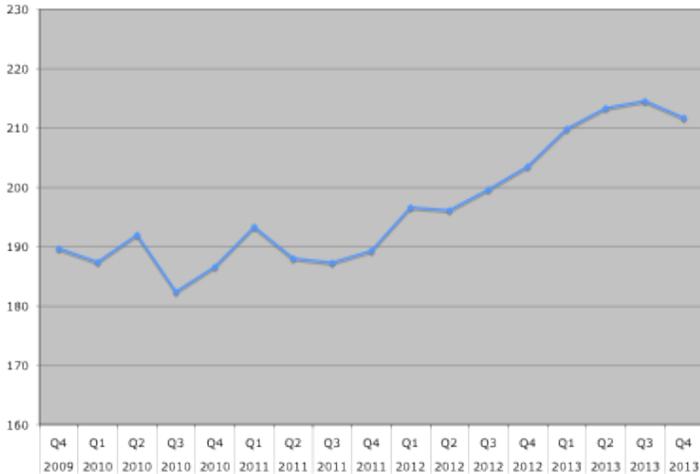
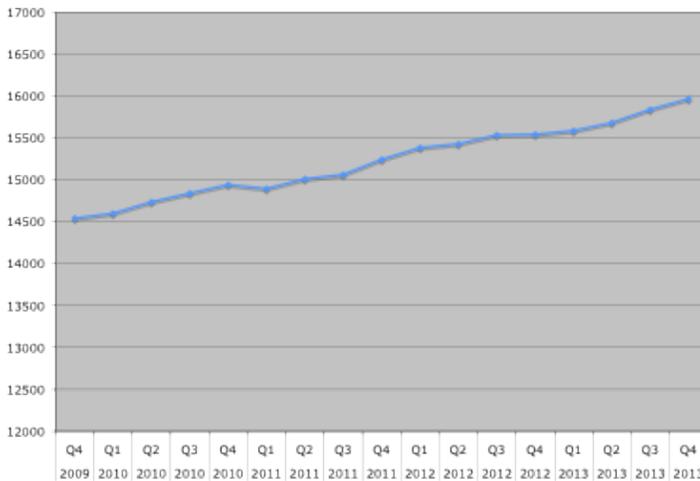


THE LOCAL ECONOMY

Polk Progress Index



US Gross Domestic Product (Price Adjusted)



POLK EXPANSION COOLS IN SECOND HALF

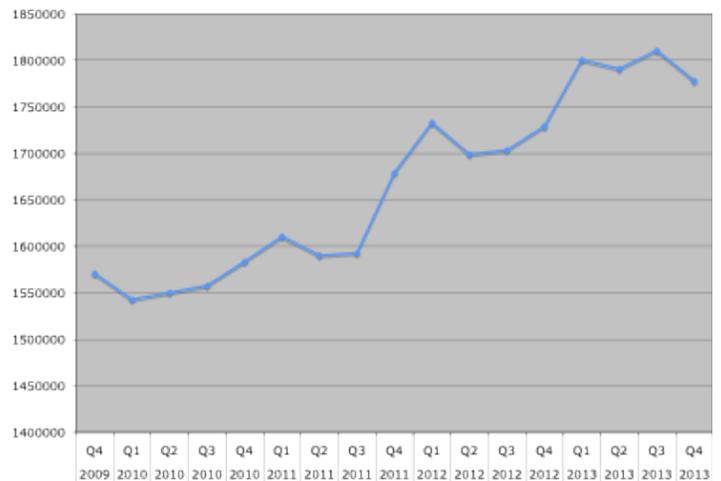
The rapid growth in retail sales that had been driving the local economic expansion in 2013 tapered off in the fourth quarter, bringing the Polk economy to, what will hopefully turn out to be, a pause at the end of the year. The dip in retail sales, in combination with a 6.8% drop in seasonally adjusted home sales, served to bring the overall Polk Progress Index (PPI) down 1.3% in Quarter 4.

A report prepared for the US Conference of Mayors estimates the value of Polk County economic output at \$16.7 billion for the 2011 year. That ranked the county 124th among US metropolitan areas.

SALES - Taxable sales in Polk County during 2013 totaled an estimated \$7.29 billion, based upon incomplete data for the month of December. That is an increase of \$405 million (5.9%) from the preceding year, and represents an increase of a bit more than 4% after inflation.

Local sales growth has cooled over the course of the last few quarters. Quarter 4 2013 sales are up 2.9% from the same quarter a year ago, but are down 1.8% from the immediately preceding Quarter 3 after all data are adjusted for recurring seasonal variations.

