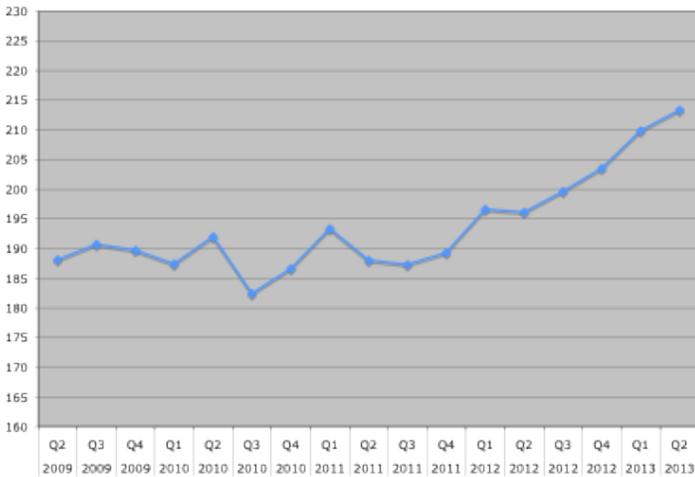
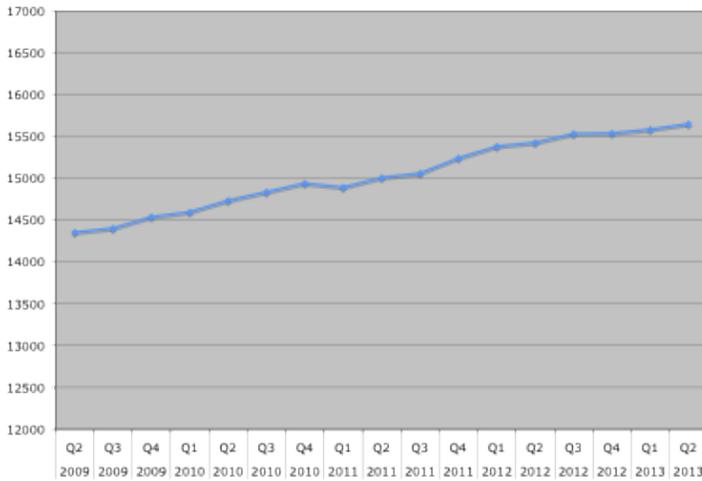


THE LOCAL ECONOMY

Polk Progress Index



US Gross Domestic Product (Price Adjusted)



POLK ECONOMY CONTINUES ON THE LONG ROAD TO RECOVERY

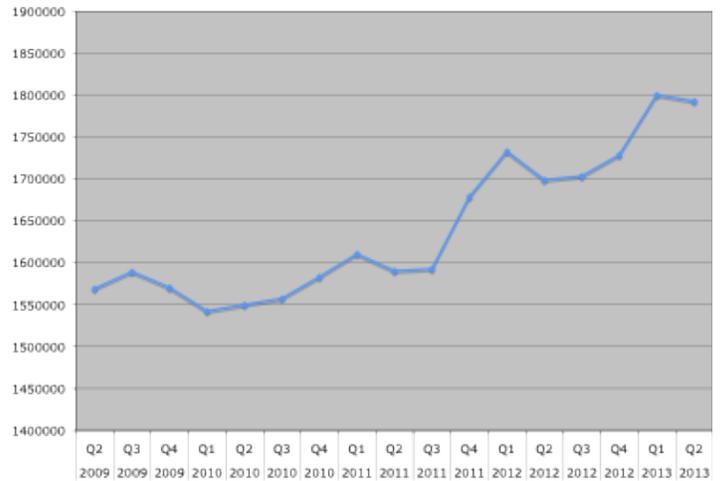
The Polk Progress Index (PPI) rose 1.7% in the second quarter, led by increases in manufacturing output and home sales. The overall index has risen smartly during the past year, and now stands well above the same quarter in 2012.

The PPI is approaching the all-time high level reached in the second quarter of 2006. However, data on employment and retail sales clearly show that the local economic recovery remains fragile and incomplete.

A study by the University of Florida ranks Polk as the seventh largest county in the state in employment and economic impact related to agriculture, food, and natural resource industries. The study estimates that these industries provided 93,237 jobs in Polk County with an economic impact of \$6.1 billion during 2011. Restaurant and food services accounted for an estimated 22,602 jobs, and crop and livestock production provided 9,879 jobs in the county.

