

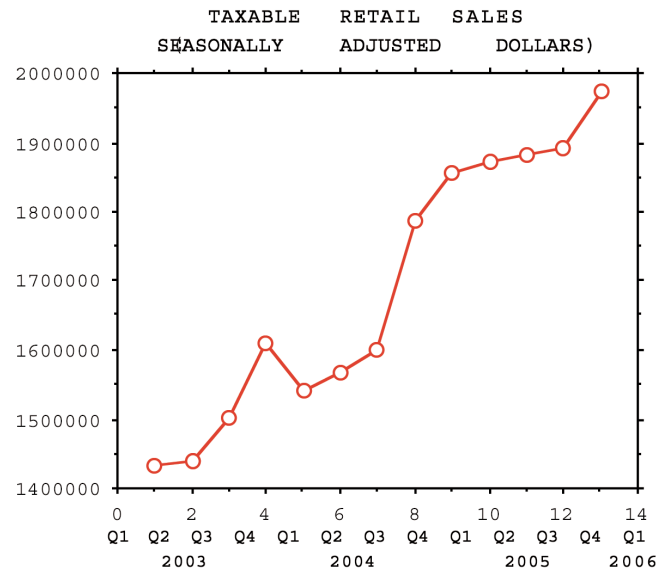
POLK ECONOMIC GROWTH CONTINUES TO OUTPACE NATION

The Polk Progress Index (PPI) resumed its upward trek in the first quarter of 2006, climbing 3.6% from the preceding quarter. The rise in the overall index was led by a sharp increase in residential building permits, and smaller estimated increases in retail sales and hotel/motel sales. The only significantly negative factor was a drop in home sales. The PPI currently stands 4.3% above the same quarter of 2005.

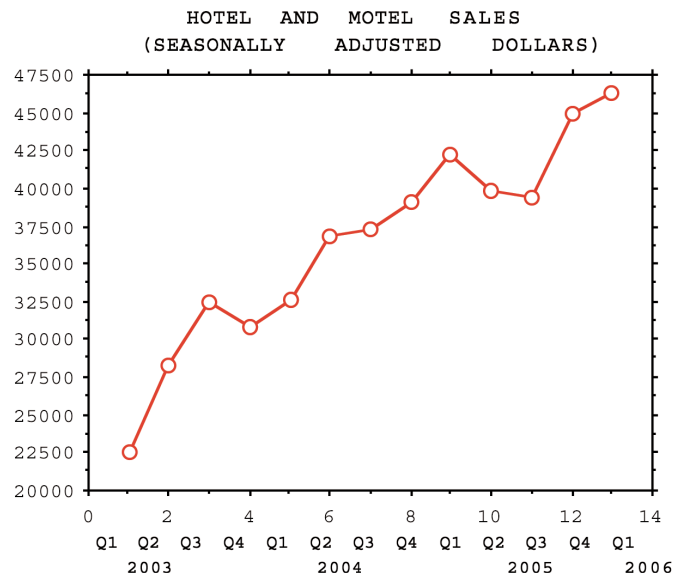
The Florida Agency for Workforce Innovation has conducted its annual benchmarking of employment data for the years 2002-2005. The benchmarked data are reported in this issue of the Polk Progress Report, and have been incorporated into revised estimates of the PPI values for those years. Amended PPI values reflect strong local economic growth over the four-year period at a 5.7% annual rate. Nationally, price adjusted GDP grew at about a 3.6% annual rate over the same period.

The composition of the PPI is being broadened this quarter to include data on the number of single-family building permits issued, and the dollar value of sales at county motels and hotels. The overall index will continue to include data on taxable retail sales, employment, home sales, the number of residential electric connections, and industrial electricity consumption. The revised index statistically explains 80% of the variation in the included data over the most recent five-year period.

