

ECONOMY TAKES A BREATH AS INDEX STABILIZES

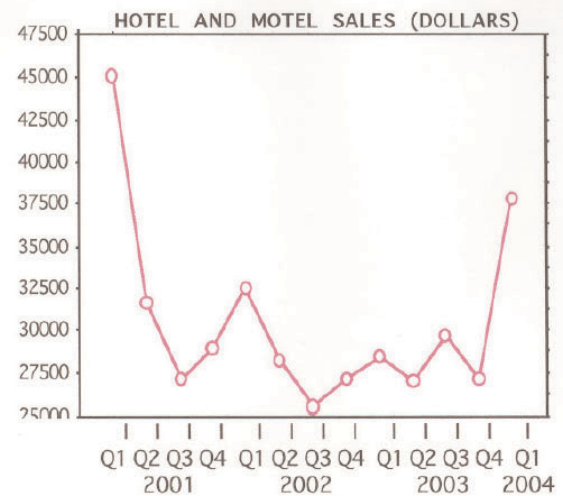
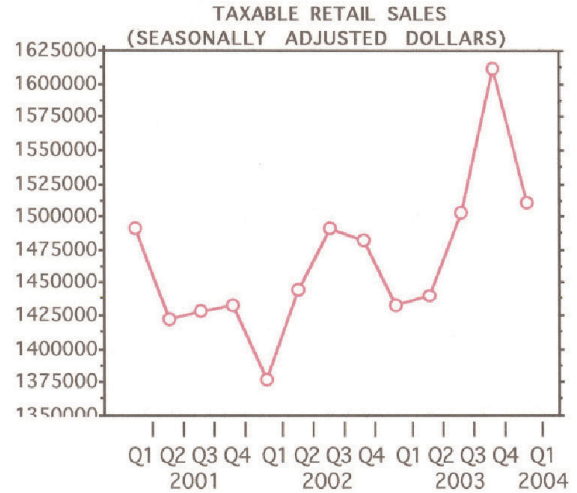
The local economy consolidated the gains of the preceding nine months during the first quarter, as the overall Polk Progress Index (PPI) was unchanged. Another sharp increase in home sales was offset by a dropoff in retail sales following two consecutive quarters of increases in retail activity. Employment and population levels were higher in Quarter 1, and there was a drop in industrial electric consumption that is probably a reflection of a lag in assigning those data to the correct time period.

The Florida Agency for Workforce Innovation has conducted its annual benchmarking of employment data for the years 2001, 2002, and 2003. The benchmarked data are reported in this issue of the Polk Progress Report, and have been incorporated into revised estimates of the PPI values for those years. Amended PPI values exhibit little change from those reported previously.

SALES - Retail sales receded from their fourth quarter surge, returning to a level more consistent with that experienced during the latter part of 2002. Retail activity does seem to be headed upward, with sales during the latest 3-quarter period up by 7% from the same period in the preceding year, unadjusted for inflation.

Quarter 1 brought the first signs that local tourism may have begun the recovery process from the 9/11 catastrophe of 2001. Sales at area hotels and motels are up sharply in the first quarter, to a level 32.8% above that of the first quarter of last year.

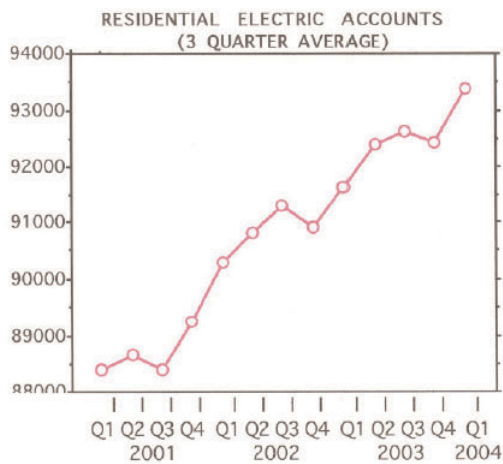
POPULATION - Population growth in Polk County continues unabated as the number of residential electric connections maintained by the City of Lakeland is up 1.9% in the first quarter from a year ago. These figures are historically consistent with a population growth of more than 2% for the county as a whole. In recent months, the northeastern part of Polk County has grown at a considerably faster pace than the rest of the county.