SALES - Taxable sales dipped a seasonally adjusted 0.4% in the second quarter based on preliminary data, only partially offsetting a revised 4.1% increase in Quarter 1. Sales through the first six months of 2013 are running 6.9% above the same period a year ago.

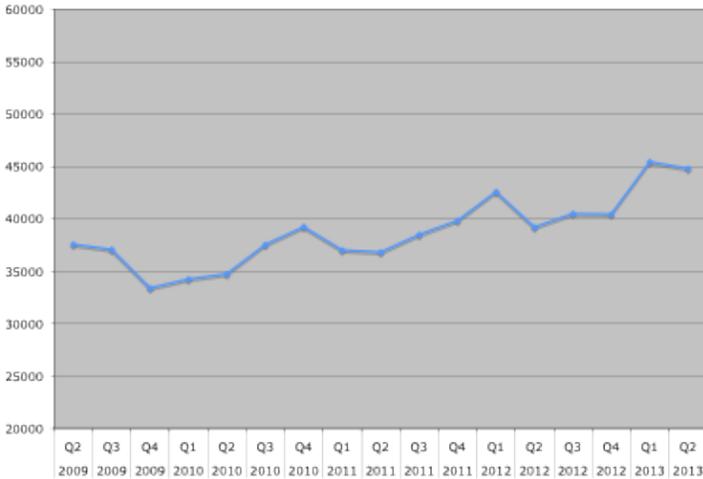
Taxable Sales (Dollars Seasonally Adjusted)



Total taxable sales in Polk County remain almost 9% below the peak level achieved in the second quarter of 2006 despite the gains achieved during the past two years.

Seasonally adjusted sales at Polk County hotels and motels fell an estimated 1.4% in Quarter 2, again based on preliminary figures. Actual (unadjusted) hotel/motel sales in the first half of 2013 are up 12% (\$10.7 million) from the first six months of 2012.

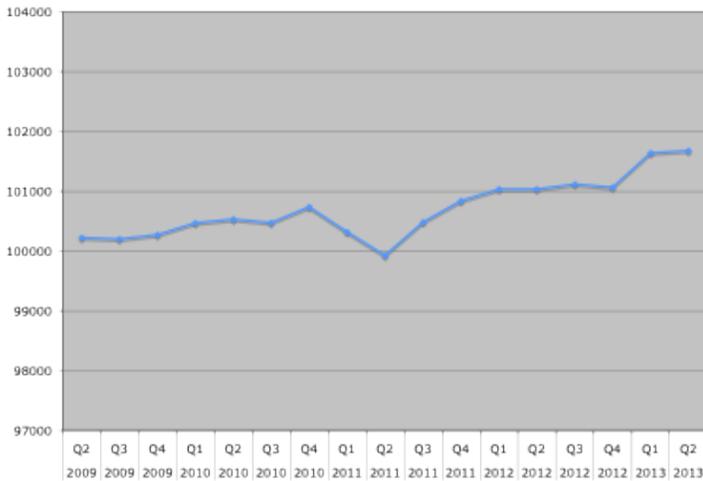
Hotel/Motel Sales (Dollars Seasonally Adjusted)



POPULATION – Taxable property values in Polk County have risen 3.6% from last year according to a July estimate issued by Polk County Property Appraiser Marsha Faux. The report places the value of taxable property in the county in 2013 at \$24.1 billion. Taxable property values peaked in 2007 at \$35.6 billion.

The average level of residential electricity connections maintained by the City of Lakeland thus far in 2013 is 0.7% above the average level for the same period in 2012.

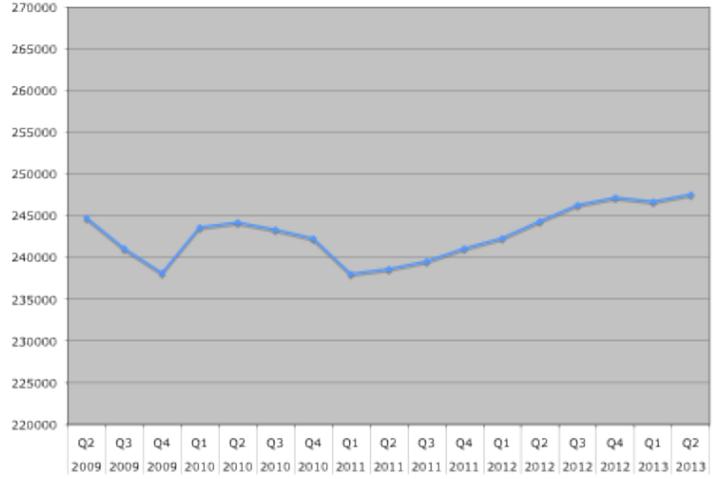
Residential Electric Accounts (Seasonally Adjusted)



EMPLOYMENT – Local employment growth paused in the first half of 2013 according to data prepared by the Florida Agency for Workforce Innovation. Total employment in the county increased a seasonally adjusted 0.3% in the second quarter following a nearly matching 0.2% dip in the preceding first quarter of the year.

