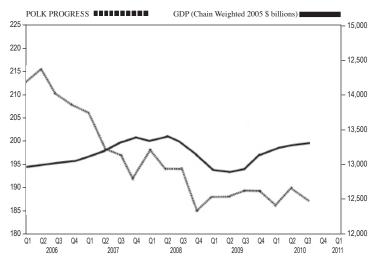


# POLK PROGRESS ECONOMIC INDICATORS FOR POLK COUNTY

PREPARED BY CARL C. BROWN, PH.D, FLORIDA SOUTHERN COLLEGE

# PUBLISHED QUARTERLY BY FLORIDA SOUTHERN COLLEGE

NOVEMBER 2010 - Vol. 27, Issue 3



# LOCAL ECONOMY WAITS TO REBOUND

The Polk economy continues to be weighed down by weakness in the housing sector. There were further sharp drops in building permits and home sales in the third quarter, pulling the overall Polk Progress Index (PPI) downward nearly 2%. The only real positives were gains in industrial electricity consumption and estimated sales at area hotels and motels.

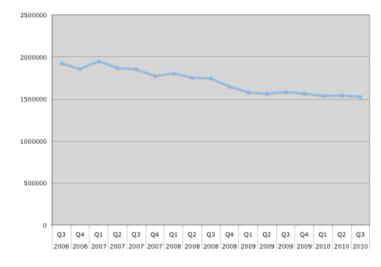
It was previously contended in this publication that the recession in Polk County began in the second quarter of 2007, about six months before the national recession officially began in December of 2007. The PPI now stands 5% below its average value during 2007, and we've had a drop in total employment of 5.6% over the same period. The PPI is down even further from its average value back in 2006, but that overstates the overall economic decline because of the prominence of home sales in the composition of the index. A ballpark figure would be about a 6% drop in local economic activity, peak to trough. By comparison, the real GDP for the US economy fell about 3.9% from its pre-recession peak until it bottomed out in mid-2009.

The local economic picture brightened a bit in the second quarter (2010) as the PPI climbed 2.1%. However, we pretty much gave the gain right back with the decline in Quarter 3.

The local index has achieved a plateau over the course of the last year and a half. That is certainly in parallel with the slow economic recovery nationwide. We have not grown over the past year even as much as the rest of country due, again, to our heavy reliance on housing construction.

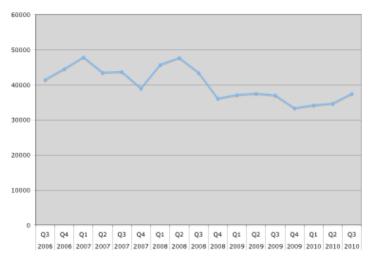
**SALES** - Taxable sales fell an estimated 1.2% on a seasonally adjusted basis in the third quarter, based on preliminary data. Unadjusted sales are 4.7% below the same quarter a year ago, while cumulative sales through the first three quarters of the year are down 3.6% from the same period in 2009.

### Taxable Sales (Dollars Seasonally Adjusted)



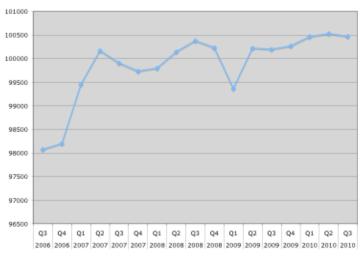
Estimated sales at area hotels and motels rose an unexpectedly large 8% in Quarter 3 after adjusting the data for recurring seasonal variations. Actual (unadjusted) sales in the quarter are 4.1% above the same quarter in 2009. Sales through the first three quarters of 2010 are down 3.5% from the preceding year.

# Hotel/Motel Sales (Dollars Seasonally Adjusted)



**POPULATION** - The Bureau of Economic Research at the University of Florida estimates the Polk population in 2010 is virtually unchanged from 2009 (down 14 persons) following an estimated loss of 1,390 residents in 2009. Data on residential electric connections pretty much supports that conclusion with the latest unadjusted value (Quarter 3) up slightly from a year ago.