SunTrust Bank continues to hold the top position based on deposits among banks operating in Polk County. The latest data show SunTrust held a 22.5% market share in the third quarter of 2003, with deposits totalling \$975 million. Bank of America ranks second in the county with \$924 million in deposits as reported in the second quarter of 2003.

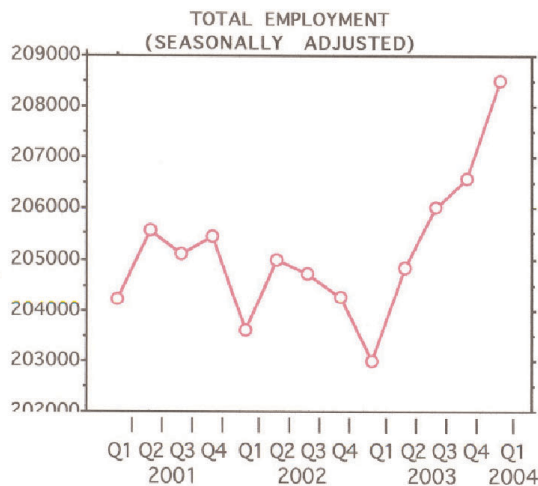
EMPLOYMENT - Revised data released by the Florida Agency for Workforce Innovation show that the average level of employment in Polk County during 2003 was 205,140 workers; versus an earlier estimated average of 206,283. The average number employed during the 2003 year was up 0.9% (1,748 workers) from the revised average of 2002.

The latest data relate that the large employment jump previously reported in the first quarter of 2001 was actually about half as large as initially indicated. That surge was followed a year later by a dip in employment beginning in Quarter 1 2002 that continued through the first quarter of 2003.



The old data had shown a further sharp drop in employment during the second quarter of 2003, without any appreciable change since then. The newly-benchmarked data reflect that employment actually began to grow in the second quarter of 2003, and has continued to grow since that time.

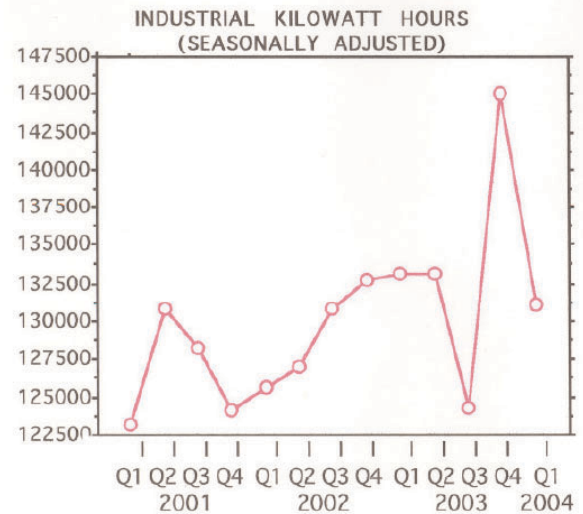
Total employment in the first quarter of 2004 is up 2.7% (5,509 workers) from a year ago. Seasonally adjusted employment in Quarter 1 is up 0.9% from the immediately preceding fourth quarter of 2003.



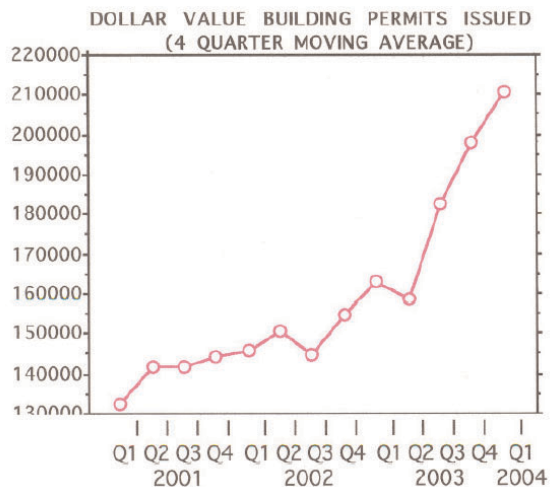
The unemployment rate in Polk County was 5% in January and February, then fell to 4.8% during March. The average unemployment rate stands at 5.5% for the first quarter after the data are adjusted for recurring seasonal variations. The latest figures represent a welcome improvement from the 6% average unemployment rate in 2003, and the 6.1% average rate of 2001 and 2002. The Polk unemployment rate has now fallen for three consecutive quarters.

