

HURRICANES CREATE DIP IN LOCAL ECONOMIC INDEX

Hurricane Jeanne, the third part of the local fall disaster trilogy, pounded parts of Polk County with up to 8 inches of rain and left 171,500 utility customers in the county without power in late September, including 75,000 in the city of Lakeland. Customers remained without electricity for up to a week following the storm.

Damage to buildings in Polk County from the three hurricanes that hit during August and September is estimated at \$1.2 billion. The three hurricanes in a six-week period constituted the greatest natural disaster in the county's history.

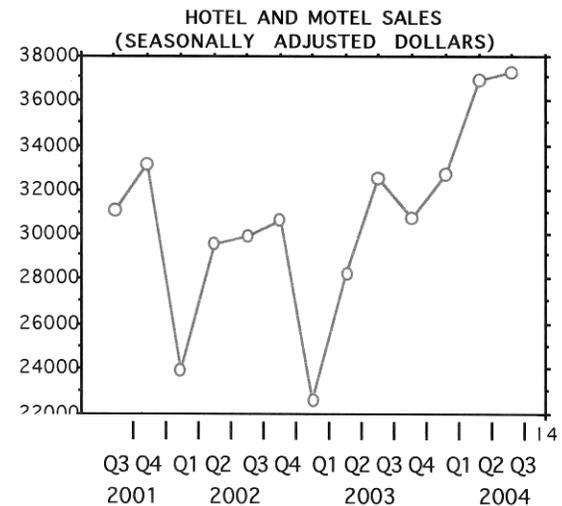
The Polk Progress Index (PPI) declined by 3% in the third quarter, in line with expectations expressed in the last issue of this report. The drop in the PPI is expected to be a one-quarter phenomenon, with the index largely recovering the ground lost by the end of the year.

Virtually all component variables in the PPI actually managed an increase in the third quarter, with the glaring exception being home sales which plunged 10%. The outlook for housing over the next six months is really quite strong, as indicated by data on the dollar value of building permits issued in Quarter 3 and the number of single-family building permits granted.

SALES - The overall volume of retail sales in Polk County during Quarter 3 was not adversely impacted by the hurricanes as people stocked up on supplies prior to their onset. Taxable sales during the third quarter were up 7.9% (\$114.5 million) from the same quarter a year ago. Sales through the first nine months of 2004 are running 8.5% above the same period in 2003.

Local retail sales have stabilized at a higher level following a surge in the fourth quarter of 2003. That pattern becomes apparent after adjusting the sales data for recurring seasonal factors. Seasonally adjusted taxable sales rose 2.1% during the just-completed third quarter.

Sales at Polk County hotels and motels may have benefited during the third quarter from the impact of the hurricanes. Quarter 3 hotel/motel sales are up 20% (\$5.9 million) from the third quarter of 2003. Sales have risen throughout 2004 when data are adjusted for seasonal variations.

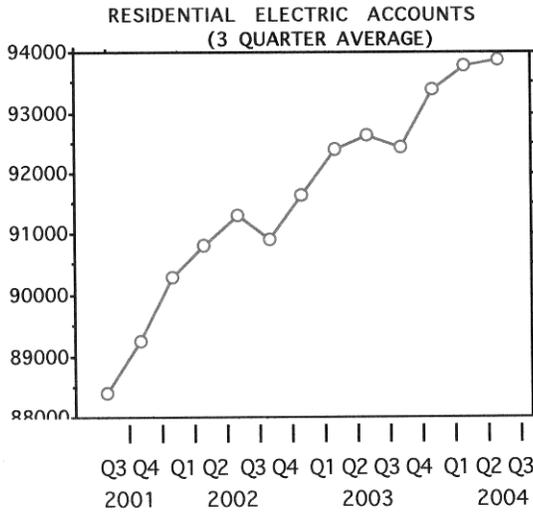


The seasonally adjusted data reveal that the local tourist industry appears to have completed a recovery from the terrorist attacks of September 11, 2002. The data show sharp drops in the first quarters of 2002 and 2003. Those are the peak quarters for tourism, and that's when hotel/motel sales suffered the most. The first quarter of 2004 was distinctly better, and the all-important first quarter of 2005 should be even stronger.