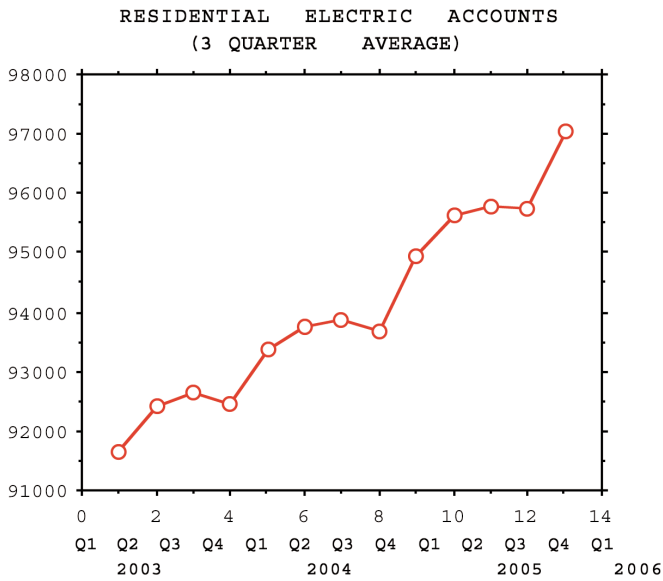
SALES - Data on retail sales and hotel/motel sales were only available for the month of January from the Florida Department of Revenue at the time of this writing. Therefore, sales data for the first quarter are estimated on the basis of statistical projections. It is projected that taxable retail sales rose by a seasonally adjusted 4.4% in the first quarter of 2006. If realized, that would be an increase of 6.1% from the first quarter of 2005.



It is estimated that sales at Polk County hotels and motels rose a seasonally adjusted 3.1% during the first quarter. That would represent an increase of 8.8% from the same quarter of a year ago.



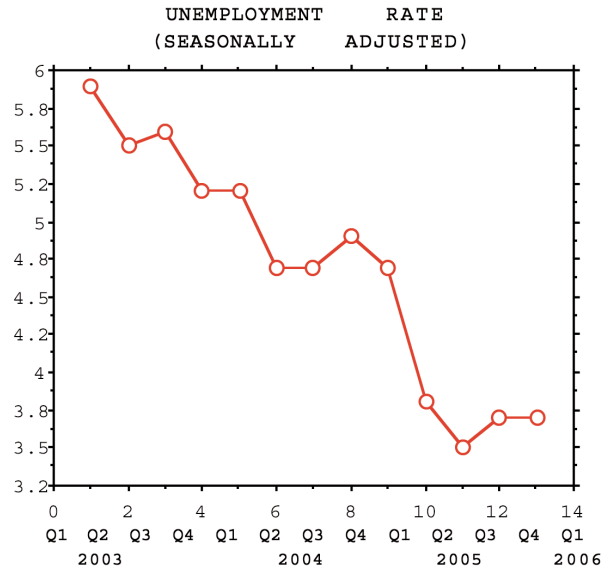
POPULATION - Local population growth surged in the first quarter as reflected by data on residential electric connections. The number of residential connections maintained by the City of Lakeland now stands 2.2% above a year ago. Historically, that is consistent with annual population growth of about 2% countywide.



Wachovia held its position as the largest bank operating in Polk County according to the most recent figures released by the Florida Bankers Association. Wachovia had deposits of nearly \$1.2 billion at 22 branch offices, representing a 22% share of total bank deposits in the county as of September 30th. Next is SunTrust with \$1.09 billion (21.4% market share) and 19 branch offices in the county. Bank of America is third in the county with \$1.06 billion in deposits at 14 branch offices (20.7% market share).

EMPLOYMENT - Revised data released by the Florida Agency for Workforce Innovation show that the average level of employment in Polk County during 2005 was 247,752 workers. That represents an increase of 4.9% (11,529 workers) from the revised average level in the preceding year. Earlier data had placed the yearly increase in average employment at 4.1%.

The average unemployment rate during the first quarter of 2006 is 3.7% after adjusting the data for normal recurring seasonal variations.

