FLORIDA SOUTHERN COLLEGE

POLK PROGRESS

ECONOMIC INDICATORS FOR POLK COUNTY

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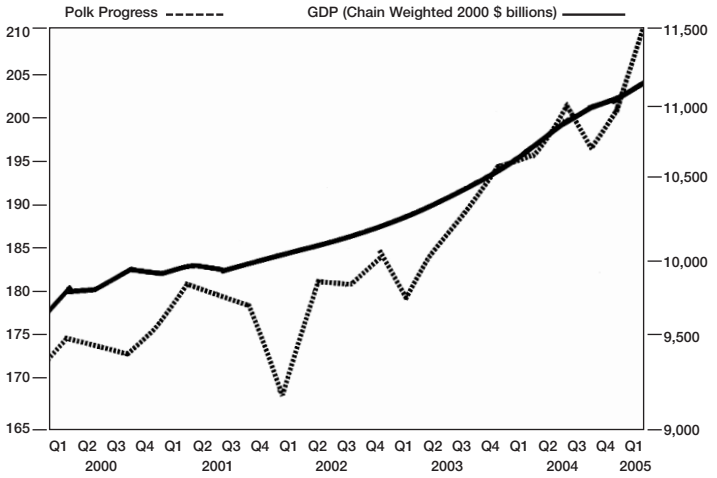


LOCAL ECONOMY BEGINS YEAR ON STRONG NOTE

Economic activity in Polk County expanded sharply in the first quarter, driven by strong increases in retail and home sales. The overall Polk Progress Index (PPI) climbed 5.8%, led by a seasonally adjusted 10% advance in homes sales. All components of the index were up, including an estimated 4% rise in retail sales.

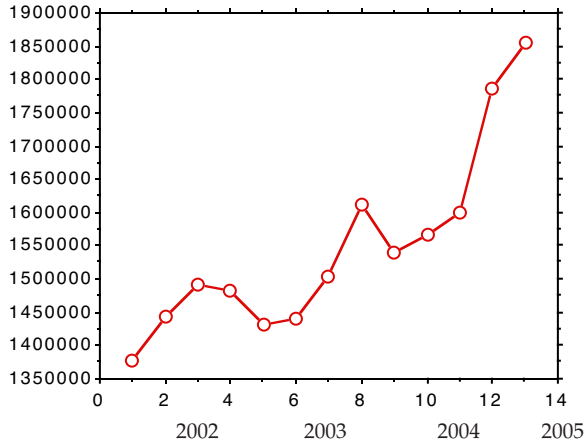
The Florida Agency for Workforce Innovation has conducted its annual benchmarking of employment data for the year 2004, but has yet to complete benchmarking of data for 2001, 2002, and 2003. This makes it impossible to meaningfully compare the current data and the revised data for 2004, with data from the preceding years. No attempt will be made to amend past PPI figures until the benchmarked employment data for the other years become available.

SALES - Taxable sales in the first quarter increased an estimated 3.9% from the preceding quarter after adjusting the data for recurring seasonal variations. Sales for March are estimated as the data have not been released by the Florida Department of Revenue as of the time of this writing. Actual (unadjusted) sales in Quarter 1 were up an estimated 24% from the same quarter a year ago.

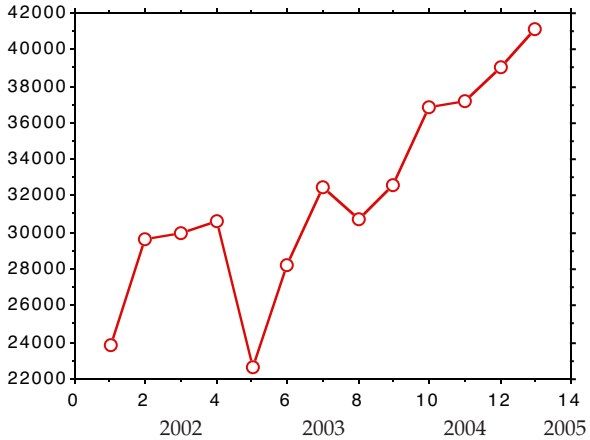
Local tourism has come a long way back from the steep drop experienced after the events of September 11, 2001. Sales at Polk County hotels and motels continued to surge in the first quarter, reaching an estimated $45.7 million. That is an increase of 19.7% ($7.5 million) from the first quarter of 2004. Though the latest figure is slightly higher than the $45 million in sales recorded for the first quarter of 2001, it is still down in real terms because of the inflation that has occurred during the four-year interval.