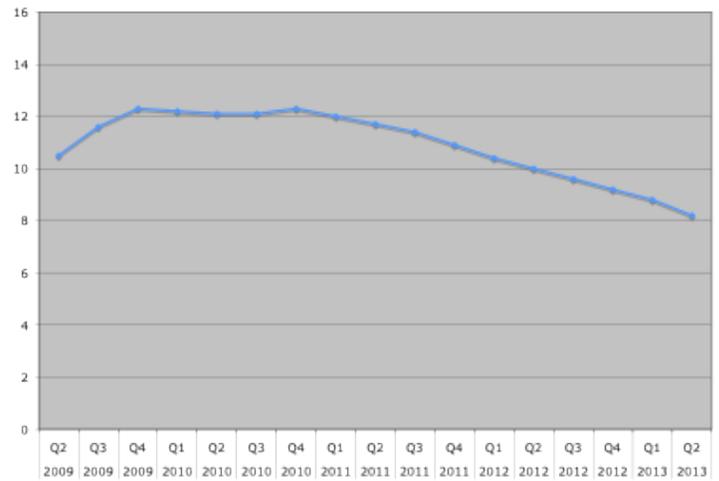
Employment has grown slowly since bottoming out in the first quarter of 2011. The average level of employment thus far in 2013 is up 1.7% (4,042 jobs) from the first six month of 2012, but most of the year-to-year gain occurred in the second half of 2012. Total employment remains down about 11,000 workers (4.3%) from the peak level achieved in May of 2007.

Total Employment (Seasonally Adjusted)



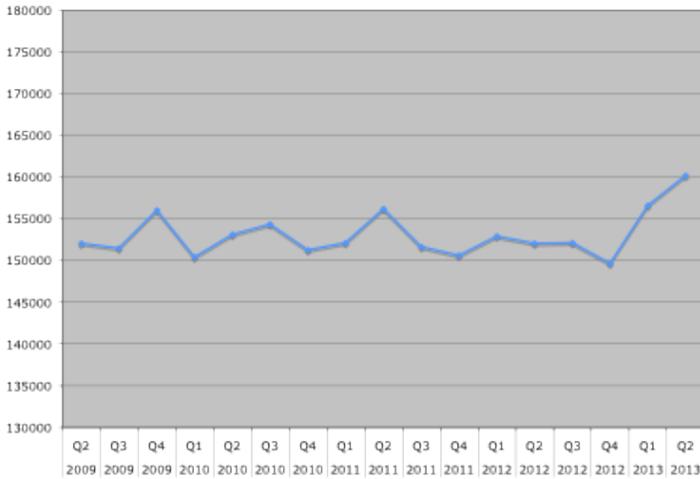
The unemployment rate in Polk County rose from 7.5% in April to 7.8% in May, 8.4% in June and 8.7% in July, largely due to recurring seasonal factors. Data adjusted for seasonal variations show the rate has steadily fallen over the past two and a half years. However, a significant portion of that decline is attributable to discouraged workers leaving the labor force.

Unemployment Rate (Seasonally Adjusted)



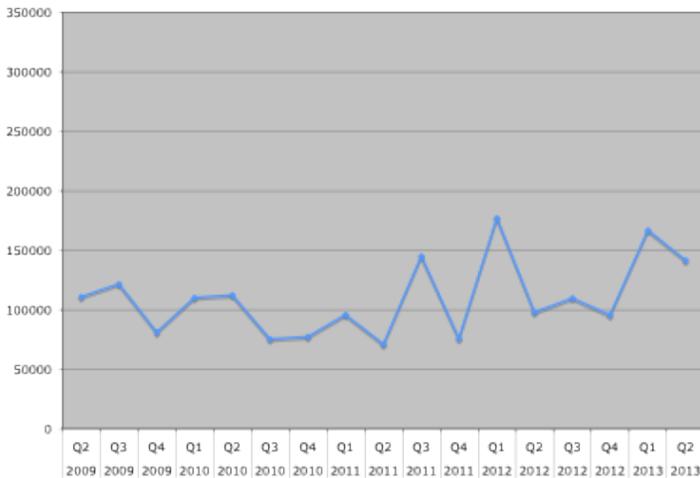
MANUFACTURING - Local manufacturing activity appears to be picking up in 2013. The number of kilowatt hours sold by the City of Lakeland to industrial users rose a seasonally adjusted 2.3% during the second quarter. Industrial electricity usage thus far in 2013 is up 4.9% from the first half of 2012.