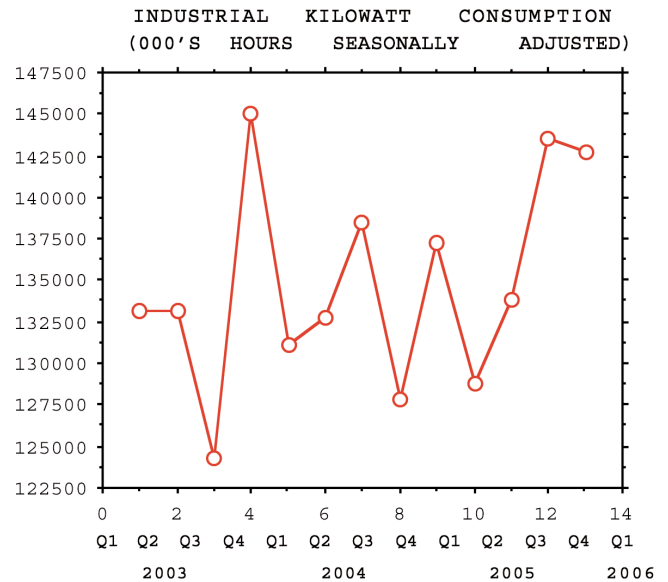


Aercon Florida LLC laid off eleven workers in April at its Haines City facility for manufacturing aerated concrete, citing a lack of demand. Polk County's unemployment rate in June will be adversely affected by the pending layoffs at Mosaic Company facilities, discussed below in the phosphate section of this report.

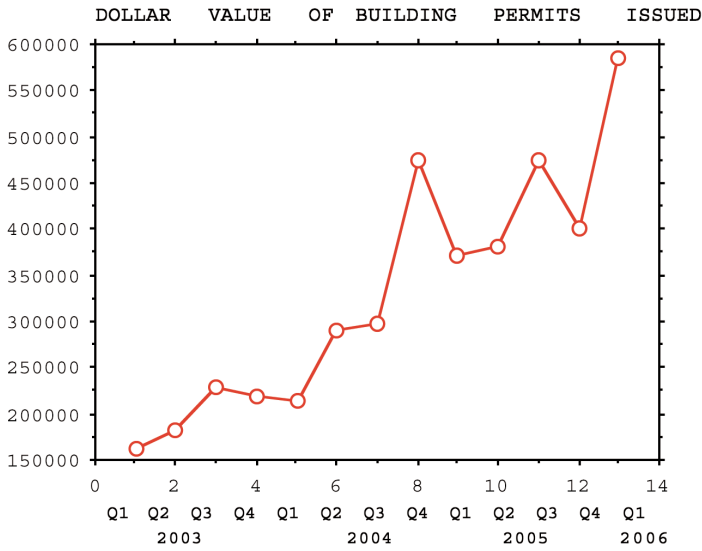
MANUFACTURING - Industrial electricity consumption remained at a high level in the first quarter of 2006. Consumption during the most recent four quarters is up 2.4% (12.67 million kilowatt hours) from the preceding four-quarter period.



The unemployment rate in Polk County fell from 3.3% in January and February to a record-low 2.9% in March. The average unemployment rate in the county during 2005 was 4%, versus an average rate of 4.9% in 2004. These figures again reflect benchmarked data recently released by the Florida Agency for Workforce Innovation.

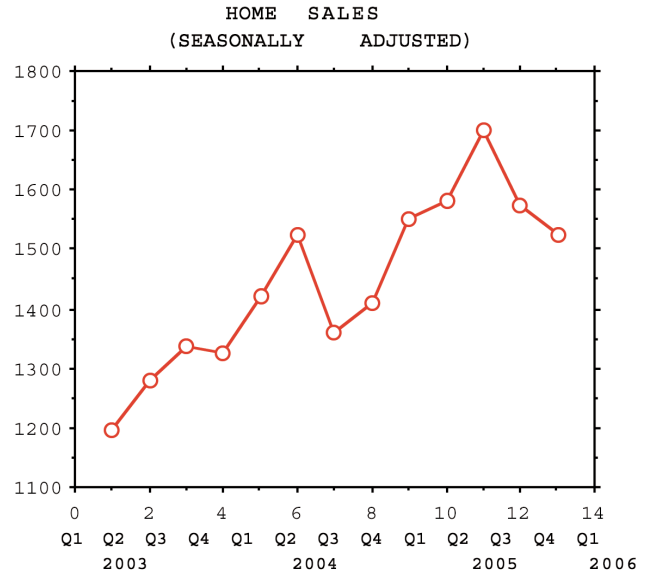


CONSTRUCTION - The construction boom continues in Polk County. The value of building permits issued countywide reached a historically high \$585.2 million in the first quarter of 2006.