POPULATION - The number of residential electric accounts serviced by the City of Lakeland was 1.8% higher in the first quarter of 2005 than it was a year earlier. That is consistent with an annual population growth rate for Polk County of just under three percent.

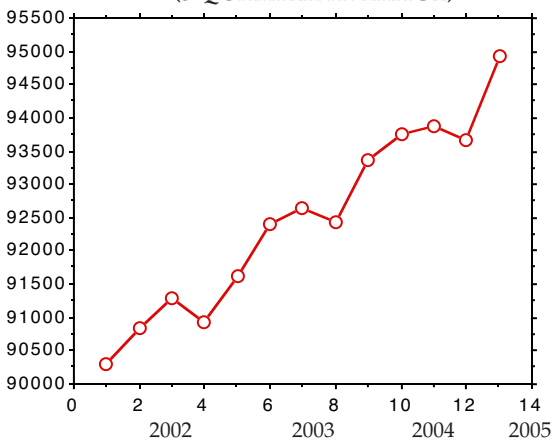
TAXABLE RETAIL SALES (SEASONALLY ADJUSTED DOLLARS)



HOTEL AND MOTEL SALES (SEASONALLY ADJUSTED DOLLARS)



RESIDENTIAL ELECTRIC ACCOUNTS (3 QUARTER AVERAGE)

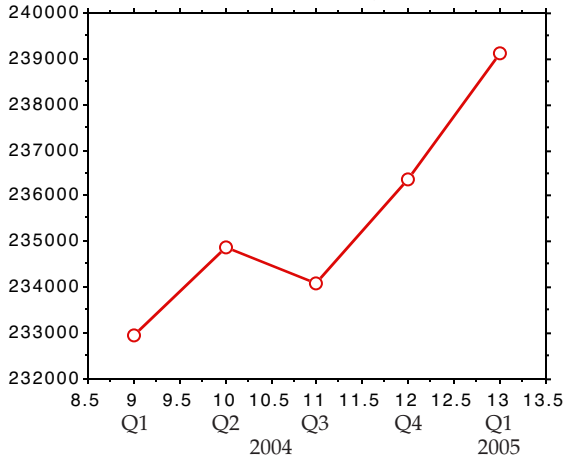


SunTrust remains the largest bank in terms of Polk County deposits. The latest figures available are from Quarter 2, 2004, and show that SunTrust had local deposits valued at $942.1 million. That amounts to 21.1% of total bank deposits in the county according to the Florida Bankers Association.

EMPLOYMENT - The revised data released by the Florida Agency for Workforce Innovation show that the average number of employed workers in Polk County during 2004 was 199,250; a 4.2% increase from the 191,175 jobs previously estimated. A record 240,689 workers were employed locally during March of 2005, representing an increase of 6,000 from the revised estimate of a year ago.