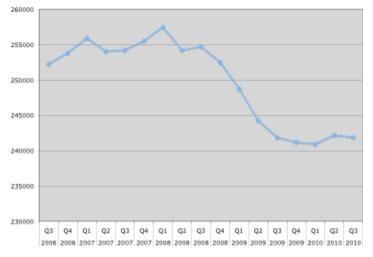
### Residential Electric Accounts (Seasonally Adjusted)



The US Census Bureau placed the Polk population at 580,594 back in 2008. There are approximately 113,000 residents in Polk County who are currently covered by Medicare according to the Lakeland Ledger.

**EMPLOYMENT** - Employment during the first three quarters of 2010 averaged 240,659 workers in the county. That is down 1.4% from last year, and down 5.6% from the pre-recession level in 2007 (a loss of about 16,000 jobs). U.S. employment fell 6% over the course of the recession (8.4 million jobs lost). Again, the 5.6% drop in local employment is consistent with our previous estimate that overall economic activity in the county fell about 6% over the course of the recession.

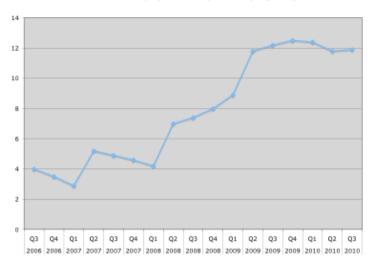
# Total Employment (Seasonally Adjusted)



Seasonally adjusted total employment in Polk County slipped a slight 0.1% in the third quarter following a 0.5% increase during the second quarter. The second quarter marked the first quarterly increase in seasonally adjusted employment in Polk County in two and a half years.

That certainly does not mean that the local labor market is in anything other than dire shape. There are currently almost 37,000 unemployed workers in Polk County (36,800 in September). But the small increase in seasonally adjusted employment in Quarter 2 and the stabilization experienced over the most recent two quarters may mark a tiny first step on the road to recovery in the Polk labor market.

### Unemployment Rate (Seasonally Adjusted)



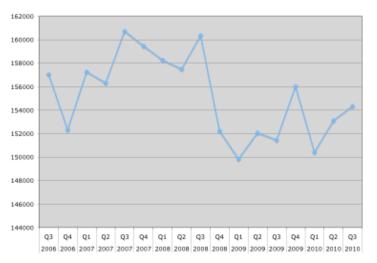
The average unemployment rate in Polk County during 2009 was the highest annual rate recorded in 25 years. Though the unemployment rate in Polk is still 13.3% in September of 2010, recall that it traditionally rises during the summer months. The seasonally adjusted average unemployment rate during the third quarter is 11.9%; near where it has been for the last year and a half, and comparable to the average for the state of Florida which in September is also a seasonally adjusted 11.9%. It would be premature to draw conclusions from one quarter's worth of data, but the data over the past year and a half suggest that the Polk unemployment rate is at or past its peak in the current cycle.

We will continue to get tough hits like the pending FedEx layoff of 175 workers in Lakeland announced in September, and the Mosaic Company layoff notices to 221 workers at its South Fort Meade Mine in August (though it looks like those jobs may be coming back). Continental Plastic Containers Inc. closed its Lakeland plant at the end of September eliminating 44 jobs, and trailer manufacturer Kidron announced in October that it was shutting its Lakeland plant, idling another 40 workers.

So we'll periodically get these setbacks. But it appears that the worst may be over on the employment front.

**MANUFACTURING** - Local manufacturing activity held up pretty well over the course of the recession, and appears to have roughly achieved a plateau over the course of the past year. Industrial electricity consumption reported by the City of Lakeland over the most recent five quarters is down 4.7% from the peak five-quarter-period reached from the middle of 2007 through the middle of 2008.

### Industrial Kilowatt Hours (Seasonally Adjusted)



**CONSTRUCTION** - The total value of building permits (residential plus commercial) issued countywide is deeply depressed and still seeking to establish a bottom. Estimates for the current quarter are preliminary, due to our inability to obtain data from the City of Lakeland. The value of permits issued during the past five quarters is down an estimated \$1.3 billion (72.6%) from the peak five-quarter-period ranging from the first quarter of 2006 through the first quarter of 2007.

### **Dollar Value of Building Permits**



The Polk County Property Appraiser announced in June that the value of all taxable property in the county fell 13.9% during 2010 from the preceding year. That marks the third consecutive year that the tax roll has fallen (total of 26.8%).