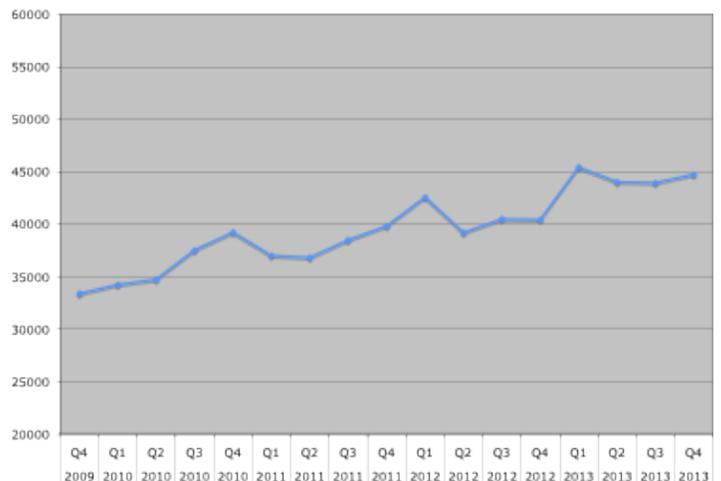
Taxable Sales (Dollars Seasonally Adjusted)



The 2013 year saw significant increases in local tourism. Annual sales at area hotels and motels climbed by 12.2% (\$19.8 million) from 2012, again based on estimated data for the month of December 2013.

Hotel/motel sales in the fourth quarter 2013 rose 1.8% from the preceding quarter after adjustment for seasonal factors.

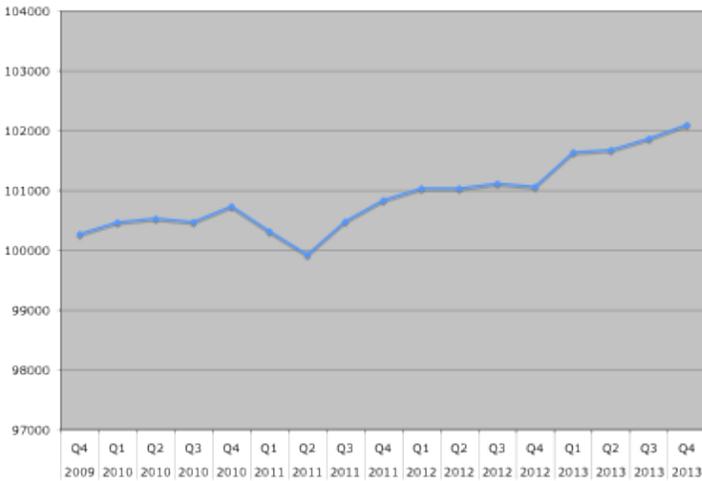
Hotel/Motel Sales (Dollars Seasonally Adjusted)



POPULATION – The population of the city of Lakeland has officially passed the 100,000 mark according to the US Census Bureau. The bureau has also determined that the population of the state of Florida has now surpassed that of New York.

The number of residential electric accounts maintained by the City of Lakeland inched upward a seasonally adjusted 0.2% in the fourth quarter. The actual (unadjusted) number of accounts at the end of the year stands 1.1% above the fourth quarter of 2012.

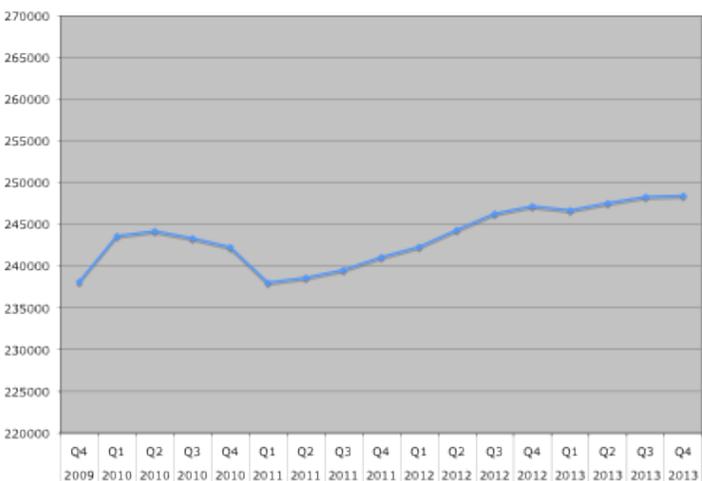
Residential Electric Accounts (Seasonally Adjusted)



EMPLOYMENT – Weak employment growth continues to plague the Polk economy. The average level of employment during 2013 is up just 1.1% from average employment in 2012 (an increase of 2,808 workers).

