An Economist at ISI Group Inc. in New York, say "The economy will clock in with solid growth of 4.5% this year. The US recovery continued during the first quarter of this year with more businesses hiring workers and fewer cutting jobs, but the pace of growth has slowed, a new survey shows."
The effect of the Global Financial Crisis was:

- The financial crisis of 2008 to the present is a crisis triggered by a liquidity shortfall in the United States banking system caused by the overvaluation of assets. It has resulted in the collapse of large financial institutions, the bailout of banks by national governments and downturns in stock markets around the world.
- In many areas, the housing market has also suffered, resulting in numerous evictions, foreclosures and prolonged vacancies.
- The collapse of a global housing bubble caused the values of securities tied to real estate pricing to plummet thereafter, damaging financial institutions globally.
- Questions regarding bank solvency, declines in credit availability, and damaged investor confidence had an impact on global stock markets, where securities suffered large losses during late 2008 and early 2009.
- Economies worldwide slowed during this period as credit tightened and international trade declined.

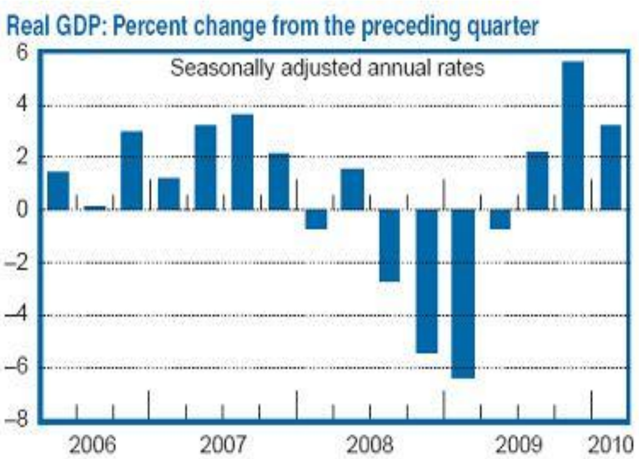
When the government recently revised 2009 fourth quarter gross domestic product (GDP) upwards to a robust 5.9%, some analysts called the year end growth spurt a "one-hit wonder." And, with the volatility that has wracked the markets in the past few weeks; no one seems to know whether the economy is rebounding… or sinking deeper into recession. An eagle eye on the different indicators of the economic growth:

- **Economic Indicator:** Real Gross Domestic Product (GDP) increased at an annual rate of 3.2 percent in the first quarter of 2010
- **Tax Effect:** Corporate profits first are taxed at the firm level and are subject to a combined federal and average state corporate tax rate of 39.1 percent.
- **Per Capita Income:** The expiration of the Bush tax cuts and new Medicare taxes on investment income that were part of recent health care reform will push the top effective tax rate on dividends in the U.S. to 68 percent in 2011 - highest among all industrialized nations.
- **Standardized unemployment rate:** Total nonfarm payroll employment declined by 125,000 in June, and the unemployment rate edged down to 9.5 percent.
- **US International Transaction:** The U.S. current-account deficit—the combined balances on trade in goods and services, income, and net unilateral current transfers—increased to $109.0 billion (preliminary) in the first quarter of 2010, from $100.9 billion (revised) in the fourth quarter of 2009.
- **Crude oil price:** U.S. oil use will average 18.89 barrels a day this year, up 200,000 barrels from 2009. This year's forecast was decreased 30,000 barrels from the June estimate.

But, if you cut through the noise, there are real signs that businesses are thriving, and will soon resume hiring. And the main engine of the economy – the American consumer – is getting up off the mat and spending again. So while it's unlikely GDP will grow at a blistering pace in 2010, the U.S. economy will deliver growth. Estimates of economists surveyed by Bloomberg last month showed the world's largest economy will grow upwards of 3% this year. It might not be a straight shot to the top, but better times are ahead of us. And, we'll recommend a company that will skyrocket as the economic rebound takes hold…Let's have a glance of the "USA" economy for the year 2008-2010(Q1).