State Farm Insurance Companies has announced that it will close its Winter Haven subrogation operations, transferring 67 jobs to other corporate offices. Subrogation is the process by which the insurer seeks reimbursement for a claim that it has already paid.

MANUFACTURING - The volatility shown over the last three quarters in industrial electricity consumption is likely a reflection of reporting lags. Consumption has remained at about the same level first established a year ago.

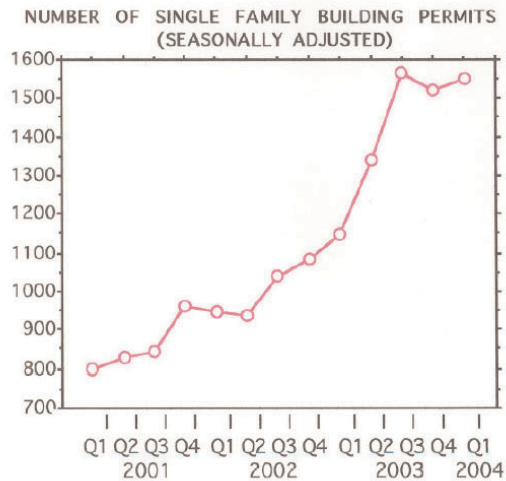


CONSTRUCTION - The building sector continues to be a strong force underlying the current economic expansion in both Polk County and the nation. A real surge in local construction activity began about a year ago. The value of permits issued countywide during the latest three quarters is up 46% (\$208.5 million) from the same three-quarter period a year earlier.

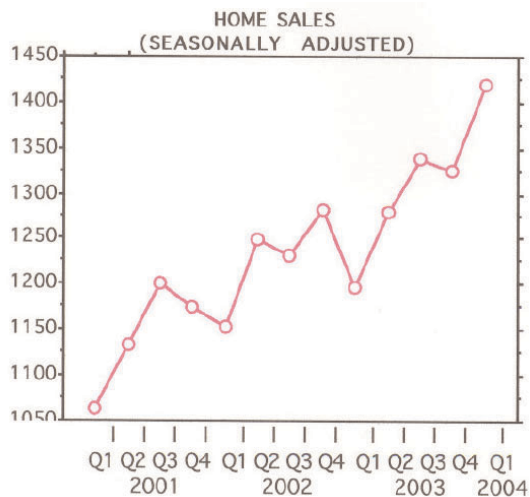


There were 488 permits issued for construction of single-family homes in Polk County during January, 466 in February, and a

monthly-record 621 permits issued in March. Most of the new construction is taking place in the northeast corner of the county, where four counties converge. Home construction is expected to slow somewhat this year as mortgage rates rise.



The MidFlorida Regional Multiple Listing Service reports that there were 5,277 homes sold in Polk County during 2003, a 7.3% increase from 2002. Figures include sales of single-family homes, duplexes, town houses, condominiums, and mobile homes. There were 370 sales in January, 415 in February, and 570 in March.

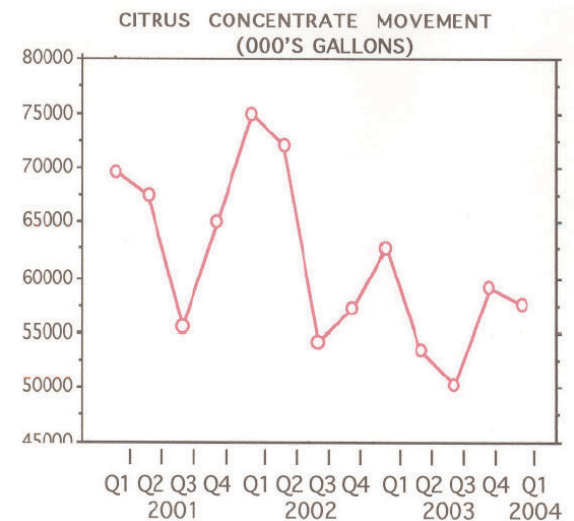
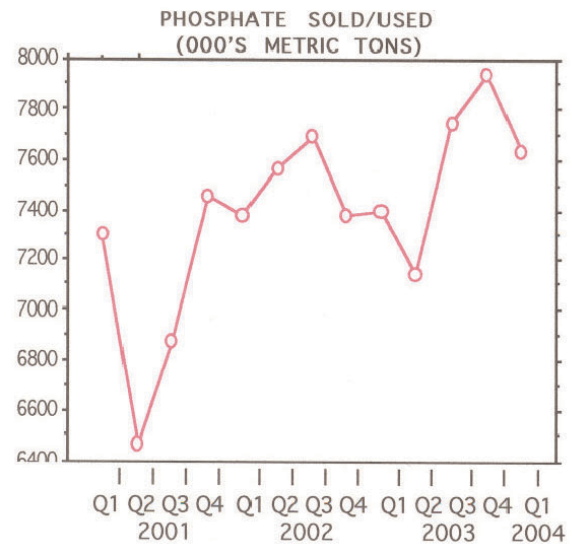


