. There remains, however, no sign of any consequential plunge in consumer spending. Household spending is likely to wane in the months ahead due to weakness in the housing market and rising energy prices.

**EMPLOYMENT** - Nonfarm employment climbed by 162,000 workers in January; 90,000 in February; 177,000 in March; and by just 88,000 in April. The April advance in payrolls was the lowest in more than two years. Employment gains need to average between 125,000 and 150,000 per month in the long run just to absorb the new people moving into the labor market.

The U.S. unemployment rate continues to hover around 4.5% of the labor force. That is near a level most economists consider consistent with full employment. The weakness in the April employment figures may be a sign that the slowdown in the overall economy is finally spreading to the labor market.

**INDUSTRIAL PRODUCTION** - Output at the nation's mines, factories, and utilities was mixed through the first four months of the year. Industrial production fell 0.5% in January, rose 0.8% in February, dipped 0.3% in March, and finally climbed again in April by 0.7%. Capacity utilization slipped slightly but remained

relatively high as industry operated at 81.1% of designed capacity in January, 81.6% in February, 81.2% in March, and 81.6% in April.

Factory orders were down 5.7% during January, before offsetting most of that with increases of 1.4% in February and 3.1% in March. Manufacturer's inventories were virtually unchanged in January and February, and rose a slight 0.2% during March.

New orders for durable goods plunged 8.8% in January, before recovering later in the quarter with advances of 2.4% in February and 3.4% in March.

**CONSTRUCTION** - Total expenditures for new construction declined 0.6% in January, before rising 1.5% in February and 0.2% during March. Overall Quarter 1 spending remained 2.4% below the same quarter a year ago.

There are few, if any, signs of the housing recession bottoming out. Housing starts plunged 13.9% in January, but then began a slow climb advancing 6% in February, 0.3% in March, and 2.5% in April. However, the April figure remains 16% below a year ago. Meanwhile, the number of building permits issued nationwide plummeted throughout the first four months of 2007 with the lone exception of the month of March, when permits rose 1.8%. Permits were down 3.8% in January, 1.6% in February, and 8.9% in April.

There is no comfort to be drawn from the latest data on home sales. Sales of new homes plunged 14.4% in January and another 4.2% in February. While new home sales did manage to creep back upward 2.6% during March, they remain 23.5% below a year ago.

Existing home sales actually rose 2.7% in January and 3.7% in February, before sliding downward by 8.4% in March. The March decline was the largest monthly drop since 1989. Sales of existing homes in the first quarter remain 11.3% below the year before, while the median price of existing homes sold is down 0.3% from Quarter 1 of 2006.

**FOREIGN TRADE** - The gradual improvement in the nation's trade deficit realized over the past several months was interrupted by a surge in imports and a drop in exports during the month of March. The U.S. trade deficit in goods and services dipped from \$61.5 billion in December to \$58.9 billion in January and \$57.9 billion in February. The deficit rose to \$63.9 billion in March.

Declines in the foreign exchange value of the U.S. dollar over the past year are expected to bring a further narrowing of the trade deficit in the months ahead.

**COST OF LIVING** - Inflation remained relatively tame through the first four months of 2007, with the Consumer Price Index (CPI) rising 0.2% in January, 0.4% in February, 0.6% in March, and 0.4% in April. The April CPI is 2.6% above a year earlier. Most of the recent increases in the CPI are energy related, while core inflation (excludes energy and food) remains near the Federal Reserve's target rate of two percent.

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			

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

**MONETARY POLICY** - The moderation of the inflation rate in conjunction with the slowdown in economic activity has led the Federal Reserve to continue its wait- and- see approach to monetary policy. In March the Fed formally dropped its stated bias to raise interest rates, giving itself flexibility to cut rates in the months ahead should the economy falter.

The Fed voted in May to keep its target for the Federal Funds Rate that commercial banks charge one another on overnight loans at 5.25%. The Fed has not changed the target rate since June 29, 2006.

**LEADING INDICATORS** - The Conference Board reported that the Index of Leading Economic Indicators fell in three of the first four months of 2007. The index fell 0.3% in January, 0.6% in February, and by 0.5% in April. March saw the only gain when the leading index advanced 0.6%. Declines in the index were caused by weakness in building permits and rises in initial claims for unemployment insurance.