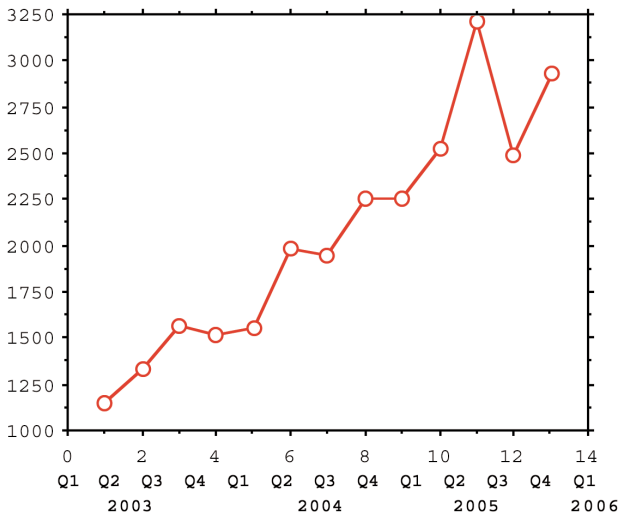
There were 1,039 permits issued for new single-family home construction in Polk County during January; 1,191 in February; and 726 issued during March. Permits had dropped in the fourth quarter of 2005 from a Quarter 3 spike that preceded the imposition of new school impact fees on December 1st. The following Quarter 1 advance suggests that any long-run effect from the rise in impact fees was yet to be reflected in construction data.

its Fort Green phosphate mine in Bradley, the Green Bay fertilizer plant in Bartow, and the South Pierce fertilizer plant in Mulberry. The three operations employ a total of 835 workers.



Mosaic cited the need to reduce costs as a primary factor underlying its decision to close the Polk County operations, and announced that it will shift some production to other company locations. Mosaic posted a loss of \$71.6 million in the third quarter of 2005, blaming weak sales and higher costs for raw materials.

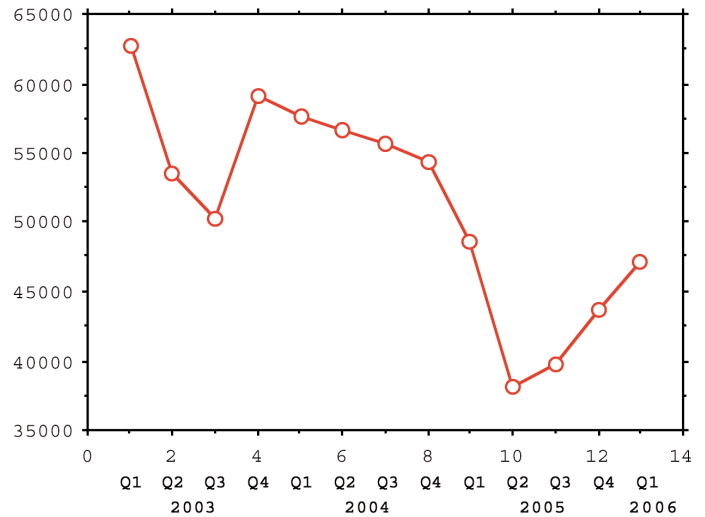
NUMBER OF SINGLE FAMILY BUILDING PERMITS (SEASONALLY ADJUSTED)



There were 403 homes sold in Polk County during January, 447 in February, and 592 homes sold in March. A slowdown in home sales nationwide had been expected in the face of rising interest rates and home prices.

CITRUS - The U.S. Department of Agriculture's most recent estimates project the Florida orange crop at 153 million 90-pound boxes for the current 2005-06 season. That represents a 2% increase from the preceding crop year. The statewide forecast for grapefruit production is 18 million boxes, an increase of 41% from the year before.

CITRUS CONCENTRATE MOVEMENT (000'S GALLONS)



The median price for homes sold in the county during the month of March was \$176,300, an increase of 43% from the same month last year. The median home price was up 47% in January, and 42% in February from the same months in the preceding year.