PHOSPHATE - Phosphate rock volume dipped slightly in the first quarter, but continued to register modest improvement relative to the same quarter a year ago. The volume of phosphate rock sold or used that originated in the Florida/North Carolina region during Quarter 1 is 3.1% above the first quarter of 2003. Cumulative volume for the most recent three quarters is 3.8% higher than the same three quarters a year earlier.

CITRUS - The record orange crop harvested in 2003-04 continues to depress prices. As the current crop-year draws to a close, the average farm price for early-mid oranges is down about 40% from the 2002-03 season.

DEVELOPMENT - Developers of the new upscale Lakeside Village shopping center in South Lakeland have announced that the center will house a Belk's and a Kohl's department store; a Bed, Bath & Beyond home furnishing store; an 18-screen Cobb Cinema, 40 retail stores, and 6 restaurants. The 675,000 square-foot center will be

located at the intersection of Harden Boulevard and the Polk Parkway, and is scheduled to open in fall 2005.



Heritage Equities Inc. of Lakeland has begun site preparation for construction of a 275,000 square-foot commercial business center in East Lakeland. The center will contain both warehouse and office space, and be located off of A-Z Park Road. Groundbreaking for the first two buildings is scheduled for late May.

A third electric power plant is under construction at the Hines Energy Complex south of Bartow on County Road 555. The third plant will have a generating capacity of 530 megawatts, and should be operational by December 2005. Completion of the new plant will bring the complex's total capacity to 1,500 megawatts, enough to power 950,000 homes and businesses.

The City of Lakeland has issued a building permit for construction of a 226,168 square-foot Havertys distribution center in North Lakeland. The center will be built off of State Road 33 near the intersection with Interstate 4. The facility will cost \$4.5 million to complete, and will replace existing centers in Tampa, Orlando, Port St. Lucie, Ocala, and Fort Myers.

Miritz Citrus Ingredients has plans to open a new facility in the Corporate Parkway Center in South Lakeland. The German-based

citrus flavoring extraction company will hire up to 50 scientists and engineers to provide service to the beverage, flavor, and fragrance industries when operational.

A new Beall's department store is slated to open this October in North Lakeland. The former site of the Kmart Store on U.S. 98 North is being renovated to accommodate the new 84,000 square-foot Beall's at a cost of \$1.85 million.

The Ruthvens are building a new 45,600 square-foot warehouse on Gateway Boulevard in West Lakeland. The new warehouse will accommodate up to 8 tenants, with each bay containing 4,800 square feet.

The Communications Center located on Drane Field Road in Lakeland has completed a 5,500 square-foot expansion of that facility. The project will facilitate the hiring of 100 additional workers, a process now underway.

Publix is remodelling its supermarket located in the Lake Miriam Square in South Lakeland. Publix will spend \$729,000 on the remodelling which begins in May, and will take about 9 months to complete.

Construction has begun on a \$300,000 renovation of the Juice Bowl Products Inc. plant on U.S. 98 in Southeast Lakeland. Juice Bowl bottles for several national beverage makers, in addition to processing citrus for juice.

First Baptist Church at the Mall in Lakeland has announced a \$7.5 million project to build a 2,400-seat sanctuary and a family life center that will include a sports and fitness complex. The project will take an estimated two years to complete. The church is located on East Memorial Boulevard.