Orders for nondefense capital goods excluding aircraft, long considered a harbinger of business investment plans, fell 6.2% in January and 2.3% in February. Orders then rose 4.7% during the month of March. Orders for the entire first quarter were off 15.2% from the preceding year.

**SUMMARY** - Most economists expect economic growth to pick up over the remainder of the year, but real GDP growth for all of 2007 is likely to be around 2%. An April survey of 54 economists by the Wall Street Journal finds soft business spending is the biggest threat to their consensus view that the U.S. economy will avoid a recession in 2007.

Consumer spending is likely to weaken in coming months due to the continuing slump in housing, and rising energy costs. We can expect the unemployment rate to rise with slower job growth, and some improvement in the nation's trade deficit due to the falling exchange value of the American dollar.

The slowdown in U.S. productivity growth has important implications for our economic wellbeing in the months ahead. Annual productivity growth reached a high of 4% in early 2004, but has fallen steadily since. The annual productivity growth rate in the fourth quarter of 2006 was just 1.4%. Slowing productivity growth will likely lead to slower growth in living standards and higher inflation.

**THE POLK OUTLOOK**

The declines registered in the Polk Progress Index will likely be reversed in the second quarter. Population growth remains strong at a greater than 2% annual rate, and manufacturing output has been stable over the last six months. The plunge in home construction appears to have leveled off in the last two quarters, and we can expect modest gains in sales and employment in Quarter 2.

The long run outlook for the Polk economy remains strong. We still expect to realize modest economic growth of about 3% over the course of the entire year.

**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	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2* Projected
Taxable Sales (1,000's of \$)	1,573,160	1,596,057	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	2,017,937*	2,081,114
Total Employment	237,685	235,510	240,613	243,803	249,149	250,444	254,033	255,626	259,337	260,374	263,682	263,515	265,186
Telephone Access	211,433	212,847	211,433	212,898	202,464	197,162	197,208	195,700	185,292	180,587	179,333	176,436	176,854
Business Telephone Access	72,490	72,040	72,940	69,985	69,585	68,783	69,147	69,565	69,488	69,246	69,232	69,402	68,272
Industrial Electric KWH (1,000's)	135,198	147,336	130,529	126,839	128,771	142,947	149,870	133,499	152,001	166,754	159,507	148,252	156,523
Number of Single Family Bldg. Permits	2,211	2,148	2,348	2,288	2,836	3,604	2,500	2,956	1,776	1,077	931	989	1,050
Hotel/Motel Sales (1,000's of \$)	36,832	35,607	37,569	46,928	40,766	39,126	44,926	47,564	45,623	40,720	45,054	52,486*	47,265
Number of Homes Sold	1,697	1,430	1,375	1,493	1,799	1,781	1,522	1,442	1,653	1,386	1,124	961	1,010
Citrus Concentrate Movement (1,000's of gal.)	56,638	55,630	54,337	48,668	38,034	39,708	43,751	47,065	39,923	39,307	38,822	42,462	35,297
Building Permits (1,000's of \$)	291,345	298,307	475,416	370,708	380,505	475,379	401,096	585,205	334,336	325,443	-	-	-
Number of Residential Electric Accounts	93,176	93,198	94,659	96,972	95,204	95,218	96,796	99,071	98,225	97,784	99,641	101,841	99,473
<b>POLK PROGRESS</b>	<b>204.8</b>	<b>198.1</b>	<b>202.1</b>	<b>213.7</b>	<b>211.8</b>	<b>218.8</b>	<b>215.0</b>	<b>212.9</b>	<b>215.7</b>	<b>206.8</b>	<b>203.2</b>	<b>199.8</b>	<b>203.1</b>

\*Estimated values for taxable sales and motel sales for Q2 2006, and forecast values for Q3.

Individual variables in the table represent raw data, unadjusted for seasonally. Industrial electric consumption reflects sales by the City of Lakeland. Phosphate sold or used is for Florida and North Carolina (Polk County averages 40% of this combined total). 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 computation of the overall index.

*Thank you to the sponsor  
of Polk Progress*

**SUNTRUST**

**THE POLK PROGRESS**

MAY 2007

Vol 24, Issue 1

*Polk Progress is published quarterly in May, August, November, and February by: Florida Southern College • 111 Lake Hollingsworth Drive • Lakeland, FL 33801-5698.*