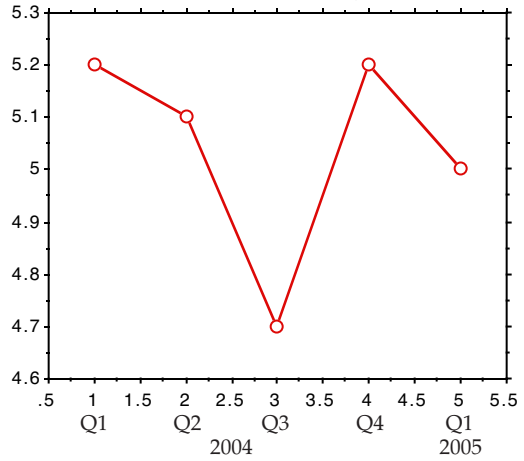
The latest employment data for 2004 and 2005 cannot be compared with the data for preceding years until that prior data is also adjusted for the new statistical benchmarks. The available data do show that in the first quarter of 2005 Polk employment climbed 0.4% from the preceding quarter after adjusting for seasonal factors.

TOTAL EMPLOYMENT
(SEASONALLY ADJUSTED)



The average unemployment rate in Polk County during 2004 was a revised 5%. The local unemployment rate fell to 4.6% in January, 4.7% in February, and 4.3% during March. The Quarter 1 decline was largely a reflection of recurring seasonal variations, and the unemployment rate remains just under 5% when the seasonal factors are taken into account.

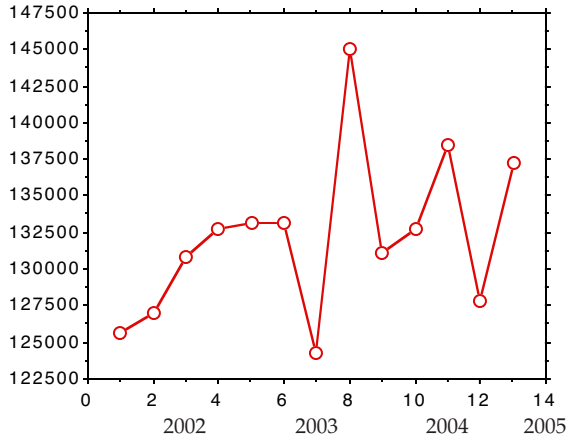
UNEMPLOYMENT RATE
(SEASONALLY ADJUSTED)



Tampa Maid Foods Incorporated laid off 58 workers at its Lakeland seafood processing plant in March. The firm cited recent U.S. tariffs on imported raw shrimp that have created an incentive for foreign producers to ship their product in cooked or breaded form. The cut-backs reduce the number of workers at the Lakeland facility to 362.

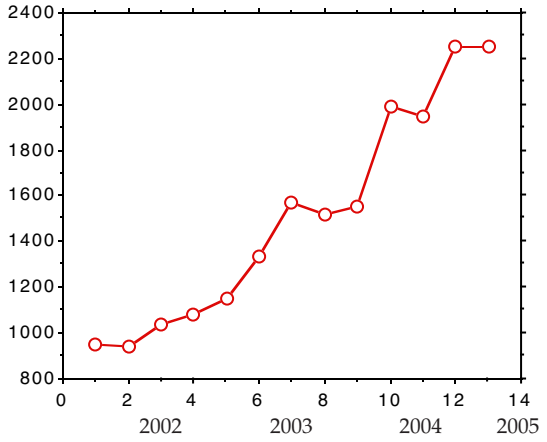
MANUFACTURING - Industrial electricity consumption basically offset a reported 7% drop in the fourth quarter of 2004 with a 7% advance in the just completed first quarter of 2005. Both movements are likely glitches in the reporting of data, and it appears that industrial consumption has remained steady over the last three quarters.

INDUSTRIAL KILOWATT HOURS
(SEASONALLY ADJUSTED)



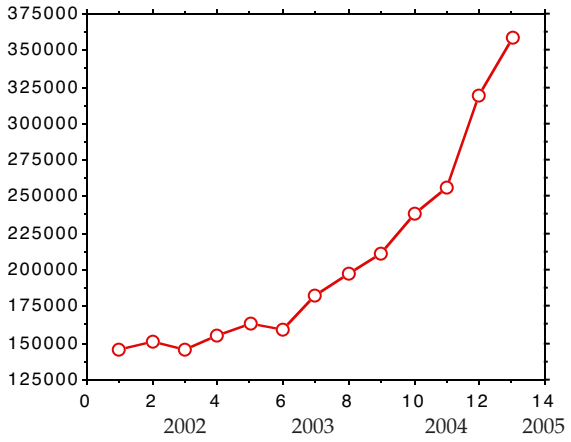
CONSTRUCTION - Home buyers and builders are rushing to beat an anticipated increase in interest rates. Building departments in Polk County issued 577 permits for construction of single-family homes in January, 849 during February, and 862 in March.