Stock Building Supply has leased more than 200,000 square feet of space in the Central Florida Business Park, the site of the former Scotty's headquarters in Winter Haven. Stock is a leading supplier of lumber and other building materials used in the construction industry, and is based in Raleigh, North Carolina.

A new Panera Bread location is expected to open in Lakeland by the end of 2004. The company has pulled a permit to build a 4,420 square-foot cafe on South Florida Avenue. Panera Bread had 173 company-owned cafes and 429 franchises located in 30 states at the end of 2003.

Atlanta Bread Company is building a new restaurant in Winter Haven. The new eatery will be located on U.S. 17, just south of downtown. Atlanta Bread sells gourmet coffee, salads, pasta, and pastries.

Two new restaurants are under construction in Mulberry in front of the recently-completed Wal-Mart Supercenter on U.S. 37. The owners of a new Taco Bell/Long John Silver's restaurant plan for a late May opening, and will hire up to 60 workers. The owners of a new Sonic restaurant plan for a mid-June opening, and will hire as many as 40 workers. The latest Sonic will be the fifth location in Polk County for the chain.

The owners of the Bahama Bay Resort near Lake Davenport are building an 8,274 square-foot restaurant. The \$1.2 million Bahama Bay restaurant will be located at 750 New Providence, and take about 6 months to build.

Construction will soon begin on a new Polk County visitor center to be located at the interchange of Interstate 4 and U.S. 27. The Polk County Commission has approved funding to support the planning

process for the center which is tentatively scheduled to open in June 2005.

Dr. Timothy Ellis is adding a 1,300 square-foot addition to his orthodontic practice located on East Flamingo Drive in Bartow. The \$350,000 project is slated for completion in July.

NEW OPENINGS AND CLOSINGS - Ashley Furniture will open a new store in North Lakeland this May. The 73,560 square-foot outlet will be located in the Shoppes of Lakeland center on U.S. 98 North next to the new Target store. The Ashley chain is based in Arcadia, Wisconsin.

Fred's Market Restaurant is slated to open in South Lakeland this September. The new eatery will be located at the former site of the Sago Grill on Harden Boulevard, featuring a homestyle atmosphere.

WalMart opens a new Supercenter in Auburndale in May. The U.S. 92 West location will employ 500 associates. A Blimpie Xpress restaurant will be located inside the new Wal-Mart. More than 100 of the Blimpie Xpress restaurants are scheduled to open around the country this year.

A new CenterState Bank office will open in downtown Lake Wales before the end of this year. CenterState is paying \$1.5 million for the land and construction of the new building on West Central Avenue.

Pratt Industries USA opened a new 60,000 square-foot carton warehouse in May in Dundee. The \$1 million citrus packaging plant is located off of Frederick Avenue and will service Dundee Citrus, the state's largest fresh citrus packer and shipper.

TAKEOVERS - Regulators and stockholders have approved the merger of Lakeland-based FloridaFirst Bancorp Inc. and SouthTrust of Alabama Inc. SouthTrust is paying \$146 million to acquire FloridaFirst, which has 19 branch offices in Central Florida. Some 40 to 50 FloridaFirst staff personnel are expected to lose their jobs due to consolidation.

The former site of rus company on Interstate Drive in Lakeland has been purchased by Custom Linen Solutions. Custom Linen Solutions provides laundry service for healthcare facilities. CLS plans to add as many as 100 employees at the 50,000 square-foot facility in the next year.

The National Economy

The U.S. economy continued to grow briskly in the first quarter as price adjusted Gross Domestic Product rose at a 4.2% annual rate. The main contributors to GDP growth were advances in personal consumption expenditures, government spending, exports, and private inventory investment.

CONSUMER SPENDING - Consumers boosted their spending for goods and services by a healthy 0.5% in January, 0.2% in February, and another 0.4% during March. Spending for durable goods was up 0.7% in February and 0.4% in March.

Retail sales (includes spending for goods only) dropped 0.3% during January before climbing 0.6% in February and by 1.8% in March. The February and March gains enforced analysts' expectations of stronger economic growth in the months ahead.

Personal incomes rose a respectable 0.3% in January, 0.5% in February, and by 0.4% in March. Personal savings was 1.9% of disposable income in the first quarter, a slight increase from the 1.7% rate of the preceding quarter.