There were just 264 permits issued for the construction of single-family homes in the third quarter of 2010, including 64 in July, 114 in August, and 86 in September. High inventories of unsold homes, high unemployment, and the prospect of even further declines in home prices in an already depressed housing market are the principal factors underlying the declines in housing construction. The number of permits issued in the first nine months of 2010 is down an astounding 89.8% from their peak in the first half of 2005 (a decline of 7,841 permits). Though homebuilding is expected to improve in 2011, Florida (and Polk County) will likely see further declines in housing prices and more foreclosures.

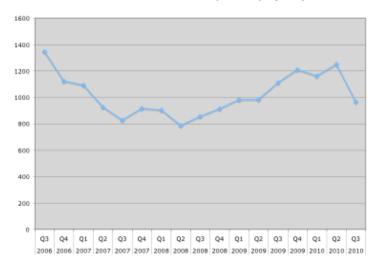
Number of Single Family Building Permits (Seasonally Adjusted)



Housing construction will not pick up until home sales improve, and we clear out some of the large existing inventory of unsold homes. The singular good news on the housing front was that home sales in Polk County began to rise in the third quarter of 2009, helped along by the federal tax credit for homebuyers that expired on April 30. The bad news is that they dropped back sharply in the most recent quarter, and the vast majority of the sales (70% in September) represent distressed properties sold at prices that continue to drag housing values downward.

There were 332 existing homes sold in Polk County in July, 368 in August, and 330 in September.

# Number of Homes Sold (Seasonally Adjusted)



A Brookings Institution report found that home prices in Polk County dropped 36% between the first quarters of 2007 and 2010. The median sale price in September (2010) was \$97,200, a decline of 15% from a year earlier according to the Florida Association of Realtors. Median prices statewide are down 6% in September from a year ago at \$133,400.

There have been 5,863 foreclosures in the county thus far in 2010 (through September), down from the torrid pace in 2009 when there were 10,457 foreclosures in Polk County over the course of the year. However, Polk still has the 20th highest rate of foreclo-

sures among the nation's Metropolitan Statistical Areas during the third quarter according to RealtyTrac; and Zillow.com, an online real estate marketer, has released a survey estimating that 56% of homeowners in Polk County owe more on their mortgage than the current value of their home. The Zillow study of 141 metropolitan areas in the U.S. concludes that Polk's negative equity rate is the seventh highest in the nation.

**PHOSPHATE** - The Mosaic Company has announced that on November 30th it will recall the 140 mine workers laid off earlier at the South Fort Meade mine. The layoffs followed a June 30th lawsuit filed by the Sierra Club challenging Mosaic's permit to extend the mine onto a 10,583-acre tract in Hardee County. The mine is being reopened for four months pending outcome of the lawsuit.

Mosaic officials also detailed construction plans for the firm's Streamsong Resort to be built on 16,000 acres of reclaimed phosphate land in Southwest Polk County. The resort will include 140 oversize guestrooms; 20,000 square feet of meeting space; a 15,000 square-foot spa; and two 18-hole golf courses among other amenities. Completion of the \$70 million project is expected in the fall of 2013.

**CITRUS** - Polk County remains the largest citrus producer in the state of Florida with 83,471 acres of citrus groves, producing 27.9 million boxes of fruit in the latest crop-year ending in June (24.5 million boxes of oranges).

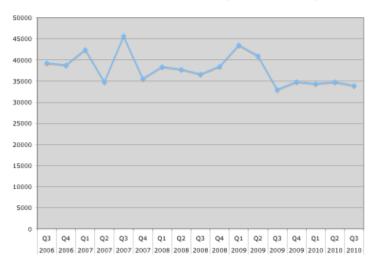
Initial estimates by private forecasters of the 2010-11 Florida (statewide) orange crop place the total at 146 million boxes. If realized, that would be an increase of about 9% from the most recent (2009-2010) crop, estimated by the US Department of Agriculture to have been 133.6 million boxes. That remains far below the 242 million boxes produced in 2004.

The outlook for citrus prices this year is strong, with the drought in Brazil lowering that nation's projected harvest for 2010-2011 (an estimated drop of 13% from last year).