Industrial Kilowatt Hours (Seasonally Adjusted)



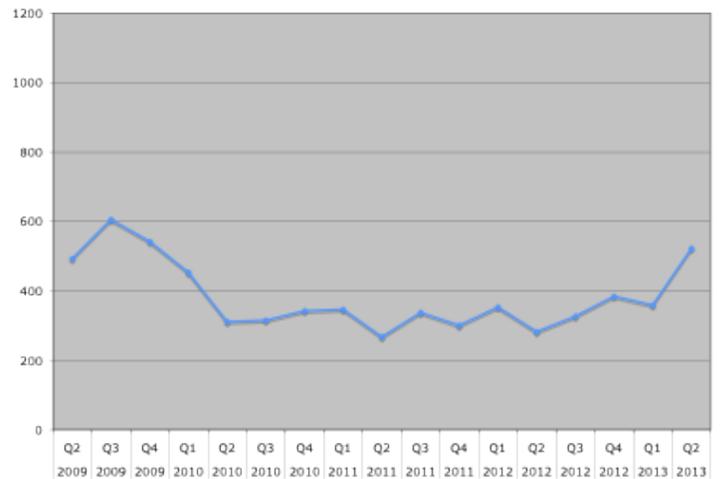
CONSTRUCTION - The value of building permits issued countywide during the second quarter was \$141.5 million. The value of permits issued in the first six months of 2013 is 12% higher than the value issued through the first half of 2012.

Dollar Value of Building Permits



There were 182 permits issued for the construction of new single-family homes in Polk County during April, 217 in May, and 168 in June. The 939 permits issued through the first six months of 2013 are up 63% from the total recorded in the first half of 2012. Permits are expected to continue rising in coming months in the face of increased home sales and low inventories of existing homes for sale.

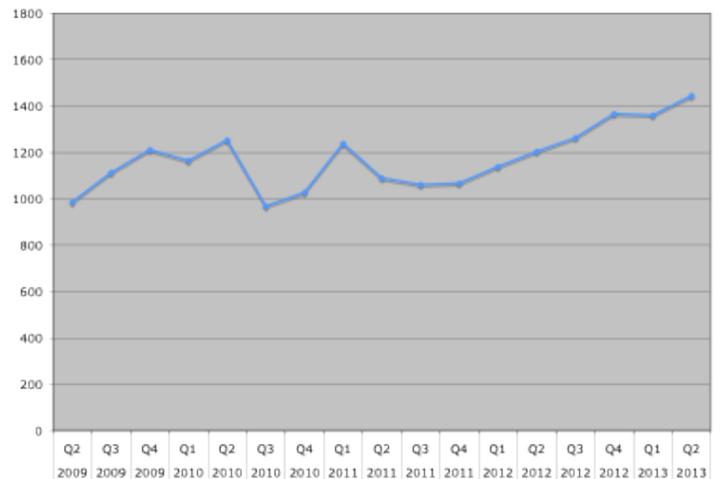
Number of Single Family Building Permits (Seasonally Adjusted)



Seasonally adjusted local home sales rose 6.2% in the second quarter. There were 574 homes sold in Polk County during the month of April, 539 in May, and 504 in June. The median sales price for homes sold in Polk County during the month of June was \$116,000, an increase of 5.5% from June of 2012.

The number of homes sold in the first six months of 2013 has risen by 475 (18.7%) from the same period in 2012. Home sales are expected to continue rising in the months ahead as prospective buyers move to beat expected increases in interest rates.