PHOSPHATE - The Mosaic Company announced that it will close three facilities in Polk County at the end of May. The firm will close

DEVELOPMENT - The Florida Legislature has approved the expenditure of \$102 million for improvements to the Polk Parkway. The improvements are necessary to accommodate increased traffic flow related, in part, to the new University of South Florida campus under construction at the intersection of the northwest corner of the parkway and Interstate 4.

The widening of Interstate 4 to six lanes across Polk County will be completed in May. The widening of the 29.5-mile section of roadway cost \$320 million, and took nearly four years to complete.

The Florida Cabinet has approved the purchase of a 5,098-acre ranch in northern Polk County for use as a state park. The land is being purchased from the Charlie Mack Overstreet family for \$54 million. The environmentally sensitive land supplies two major tributaries to the Withlacoochee River, and is adjacent to the Green Swamp. The Overstreet Ranch will be the second state park located in Polk County.

The Polk County Commission has approved the earmarking of \$23 million in tourism taxes for the construction of three sports complexes in the county. The money will underwrite a new soccer complex in Auburndale, a new professional baseball complex in Winter Haven, and a new football/soccer stadium in North Lakeland that will seat 15,000 to 20,000 people.

The North Lakeland football/soccer facility would serve two new planned high schools; one between Lakeland and Auburndale that will open in 2008, and the other located along Yates Road in South Lakeland which is slated to open in 2010. The County Commission is hopeful that the City of Lakeland and the Polk County School Board will cooperate in financing the proposed stadium.

A scaled-down version of the BridgeWater development located off of SR 33 in North Lakeland will soon be under construction. The project will be divided into 12 developments containing a total of 1,300 single-family and multi-family luxury homes. Amenities will include a 7,200-yard, 18-hole golf course.

Florida Southern College has announced that it will build a cyber-café this summer outside the Roux Library on its Lakeland campus. Later this summer, the college will begin demolition to clear the way for construction of a new 100,000 square-foot dormitory complex overlooking Lake Hollingsworth. The Florida Legislature has budgeted \$1.95 million to assist in restoring the Frank Lloyd Wright-designed water dome fountain in front of the Roux Library, and the esplanades on the west side of the campus. The college also recently announced plans for a new \$2 million Humanities Building.

Inc. Magazine has ranked Lakeland #8 among 60 mid-sized cities in the U.S. as places for doing business. Lakeland ranked #38 out of 393 MSA's (Metropolitan Statistical Areas) in the country.

Lakeland-based Publix Supermarkets turned a profit of \$288.4 million in the first quarter of 2006. That represents an increase of 11.3% from the same quarter of last year.

Publix is building a new 46,031 square-foot store and related shopping center in Highland City south of Lakeland. The 100,000 square-foot center will be located at the intersection of U.S. 98 South and Clubhouse Road, and is projected to open in late 2007.

Coca-Cola Enterprises Inc. is building a new 100,000 square-foot distribution center in North Lakeland. The new center is located in the Interstate Business Park near the intersection of Interstate 4 and Kathleen Road. The facility will employ about 100 people when it opens later this year.

A new 122-room extended-stay hotel is under construction at the intersection of North Florida Avenue and Carpenters Way in North Lakeland. The 10,765 square-foot four-story hotel is being built by Liberty Investment Properties of Altamonte Springs.

A former boarding house on Tennessee Avenue in downtown Lakeland is being renovated into three 2,900 square-foot townhouses. Carriage Lofts is one of several residential complexes planned for the downtown area. Realtor Jerry Herring has plans for a five-story residential project on Kentucky Avenue across from Munn Park, and construction of 400 townhouses and condominiums in a six-block off of Massachusetts Avenue is expected to begin in 2007.

A new Starbucks coffeehouse is under construction in South Lakeland. The new Starbucks is adjacent to Sam Seltzer's Steakhouse in Lake Miriam Square off of South Florida Avenue. The opening is set for late June.

The Polk County Planning Commission has reached an agreement with the developers of the proposed Victor Posner City Center that guarantees water, sewer, and traffic capacity to serve the 630,000 square-foot first phase of the project. The Center is located near the intersection of Interstate 4 and U.S. 27, north of Haines City. The initial phase will include 1.3 million square feet of commercial space, 626 hotel rooms, and 268 residential units. The entire planned \$500 million mixed-use development will eventually house 4,500 people and take up to 10 years to complete.