NUMBER OF SINGLE FAMILY BUILDING PERMITS
(SEASONALLY ADJUSTED)



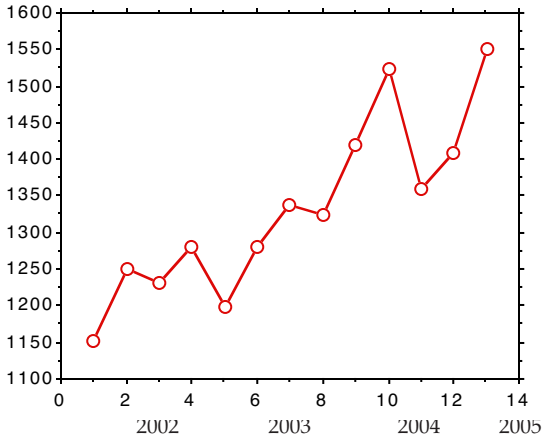
The dollar value of all building permits issued in the county has really taken off in the last six months. The $846.2 in permits issued in that period represents a 95.7% increase from the same six-month period a year earlier.

DOLLAR VALUE BUILDING PERMITS ISSUED (4 QUARTER MOVING AVERAGE)



Home sales have completely recovered from a Quarter 3 2004 slip to eclipse their previous record high. There were 396 homes sold in January, 470 in February, and 627 in March. The March surge in sales continues to largely reflect activity in unincorporated parts of the county.

HOME SALES (SEASONALLY ADJUSTED)



PHOSPHATE - Mosaic Company has announced that it will close six mechanic shops that service its local phosphate mines by the end of May. The closings will result in a loss of 65 local jobs. The shops are located at the Four Corners, Fort Green, and Noralyn mines, and near company offices at Pierce.

Data on the volume of phosphate rock sold or used originating in the Florida/North Carolina region will no longer be made public by the U.S. Bureau of Mines. The recent merger of IMC and Cargill into the Mosaic Company is considered by the Bureau of Mines to make such regional information too company-specific.

CITRUS - The latest forecast from the Florida Department of Citrus estimates the 2004-05 Florida orange crop at 151.2 million boxes. That is a drop of 11 million boxes from the February forecast. If realized, it will be 37% below the 242 million boxes harvested last season, and would be the smallest crop since the 1989-90 season. The shortfall is related to hurricane damage suffered this fall. The grapefruit forecast for this crop-year remains at 13 million boxes.

CITRUS CONCENTRATE MOVEMENT (000'S GALLONS)

DEVELOPMENT - A new five-story residential project is slated for construction in downtown Lakeland. Lofts on the Park will be located on Kentucky Avenue across from Munn Park. The 24,000 square-foot condominium structure will be divided among apartments and townhouses, with occupancy scheduled for early next year.

Lowe's has announced plans to build a new store in North Lakeland. The 136,999 square-foot outlet will be built on U.S. 98 North at the former site of a Wal-Mart store. Lowe's is also constructing a new $12 million store in Bartow on East Van Fleet Drive that is scheduled to open in September. The Bartow store is expected to employ 120 workers.

Kane's Furniture is building a new outlet in North Lakeland. The new 60,000 square-foot store will be set adjacent to U.S. 98 North near Sam's Club. It will be the first Kane's location in Polk County.