There is increasing concern that Florida groves abandoned by real estate developers in the current bust are serving as breeding grounds for lice that spread citrus greening. More than 138,000 citrus-growing acres across the state currently lie abandoned, including more than one in ten acres of orange groves in Polk County according to the USDA. Groves are regarded as abandoned if they have not been maintained for two consecutive seasons.

The volume of citrus concentrate movement reported by processors in the state of Florida has remained essentially unchanged during the past year.

### Citrus Concentrate Movement (Thousands of Gallons)



**DEVELOPMENT** - In October the US Department of Transportation announced an additional \$800 million grant to help finance construction of the proposed bullet train between Tampa and Orlando. The latest grant is in addition to the \$1.25 billion in stimulus funds for the project announced by President Obama in January. The state of Florida will now be called upon to commit additional state funding in order to complete underwriting of the \$2.6 billion project. Construction of the high-speed rail line is slated to begin in 2012, with the first section, including a stop in/near Lakeland, to begin operation in 2015. The future of the project will now largely depend on the actions of the new Governor-elect.

A new 560,000 square-foot shopping center has been proposed for construction in North Lakeland along US 98 North. Gateway Commons is projected to generate \$54 million in annual sales and create 480 permanent jobs. The center will house 15 businesses, including a new Kohl's department store. The Michigan-based developer has submitted plans for approval to the Lakeland Planning and Zoning Commission.

A self-storage unit is under construction on US 98 in North Lakeland. Lakeland 98 Self Storage will have 79,700 square feet of space on completion, built at an estimated cost of \$6 million.

The Sky King charter jet service is ramping up operations at the Lakeland Linder Regional Airport. Sky King has relocated its maintenance operations from California to Lakeland, resulting in 40 new jobs and the likelihood of 60 additional jobs in the coming months. The firm plans to start offering commercial flights from Lakeland beginning as early as March of 2011.

CVS has drawn permits to build new free-standing drugstore in west Lakeland. The new store will be built in the shopping center located at the intersection of U.S. 92 and Wabash Avenue, with construction slated to begin in late November.

A 5,842 square-foot building on South Florida Avenue in Lakeland is being renovated to serve as the new home for the Sessums & Sessums law firm. The firm is expanding, and plans to relocate from its current offices on Commerce Drive by Christmas.

Legoland Florida has chosen PCL Construction Services of Denver to build its new theme park in Winter Haven. Legoland will include more than 50 rides and thousands of Lego models. It will be located adjacent to Cypress Gardens Boulevard at the site of the old Cypress Gardens attraction, with an opening scheduled for the fall of 2011.

Century Retail of Lakeland has announced plans to build a 206,000 square-foot shopping center in Winter Haven. The new center will be located at the intersection of U.S. 27 and Cypress Gardens Boulevard, with a scheduled opening in October 2011.

Winter Haven Hospital has acquired a Da Vinci robotic surgical system. It is the second hospital in Polk County to employ the robotic system, following Lakeland Regional Medical Center.

Plans are underway for an Indigo's Entertainment Center in Winter Haven. The proposed center on Third Street S.W. would include bowling lanes, billiard tables, and arcade games for both children and adults.

Ground was broken in late October for construction of the ACT/PSC Corporate Center for Innovation and Training in Bartow. The 10,000 square-foot building is the immediate outcome of a partnership between American Compliance Technologies and Polk State College's Corporate College. The new structure will be completed in the second quarter of 2011, and half of the building will used to provide training for members of the local workforce who wish to upgrade their labor skills.

Publix has announced that it will renovate its location in the Golden Gate Shopping Center in Bartow. The existing store will be completely torn down and replaced by a new 45,000 square foot structure. Five other existing stores in the center will also be demolished and replaced with a free-standing Walgreen's pharmacy. The existing Publix store will close January 2nd, and construction will take an estimated nine months.

**NEW OPENINGS AND CLOSINGS** - Florida Southern College dedicated the Christoverson Humanities Building in early November to serve as the new home for the college's English and Modern Language departments. The 25,000 square-foot building overlooking Lake Hollingsworth is the latest architectural jewel on the Lakeland campus, which boasts the world's largest single site collection of Frank Lloyd Wright structures. The Christoverson Humanities Building was designed by New York architect Robert A.M. Stern, Dean of the Yale School of Architecture. It is the latest of ten new construction projects on the FSC campus undertaken in the past three years, and was largely underwritten by a \$4 million gift from Marcene and Robert Christoverson. Marcene Christoverson is a trustee of Florida Southern.