Number of Homes Sold (Seasonally Adjusted)

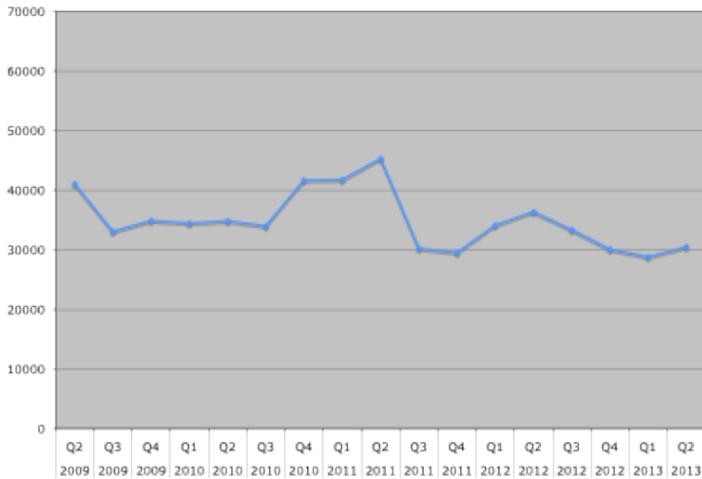


Foreclosure filings in Polk County during the first six months of 2013 are down 20% from the same period in 2012. Local foreclosure notifications fell to 208 in June, versus 447 in June of 2012.

CITRUS - The final monthly update on the 2012-13 Florida citrus crop by the US Department of Agriculture estimates the season's orange crop at 133.4 million boxes. The total is down 13.4% from the initial USDA estimate last October, primarily a result of premature fruit drop due to citrus greening. The 2012-13 orange crop is also 9% below the preceding 2011-12 crop when Florida growers harvested 146.7 million boxes of oranges.

Initial forecasts for the 2013-14 citrus season project an orange crop slightly below the 133.4 million boxes harvested during the 2012-13 season. Kissimmee consultant Elizabeth Steger predicts a harvest of 130 million boxes of oranges, while Winter Haven based Louis Dreyfus Citrus Inc. anticipates a harvest of 132 million boxes.

Citrus Concentrate Movement (Thousands of Gallons)



DEVELOPMENT * - Polk County has been designated to become part of the US foreign trade zone based in Tampa. The designation makes local businesses eligible for reductions in federal tariffs, enhancing the profitability of international trade deals.

The City of Lakeland plans to build a new 119-acre park in North Lakeland. The Northeast Community Park will be located along Lakeland Hills Boulevard next to the Lakeland Cancer Center. It is to be situated among several existing lakes, and will feature boat ramps and docks in addition to baseball and soccer fields.

Recoating West has moved into a 9,000 square-foot facility in the Ruthven Complex on East Lakeland Commerce Parkway in Northeast Lakeland. The firm manufactures uniform lockers, transfer carts, and shelving for the laundry industry.

GC Services has announced that it will hire 40 new workers at its North Lakeland call center located on Interstate Drive. The latest hires will bring total employment at the call center to nearly 1,000 workers.

Bobby Moore Properties will soon begin building a 30,240 square-foot warehouse near the intersection of Airport and Drane Field Roads in West Lakeland. Construction is scheduled to begin this fall.

The Polk County Commission has approved \$4.5 million in tax incentives intended to attract construction of a warehouse to be built by Amazon Inc. along County Line Road west of Lakeland.

County commissioners have also approved a tax break for a proposed craft beer brewery. Brew Hub is slated to open in the Lakeland Interstate Commerce Park west of the city next year, creating 25 new jobs.

The Lakeland City Commission has approved a zoning change to allow construction of a 260-unit apartment complex. Construction is scheduled to begin in about six months on the Greystone Lakes complex to be located east of Harden Boulevard in southwest Lakeland.

Another zoning change is under consideration to enable construction of a hotel off of Harden Boulevard across from the Lakeside Village in Lakeland. Construction would begin next year on a 47,320 square-foot Holiday Inn Express pending approval.

The Polk County Commission has approved construction of a new RaceTrac convenience store at the intersection of SR 37 and Christina Boulevard in South Lakeland. The vote followed a three-year dispute between RaceTrac officials and homeowners in the Christina subdivision regarding location of the store.

Dollar General has plans to build a new store at the intersection of Palmer road and US 92 east of Lakeland. Dollar General is also building a new 9,100 square-foot store in Winter Haven along County Road 542 west of downtown.

Family Dollar has recently opened a new store at the intersection of US 92 and Dixie Highway east of Lakeland, and has plans for a new outlet at Combee Road and North Crystal Lake Drive in North Lakeland.

A new Wawa convenience store is slated for construction on US 98 North in Lakeland. The store will be the first location in Polk County for the Pennsylvania-based chain.

O'Reilly Auto Parts has announced plans to build another new store north of Mulberry on SR 37 near Carter Road. The company is also building a 7,225 square-foot store adjacent to US 98 in North Lakeland.

The Results Company of Dania Beach held a job fair in July to fill 200 new positions at its call center located on Recker Highway in Winter Haven.