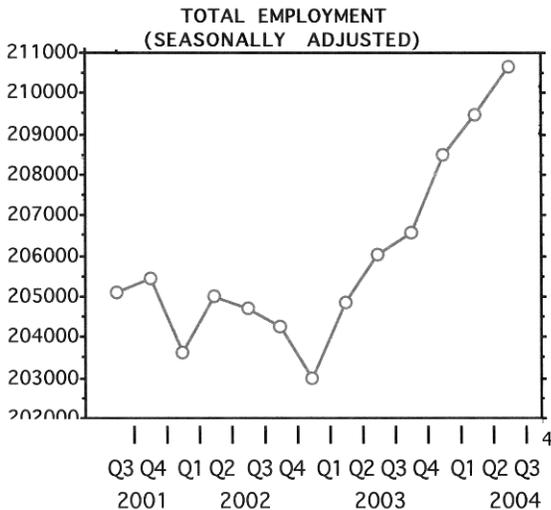
POPULATION - The latest estimates released by the Bureau of Economic and Business Development at the University of Florida place the population of Polk County at 528,389 in 2004. The county's population grew by an estimated 28,000 people between 2000 and 2003, then surged by another 16,000 within the last year. Lakeland remains the county's largest city with a population of

89,731; an increase of 14% from 2000. The number of persons now living in areas with a Lakeland zip code is estimated to be more than 250,000.

The number of residential electric accounts serviced by Lakeland Electric Company was 1.3% higher in Quarter 3 than it was in the same quarter of 2003. The rolling 3-quarter-average is also 1.3% above a year earlier.

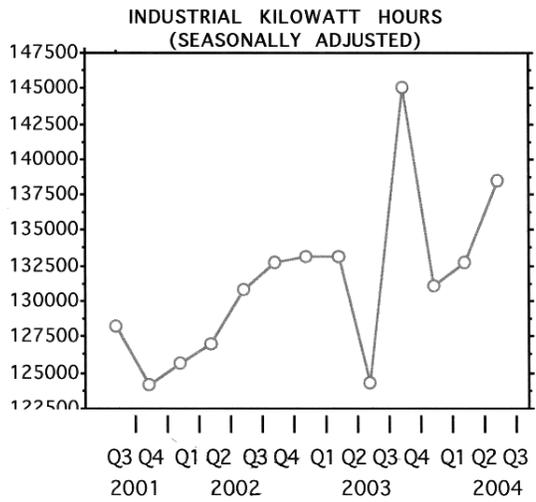
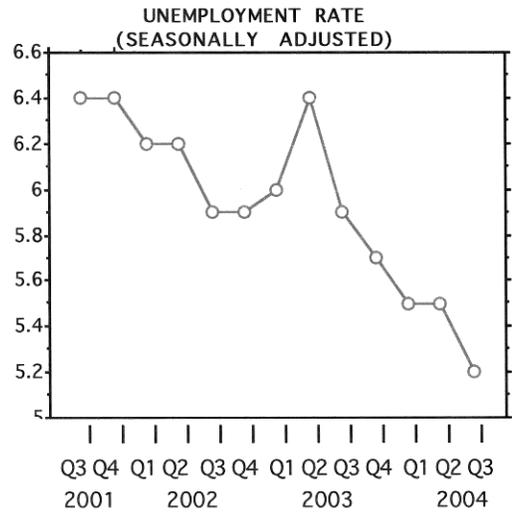


EMPLOYMENT - Total employment in Polk County has expanded for six consecutive quarters. The number employed during Quarter 3 is up 2.8% (5,721) from a year earlier. Average *nonfarm* employment in the county averaged 189,167 during the third quarter versus a 186,100 average number employed in Q3 of 2003.