First Industrial Realty Trust has purchased 165 acres of land fronting SR 544 and Alternate U.S. 17 in Haines City for the purpose of constructing a business park. Plans call for a capital investment of \$91.7 million that will eventually create 908 jobs at the planned distribution, warehousing, and business office complex.

Feltrim Developments has announced plans to build a 373-acre development in Lake Wales that will contain 950 residential units, a Microtel Inn & Suites, and 40,000 square feet of retail space. Feltrim Developments has offices in Orlando and in Dublin, Ireland.

MonierLifetile LLC is expanding the productive capacity of its roof tile manufacturing facility in Lake Wales. Work has begun on a new 37,000 square-foot production plant that will raise capacity at the facility by 40%. Monier currently operates a 69,000 square-foot plant and has 120 employees. The latest addition will create 30 new jobs.

Lowe's Home Improvement has announced that it will build a new outlet in Auburndale. The new Lowe's will be located at the intersection of U.S. 92 and Berkely Road, and bring 70 jobs to the area. It will be the fifth store for the Lowe's chain in Polk County.

McGrath RentCorp will construct an office and storage facility along SR 559 near Auburndale. McGrath rents, leases, and sells modular buildings, portable classrooms, and mobile offices. The facility will create 20 to 30 jobs initially, with the potential to eventually provide up to 100 jobs.

NEW OPENINGS AND CLOSINGS - Lowe's Incorporated opened a new home improvement center in North Lakeland in May. The \$18.5 million store has 116,000 square feet of retail space and employs 175 workers.

A new condominium complex will soon open at the intersection of Ingraham Avenue and Lime Street just east of downtown Lakeland. One Garden Place will contain 24 units that range in size from 1,274 to 1,600 square feet.

The bd'Mongolian Grill is slated to open in South Lakeland at the end of May. The new restaurant will be located in the Lakeside Village off of Harden Boulevard, and will feature a stir-fry that allows customers to create their own meals from a selection of available meats and vegetables.

Manolitos Cubans Plus sandwich shop is moving to the former location of the Subway Restaurant in the Imperial Christina Plaza in South Lakeland. Reopening of the 30-year-old eatery is scheduled for late May.

Tapatios Mexican Restaurant in Lakeland is opening a second location. The new restaurant is located just south of the Home Depot along South Florida Avenue.

The Sterling Package & Lounge on South Combee Road in Lakeland closed in May. The owners intend to relocate the business when a larger venue can be secured. The sports bar and package store has been in business for 21 years.

TAKEOVERS - FedEx has reportedly negotiated a takeover of Watkins Motor Lines. The Lakeland-based Watkins is the largest privately run less-than-truckload carrier in the U.S. with more than \$1 billion in annual revenue.

MidFlorida Federal Credit Union merged with Regional Community Federal Credit Union in April. The merger is the ninth for Lakeland-based MidFlorida since 1990. The newly-merged MidFlorida now has \$1 billion in deposits and serves nearly 120,000 customers at 19 branch offices across Central Florida.

Florida Tile Industries has been purchased by Anaria Industrie Ceramica, an Italian-based company. Florida Tile currently has 550 employees, about 80 of who work in Polk County. Florida Tile has corporate offices and a customer service center in Lakeland, and distribution centers in Lakeland and Winter Haven.

The Winn-Dixie supermarket in Bartow has closed, and the building has been purchased by JEM Investments. The Wilson Avenue location was one of 21 stores slated to be closed and sold by the grocery chain in conjunction with the latest round of bankruptcy proceedings. Winn-Dixie has closed a total of 361 stores since filing for bankruptcy last year.

THE NATIONAL ECONOMY

Real GDP growth accelerated to an annual rate of 4.8% in the first quarter from a 1.7% growth rate in the preceding fourth quarter of 2005. GDP growth in Quarter 1 was led by increases in consumer spending for durable goods, rising exports, and higher spending by the federal government. Price-adjusted personal consumption expenditures rose by 5.5% in the first quarter, while federal government spending was up 10.8% in real terms.