Employment in the fourth quarter of 2013 is up by 995 workers (0.4%) from the same quarter a year ago. Seasonally adjusted employment in the fourth quarter is essentially unchanged from the preceding Quarter 3.

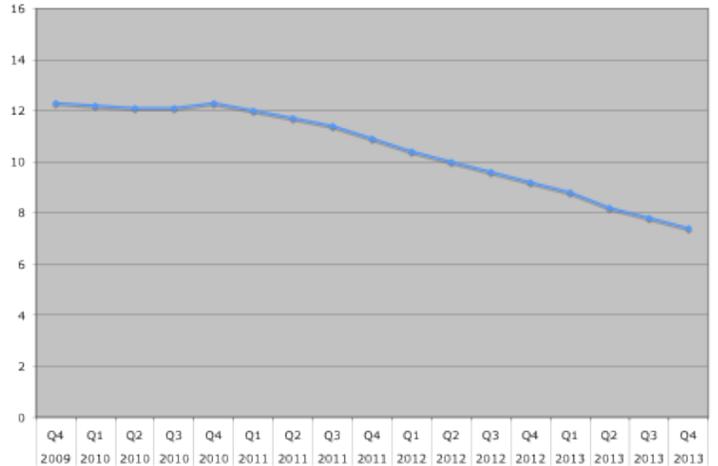
Total Employment (Seasonally Adjusted)



Polk County’s unemployment rate continues to fall, though largely due to workers leaving the local labor force. The county’s unemployment rate averaged 8% in 2013, versus a 9.8% average rate in 2012. The unemployment rate fell from 7.6% in October to 7.3% in November and 6.8% in December.

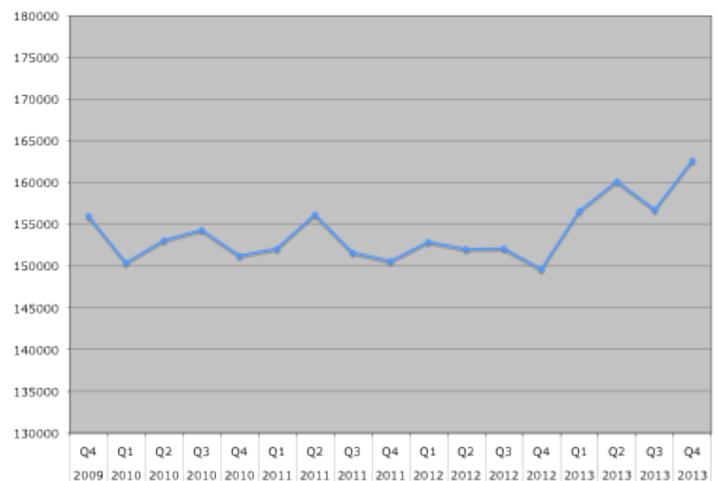
When monthly data are adjusted for recurring seasonal factors, the average unemployment rate during the fourth quarter of 2013 was 7.4%, down from the 7.8% average during the preceding Quarter 3.

Unemployment Rate (Seasonally Adjusted)



MANUFACTURING - The number of electricity kilowatt hours sold by the City of Lakeland to industrial users rose a seasonally adjusted 3.8% during the fourth quarter. Quarter 4 usage was 8.5% above the same quarter a year ago.

Industrial Kilowatt Hours (Seasonally Adjusted)



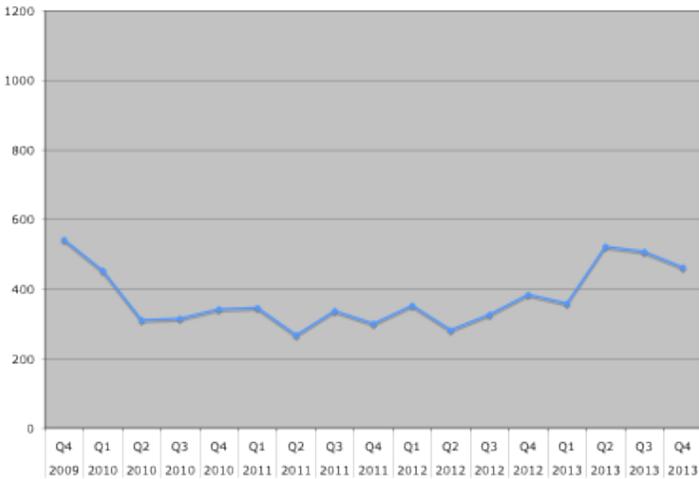
Industrial electricity consumption for the entire 2013-year was 648.4 million kilowatt hours, an increase of 5.3% from the preceding year.