The Florida Board of Governors has approved the expenditure of $3.7 million for construction of the first phase of the new USF-Lakeland campus. The money will pay for infrastructure necessary to support construction of classroom facilities. The master plan calls for a 16,000-student campus to be built on the 172-care site located at the intersection of Interstate 4 and the Polk Parkway east of Lakeland.

Keiser College also plans to construct a new campus facility along Interstate 4 in North Lakeland, just east of the Pepperidge Farm plant. The college will be housed in a single-story building that will measure between 45,000 and 60,000 square feet.

The Steak n Shake chain is replacing its restaurant on U.S. 98 North in Lakeland with a new and larger facility. The new eatery is expected to be completed and open to patrons this July.

Sonic will open a new restaurant in North Lakeland this fall. The drive-in eatery will also be located on U.S. 98 North, with 25 parking stalls and a drive-through.

Flagler Development Company has purchased a 665-acre tract of land west of Lakeland for the purpose of constructing an industrial and office park. Flagler paid $9.3 million for the site located along the eastern end of the Polk Parkway, just south of Interstate 4.

Southern Wine and Spirits broke ground in March to build its new 653,000 square-foot distribution center along Old Tampa Highway in West Lakeland. The center will employ about 350 workers upon completion, which is scheduled to occur this fall.

Another call center is in the works for Lakeland. CDG Group will lease 6,800 square-feet of office space at the Lakeland Airside Center in West Lakeland, creating about 250 local jobs. CDG Group specializes in raising money for police, fire, and veteran associations.

MCI Miritz Citrus Ingredients announced that it will build a flavors extraction plant on South Pipkin Road in West Lakeland. The 50,000 square-foot facility will employ 75 workers when operational. Construction is scheduled to begin before the end of this year.

Lockheed Martin is in the process of relocating nearly 100 jobs from its Clarksburg, Maryland, office to its office in South Lakeland. Lakeland will subsequently become Lockheed Martin's primary financial services center.

Clark & Daughtrey Medical group will build a 45,000 square-foot facility along South Florida Avenue in Lakeland. The three-story structure will house orthopedic, rheumatology, and cardiology units, in addition to a laboratory. The center will cost $8 million to construct, and will employ between 40 and 50 workers.

Work begins this June on a project to widen and lengthen County Road 540A in South Lakeland. The road will be extended west from its current ending point at South Florida Avenue through to Ewell Road. The extension, and the current segment from South Florida Avenue eastward to Lakeland Highlands Road, will be expanded to four lanes to accommodate the ever-increasing flow of traffic.

The Beef O'Brady's restaurant that was previously located in the storm-damaged Lakeland South shopping center on South Florida Avenue is reopening this summer at a new location. The restaurant will now be housed in the Lake Miriam Square shopping center, a half mile further to the north along South Florida Avenue.

Maxijet Inc. and Mister Landscaper Inc. plan to expand their manufacturing facility in Dundee with construction of a 15,000 square-foot warehouse and distribution center. The expansion will create 25 new jobs at the plant which makes low-volume irrigation products.

Coca Cola North America plans to increase the size of its Main Street packaging plant in Auburndale. A new production line will make Simply Orange not-from-concentrate orange juice beginning in July 2006. The expansion is expected to create several dozen new jobs.

NEW OPENINGS AND CLOSINGS - Lakeland Regional Medical Center opened its new $70 million B wing in March. The new wing houses 286 beds on six patient-floors. The second floor contains an 18,400 square-foot cafeteria with 10 specialty food and beverage areas, plus a gift shop.

The new Lake Mirror Tower residential facility opened in downtown Lakeland in March. The completely refurbished nine-story structure now contains 76 one- and two-bedroom rental apartments. The building first opened in 1926 as the Florida Hotel.

Butterkrust Bakery has inaugurated a new production line for buns and rolls at its Lakeland complex. The new 40,000 square-foot building opened in May, culminating a $17 million project.

The new $3.5 million North Lakeland YMCA opened in April. The 23,500 square-foot facility features a 5,000 square-foot gymnasium, and is located on a 20-acre plot along Sleepy Hill Road near the Lakeland Square Mall. It is the first new YMCA facility to open in Polk County since the 1970's.