CONSUMER SPENDING - Consumers offset a soft fourth quarter of 2005 by increasing expenditures sharply in Quarter 1 2006. Personal Consumption Expenditures (goods and services) climbed 0.9% in January, 0.2% in February, and by 0.6% during March.

Retail sales (goods only) rose a strong 2.9% in January, then fell 0.8% in February before rising 0.6% in March and 0.5% in April. The advances in January, March, and April were triggered, in part, by unseasonably warm weather.

Disposable personal incomes climbed throughout the first quarter, rising by 0.5% in January, 0.2% in February, and 0.8% during March. Households continued to spend beyond their current incomes, with personal savings at a -0.5% of disposable personal income for the quarter. In an even more troubling sign, the Federal Reserve reported that the net worth of the typical American family rose just 1.5% after inflation between 2001 and 2004; while average family incomes after inflation fell 2.3% over the same period.

Higher energy prices, rising interest rates, and a cooling housing market have thus far failed to appreciably dampen consumer confidence, though that is expected to change. The latest survey of consumer sentiment by the University of Michigan found confidence largely unchanged during the first quarter despite recent increases in gasoline prices. Meanwhile, the Conference Board reported that its index of consumer confidence in April reached its highest level in four years.

EMPLOYMENT - Nonfarm employment climbed by 154,000 workers in January; 200,000 in February; and by 200,000 again in March. Employment growth slowed unexpectedly to 138,000 new jobs in April. Job growth was sufficient to bring the nation's unemployment down to 4.7% in January, 4.8% in February, and 4.7% again in both March and April.

Hourly wages are up 3.8% from a year ago, indicating that competition for qualified workers is heating up. Hiring intentions of U.S. firms remains relatively strong for the second quarter according to the March survey of employers conducted by Manpower Incorporated.

Nonfarm business productivity rose at a 3.2% annual rate during the first quarter. The increase had been expected following a slight dip in productivity in the preceding quarter. Productivity growth appears to be decelerating in the longer term. Labor productivity grew by 2.8% in 2005.

INDUSTRIAL PRODUCTION - Output at the nation's factories, mines, and utilities slipped downward 0.4% in January before expanding 0.5% in February and 0.6% in March due to increased business spending. Industry operated at 80.7% of designed capacity in January, 81% in February, and 81.3% of capacity in March. Capacity utilization in March was the highest in six years. Production is expected to cool in coming months due to higher interest rates, elevated commodity prices, and an anticipated slowdown in the housing market.

Factory orders were down 3.9% in January, due primarily to a drop in airplane orders. Factory orders recovered the lost ground with advances of 0.4% in February and 4.2% during March.

Orders for durable goods, a key indicator of business investment plans, dropped a sharp 8.9% in January, then offset that with increases of 3.4% in February and 6.1% in March.

Business inventories rose 0.1% in February and 0.7% during March.

CONSTRUCTION - Total expenditures for new construction were up 9.2% from a year ago during the first quarter. Construction spending advanced 0.5% in January, 1% in February, and by 0.9% in March.

New home sales dropped 5.5% in January and 10.9% in February, then gained back much of that loss with a 13.8% advance in March. Sales of existing homes declined 2.7% in January, before climbing by 5% in February and 0.3% in March. Existing homes constitute 80% of total home sales.

FOREIGN TRADE - The U.S. foreign trade deficit in goods and services climbed 5.3% in January to \$68.6 billion, then narrowed to \$65.7 billion in February and \$62 billion during March. The trade deficit in 2006 remains on pace to break the record deficit of \$732.6 billion set in 2005.

It appears that the U.S. dollar may be poised to resume a slide in value that began in 2001. Oil producers are beginning to shift their investments away from dollar-denominated assets as the economies

of Europe and Japan heat up, and as a political reaction to U.S. foreign policy and the cancellation of the proposed takeover of terminal operations at five U.S. ports by Dubai Ports World.

COST OF LIVING - The Consumer Price Index surged upward by 0.7% in January, but settled to more moderate advances of 0.1% in February and 0.4% in March. The January surge was largely due to a 5% increase in energy prices. The average CPI value during the first quarter of 2006 stands 3.7% above a year ago.

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	194.1	196.6	197.5
2006	199.3			

(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.