Consumer expectations weakened a bit in February, then leveled off in March. Expectations dipped slightly in April according to the University of Michigan's consumer sentiment index, but were up in April according to the Conference Board's consumer confidence index. Expectations should climb as job growth begins to accelerate.

EMPLOYMENT - Employment levels finally began to rise significantly as the first quarter drew to a close. Total nonfarm employment increased by 159,000 workers in January and just 83,000 in February, before accelerating strongly with a 337,000 advance during March. Employment expanded by another 288,000 workers in April.

Employment in the manufacturing sector appears to be bottoming out. Manufacturing employment had been falling since August of 2000. The number of manufacturing jobs fell by just 13,000 in January and 1,000 in February. March brought the first actual rise in manufacturing employment in more than three and a half years when the number employed rose by 9,000. April brought an even larger gain of 28,000 manufacturing jobs.

The nation's unemployment rate edged upward from 5.6% in both January and February to 5.7% in March, before receding back to 5.6% again in April.

The surging productivity growth of American labor experienced in recent years showed signs of slowing in Quarter 1. Labor productivity rose at a 3.5% annual rate in the first quarter, which is down slightly from the 4.4% productivity growth experienced during 2003. Productivity growth remains well above the historic average of 2.2% realized over the preceding 55 years.

INDUSTRIAL PRODUCTION - Output at U.S. mines, factories, and utilities grew by 0.8% in January and 0.7% in February, then declined 0.2% in March. Industry operated at 76.1% of capacity in January; 76.6% in February; and 76.5% during March.

Factory orders dipped 0.9% in January, then increased by 0.3% in February before accelerating in March with a strong 4.3% advance. Orders for durable goods fell 2.6% in January before rising sharply with a 2.5% expansion in February and a 3.4% increase in March.

Business inventories edged upward 0.1% in January and by a more substantial 0.7% in both February and March.

CONSTRUCTION - Total spending for new construction fell 0.8% in January, then climbed 0.4% in February and 1.5% during March. The January decline in expenditures was primarily related to cold weather in much of the nation.

Housing starts dropped 6.3% in January; again, largely a reflection of cold weather. Starts dropped another 4% during February, then rebounded upward by 6.4% in March.

Private housing building permits fell 2.8% in January and 1.5% in February. Permits partially recovered the January and February losses with a 1.9% increase in March. Housing demand is expected to remain firm over the next several months, before subsiding as mortgage rates rise.

New home sales surged in the first quarter, rising 1.2% in January, 5.8% in February and by 8.9% in March as buyers scrambled to beat an expected rise in mortgage rates. Sales of existing homes were down 5.8% in January, then climbed 2.2% in February and 5.7% in March according to the National Association of Realtors.

FOREIGN TRADE - The nation's international trade deficit

reached a record \$43.5 billion in January before receding to \$42.1 billion in February. The deficit subsequently rose again to a new record high of \$46 billion in March. The trade deficit for all of 2003 was a record \$489.9 billion. The U.S. trade deficit will narrow in the future as the effects of the declining exchange value of the dollar begin to take hold.

COST OF LIVING - The Consumer Price Index (CPI) rose 0.5% in January, 0.3% in February, and 0.5% in March as inflation showed modest signs of reviving. The CPI in March is up 1.7% from a year earlier due, for the most part, to higher oil prices.

Year	Consumer Price Index (A)			
	Q1	Q2	Q3	Q4
2001	175.7	177.5	177.8	177.3
2002	177.9	179.9	180.6	181.2
2003	183.0	183.7	184.5	184.8
2004	186.4			

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

MONETARY POLICY - The Federal Reserve is widely expected to abandon its yearlong commitment to historically low interest rates this summer. The Fed decided to keep its federal funds rate target unchanged at 1% in its latest meeting in early May, but broadly hinted that higher rates are in the offing. It's now projected that the Fed will begin to raise its interest rate target in June, reaching a 2% level by yearend.

LEADING INDICATORS - The Conference Board reported that its composite of leading economic indicators climbed 0.4% during January, then was unchanged in February before rising another 0.3% in March. The leading index has risen 1.8% over the last six months, signalling relatively strong economic growth in the near term.