CONSTRUCTION - There were 154 construction permits issued for new single-family homes in Polk County during October, 111 in November, and 160 in December. The county issued 1,936 permits throughout 2013, an increase of about 50% from 2012.

Expansion in local housing construction appeared to tail off in the second half of 2013. After climbing steeply in the first half of the

year, seasonally adjusted permits for the construction of single-family homes fell 2.9% in Quarter 3 and another 8.9% in Quarter 4.

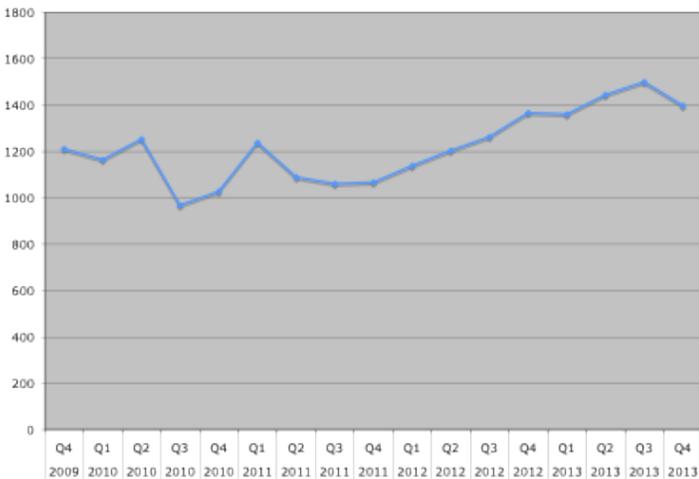
Number of Single Family Building Permits (Seasonally Adjusted)



Home sales in the county totaled 474 in October, 384 in November, and 459 in December. The median sale price in December was \$130,000, an increase of 13% from December 2012. There were 5,851 homes sold in the county in 2013, an increase of 12% from the preceding year.

County home sales fell a seasonally adjusted 6.8% in the fourth quarter following expansions in six of the seven preceding quarters

Number of Homes Sold (Seasonally Adjusted)

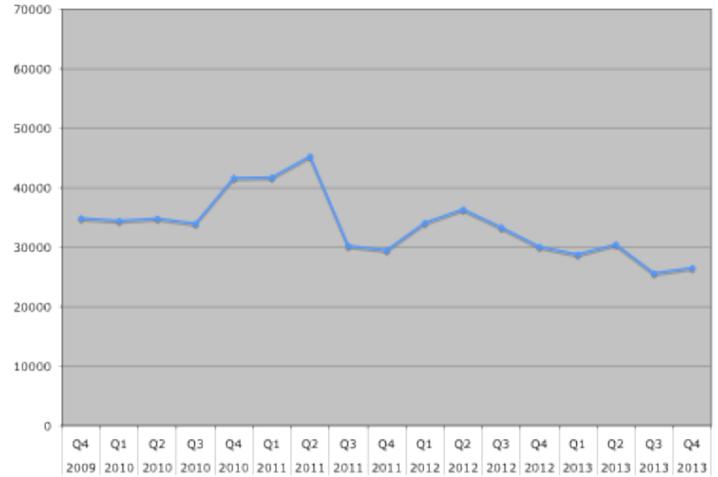


There were 6,322 foreclosure filings in Polk County during 2013, a decline of 29% from 2012. An unexpected increase in Polk County foreclosures during January is thought to be an aberration from the downward trend.

CITRUS - The US Department of Agriculture held its February estimate of the 2013-14 orange crop constant at 115 million boxes. That is still 10 million boxes below the original crop estimate, due primarily to pre-harvest fruit drop from the bacterial disease, citrus greening.

The long-term downward trend in the volume of citrus concentrate produced by Florida processors continues unabated as we enter 2014.

Citrus Concentrate Movement (Thousands of Gallons)



DEVELOPMENT* - Florida Southern College has received a \$400,000 grant from the Florida Division of Historical Resources toward the restoration of the Annie Pfeiffer Chapel on its Lakeland campus. The chapel is considered the jewel among the 13 Frank Lloyd Wright designed structures located on the Florida Southern campus.

First United Methodist Church in Lakeland is undergoing a \$12.5 million expansion at its Lake Morton location. The project includes a welcome center, plus interactive playgrounds to accompany new pre-school, after-school, and Sunday school classrooms. Completion is anticipated in September.

A local developer has revealed plans for a \$3.5 million expansion of the Grace Manor retirement home located near Lake Morton on Lime Street in Lakeland. Those plans call for an additional 26 units to be built, bringing the total number of units to 76.