A new Bob Evans restaurant began serving diners in South Lakeland in April. The latest outlet for the restaurant chain is located on South Florida Avenue, with service offered from 6:00 AM to 10:00 PM seven days a week.

Panera Bread opened a new restaurant on South Florida Avenue in Lakeland in March. Panera also announced that it will build a second Lakeland location in the Shoppes of Lakeland plaza along U.S. 98 North across from the Lakeland Square Mall.

Broyhill Furniture inaugurates a new outlet in South Lakeland this May. The 31,000 square-foot store is located on South Florida Avenue at the former site of a Badcock Furniture Store.

Charlie Dyches Power Sports opened in March on Edgewood Drive in Lakeland. The new 1,600 square-foot store sells dirt bikes, four-wheelers, and related accessories.

TAKEOVERS - Bartow Memorial Hospital has been purchased by Health Management Associates Incorporated of Naples, Florida. The 56-bed acute care facility has 320 employees. The acquisition brings the number of hospitals HMA owns in Florida to seventeen.

THE NATIONAL ECONOMY

Price adjusted Gross Domestic Product (GDP) rose at a 3.1% annual rate in the first quarter, down slightly from the revised 3.8% growth rate during the preceding quarter. The Quarter 1 advance was led by increases in personal consumption expenditures, inventory investment by businesses, exports, and residential construction. It is the lowest quarterly increase in real GDP in two years.

CONSUMER SPENDING - Consumer spending growth slowed a bit during the first quarter, but remains at a respectable 3.5% annual rate. Personal Consumption Expenditures (goods and services) were unchanged in January, before climbing 0.7% in February and 0.6% in March. Retail sales (goods only) were up 0.3% in January, 0.5% in February and 0.4% during March.

Personal income slid 2.4% in January, then regained about half of that lost ground with advances of 0.4% in February and 0.5% in March. The steep January drop in income was due to a large one-time dividend payment by Microsoft that boosted the December income figure. Personal savings fell from 0.8% of disposable income in January, to 0.5% of disposable income in February and 0.4% in March. The Quarter 1 personal savings rate is the lowest on record.

The University of Michigan's Index of Consumer Sentiment fell in April for the fourth consecutive month to its lowest level since September of 2003. Rising inflation, higher interest rates, and slow job growth were cited as the factors underlying the drop in consumer confidence. The Conference Board reported similar declines through April in its Index of Consumer Confidence.

EMPLOYMENT - U.S. nonfarm employment was up a scant 124,000 jobs in January, then rose a more robust 300,000 jobs in February before receding to a 146,000 job increase in March. Employment growth rebounded with a 274,000 advance in April. Employment needs to expand by 125,000 to 150,000 workers a month to absorb the new persons moving into the labor force.

A March survey of employers by Manpower Incorporated found 30% of respondents planning to increase their workforce in the second quarter, while only 7% expect to cut payrolls.

The nation's overall unemployment rate rose from 5.2% in January to 5.4% in February, then receded back to 5.2% in both March and April. There is a feeling among analysts that the low unemployment rate may overstate the underlying strength in the labor market. The official unemployment rate will rise in future months if discouraged workers who have previously dropped out of the labor force decide to re-enter.

Manufacturing employment continues to languish, falling by 27,000 workers in January, then managing a 14,000 worker gain in February. The sector relinquished the February gain with job losses of 7,000 in March and 6,000 in April.

INDUSTRIAL PRODUCTION - Industrial production climbed at a 3.6% annual rate during the first quarter. Output at U.S. mines, factories, and utilities was unchanged in January, then rose 0.2% in February and 0.3% in March. Industry operated at 79.2% of capacity in January, 79.3% in February, and 79.4% during March.