The county's unemployment rate fell in the third quarter to a seasonally adjusted 5.2%, though the raw (unadjusted) figures were above the preceding Quarter 2 due to normal seasonal variations. The Polk jobless rate, unadjusted for seasonal factors, was 6.4% in July; 6.8% in August; and 6.5% in September.

MANUFACTURING - Industrial electricity consumption climbed a bit in the third quarter from a level it has pretty well adhered to for the past two years. It is not possible to draw any definitive conclusion at this point in time as to whether or not this might portend a new trend.



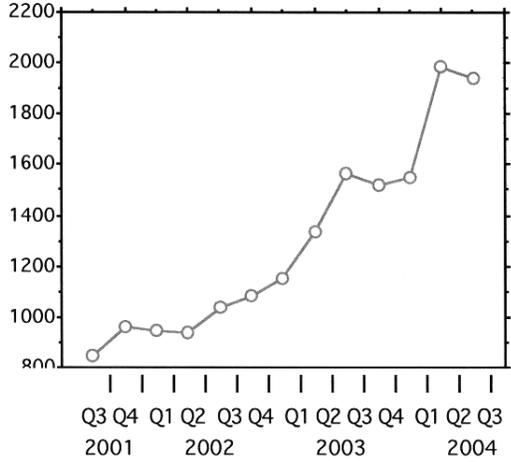
CONSTRUCTION - Local government building departments issued 2,148 permits for the construction of new houses during the third quarter. That is an increase of 22.4% from the same quarter in 2003. There were 651 single-family building permits issued in July, 599 in August, and a then-record 898 in September. In October, the number of permits issued in Polk County catapulted to a new high of 1,404 as builders raced to beat implementation of increased transportation fees on November 1st. The great bulk of the housing development continues to occur in unincorporated areas of the county.

The dollar value of all building permits issued in Polk County continued its two-year-long climb during the third quarter. A survey of local building departments reveals that a total of \$298.3 million worth of permits was issued in Quarter 3.

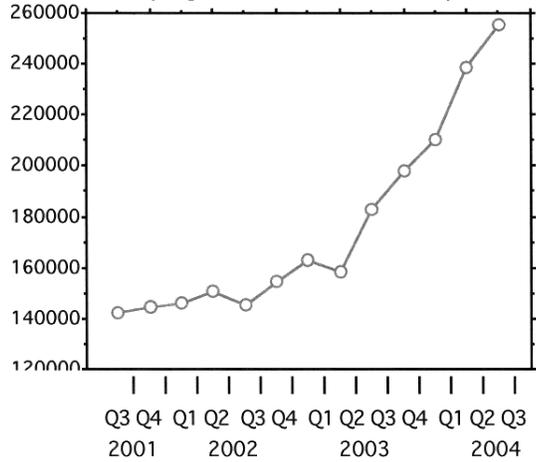
The season's hurricanes greatly reduced the number of homes sold in Polk County during the third quarter. There were 578 homes sold in the county during July, 521 in August, and 331 sold in September. Home sales dropped 10.7% from the preceding quarter after adjusting the data for seasonality. The actual number of homes sold (unadjusted) in Quarter 3 was virtually unchanged from the same quarter in 2003.

PHOSPHATE - The U.S. Department of Justice has approved the merger of IMC Global Inc. and Cargill Crop Nutrition. The two firms officially joined together as Mosaic Company in October.

NUMBER OF SINGLE FAMILY BUILDING PERMITS (SEASONALLY ADJUSTED)



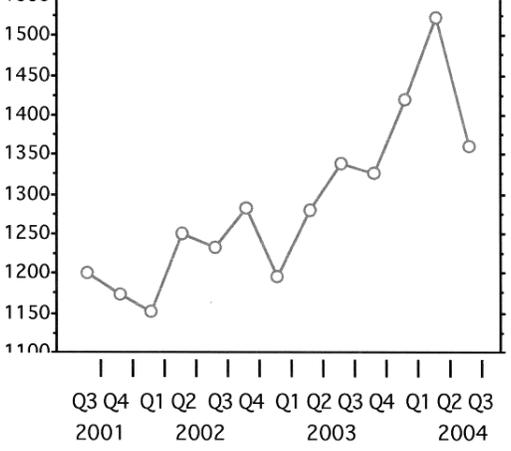
DOLLAR VALUE BUILDING PERMITS ISSUED (4 QUARTER MOVING AVERAGE)