Developers have begun the first construction phase of the Lakeland Park Center shopping center on US 98 North. The \$33.6 million first phase will have 210,000 square feet of space, with tenants including Dick's Sporting Goods, Ross Dress for Less, PetSmart, and Old Navy among others.

Zoning has been approved and demolition of an existing structure begun at the Village Plaza shopping center in North Lakeland to prepare for construction of a new Hobby Lobby store. The new 55,000 square-foot Hobby Lobby is scheduled to open in spring 2015.

A 7,500 square-foot building to house retail outlets is under construction at the intersection of US 98 North and Banana Road in Lakeland. The Garland Retail Center will provide space for eight retail shops.

A March groundbreaking is planned for a new medical building at the intersection of Lakeland Highlands Road and Clubhouse Road in South Lakeland. The 34,848 square-foot structure will be the first of three medical buildings planned for the site.

MidFlorida Credit Union intends to open a new South Lakeland branch at the intersection of Harden Boulevard and Beacon Road

in 2014. MidFlorida will renovate the former location of a TD Bank branch office on the site.

Two Winter Haven developers have announced plans to build a 107,000 square-foot four-story structure in downtown Winter Haven that would house retail businesses, a restaurant, office space, and condominiums. The proposed location is on Third Street Southwest, and would encompass part of Avenue A Southwest as well as existing nearby parking areas.

The 6/10 Corporation has made public its intent to build a new residential housing project in downtown Winter Haven. The Raingarden Apartments will be a nine-unit complex of 1,800-square-foot apartments located at the intersection of Avenue A Southwest and Second Street Southwest.

Taco Bell is building a new outlet in Winter Haven. The 2,500 square-foot restaurant is under construction on Cypress Gardens Boulevard in front of the entrance to the Legoland amusement park. An opening is anticipated in early April.

Bok Tower Gardens in Lake Wales will undertake a \$12 million renovation project to coincide with the park's 85th anniversary. Improvements will include a \$3.5 million three-acre children's discovery park, featuring tunnels and climbing apparatus.

Communications Test Design Incorporated has announced plans to open a location in Davenport that will bring 200 jobs to Polk County. The Pennsylvania-based firm has purchased a 104,000 square-foot building on US 27 North that formerly housed a Carolina Sofa store. Communications Test Design provides engineering, testing, and repair services to the communications industry.

Publix has completed a \$425,000 remodeling of its store in Davenport. The Publix supermarket is located in the Berry Town Center. Construction began in early October.

A roadway resurfacing project will soon create 80 additional parking spaces in Haines City. The project is intended to relieve congestion for patrons of downtown businesses.

NEW OPENINGS AND CLOSINGS* - O'Reilly Auto Parts opened its new \$40 million distribution center west of Lakeland in January. The 388,000 square-foot facility on County Line Road commenced operations with 160 employees. There are plans to eventually expand the local workforce to 400 employees who will serve the 90 O'Reilly stores located throughout Florida.

Florida Southern College has opened a newly constructed Usonian house on its Lakeland campus that was designed by Frank Lloyd Wright in 1939. The two-bedroom structure is 1,330 square feet and features 6,000 colored glass inserts. The college has also remodeled an adjacent 1930s Sears Craftsman house to serve as a gift shop. The two structures comprise the Sharp family Tourism and Education Center.

The Lakeland Economic Development Council opened a new facility designed to encourage the development of entrepreneurs and small businesses in January. Catapult is located downtown in the basement of the Bank of America building on South Florida Avenue, and provides inexpensive space for fledging entrepreneurs.

The new Cinemark Lakeland Square Mall and XD movie theater opened in January. The North Lakeland complex adjacent to US 98 North contains 12 theater screens with an all-digital presentation and stadium seating. Cinemark is the second first-run theater in Lakeland.

The new Good Shepherd Hospice House located on Lakeland Hills Boulevard in North Lakeland began serving patients in February. The 30,200 square-foot hospice house contains two wings, each with eight private rooms.

The TGIF restaurant in North Lakeland closed in January. The eatery was located in the Village Plaza center north of Lakeland Square Mall. It was the only TGIF location in Polk County for the Texas-based chain that operates over 900 restaurants worldwide.

The Pet Supermarket store on US 98 North in Lakeland has closed. The Pet Supermarket outlet in South Lakeland will remain open. The South Lakeland store is located on South Florida Avenue.

A new pharmacy opened in West Lakeland during December. Lakeland Family Pharmacy is located on West Memorial Boulevard.