MONETARY POLICY - The Federal Reserve raised its target for the federal funds rate charged by commercial banks to one another on overnight loans by a quarter percentage point at its May 10th meeting to 5 percent. It was the sixteenth consecutive meeting at which the target for the key interest rate was raised by a quarter percentage point. The latest increases at the January, March, and May meetings were expected, though there is now uncertainty regarding the likely direction of Fed interest rate policy in the months ahead.

LEADING INDICATORS - The Conference Board reported that its Index of Leading Economic Indicators paints a more uncertain outlook for the U.S. economy in the months ahead. The index followed a 0.4% advance in January with declines of 0.5% in February and 0.1% in March.

Orders for nondefense capital goods excluding aircraft, a key indicator of business investment plans, were flat in January, then dipped 0.8% in February before managing a 3% increase in March.

SUMMARY - Price-adjusted GDP growth accelerated in the first quarter to a 4.8% annual rate. Economic growth is being led by strong increases in consumer spending and employment. Industry is operating at 81% of designed capacity, and spending for new construction remains robust.

There is uncertainty regarding the future direction of interest rate policy by the Federal Reserve, and rising gasoline prices and the continuing deficits in U.S. international trade are expected to slow gradually economic growth over the course of the coming year.

THE POLK OUTLOOK

The Polk economy continues to grow at a faster rate than the national economy. Local growth in the first quarter was led by increases in residential building permits, retail sales, and sales at area hotels and motels.

We predict that home sales and building permits will soften locally in the months ahead in the face of rising interest rates and home prices. Growth in retail sales will likely slow a bit, but employment growth will remain strong in the second quarter. It is projected that the overall PPI will climb modestly on the heels of the sharper advance experienced in Quarter 1.

METHODOLOGY

The Polk Progress Index is developed on the basis of quarterly observations of seven 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 (.16); Total Employment (.16); Home Sales (.15); Residential Electric Accounts (.15); Industrial Kilowatt Hours (.08); Hotel/Motel Sales (.14); and Residential Building Permits (.16). The index explains 80.2% 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												
	2003			2004				2005				2006	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2* Projected
Taxable Sales (1,000's of \$)	1,448,058	1,454,526	1,673,398	1,526,920	1,573,160	1,596,057	1,921,294	1,894,422	1,902,462	1,882,583	2,043,415	2,010,869*	2,052,507
Total Employment	225,064	225,155	230,359	234,150	236,005	234,766	239,973	243,494	248,284	248,187	251,041	253,063	253,449
Residential Telephone Access	214,624	213,059	214,906	218,061	211,433	212,847	211,433	212,898	202,464	197,162	197,208	195,700	195,946
Business Telephone Access	77,428	76,665	74,639	73,638	72,490	72,040	72,940	69,985	69,585	68,783	69,147	69,565	68,903
Industrial Electric KWH (1,000's)	135,111	127,882	147,362	120,033	135,198	147,336	130,529	126,839	128,771	142,947	149,870	133,499	138,820
Number of Single Family Bldg. Permits	1,496	1,723	1,518	1,575	2,211	2,148	2,348	2,288	2,836	3,604	2,500	2,956	3,016
Hotel/Motel Sales (1,000's of \$)	27,002	29,679	27,125	38,134	36,832	35,607	37,569	46,928	40,766	39,126	44,926	51,046*	48,863
Number of Homes Sold	1,427	1,417	1,306	1,355	1,697	1,430	1,375	1,493	1,799	1,781	1,522	1,442	1,670
Citrus Concentrate Movement (1,000's of gal.)	53,507	50,218	59,124	57,687	56,638	55,630	54,337	48,668	38,034	39,708	43,751	47,065	37,724
Building Permits (1,000's of \$)	181,056	229,087	219,174	213,300	291,345	298,307	475,416	370,708	380,505	475,379	401,096	585,205	-
Number of Residential Electric Accounts	92,408	92,030	92,879	95,228	93,176	93,198	94,659	96,972	95,204	95,218	96,796	99,071	97,671
POLK PROGRESS	187.7	191.2	196.7	197.3	204.5	198.0	202.1	213.6	211.6	218.4	215.0	222.7	223.7

*Estimated values for taxable sales and motel sales for Q1 2006, and forecast values for Q2.

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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