The future outlook for manufacturing dimmed a bit in Quarter 1. Factory orders were unchanged in January, then followed a 0.5% dip in February with a slight 0.1% increase in March. Factory orders are considered a leading indicator of future economic activity, as they may translate into future demand for output. Orders for durable goods fell 1.2% in January, 0.2% in February, and by a sharp 2.8% during March. The March drop in durable goods orders was the steepest monthly decline in more than two years. Durable goods orders are highly volatile, and a trend should persist for several months before one draws any conclusions.

Business inventories rose 0.5% in February and 0.4% in March.

CONSTRUCTION - Total expenditures for new construction climbed 0.4% in January, and by 0.5% in both February and March.

New single-family home sales continue to confound and delight analysts, offsetting a 5.4% decline in January with robust gains of 8.2% in February and 12.2% during March. Sales of existing homes remained stable in January (up 0.1%) and February (unchanged), then managed a 1% gain in March. March sales of existing homes were the third highest monthly total on record. The key factor underlying the strength in home sales is the fact that mortgage rates remain near historically low levels.

There is caution to be gleaned from data relating to future housing construction. Housing starts were up 6% in January and 2.2% in February, but slid sharply in March by 17.6%. The March drop in housing starts was the steepest in more than 14 years. Building permits for private housing fell 1.2% in February and 4% in March, following a 3% gain in January.

FOREIGN TRADE - The U.S. international trade deficit rose to $58.5 billion in January and a record $60.6 billion in February, before receding unexpectedly to $55 billion in March. The March decline was primarily due to a drop in imports during the month, and was the lowest monthly trade gap since September 2004. Economists have become increasingly concerned about the rising U.S. trade deficits, and our ability to attract the foreign capital necessary to finance them.

The U.S. Current Account deficit, the most inclusive measure of the trade imbalance, increased by 25% in 2004 from the preceding year. The data suggest that the lower exchange value of the American dollar has yet to stem the rising trade deficit, and the dollar may be expected to deteriorate further in value in the months ahead. The dollar has fallen about 45% in value in terms of the Euro since May of 2002.

COST OF LIVING - Inflation began to heat up a bit during the first quarter as the Consumer Price Index (CPI) climbed at a 4.3% annual rate, driven by rising energy costs. The CPI increased 0.1% in January, 0.4% in February, and 0.6% during March. The index was up 3.1% in March from a year earlier.

Consumer Price Index (A)

Year	Q1	Q2	Q3	Q4
2002	177.9	179.9	180.6	181.2
2003	183.0	183.7	184.5	184.8
2004	186.3	188.6	189.5	190.8
2005	192.2			

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

The Labor Department reported that unit labor costs (the labor cost incurred with each nonfarm unit of output produced) rose at a 2.2% annual rate during the first quarter. That is a significant rise from the 0.4% increase in unit labor costs registered during the entire 2004 year. Labor costs are an important factor in the overall rate of inflation for the economy, and a factor the Federal Reserve pays special attention to in the formulation of its monetary policy.

MONETARY POLICY - The Federal Reserve continues to raise its target for interest rates, retaining the focus of monetary policy on the control of inflation. The Fed has increased its federal funds rate target by a quarter percentage point at each of its last eight meetings, beginning last June. The latest (May) increase brings the current federal funds rate to 3%. The federal funds rate is the interest rate commercial banks charge one another on overnight loans.

The economy's slower growth is unlikely to deter the Fed from continuing to raise interest rates in the foreseeable future.

LEADING INDICATORS - The Index of Leading Indicators maintained by the Conference Board slipped 0.3% in January, then managed a 0.1% increase in February before dropping another 0.4% in March. The index is designed to signal the direction of the economy in three to six months, and has been essentially flat since last October.

Orders for nondefense capital goods excluding aircraft, a key indicator of business investment plans, advanced 4.4% in January, then more than offset that gain with declines of 2.5% in February and 4.7% in March.

A May survey of 56 economists by the Wall Street Journal yielded a consensus forecast that real GDP will grow at a 3.2% annual rate in the second half of 2005.