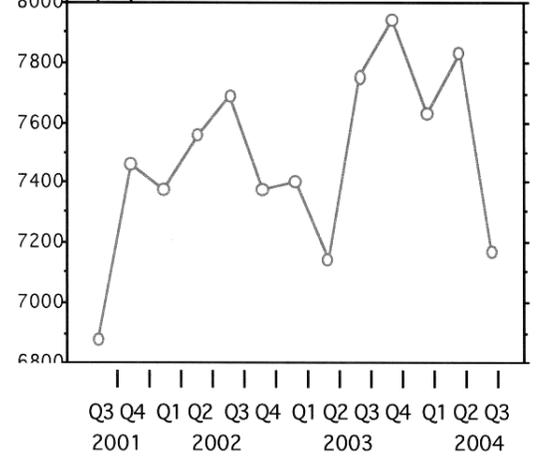
Cargill has a workforce of 1,060 in Polk County, while IMC employs about 2,000 local workers at the Four Corners, Fort Green and Kingsford mines, and the New Wales and South Pierce chemical fertilizer plants. Mosaic will be headquartered in Minneapolis.

The volume of phosphate rock sold or used originating the Florida/North Carolina region slipped unexpectedly in the third quarter, departing from a fairly stable pattern established over the preceding four quarters.

HOME SALES (SEASONALLY ADJUSTED)



PHOSPHATE SOLD/USED (000'S METRIC TONS)

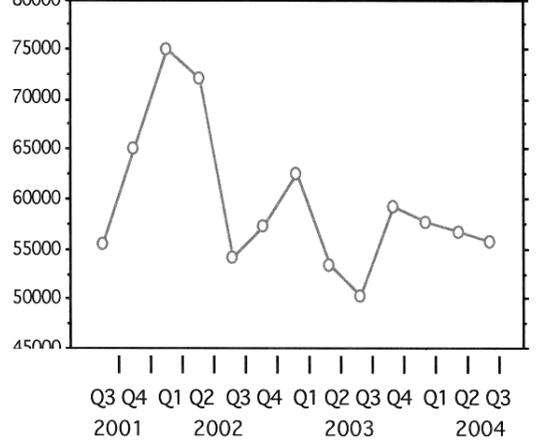


CITRUS - The latest (November) forecast issued by the Florida Agricultural Statistics Service projects the 2004-05 Florida orange crop at 176 million 90-pound boxes, and the grapefruit harvest at just 15 million boxes. The predicted orange crop is down 27% from last season's total of 242 million boxes, and would be the smallest since the 1993-94 crop year. Fruit droppage this season has been above normal due to hurricane damage.

The good news is that the reduced citrus crop is expected to result in some of the best fruit prices that growers have seen in years, particularly for grapefruit. The projected price for juice oranges this year is \$2 to \$3.14 per box for early-and-mid-season varieties, versus a price of \$1.65 per box last year.

The value of last season's citrus crop (2003-04) fell to \$746 million due to low prices, despite a 16% increase in production from the preceding year. It was the lowest revenue total for Florida growers in 18 years. Polk growers produced 42.2 million boxes of citrus last year, the most in the state.

CITRUS CONCENTRATE MOVEMENT (000'S METRIC TONS)



The Florida Agricultural Statistics Service reports that the number of acres devoted to commercial production of citrus statewide has dropped 6.1% since 2002. Florida citrus acreage now totals 748,555 acres. Polk remains the number one county in the state in citrus acreage with 95,050 acres in 2004; a decline of 5% from 2002. Polk ranks number two statewide in the number of citrus trees, with 11.2 million.