Voce Communications in Winter Haven is expanding its office on Pave Avenue N.W. to accommodate a potential doubling of its workforce. The digital marketing company currently employs 17 workers.

Florida Chemical Co. has announced plans to raise productive capacity at its Winter Haven plant and hire six additional workers in the next year. Florida Chemical is the world's largest processor of citrus oils and currently has 60 employees at the Winter Haven plant.

TriCircle Pavers Inc. is building a manufacturing plant in Bartow. The new plant will create 17 new jobs, with an opening planned in August.

Lennar Homes of Miami has announced that it will build 260 new homes in Davenport. The construction project is one of several planned for building out the Providence golf club community.

The developers of the Champions Plaza Town Center north of Davenport are negotiating with Publix Supermarkets to be the anchor of a mixed-use development at the intersection of US 27 and Bella Cita Boulevard. The planned development will include 170 townhouses and a 120-room hotel.

NEW OPENINGS AND CLOSINGS * - The Bob Evans restaurant in North Lakeland reopened in July. The restaurant had been temporarily closed as part of a chainwide remodeling program.

The owners of Harry's Family Restaurant in Lakeland have opened a second eatery in the downtown area. The Downtown Diner opened in August on Main Street, serving customers on weekdays from 7 am to 2 pm.

The Jeanene Brown Drop In Center on Edgewood Drive in Lakeland closed at the end of June. The center provided a place for mental health consumers to socialize as part of their recovery. Cutbacks in state funding necessitated the closing.

Ulta Beauty will open a new shop in the Merchants Walk shopping center in Lakeland this October. The retail chain of salon products and services operates 600 stores located in 46 states.

Several Lakeland retail outlets are closing their doors in a reflection of the tough economic environment. The Tougie Baby store in downtown Lakeland closed in June. The children's clothing shop opened on Kentucky Avenue two years ago.

The General Store in Lakeland is closing after a six-year run. The Kentucky Avenue shop supplied convenience items to downtown customers in an old-time setting.

The LA Fitness gym near downtown Lakeland closed in July. The fitness center was located on Lemon Street, first opening as a Lifestyle Center in 1982 that was acquired by LA Fitness in 2012.

The All Saints Thrift Store on South Florida Avenue in Lakeland closed in August. The nonprofit store had been in business for twelve years.

Beyond Vintage Resale and Consignment store opened in South Lakeland in July. The store features furniture and clothing, and is located on West Oak Drive off South Florida Avenue.

The Polk Transit Regional Mobility Call Center opened in Bartow in June. The center enables people throughout the county to phone one number for their transportation needs.

The Sakura Japanese Steakhouse and Sushi Bar began serving customers in Winter Haven in May. The new eatery is located on Third Street SW, and is the fifth restaurant in the city to feature Japanese fare.

Elmo and Linda's Magical Dining is relocating in Winter Haven. The restaurant is moving to a suite in the Old Towne Square on Third Street N.W. Hours of operation will now be Tuesday through Saturday.

TAKEOVERS * - Community Health Systems (CHS) has announced plans to acquire Health Management Associates, the current owner of Heart of Florida and Bartow regional medical centers, for \$7.6 billion. The transaction will result in CHS owning or controlling 206 hospitals located in 29 states. CHS already owns the Lake Wales Medical Center.

Polk County Medical Association has purchased the Bergon Brokaw building in the Highland Medical Park on Highlands Park Boulevard in North Lakeland. The building will serve as a home for several different medical associations.

The former Wachovia Bank building on Orange Street in downtown Lakeland has been sold. A local investment group headed by Chas P. Smith Investment Advisors purchased the structure for \$1.15 million, which will be renovated into a modern office building.

Wade Altman of Superior Business Technologies and Ray Kriegbaum of Ray Kriegbaum Associates have joined together to create Florida Tech group. The information technology firm will be located on South Florida Avenue in Lakeland, serving small and medium sized companies.

The former Lake Region Yacht and Country Club in Winter Haven has been sold to a group of more than 30 equity owners, and is undergoing a \$4 million facelift. The new 18-hole course is slated to open by the first of November.

The Sorensen & Schade Chrysler Dodge Jeep Ram dealership located on US 27 in Lake Wales has been sold to the Mahalak family. The Mahalaks also own the Winter Haven and Posner Park Chrysler Dodge Jeep Ram dealerships, and the Fiat dealership in Winter Haven.

THE NATIONAL ECONOMY

The US economy continues to plod along, with the price-adjusted Gross Domestic Product (GDP) expanding at a 1.7% annual rate during the second quarter. GDP growth in the preceding first quarter of the year was revised downward to a 1.1% annual rate.