Orders for nondefense capital goods excluding aircraft, a key barometer of business investment plans, surged by 3.6% in January, 0.4% in February, and another 2.4% in March.

SUMMARY - The real U.S. Gross Domestic product advanced at a healthy 4.1% annual rate in Quarter 1, nearly matching the growth rate of the preceding quarter. The best news related to the continued increase in consumer spending, and the emergence of respectable employment growth in March. There are positive signs that we have stemmed the bleeding in manufacturing, and that sector may now begin to join in the economic expansion.

A consensus of economists projects that real GDP growth will remain at about a 4% annual rate through the rest of 2004.

THE POLK OUTLOOK

Retail sales in Polk County are expected to expand modestly in the second quarter, while total employment will continue to grow at about a 2% annual rate. Industrial electricity consumption will rebound to levels slightly above a year ago, while building permit activity will stabilize.

We will experience the normal seasonal drop in local hotel/motel sales in the second quarter, though they will continue to run about 10% above the preceding year. Home sales will continue to set new records in the next quarter, while phosphate shipments will run slightly ahead of last year. The number of residential electric connections (a proxy measure of local population size) is expected to grow at about a 1.5% annual rate.

We anticipate little change in the overall Polk Progress Index during the second quarter. Modest growth in the index will likely follow in the second half of the year.

METHODOLOGY

The Polk Progress Index is developed on the basis of quarterly observations of five 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 (.1948); Total Employment (.2025); Home Sales (.205); Residential Electric Accounts (.1982); and Industrial Kilowatt Hours (.1995). The index explains 84.1% of the variation in the combined variables. The weights and variables are subject to future verification and modification in light of changing relationships.

POLK PROGRESS INDEX													
	2001			2002				2003				2004	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Projected
Taxable Sales (1,000's of \$)	1,414,474	1,347,824	1,477,209	1,435,967	1,467,997	1,432,950	1,516,318	1,400,020	1,448,058	1,454,526	1,673,398	1,526,659*	1,543,925
Total Employment	204,665	204,331	206,791	203,900	204,117	203,946	205,607	203,277	203,974	205,273	207,945	208,786	209,420
Residential Telephone Access	222,031	220,230	222,590	224,794	218,924	217,549	218,642	221,178	214,624	213,059	214,906	218,061	215,389
Business Telephone Access	90,555	89,343	87,049	85,547	83,838	81,507	80,282	79,413	77,428	76,665	74,639	73,638	71,638
Industrial Electric KWH (1,000's)	131,420	138,105	125,919	116,490	128,587	142,032	133,312	123,966	136,111	127,882	147,362	120,033	138,674
Number of Single Family Bldg. Permits	925	910	923	962	1,011	1,111	1,067	1,185	1,496	1,723	1,518	1,575	1,562
Hotel/Motel Sales (1,000's of \$)	31,681	27,058	28,887	32,457	28,250	25,530	27,092	28,441	27,002	29,679	27,125	37,762	30,681
Number of Homes Sold	1,251	1,260	1,130	1,087	1,343	1,253	1,235	1,127	1,427	1,417	1,306	1,355	1,533
Citrus Concentrate Movement (1,000's of gal.)	67,653	55,599	65,131	75,096	72,159	54,269	57,285	62,629	53,507	50,218	59,124	57,687	54,222
Phosphate Sold/Used (1,000's metric tons)	6,470	6,880	7,460	7,380	7,560	7,690	7,380	7,400	7,140	7,750	7,940	7,630	7,830
Building Permits (1,000's of \$)	179,844	155,625	118,885	129,511	198,160	133,314	157,649	162,059	181,056	229,087	219,174	213,300	—
Number of Residential Electric Accounts	89,262	88,692	89,775	92,440	91,333	90,114	91,319	93,478	92,408	92,030	92,879	95,228	93,810
POLK PROGRESS	181.0	180.2	179.6	171.5	181.6	182.7	185.4	180.1	185.0	188.6	194.0	194.0	195.0

Taxable Sales and Home sales figures are estimated for Q1 2004

Individual variables in the table represent raw data, unadjusted for seasonally. Industrial electric consumption reflects sales by the City of Lakeland. Phosphate sold or used is for Florida and North Carolina (Polk County averages 40% of this combined total). Citrus concentrate movement is for the state of Florida. All other data are county specific.

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

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