Kermit Weeks, owner of Fantasy of Flight, has opened a citrus packinghouse near that attraction on State Road 557. The packinghouse will employ eight people, and contain a souvenir shop and gift fruit store. It is the first new packinghouse to open in Polk County in more than 10 years.

DEVELOPMENT - Building permits have been issued for construction of two new business sites in the Lakeside Village shopping center located along Harden Boulevard just north of the Polk Parkway in South Lakeland. Cobb Theatre will encompass 76,902 square feet, while a Kohl's department store will measure 95,608 square feet and cost \$3.67 million to construct. Other recently announced tenants for the new center include Picasso's Cup Art Cafe, currently located on South Florida Avenue.

The Ruthvens are adding 150,000 square feet of warehouse space to their Ruthven West Lakeland Industrial Park located on Gateway Boulevard. Completion by the end of 2004 will bring total space at the park to 355,000 square feet. The Ruthvens are also constructing three new warehouse condo buildings near Lakeland Linder Regional Airport, offering a total of 127,000 square feet of space adjacent to Drane Field and Kidron Roads in West Lakeland.

Louie Mack's Steakhouse is under construction on South Florida Avenue in Lakeland. The new eatery will employ 100 people and is scheduled for a mid-November opening. Completion of the restaurant is the first step in construction of a retail center being developed at the intersection of South Florida Avenue and Brannen Road in South Lakeland.

A permit has been issued to build a Sleep Inn Hotel near Interstate 4 in North Lakeland. The 27,454 square-foot hotel will house 48 units, and will cost \$2 million to build.

Deep Six Divers Service Inc. in Lakeland is undergoing an expansion of its school located on Edgewood Drive. The 2,643 square-foot addition will cost \$400,000.

A new sandwich shop will soon grace downtown Lakeland. A building permit has been pulled for a 1,944 square-foot Blimpie Subs & Salads to be located on Kentucky Avenue.

Scotty's Inc. of Winter Haven has filed for protection under Chapter 11 of the U.S. bankruptcy law. Damage suffered from Hurricane Charlie was the final straw dictating the firm's decision. The declaration will give Scotty's time to reorganize its finances while it enjoys protection from creditors. In 1998 the Scotty's chain had 164 stores and 6,000 employees. Today the firm is down to 60 stores and 1,100 workers.

A new Holiday Inn Express will soon be under construction in Bartow. The 63-room hotel will be built on a 1.5-acre site on the west side of U.S. 98. Groundbreaking for the \$4 million project is slated for early January.

NEW OPENINGS AND CLOSINGS - A new Bealls department store opened in North Lakeland at the end of September. The new store is situated adjacent to U.S. 98 North, across from the Lakeland Square Mall. The newest Bealls is located at the former site of a Kmart store, and contains 84,000 square feet of floor space. Bealls will now have 3 department stores, 14 Bealls Outlet stores, and 2 Bealls Home Outlets located in Polk County. The chain employs 218 workers countywide.

A new restaurant featuring Cuban cuisine is scheduled to open in Lakeland this November. The Havana Delights Cafe will be located on Lake Miriam Drive in South Lakeland, with a staff of five persons.

The Eckerd drugstore located on Memorial Boulevard in Lakeland closed October 1st as a consequence of the CVS buyout of the Eckerd chain. All of the other 17 Eckerd locations in Polk County will be converted to CVS stores and remain open.

A second Peacock Antiques store has opened in Lakeland. The new shop is located in the Southgate Shopping Center on South Florida Avenue. The original store is situated on Kentucky Avenue in downtown Lakeland.

Manny's Chophouse opens in November in North Lakeland. The new eatery will offer a fare including steaks, burgers, chicken and ribs. The restaurant is located on U.S. 98 North, and seats about 180 patrons.

The Big Oaks Car & Truck Center located on East Main Street in Lakeland closed in October. The center was owned by Big Oaks Buick-Pontiac-GMC Incorporated of Bartow, which subsequently filed for protection under Chapter 11 of the U.S. Bankruptcy Code in November.