GDP growth in Quarter 2 was the result of advances in consumer spending, exports, residential investment, and nonresidential fixed investment. The acceleration in real GDP growth from Quarter 1 primarily reflected increases in exports and nonresidential fixed investment, a smaller decrease in federal government spending, and an upturn in state and local government spending.

CONSUMER SPENDING - Consumers continue to lead the economic expansion. Personal Consumption Expenditures (goods and services) rebounded from a 0.2% decrease in April with increases of 0.2% in May and 0.5% in June. Retail sales (goods only) rose 0.1% in April, 0.6% in May, and 0.8% in June.

Incomes kept pace with consumer spending in the second quarter, with disposable personal incomes more than offsetting a 0.1% dip in April with advances of 0.3% in both May and June. The personal savings rate was 4.5% of disposable income during the second quarter, bouncing back from a reduced savings rate in the preceding first quarter.

Consumer confidence in the economy continues to rise. The Index of Consumer Confidence maintained by the Conference Board reached a five-year high in June, while the confidence index prepared by the University of Michigan/Reuters reached its highest level in six years during July.

EMPLOYMENT - Increases in nonfarm employment have averaged about 200,000 workers a month in 2013, but have fallen a bit below that pace since the first quarter. Nonfarm employment rose by 199,000 workers in April, 176,000 in May, 188,000 in June, and 162,000 in July. An unusually large portion of recent job additions has been part-time, and many are low-paying jobs.

The nation's unemployment rate has inched downward, dropping from 7.6% in March to a low of 7.4% in July. Part of the drop in the unemployment rate relates to job creation, but part is also due to an estimated 6.6 million would-be workers who have given up the job search and left the workforce.

INDUSTRIAL PRODUCTION - Output at US mines, factories, and utilities was flat in the second quarter, but still up 2% from a year ago. Production fell 0.3% in April, was unchanged in May, and rose by 0.3% in June. Capacity utilization slipped a bit in Quarter 2 with industry operating at 77.9% of designed capacity in April, 77.7% in May, and 77.8% in June. The capacity utilization rate this June is 1.8 percentage points higher than June of 2012.

Factory orders climbed 1.3% in April, 3% in May, and 1.5% during June. The Institute for Supply Management reported that its purchasing managers index rose to 55.4 in July, the largest one-month rise since 1996. Any reading above 50 indicates an expanding economy.

New orders for durable goods – products intended to last more than three years - advanced 3.6% in April, 5.2% in May, and by 4.2% in June. Durable goods orders year-to-date in 2013 are up 3.7% from the same period in 2012. The recent increases in orders reflect higher demand for aircraft, a sector that is typically volatile on a month-to-month basis.

Manufacturers and trade inventories rose 0.2% in April, fell 0.1% in May, and were unchanged in June.

CONSTRUCTION - Expenditures for new construction increased 1.1% in April and 1.3% in May before slipping downward 0.6% in June.

The housing recovery stumbled a bit during the second quarter, with housing starts falling 15% in April, rising 8.9% in May, and dropping another 9.9% in June. The June decline in housing starts mainly reflected a drop in multifamily starts, which tend to be quite volatile. June starts remain 10.4% above June of 2012.

The number of permits issued for the construction of new housing units was up 12.9% in April before falling 2% in May and 7.5% in June. The permit total in June is 16% above June 2012. Building permit data are less volatile than data on housing starts, and are generally regarded as a better leading economic indicator of future construction.

Recent data on home sales also bode well for future home

construction. New home sales were up 2.3% in April, 1.3% in May, and 8.3% in June. June sales are 38% above the same month last year, and the highest monthly total since May 2008.

Sales of existing homes rose 0.6% in April and 4.2% in May. Sales were down 1.2% in June, but still up 15% from June of 2012. Sales of distressed homes fell to 15% of total existing home sales in June. The median price for an existing home sold in June was \$214,200, an increase of 13.5% from a year earlier. Figures on sales of existing homes typically lag new home sales figures by about 2 months because of differences in the way the data are collected.

FOREIGN TRADE - The US international trade deficit in goods and services held steady at \$40.1 billion in April and \$44.1 billion in May before falling to \$34.2 billion in June. The cumulative deficit for the first six months of 2013 is \$242.1 billion, a 13% decline from the \$278.2 billion deficit recorded in the first half of 2012. The improved trade deficit is a reflection of rising US exports, and lower US outlays for imported foreign oil.