Sky King Airlines has ceased operations at the Lakeland Linder Regional Airport. The charter jet service filed for Chapter 11 bankruptcy protection in late 2012. The company leases 22,000 square-feet of hanger space from the City of Lakeland, and at its peak employed 45 workers at the Lakeland facility.

Several South Lakeland businesses recently closed their doors as their owners chose to retire. Lakeland Sports Cards, located on South Florida Avenue in Lakeland, closed in December. The sports card and collectibles shop first opened in 1994. The Gun Shed on Edgewood Drive in Lakeland closed in November. The Gun Shed first opened 37 years ago.

Recently closed Arby's restaurants on South Florida Avenue in Lakeland and Havendale Boulevard in Auburndale are each being replaced with new Popeyes Louisiana Kitchen restaurants. Popeyes features fast-food New Orleans cuisine.

Polk State College held a January opening for its new 47,000 square-foot Clear Springs Advanced Technology Center in Bartow. The \$14.5 million building located north of SR 60 is one of just three advanced technology centers in Florida.

The Apple Seeds store on East Main Street in Bartow closed in December. The country gift and candle shop had been in business for 20 years.

The Doggie Bag Pet Boutique store on Main Street in Bartow will close its doors in February. The Doggie Bag location on Edgewood Drive in Lakeland will remain open, and offer twice a month delivery services for their Bartow customers.

The Country Club of Winter Haven opened its new golf course in January. Built on the 290-acre site of the former Lake Region Yacht and Country Club, the course represents the first phase of a three-phase plan that will include a tennis facility and swimming pool.

Fred's Southern Kitchen on Third Street Southwest in Winter Haven has closed and is undergoing conversion into a Johnson Barbecue. The ownership remains the same, and the new Johnson Barbecue is modeled on an existing Johnson Barbecue located in Plant City.

The Streamsong Resort opened in Southwestern Polk County opened in January. The Mosaic Company-owned resort contains 14,000 square feet of meeting and conference space, 216 guest rooms, and several restaurants. It also houses two eighteen-hole golf courses that were previously opened in December of 2012.

Amy's Hallmark Shop in Lake Wales will close in February. The card shop is located in the Eagle Ridge Mall. The three remaining Hallmark Shops in Polk County are all in Lakeland.

The new Miracle Toyota auto dealership in Haines City is scheduled to open in February. The relocation of the franchise from Winter Haven brings 60 jobs to Haines City, including 30 workers who are transferring from the old location. The new 60,000 square-foot structure is located adjacent to US 27.

American Care Incorporated moved its medical clinic in Haines City to a new downtown location. The newly opened clinic location is on Hinson Avenue. American Care is a chain of medical clinics headquartered in Miami.

A new breakfast-lunch eatery has begun serving patrons in Haines City. Nikko's Egg City opened in December just north of the Haines City Chophouse. The two restaurants will share a common parking lot.

P's and Q's Quilt shop has moved to a new location on Center Street in Dundee. The shop was formerly located in Haines City.

A new Dollar General store opened in Davenport in January. The new Dollar General is located at the intersection of US 17/92 and Escambia Avenue. It is the first new store in Davenport to open under revised Land Development Regulations designed to preserve the historic downtown appearance.

Advance Auto Parts opened its first store in Davenport in December. The new store is located on US 27 adjacent to the Dunkin' Donuts outlet.

TAKEOVERS* - Summit Holdings Southeast Incorporated is being purchased by American Financial Group Incorporated for a reported \$400 million. Lakeland-based Summit is an underwriter of workers' compensation insurance with 738 employees. The sale is pending regulatory approval.

THE NATIONAL ECONOMY

The pace of economic expansion accelerated in the second half of 2013, with the price-adjusted Gross Domestic Product climbing at a 3.2% annual rate in the fourth quarter. That follows a 4.1% annual rate of growth in Quarter 3. It is the strongest second half GDP growth since 2003. Real GDP is up 2.7% from a year ago.

Positive factors in Quarter 4 growth included consumer spending, exports, business fixed investment and inventory growth, and

spending by state and local governments. The deceleration in growth from the preceding quarter reflected a slowing in the rates of expansion for inventories and business investment, and continued cutbacks in federal government spending.

CONSUMER SPENDING - Personal Consumption Expenditures (PCE's include spending for both goods and services) climbed 0.1% in October, 0.6% in November, and by 0.4% during December. Retail sales (goods only) were up 0.3% during October, 0.6% in November, and by 0.2% in December.