A new McGee Tire store is scheduled to open in Mulberry in November. The 6,500 square-foot Mulberry store will be located on Church Street, and will become the sixth location in Polk County for the family-owned chain.

West Marine Inc. has opened a new 7,000 square-foot store in Winter Haven. The new boating supply and apparel outlet is located on Third Street S.W. in the old Scotty's building. West Marine currently has 365 stores located in 38 states, Canada, and Puerto Rico.

TAKEOVERS - SouthTrust Bank announced in October that it will sell 18 of its locations to R-G Crown Bank, including five branches in Lakeland. The Lakeland offices are located on South Combee Road, Lakeland Hills Boulevard, South Kentucky Avenue, South Florida Avenue, and County Road 540A. SouthTrust Bank is merging with Wachovia Corporation, and will have nine branches remaining in Polk County following the sale to R-G Crown. Wachovia currently has 22 branch offices located in Polk County.

The Lake Morton Villas apartment complex in Lakeland has been sold to Quad Two LLC of Gainesville for \$675,000. The villas consists of about 30 units dating from 1920 in the historic Lake Morton area.

Miracle Toyota of Winter Haven has been bought by Dennis Murphy, owner of New Port Richey Lincoln Mercury. The local Toyota dealership employs 60 workers at its Lake Alfred Road location, and will henceforth be known as Toyota of Winter Haven.

Big Oaks Buick Pontiac GMC Inc. of Bartow has been purchased by Michael Holley. The owner of Michael Holley Chevrolet bid \$3.6 million for the Big Oaks dealership in a proceeding held before the U.S. Bankruptcy Court in Tampa.

THE NATIONAL ECONOMY

Price adjusted GDP expanded at a 3.7% annual rate in the third quarter, a slight improvement from the 3.3% annual growth rate experienced in the preceding Quarter 2. GDP growth in the third quarter centered on a strong climb in consumer spending for services, and a deceleration in the growth rate of imports. U.S. export growth, and increases in government spending and residential investment were the other factors underlying GDP expansion in Quarter 3.

Economists hold that real GDP growth of 3.5% would hold the unemployment rate steady, but that a growth rate of 4% or more is necessary to bring the jobless rate down appreciably.

CONSUMER SPENDING - Personal Consumption Expenditures (PCE's include spending for both goods and services) rose 1.2% in July, then dipped a small 0.1% in August before ending the quarter with a respectable 0.6% advance in September. Retail sales (includes spending for physical goods only) climbed 0.8% in July, then slipped 0.2% in August before rising again by 1.6% in September and 0.2% in October.

Personal income was up 0.2% in July, 0.3% in August, and by 0.2% in September. Personal savings fell to 0.4% of disposable income in July, then recovered slightly in August to 0.7% of disposable income. Savings fell again in September to just 0.2% of disposable income.

Higher oil prices and lagging job prospects have served to diminish consumer confidence according to the October survey conducted by the University of Michigan. That index fell from a value of 94.2 in September to a level of 87.5 in October. Their report concludes that current confidence levels support projections of 3.25% growth of PCE's in 2005.

The Conference Board reported a similar decline in their most recent index of consumer confidence. The Conference Board measure fell from 96.7 in September to 92.8 in October.

EMPLOYMENT - Employment growth climbed back into the respectable range as the third quarter wore on. Total nonfarm employment rose by just 85,000 workers in July; 198,000 in August; and by 139,000 during September. The number of persons with jobs then swelled by 337,000 in October, skewed higher by the recoveries from the hurricanes in August and September as the presidential election loomed on the horizon.

Job growth needs to average between 125,000 and 150,000 per month just to absorb the number of new workers entering the labor force (consistent with GDP growth of between 3% and 4%). Job growth would need to exceed that 125,000-150,000 range to bring those who have lost jobs in the past back into the ranks of the employed.