COST OF LIVING - Inflation remains subdued as the Consumer Price Index (CPI) fell 0.4% in April, then offset that with increases of 0.1% in May and 0.5% during June. The CPI in June is up 1.8% from a year ago.

Consumer Price Index (A)				
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		

(A) Figures are revised by the Department of Commerce as of July 2013. The data reflect the average CPI reading during each quarter. The base period of the CPI is 1982.

MONETARY POLICY - The continuing sub-par growth in GDP is expected to result in the Federal Reserve keeping its \$85 billion per month bond-buying program in place for the immediate future.

FISCAL POLICY - The collective deficit in the federal budget through the first ten months of the current fiscal year (through July) is \$607.4 billion, versus a \$973.8 billion deficit for the same period in the preceding year. The projected deficit for the entire fiscal year ending September 30 would be 4% of the current GDP, down from 8% of GDP at the low point in the recent recession.

LEADING INDICATORS - The Index of Leading Economic Indicators rose 0.8% in April, 0.2% in May, and was unchanged in June according to the Conference Board.

Orders for nondefense capital goods excluding aircraft, a key indicator of business investment plans, climbed 1.2% in April, 2.2% in May, and 0.7% in June.

The most recent monthly Wall Street Journal survey of 52 economists yielded a consensus forecast that the US GDP will grow by 2.3% in 2013, and by 2.5% in 2014. The latest forecast by the Federal Reserve predicts GDP growth of 2.6% in 2013, and 3.2% in 2014.

SUMMARY - Quarter 2 marked the third consecutive quarter in which real GDP growth fell below an annual rate of 2%. The economy, however, has really done pretty well thus far in shrugging off the effects of Congressionally-imposed cutbacks in federal spending.

The Federal Reserve is expected to continue its bond-buying program designed to keep interest rates low, though rates have begun to creep upward in recent months. Forecasters expect GDP growth to accelerate modestly over the course of the next 18 months.

POLK OUTLOOK

The Polk Progress Index expanded for the fourth consecutive quarter, and is closing in on the all-time high level achieved in the second quarter of 2006. The PPI figure, however, masks the continued weakness in the local retail sales and labor markets.

The outlook is for modest gains in seasonally adjusted taxable sales and employment in Quarter 3, and some cutbacks in home sales and industrial electricity consumption. The overall PPI is expected to consolidate past gains at a slightly lower level than recorded in the preceding 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 (.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*

	POLK PROGRESS INDEX												
	2010		2011				2012				2013		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3*
Taxable Sales (1,000 of \$)	1,438,311	1,569,664	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	1,807,367*	1,730,000*
Total Employment	242,738	241,848	247,824	239,880	238,781	241,041	241,851	245,601	245,577	246,954	246,728	248,808	247,600*
Residential													
Telephone Access	89,062	84,166	80,414	76,390	72,010	67,607	63,425	59,240	56,061	53,355	50,684	47,838	45,000*
Business													
Telephone Access	54,806	53,135	52,178	50,914	50,089	49,070	48,372	47,332	46,678	45,709	44,788	43,932	42,600*
Industrial Electric													
KWH (1,000's)	167,135	153,419	137,088	153,904	164,038	151,928	139,017	150,679	164,831	151,619	142,703	161,269	164,000*
Number of Single													
Family Building Permits	264	205	246	258	327	210	315	266	360	353	382	567	540*
Hotel/Motel Sales													
(1,000's of \$)	33,931	31,912	42,885	38,513	35,668	33,050	48,723	40,231	38,585	34,972	54,076	46,586*	44,000*
Number of Homes Sold	1,030	975	1,230	1,212	1,074	1,023	1,168	1,375	1,285	1,346	1,401	1,617	1,580*
Citrus Concentrate													
Movement (1,000's of gallons)	33,964	41,620	41,730	45,265	30,205	29,501	34,103	36,327	33,333	30,047	28,753	30,438	29,000*
Building Permits													
(1,000's of \$)	75,350	77,177	95,755	71,018	144,852	75,655	176,880	97,764	109,625	95,431	166,631	141,515	
Number of Residential													
Electric Accounts	99,509	100,586	101,375	99,855	99,547	100,872	102,104	101,065	100,169	101,154	102,957	101,668	100,800*
POLK PROGRESS	182.4	186.6	193.3	188.0	187.3	189.3	196.6	196.1	199.6	203.5	209.8	213.3	212.0*

*Estimated values for taxable sales and motel/hotel sales in Q2 2013, and forecast values for Q3 2013.

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

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