SUMMARY - Economic growth slowed in the first quarter as expected. Real GDP advanced at a 3.1% annual rate, as consumers became more cautious in the face of rising interest rates, higher inflation, and weak employment data. The outlook for consumer spending is muddled.

Construction spending remains strong, but the longevity of that strength is threatened by rising interest rates. There is no impend-

ing impetus in manufacturing as overall factory orders and durable goods orders both fell in the first quarter.

The international trade deficit continues to act as a drag on the economy, with no visible signs of improvement on the horizon. Inflation is drawing more attention from the Federal Reserve, and interest rates are expected to continue to move upward.

The leading economic indicators point to slow growth over the rest of the 2005 year. We also anticipate that the nation's unemployment rate will drift upward in the coming months.

THE POLK OUTLOOK

The Polk economy is delivering very good news in sales and employment growth. Taxable retail sales have climbed sharply in the past six months, while sales at area hotels and motels have reclaimed their historic highs achieved before September 11, 2001, in nominal (though as yet not in real) terms.

Population growth remains strong at between 2 and 3 percent annually, while revised employment data show that the number of workers holding jobs in Polk County over the past year is substantially higher than previously estimated. The county's unemployment rate is running just below 5% after making allowance for recurring seasonal variations.

Residential construction continues to reach record highs as builders and homebuyers rush to beat anticipated increases in interest rates. Population growth will see to it that that residential construction remains a major player in the months ahead. Overall economic growth will slow from the heady rate of increase in Quarter 1, but the Polk economy will likely continue to outperform the national economy in 2005.

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

	2002			2003				2004				2005	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2* Projected
Taxable Sales *(1,000's of $)*	1,467,997	1,432,950	1,516,318	1,400,020	1,448,058	1,454,526	1,673,398	1,526,920	1,573,160	1,596,057	1,921,294	1,892,883*	1,773,683
Total Employment	204,117	203,946	205,607	203,277	203,974	205,273	207,945	233,250	235,282	234,473	238,575	239,420	240,032
Residential Telephone Access	218,924	217,549	218,642	221,178	214,624	213,059	214,906	218,061	211,433	212,847	211,433	212,898	210,209
Business Telephone Access	83,838	81,507	80,282	79,413	77,428	76,665	74,639	73,638	72,490	72,040	72,940	69,985	68,452
Industrial Electric KWH *(1,000's)*	128,587	142,032	133,312	123,966	135,111	127,882	147,362	120,033	135,198	147,336	130,529	126,839	135,100
Number of Single Family Bldg. Permits	1,011	1,111	1,067	1,185	1,496	1,723	1,518	1,575	2,211	2,148	2,348	2,288	2,335
Hotel/Motel Sales *(1,000's of $)*	28,250	25,530	27,092	28,441	27,002	29,679	27,125	38,134	36,832	35,607	37,569	45,656*	40,638
Number of Homes Sold	1,343	1,253	1,235	1,127	1,427	1,417	1,306	1,355	1,697	1,430	1,375	1,493	1,695
Citrus Concentrate Movement *(1,000's of gal.)*	72,159	54,269	57,285	62,629	53,507	50,218	59,124	57,687	56,638	55,630	54,337	48,668	49,230
Building Permits *(1,000's of $)*	198,160	133,314	157,649	162,059	181,056	229,087	219,174	213,300	291,345	298,307	475,416	370,708	-
Number of Residental Electric Accounts	91,333	90,114	91,319	93,478	92,408	92,030	92,879	95,228	93,176	93,198	94,659	96,972	93,216
POLK PROGRESS	**181.6**	**182.7**	**185.4**	**180.1**	**185.0**	**188.6**	**194.0**	**194.6**	**200.0**	**194.9**	**198.9**	**210.4**	**207.5**

*Estimated values for Taxable Sales and Motel/Hotel sales in Q1, and forecast values for Q2, 2005.

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.

THE POLK PROGRESS

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