The nation's unemployment rate dipped to 5.5% in July and to 5.4% in both August and September. Unemployment crept back up to a 5.5% rate in October. The only reason that we have experienced slight declines in the U.S. unemployment rate this year is due to discouraged workers dropping out of the labor force, and thus not being included in the monthly unemployment statistics (221,000 job seekers dropped out of the labor force in September alone). Our current experience is consistent with history which suggests that mild economic downturns are usually followed by long, difficult recoveries that do little to improve the job market.

Manufacturing employment climbed by 5,000 in July and 14,000 in August. The number of jobs in manufacturing then reversed those gains with declines of 14,000 in September and 5,000 in October.

The U.S. Department of Labor reported that the productivity of non-farm business workers rose at a 1.9% annual rate in the third quarter. That is the first time that the productivity growth rate has fallen below a 3% pace since the final months of 2002. Nonetheless, productivity is expected to rise at an historically robust annual rate of 2.4% during the next ten years.

INDUSTRIAL PRODUCTION - Output at U.S. mines, factories, and utilities rose 0.7% in July. The rest of the third quarter was a

wash as industrial output shrank 0.1% in August and managed a small 0.1% increase during September. Industry operated at 77.4% of capacity in July, then dipped to 77.2% capacity utilization in August and September. Manufacturing output has now recovered to the level first achieved four years ago before the economic downturn began. Total employment in manufacturing remains 2 million below the pre-recession level.

Factory orders were up in July by 1.7%, then fell by 0.3% in August and another 0.4% during September. Despite the third quarter slowdown, factory orders in the first nine months of 2004 are up 11.6% from the same period in 2003.

Orders for durable goods climbed 1.9% during July, then slipped downward 0.6% in August before advancing again by 0.2% in September.

Business inventories rose 0.7% in August and a slim 0.1% during September.

CONSTRUCTION - Total expenditures for new construction were up 0.9% in both July and August, then were unchanged in September. Construction spending through the first three quarters of 2004 is up 9.4% from 2003.

The number of housing starts swelled a strong 9.2% during July and by another 1.8% in August. Housing starts were down 6% in September. The number of private building permits issued climbed 6.2% in July, then gave most of that back with a 4.7% drop in August. Permits rebounded modestly in September with a 1.8% increase.

New home sales were off a sharp 8% in July, then reversed that loss with increases of 5.8% in August and 3.5% in September. Sales of existing homes fell 2.9% in July and 2.5% in August, before rising by 3.1% in September. The housing market has remained strong this year despite earlier expectations that sales would cool off.

FOREIGN TRADE - The U.S. foreign trade deficit in goods and services dropped from a record level of \$55 billion in June to \$50.5 billion in July. The deficit expanded again to \$53.5 billion in August, then ended the quarter by slipping back to \$51.6 billion during September.

Recent declines in the exchange value of the U.S. dollar may promote export growth and narrow the trade deficit in 2005.

COST OF LIVING - Inflation remained tame through the end of the third quarter as the Consumer Price Index (CPI) actually fell 0.1% in July before offsetting that with a matching 0.1% increase in August. The CPI climbed 0.2% during September. The price level in September was up 2.5% from a year earlier. Inflation picked up in October as the CPI climbed 0.6%, the largest increase in five months.

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	186.3	188.6	189.5	

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

MONETARY POLICY - The Federal Reserve raised its target for the benchmark federal funds rate at its November meeting to a new level of two percent. The quarter percentage point increase was widely expected. The Fed has raised its target rate in a series of four quarter-point increments beginning in June, at which point the federal funds rate had reached a 45-year-low of one percent. The federal funds rate is the interest rate commercial banks charge one another on overnight loans. Other interest rates, such as those charged on home mortgages, move in conjunction with changes in the federal funds rate.

LEADING INDICATORS - The Index of Leading Economic Indicators maintained by the Conference Board recorded its fourth consecutive decline in September, when the index slipped a slight 0.1%. The composite index fell by 0.3% in both July and August. The slightness of the drops cautions against invoking the axiom that three consecutive declines in the index portend an economic recession.