Consumer confidence remains strong despite slow income growth. The Consumer Confidence Index calculated by the Conference Board was up sharply in December, and again in January. The Index of Consumer Confidence prepared by Reuters/University of Michigan was down slightly in December, but still up 11.2% from a year ago.

Disposable personal incomes fell 0.2% in October, rose 0.1% in November, and were unchanged in December. Price adjusted disposable personal incomes rose just 0.7% during 2013, versus a 2% rise in 2012.

Personal savings as a percentage of disposable income fell from 5.1% in September to 3.9% in December.

EMPLOYMENT - Nonfarm employment climbed by a heartening 237,000 jobs in October and 274,000 new hires in November. The sharp gains evaporated when payrolls rose by just 75,000 workers in December and 113,000 in January.

The nation's unemployment rate continues to fall, dropping from 7.2% in October to 6.7% in December and 6.6% in January.

INDUSTRIAL PRODUCTION - Output at US mines, factories and utilities climbed 0.2% during October, 0.7% in November, and another 0.3% in December. In November, US industrial production passed its pre-recession peak for the first time. Industry operated at 78.4% of designed capacity in October, 78.8% in November, and 78.9% in December.

The outlook for manufacturing cooled a bit in the fourth quarter. Factory orders dipped 0.9% in October, and managed a gain of 1.8% in November before dropping again in December by 1.5%.

New orders for durable goods fell 0.7% in October. Orders were up 2.6% in November before falling another 4.3% during December. The December decline with the largest since July, and was largely due to a sharp drop in demand for civilian aircraft. Excluding the volatile transportation sector, December orders were down 1.6%.

Manufacturing and trade inventories climbed 0.7% in October, 0.4% in November, and 0.5% in December.

CONSTRUCTION - Expenditures for new construction rose 0.7% in October, 0.8% in November, and 0.1% during December. The total value of new construction during 2013 was \$898.4 billion, an increase of 4.8% from the preceding year.

Building permits for new housing units climbed 6.2% during October before offsetting that with declines of 3.1% in November

and 3% in December. The number of housing units authorized for construction throughout the 2013-year was up 17.5% from 2012.

New single-family home sales rose 14.9% in October. Sales then ended the year on a weaker note, falling 3.9% in November and 7% during December. The 428,000 new homes sold during 2013 represented a 16.4% increase from the preceding year. The median price of a new home in 2013 was \$265,800, an increase of 8.4% from 2012.

Sales of existing homes dropped 3.2% in October and 5.9% in November before posting a small 1% gain in December. Sales for the entire 2013-year were up 9.1% from 2012, and were the highest annual total since 2006. The median sale price in 2013 was \$197,900, an increase of 11.5% from the preceding year.

FOREIGN TRADE - The US international foreign trade deficit continued to narrow in the fourth quarter. The trade deficit in goods and services fell to \$39.1 billion in October and \$34.6 billion in November. The deficit in December rose modestly to \$38.7 billion. The trade deficit for the entire year was \$471.5 billion, a decline of \$63 billion from 2012. The deficit fell from 3.3% of GDP in 2012 to 2.8% of GDP in 2013.

COST OF LIVING - Inflation stayed tame through the end of 2013, with the Consumer Price Index (CPI) declining 0.1% in October, remaining unchanged in November, and climbing 0.3% during December. For the entire 2013 year, the CPI rose just 1.5%.

Year	Q1	Q2	Q3	Q4
2009	212.0	214.3	215.7	216.2
2010	217.0	217.2	218.0	219.5
2011	222.3	224.5	226.2	226.7
2012	228.3	229.8	230.1	231.2
2013	232.1	232.0	233.6	234.1

(A) Figures are revised by the Department of Commerce as of January, 2014. The data reflect the average CPI reading during each quarter. The base period of the CPI is 1982.

MONETARY POLICY - Janet Yellen replaced Ben Bernanke as chair of the Federal Reserve Board of Governors in January. Her succession is not expected to bring any change in the Fed’s direction of gradually reducing its monthly expenditures for bonds in the financial markets. The Fed has established a pattern of reducing its bond purchases in \$10 billion increments to a monthly figure of \$65 billion as of the end of January 2014.

LEADING INDICATORS - The Leading Economic Index maintained by the Conference Board climbed 0.1% in October, 1% in November, and 0.1% in December. The numbers point toward continued gradual improvement in economic conditions through the early part of 2014.

The most recent survey of 46 economists by the Wall Street Journal found a lowering of their consensus forecast for GDP growth in the near term due to harsh winter weather in much of the country. The average projection for first quarter 2014 real GDP annual growth rate is now 2.2%. The consensus calls for growth to accelerate to a 2.8% annual rate in the second quarter, 3% in the third quarter, and 3.1% in Quarter 4.