Florida Southern College also dedicated its new Roberts Academy for talented children with dyslexia in November. The center is a transitional school for intellectually gifted children, funded through a \$3.5 million gift from Hal and Marjorie Roberts of Lakeland. The Roberts Academy began serving 24 students in August. It is housed in renovated structures formerly occupied by the Florida United Methodist Conference, located along McDonald Street on the northeast corner of the Lakeland campus.

FedEx announced in September that it is closing a trucking division headquarters in Lakeland, resulting in a loss of 175 jobs. The long-haul trucking unit located on West Griffin Road will close by January 30th as part of a companywide consolidation. FedEx will shutter about 100 facilities nationwide, resulting in a cumulative job loss of 1,700.

Kidron Inc. announced in October that it is closing its Lakeland plant, resulting in the loss of some 40 local jobs. Kidron manufactures refrigerated truck bodies and trailers, and leases about 100,000 square feet of space from the City of Lakeland at the Airside Center located along Flightline Drive. Kidron first opened its Lakeland plant in 1967.

The Monarch Center on Socrum Loop Road in North Lakeland will open in November. The lower floor of the 12,000 square-foot building will become the new offices for the North County Dermatology Clinic owned by Doctor Timothy Knight.

Rita's Italian Ice is opening a franchise in North Lakeland. The new Rita's is the second store for the chain in Polk County, and is located in the Shoppes at Lakeland Square adjacent to U.S. 98 North.

Cobb Theaters in South Lakeland will soon open an IMAX screen with 3-D capability. The theater is converting the largest of the 18 auditoriums in its Lakeside Village complex to the new large-screen format with an enhanced sound system.

The Books-A-Million store at the Lakeside Village will soon add a frozen yogurt eatery. Yogurt Mountain will offer a variety of fatfree and low-fat flavors beginning in November.

The Gymboree Play & Music Store at Lakeside Village closed in September citing low enrollment numbers. The nearest Gymboree store is now in South Tampa.

The Antiquarian Restaurant in downtown Lakeland closed in early September, but will soon be replaced by another restaurant that will serve dinners Thursday through Saturday in addition to daily luncheons. Bay Street Bistro will open in early November, largely offering the same fine fare as its predecessor.

Lakeland Veterinary Hospital on US 98 South closed on November 1st with the retirement of owner Geoffrey Gardner. Dr. Gardner provided care for the city's swans on Lake Morton for many years, following in the footsteps of his father, veterinarian Wade Gardner.

A Chipotle's restaurant under construction on South Florida Avenue is now scheduled to open in October. The new eatery is located across from the Walmart, near the Polk Parkway.

There's a new bicycle shop in South Lakeland. LeRoy's Bikeworks has opened for business on Carter Road selling Scott brand bikes, and performing repairs on other makes as well.

Another new bicycle shop opened in September in Highland City. Road and Trail Bicycles is located at Highland City Town Center, directly across US 98 South from the Fort Fraser Trail. The shop will feature Jamis and Felt brands.

GTE Federal Credit Union has closed two of its offices in Polk County in a consolidation move. The North Lakeland branch located on US 98 North and the Winter Haven branch on US 17 North were closed in October. Another branch office along the Oakbridge Parkway in South Lakeland will remain open.

Blockbusters Videos has shuttered both of its stores in Winter Haven. The closed outlets were located on Cypress Gardens Boulevard and Eighth Street N.W. The chain has five remaining locations in Polk County, two of which are in Lakeland.

Kohl's department stores opened its latest Polk location in Lake Wales on September 29th. The new Kohl's is located on Ridgeway, and employs about 130 workers. The Kohl's chain is opening 21 new stores across the country this fall.

Polk County has established an adult day health care center in Lake Wales. The center opened in October on Central Avenue, and can serve up to 48 people daily aged 18 or over who need supervision. The center may also provide minimal health care, offering one certified nursing assistant for every six clients.

