



PAMCANI

PLUMBING AND MECHANICAL CONTRACTORS AUTHORITY OF NORTHERN ILLINOIS
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Bi-WEEKLY PUBLICATION
**News
DROPS** \$
News updates on our industry, our economy, our recovery

May 4, 2009

U.S. Deficit Sets Record—The U.S. Treasury Department said the budget deficit increased by \$192.3 billion in March and is near \$1 trillion just halfway through the budget year, as the costs of the financial bailout and the recession mount. March's deficit was significantly higher than the \$150 billion that economists expected and nearly four times the size of the imbalance in the same month last year. The deficit totals \$956.8 billion for the first six months of the budget year, also a record for that period. The Obama administration projects that the deficit for the entire year will hit \$1.75 trillion. That would nearly quadruple the previous annual record of \$454.8 billion, set last year. Nearly \$300 billion provided to banks and other companies to cope with the most severe financial crisis in seven decades has pushed government spending higher. The Treasury report said that through the end of March, \$293.4 billion had been provided to support companies via the \$700 billion bailout fund passed in October. Besides the bailout fund, Fannie Mae and Freddie Mac received \$46 billion last month, bringing the total assistance provided to the mortgage finance companies to \$59.8 billion since October. The government took control of both in September after they lost billions of dollars on mortgage loans. (Associated Press, April 11, 2009)

More Job Cuts in the Works—More employers are planning to cut jobs. Some 34% of U.S. employers responding to a survey by the Hay Group said they plan layoffs, up from 19% in November. The survey also found that 37% of U.S. employers have put wage freezes in place. (Hay Group Global Survey, www.haygroup.com, April 2009)

Economy Survival Tip: Education!—Americans need to sharpen their financial know-how to help them best use their money, especially during the current economic crisis, Federal Reserve Chairman Ben Bernanke said April 27. "As the global economy continues to experience extraordinary turbulence..., the need has never been greater for initiatives that help consumers learn to manage their money wisely," Bernanke said. Improving financial knowledge also can help protect people from scam artists, he said. The modern financial marketplace has led to an explosion of financial products for people to choose from. To make smart decisions, consumers need to shop around and make sure they understand the pros and cons of any financial choice—from taking out a mortgage or car loan to selecting a certificate of deposit or other investments. The current financial crisis has been blamed partly on lax lending standards, and in some cases people taking out mortgages that they didn't truly understand to buy homes they couldn't afford. (*The Washington Post*, April 20, 2009)

Did You Know?—There are 117 unions in Illinois, with 1,739,386 members. (www.unions.org)

What's Happening in the Housing Market— Struggling builders have ramped up their defensive strategies as they ride out the economic storm. To thin inventories (and to counter competition from bank-owned houses and existing homes on the market, as well as houses from bankrupt builders), many companies are offering upgrades, discounts, and financing and payment protection programs. To cut costs, some are scaling back the size of the houses they build. The federal government is also helping. The new economic stimulus package includes an \$8,000 tax credit for certain first-time homebuyers in 2009, while the Federal Housing Administration has stepped in with attractive loan terms. The most recent census figures indicate that there was a 12.2-month supply of new homes for sale in February, or roughly double the average supply. Still, some market experts predict that the new-home sector will be the first to recover in the housing market. Working in its favor are less expensive construction materials and land, with a significant slowdown in building. (*New York Times*, April 25, 2009)

Back-Breaking Increases—Wages are down 3.9% since last year, but expenses keep going up. Increases in Chicago in the last year: Parking garages 22%; groceries 16%; water 15%; sales tax 11%; property taxes 4%; medical insurance 9%; electricity 5%. There are a couple of breaks: gas/heat is down 27%; gasoline is down 41%. (*Chicago Sun-Times*, April 26, 2009)

The Good News is... There are many favorable developments taking place in the U.S. economy: *A recent poll of more than 12,000 world business figures conducted by the World Economic Forum ranked the U.S. as the world's most competitive economy. *Conventional 30-year fixed-rate mortgages have been between 4.75% and 5.15% in recent weeks, some of the lowest on record. *Productivity of the average U.S. worker rose 2.6% annually during the past 10 years, the largest gains in 40 years. *The upward mobility of the typical American remains the greatest in the world because the U.S. economy rewards the combination of hard work and educational achievement more than ever before, and more than any other country in the world. (www.thredgold.com, April 15, 2009)

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