Orders for nondefense capital goods excluding aircraft, a widely followed indicator of business investment plans, expanded throughout the third quarter. Orders increased 0.6% in July, 0.3% in August, and a stronger 2.6% in September.

SUMMARY - The Federal Reserve will likely continue its policy of raising interest rates slowly in the months ahead, especially in light of the October surge in consumer prices. The outlook now is for real GDP growth at about a 3.5% annual rate over the next six months. The major threats to that scenario would be a slowdown in job growth to less than 150,000 per month, a weak holiday season for retail sales, or an outside shock such as further increases in the price of imported oil.

Exports may provide something of an engine for economic growth in 2005 if the U.S. dollar continues to depreciate in value. Dollar depreciation will make U.S. goods less expensive for foreigners to buy, raising our exports. Depreciation will also make foreign goods more expensive for Americans to purchase, reducing our imports. Both developments would raise the demand for U.S. produced goods and services.

THE POLK OUTLOOK

The outlook for the Polk economy over the next six months offers considerable promise despite the major damage inflicted by the fall hurricanes. As retailers look forward toward the all-important holiday season, it is difficult to project how sales will be impacted by the hurricanes we have experienced. Sales in the third quarter were likely ratcheted up by preparations for the storms. We are projecting some cooling in the rate of local spending growth in Quarter 4, though sales should readily surpass those of the fourth quarter of last year.

The good news heading into 2005 centers on the expected strength of population and employment growth. Polk population growth has accelerated in the past year to about a 3% annual rate, a trend that is expected to continue next year. Employment growth over the last year and a half has been just below a 3% annual rate. We expect the overall Polk Progress Index to regain during Quarter 4 much of the ground given up in the hurricane ravaged third quarter.

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 (.2050); 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			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Projected
Taxable Sales (1,000's of \$)	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	1,526,920	1,573,160	1,596,057	1,732,229
Total Employment	206,791	203,900	204,117	203,946	205,607	203,277	203,974	205,273	207,945	208,786	209,861	210,994	212,410
Residential Telephone Access	222,590	224,794	218,924	217,549	218,642	221,178	214,624	213,059	214,906	218,061	211,433	212,847	211,761
Business Telephone Access	87,049	85,547	83,838	81,507	80,282	79,413	77,428	76,665	74,639	73,638	72,490	72,040	70,487
Industrial Electric KWH (1,000's)	125,919	116,490	128,587	142,032	133,312	123,966	136,111	127,882	147,362	120,033	135,198	147,336	135,326
Number of Single Family Bldg. Permits	923	962	1,011	1,111	1,067	1,185	1,496	1,723	1,518	1,575	2,211	2,148	2,650
Hotel/Motel Sales (1,000's of \$)	28,887	32,457	28,250	25,530	27,092	28,441	27,002	29,679	27,125	38,134	36,832	35,607	32,439
Number of Homes Sold	1,130	1,087	1,343	1,253	1,235	1,127	1,427	1,417	1,306	1,355	1,697	1,430	1,220
Citrus Concentrate Movement (1,000's of gal.)	65,131	75,096	72,159	54,269	57,285	62,629	53,507	50,218	59,124	57,687	56,638	55,630	53,092
Phosphate Sold/Used (1,000's metric tons)	7,460	7,380	7,560	7,690	7,380	7,400	7,140	7,750	7,940	7,630	7,830	7,170	7,827
Building Permits (1,000's of \$)	118,885	129,511	198,160	133,314	157,649	162,059	181,056	229,087	219,174	213,300	291,345	298,307	-
Number of Residential Electric Accounts	89,775	92,440	91,333	90,114	91,319	93,478	92,408	92,030	92,879	95,228	93,176	93,198	93,909
POLK PROGRESS	179.6	171.5	181.6	182.7	185.4	180.1	185.0	188.6	194.0	194.6	200.9	194.9	198.9

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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THE POLK PROGRESS

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