Shayann Jones has plans to open a new restaurant in downtown Bartow. She is waiting for final approval from the city to open Especially 4 U, an American cuisine restaurant and catering service, in December.

Davinci's Pizza & Pasta in scheduled to open in November in Mulberry. Polk's latest pizzeria is located along Imperial Parkway in Mulberry.

Plans are in motion to open a new restaurant in Lake Hamilton. The Red Lion Pub and Restaurant will be located on US 27 South at the former site of The Mill.

Polk's latest McDonalds restaurant began serving customers in Haines City in October. The new McDonalds is located on Hinson Avenue in Haines City.

Anytime Fitness has opened a new location in Davenport. The gym occupies 8,100 square feet of space in the Ovation shopping center, located at the intersection of Lake Wilson Road and CR 532. It will, as the name implies, be open 24 hours a day.

**TAKEOVERS** - Associate Realty & Investments has been merged with the Winter Haven office of Keller Williams Realty. Associates Realty has specialized in distressed properties, and will now relocate its staff into the Keller Williams office.

# THE NATIONAL ECONOMY

The nation's price adjusted Gross Domestic Product rose at a 2% annual rate in the third quarter. That follows a revised 1.7% rate of increase in the preceding second quarter of the year.

The Quarter 3 real GDP advance was led by increases in personal consumption expenditures, private inventory investment, nonresidential fixed investment, and exports. Negative factors reflected in the third quarter GDP were a drop in residential fixed investment, and a rise in imports. Economic output is still 0.8% below it prerecession peak achieved in late 2007.

The Department of Commerce has completed its annual revision of GDP data for preceding years. It now estimates that real GDP grew at a 1.9% annual rate in 2007, was flat in 2008, and declined 2.6% during 2009. For the period of contraction from Quarter 4 2007 to Quarter 2 2009, real GDP fell at an average annual rate of 2.8%.

The National Bureau of Economic Research's Business Cycle Dating Committee declared that the recession officially ended in June 2009. That places the length of the 2007-2009 recession at 18 months, having officially begun in December of 2007. Economic output fell an estimated 4.1% over the course of the recession, and Americans lost an estimated 21% of their net worth.

The U.S. Census Bureau reports that the poverty rate has risen to 14.3% of our population, the highest percentage since 1994. That places 46.3 million Americans below the official poverty line of \$21,756 for a family of four. The Bureau also announced that the inflation-adjusted income of the median U.S. household fell 4.8% between 2000 and 2009.

**CONSUMER SPENDING** – Personal Consumption Expenditures (PCE's include goods and services) climbed 0.5% in July, 0.5% in August, and another 0.2% during September. PCE's adjusted for inflation rose a combined 2.6% from the preceding quarter. Retail sales (goods only) were up 0.5% in July, 0.7% in August, and another 0.6% in September.

Personal incomes advanced 0.2% in July and 0.4% in August. Incomes receded a slight 0.1% in September. American households remain cautious, saving 5.7% of their disposable incomes in July, 5.6% in August, and 5.3% during September.

The Index of Consumer Sentiment published by Reuters/University of Michigan has registered no discernible change over the past four months. The current index stands at a value of 67.7, which is 20 index points below its all-time mean value.

**EMPLOYMENT** - The nation's labor market finally rebounded from job losses of 66,000 in July, 1,000 in August, and 41,000 in September with an increase of 151,000 jobs in October. The figures suggest the labor market is regaining strength following a summer slowdown. Total nonfarm employment has now risen by 874,000 since December of 2009.

The US unemployment ticked upward to 9.6% in July, and has remained at that level since. There are still 14.8 million Americans currently unemployed, following the loss of 8.4 million jobs over the course of the recession. A report by the Organization for Economic Cooperation and Development (OECD) predicts that the U.S. unemployment rate will not fall to pre-recession levels until at least 2013.

**INDUSTRIAL PRODUCTION** - Industrial output climbed 0.7% in July, and 0.2% in both August and September. Production at the nation's mines, factories, and utilities now stands 5.4% above a year ago. Industry operated at 74.7% of designed capacity in July, 74.8% in August, and 74.7% of capacity in September.