New orders for nondefense capital goods excluding aircraft, a widely followed indicator of business investment plans, were down 0.6% in October, up 2.6% in November, and down 1.3% in December.

SUMMARY - The national economy picked up speed in the second half of 2013. Consumer spending continues to lead the way despite slow income growth. Employment growth slowed in December and January, and the outlook for manufacturing cooled a bit even as industrial output passed its pre-recession high water mark.

Inflation remains tame, and the Federal Reserve has begun cutting back on its bond-buying program. The outlook is for price-adjusted GDP to grow more slowly in the first half of 2014, with growth picking up in the second half of the year. We look for GDP growth at about a 2.8% annual rate during the first quarter.

POLK OUTLOOK

The local economy hit a bump in the fourth quarter as the overall Polk Progress index dipped 1.3% largely reflecting declines in retail sales and home sales. Home sales tend to be volatile in the short run, and are likely to resume their upward trend in 2014.

The slowdown in retail sales growth after the first quarter of 2014 and the continued paltry growth in local employment are of more immediate concern. As a result we are revising downward our projections for economic growth in Polk County during 2014. We still expect overall growth in the 3% to 4% range over the course of the year, led by further increases in home sales and a revival of retail sales growth in the next several quarters.

METHODOLOGY

The Polk Progress Index is developed on the basis of quarterly observations of six variables. The base period for the index is the first quarter of 1992. Data are adjusted for seasonal fluctuations where appropriate. The statistical technique of factor analysis was employed to assign weights to the observed variables and derive estimates of the underlying factor. The weights used are Taxable Sales (.18); Total Employment (.19); Home Sales (.15); Residential Electric Accounts (.17); Industrial Kilowatt Hours (.17); and Hotel/Motel Sales (.14). The index explains 89% of the variation in the combined variables. The weights and variables are subject to future verification and modification in light of changing relationships.

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

POLK PROGRESS INDEX													
	2011				2012				2013				2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Taxable Sales (1,000 of \$)	1,630,745	1,562,423	1,492,858	1,697,787	1,783,895	1,690,533	1,621,631	1,785,522	1,906,097	1,804,928	1,738,734	1,837,192*	1,920,000*
Total Employment	247,824	239,880	238,781	241,041	241,851	245,601	245,577	246,954	246,728	248,808	247,732	247,949	248,120*
Residential													
Telephone Access	80,414	76,390	72,010	67,607	63,425	59,240	56,061	53,355	50,684	47,838	45,239	42,875	40,000*
Business													
Telephone Access	52,178	50,914	50,089	49,070	48,372	47,332	46,678	45,709	44,788	43,932	42,934	42,813	40,475*
Industrial Electric													
KWH (1,000's)	137,088	153,904	164,038	151,928	139,017	150,679	164,831	151,619	142,703	161,269	170,002	164,445	153,000*
Number of Single													
Family Building Permits	246	258	327	210	315	266	360	353	382	567	562	425	480*
Hotel/Motel Sales													
(1,000's of \$)	42,885	38,513	35,668	33,050	48,723	40,231	38,585	34,972	54,076	45,643	42,662	39,886*	57,000*
Number of Homes Sold	1,230	1,212	1,074	1,023	1,168	1,375	1,285	1,346	1,401	1,617	1,486	1,317	1,500*
Citrus Concentrate													
Movement (1,000's of gallons)	41,730	45,265	30,205	29,501	34,103	36,327	33,333	30,047	28,753	30,438	25,609	26,536	24,800*
Building Permits													
(1,000's of \$)	95,755	71,018	144,852	75,655	176,880	97,764	109,625	95,431	166,631	141,515	129,780		
Number of Residential													
Electric Accounts	101,375	99,855	99,547	100,872	102,104	101,065	100,169	101,154	102,957	101,668	100,987	102,268	103,400*
POLK PROGRESS	193.3	188.0	187.3	189.3	196.6	196.1	199.6	203.5	209.8	212.7	214.5	211.7	215.0*

*Estimated values for taxable sales and motel/hotel sales in Q4 2013, and forecast values for Q1 2014.

Individual variables in the table represent raw data, unadjusted for seasonal factors. Industrial electric consumption reflects sales by the City of Lakeland.

Citrus concentrate movement is for the state of Florida. All other data are county specific.

The composition of the Polk Progress is explained in the methodology section at the end of this report. Data are seasonally adjusted when appropriate to the computation of the overall index.

Thank you to the sponsor of Polk Progress



THE POLK PROGRESS

February 2014

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