Factory orders advanced 0.5% in June, were unchanged in July, and were up another 2.1% in September. New orders for durable goods climbed 1.2% in July before falling back 1% in August. Orders

rose a sharp 3.3% in September, and now stand 15% above a year earlier.

Manufacturers and trade inventories climbed 1.1% in July, 0.6% in August, and 0.9% during September.

**CONSTRUCTION** - Total expenditures for new construction (residential plus nonresidential) fell 2.6% in July and 0.2% in August. Construction spending did manage to rebound upward 0.5% during September.

Private housing starts rose 2% in July, 10.5% in August, and 0.3% in September. September starts are up 4.1% from a year ago. The number of building permits issued for private housing fell 4.1% in July, then managed a 2.1% increase in August, before falling back another 5.6% in September. Permits in September are down 10.9% from the year before.

New home sales slid 8.1% in July, then proceeded to gain back most of that with advances of 1% in August and 6.6% in September. September sales remain 21.5% below a year earlier, and there is an existing supply of 8 months of unsold homes at the current sales pace.

Sales of existing home sales fell a sharp 27% in July. Sales subsequently rebounded upward, rising 7.3% in August and 10% in September. Though September sales are 19% below a year ago, the National Association of Realtors reported that the recent numbers suggest that a recovery in the market has begun.

**FOREIGN TRADE** - The nation's foreign trade deficit shrank by \$7 billion in July to \$42.6 billion. The deficit in goods and services rose back to \$46.5 billion in August, and \$44 billion in September. Trade deficits remain well below their pre-recession levels in 2007.

**COST OF LIVING** – Inflation remains at bay with the Consumer Price Index rising 0.3% in both July and August, and 0.1% in September. The September reading is just 1.1% above that of September 2009.

Consumer Price Index (A)										
Year	Q1	$\mathbf{Q2}$	Q3	Q4						
2006	198.9	202.3	203.4	201.7						
2007	203.8	207.7	208.2	209.7						
2008	212.1	216.8	219.3	213.1						
2009	212.0	214.3	215.7	216.2						
2010	217.0	217.2	218.0							

(A) Figures are revised by the Department of Commerce as of October, 2010. The data reflect the average CPI reading during each quarter. The base period of the CPI is 1982.

**FISCAL POLICY** - The U.S. Treasury reported a budget deficit of \$1.3 trillion for the fiscal year ending September 30, 2010. That is down slightly from the deficit in the preceding (2009) budget year, but still the second largest deficit in more than 60 years. The 2010 deficit was the result of weak revenues that were still 14% below 2008 levels, and a 16% increase in federal outlays over those in 2008.

**MONETARY POLICY** - The Federal Reserve has announced that it will buy an additional \$600 billion of U.S. government bonds over the next eight months in an effort to drive up bond prices and drive down interest rates. The combination of low interest rates and rising concerns of future inflation has resulted in five-year Treasury inflation-protected securities (TIPS) selling to yield a negative 0.5% to investors. This is the first time the Fed has deliberately driven real (inflation adjusted) interest rates into negative territory.

The Fed is proceeding despite the misgivings of a number of conservative economists, including some officials within the Federal Reserve System. Those officials worry that a large Fed bond-buying program may stoke future inflation or an asset bubble.

Fed Chairman Bernanke, however, is more concerned about the slow economic recovery, high unemployment, and the unlikely prospect of any further fiscal stimulus. Therefore, he is pushing the Fed into uncharted waters in an attempt to stimulate spending.

**LEADING INDICATORS** - The Index of Leading Economic Indicators climbed 0.2% in July, 0.1% in August, and 0.3% during September according to the Conference Board. The advances in the index were based on declines in initial unemployment claims, increases in the real (price adjusted) money supply, and rising stock prices. The October reading of 50.2 is still well below the figure of 90 considered to be indicative of a healthy economy.

Orders for nondefense capital goods excluding aircraft, a widely followed indicator of business investment plans, fell 5.3% in July, then largely offset that with a gain of 5.1% in August. Orders ended the quarter with a 0.2% dip in September, but still stand 16.6% above a year ago.

The lack of jobs will continue to restrain consumer spending and economic growth through 2011. A survey of 46 economists in September by the National Association for Business Economics yielded a consensus forecast of 2.6% real GDP growth for both 2010 and 2011, based on projected consumer spending increases of 1.5% in 2010 and 2.3% in 2011.

**SUMMARY** - Economic growth is still too slow to bring the unemployment down appreciably from the current 9.6% rate. The rebound in capital spending that began in the second half of 2009 has carried the recovery to date, but is now weakening. The burden of carrying the economy forward will now likely fall upon the services sector.

Retail sales and employment remain the keys to economic expansion. We look for employment gains to accelerate in the months ahead, and the unemployment rate to fall slowly through 2011. Real GDP growth will likely remain in the 2.5% - 3% range over the next six months; then accelerate toward the 4% range by the end of 2011.

**POLK OUTLOOK** – Construction remains the weakest link in the Polk economy, and we will likely continue to struggle until the local housing market truly stabilizes. The number of single-family building permits continues to drop to levels unprecedented in decades. Home sales slid again in the third quarter, and most of those were distressed properties facing foreclosure that drive housing prices down even further.

Retail sales have shown some signs of stabilizing in the past year, but they have a very long way to go before reaching pre-recession levels. Employment did rise on a seasonally adjusted basis in Quarter 2 for the first time in two years, but stalled again in the third quarter. The local unemployment rate remains stuck at about 12%.

The Polk economy more closely parallels the national economy than it did 25 years ago. Back in the mid-1980's, we had a two-tier economy based on phosphate and citrus. Today, the local economy is considerably more diversified. We do, however, remain heavily dependent on home construction, and that will continue to be the case for some time.

Retail sales and employment remain the keys to economic recovery in Polk County as well. Local sales don't look too promising as we head into the holiday season, and employment is unlikely to rise in significant numbers before the second half of 2011. Similar to the national economy, we expect the overall Polk economy to grow at a slow pace over the next year, with the seasonally adjusted unemployment rate declining, at best, to 10% by the end of 2011.

# **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.

					PROG	RESS	INDE						
	2007		2008			2009					10		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2*	Q3*	Q4*
Taxable Sales (1,000 of \$)	1,865,177	1,884,270	1,771,663	1,641,568	1,651,233	1,603,497	1,546,925	1,474,307	1,541,420	1,545,277	1,506,401	1,405,514*	1,488,573
Total Employment	255,189	256,050	256,377	254,504	252,193	244,339	246,469	241,646	240,847	239,501	242,422	240,054	239,592
Residential													
Telephone Access	154,704	149,461	141,988	134,760	128,356	121,523	114,945	108,959	103,027	98,897	94,101	89,062	86,310
Business													
Telephone Access	68,371	67,772	67,090	65,930	64,751	63,071	61,376	60,075	58,623	57,364	56,383	54,806	53,869
Industrial Electric													
KWH (1,000's)	164,148	149,630	157,040	173,592	157,469	139,193	151,828	164,912	159,477	137,023	150,327	167,135	160,173
Number of Single													
Family Building Permits	669	601	737	537	351	271	260	308	233	304	319	264	284
Hotel/Motel Sales													
(1,000's of \$)	38,096	52,770	48,696	39,524	32,453	43,075	38,286	32,434	28,076	40,509	35,551	33,774*	31,451
Number of Homes Sold	759	752	858	848	770	832	1,031	1,101	1,121	1,054	1,329	1,030	1,198
Citrus Concentrate													
Movement (1,000's of gallons)	35,608	38,432	37,813	36,666	38,499	43,576	41,017	33,013	34,846	34,413	34,831	33,964	34,563
Building Permits													
(1,000's of \$)	251,441	262,959	313,424	225,632	180,479	107,385	110,634	121,500	81,028	110,024	112,237	75,350*	
Number of Residential													
Electric Accounts	100,242	102,023	100,570	99,822	100,539	101,128	100,618	99,470	100,384	101,933	100,725	99,509	100,326
POLK PROGRESS	192.6	198.3	194.0	193.9	186.1	188.2	188.1	190.6	190.0	187.2	191.8	188.1	186.0

<sup>\*</sup>Estimated values for taxable sales and motel/hotel sales in Q3 2010, and forecast values for Q4 2010

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

SUNTRUST

# THE POLK PROGRESS

November 2010

Vol. 27, Issue 3

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

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.