Economic Indicator

Real Gross Domestic Product (GDP) increased at an annual rate of 3.2 percent in the first quarter of 2010, according to the "advance" estimates of the national income and product accounts (NIPAs) (chart 1 and table 1). In the fourth quarter of 2009, real GDP increased 5.6 percent.



The deceleration in real GDP in the first quarter primarily reflected decelerations in inventory investment and exports, a downturn in residential fixed investment, and a larger decrease in state and local government spending. In contrast, consumer spending accelerated, and imports slowed.

Real disposable personal income (DPI) was unchanged in the first quarter after increasing 1.0 percent in the fourth quarter, reflecting a deceleration in current-dollar DPI that was offset by a deceleration in the PCE implicit price deflator that is used to deflate DPI. The deceleration in current-dollar DPI reflected acceleration in personal income that was more than offset by a sharp upturn in personal current taxes. Consumer spending accelerated in the first quarter of 2010 and added 2.55 percentage points to real GDP growth. The acceleration reflected accelerations in durable goods and in services. Nondurable goods increased about the same as in the fourth quarter.

Year	2008		2009				2010
Quarter	3	4	1	2	3	4	1
	Chained (2005) dollars:	Chained (2005) dollars:	Chained (2005) dollars:	Chained (2005) dollars:	Chained (2005) dollars:	Chained (2005) dollars:	Chained (2005) dollars:
Gross domestic product	43,662	42,963	42,172	42,011	42,146	42,621	42858
Gross national product	44,141	43,285	42,474	42,288	42,506	42,934	43260
Personal income	32,238	32,431	32,387	32,815	32,436	32,366	32454
Disposable personal income	30,368	30,061	30,047	29,922	30,059	30,110	30308
Personal consumption expenditures	10,465	10,168	10,211	10,112	10,265	10,313	10456
Goods	3,734	3,520	3,547	3,490	3,647	3,642	3741
Durable goods	6,722	6,624	6,641	6,596	6,606	6,656	6708
Nondurable goods	19,898	19,878	19,824	19,794	19,786	19,791	19851
Services	305,177	305,890	306,496	307,101	307,815	308,521	309120

Effect of Tax Effect on Corporate Profit

The expiration of the Bush tax cuts and new Medicare taxes on investment income that were part of recent health care reform will push the top effective tax rate on dividends in the U.S. to 68 percent in 2011 - highest among all industrialized nations. Corporate profits first are taxed at the firm level and are subject to a combined federal and average state corporate tax rate of 39.1 percent. For income distributed as a dividend, the second layer of tax is then paid by individual shareholders, which prior to the enactment of health care reform legislation had a top rate of 17.3 percent. With the sunset of the 2003 Bush tax cut at the end of 2010, which will increase the federal dividend tax rate from 15 percent to 39.6 percent, and the new Medicare tax on investment income of 3.8 percent, the integrated effective dividend tax rate will rise dramatically to 68 percent.

Year	2008(in %)				2009(in %)				2010
Quarter	1	2	3	4	1	2	3	4	1
Profit Before Tax	(9.10%)	(1.70%)	(1.10%)	(32.80%)	17.60%	7.30%	11.80%	9.20%	13.20%
Profit After Tax	(4.10%)	(1.70%)	(0.30%)	(34.20%)	16.60%	5.60%	13.80%	8.20%	12.10%

Year	2008(in millions)				2009(in millions)				2010
Quarter	1	2	3	4	1	2	3	4	1
Profits before tax	($162.3)	($27.3)	($16.9)	($516.5)	$186.4	$90.6	$157.9	$137.0	$215.1
Profits after tax	($55.40)	($21.60)	($4.10)	($435.10)	$139.30	$55.00	$142.80	$96.20	$153.80

Per Capita Income: Real personal income for Americans -- excluding government payouts such as Social Security -- has fallen by 3.2% since president Barack Obama took office in January 2009. For comparison, real personal income during the first 15 months in office for President George W. Bush, who inherited a milder recession from his predecessor, dropped 0.4%. Income excluding government payouts increased 12.7% during Mr. Bush's eight years in office. Under President Obama, only federal spending is going up; jombs, business startups, and incomes are all down. It is proof that the government can't spend its way to prosperity.

Two of the most populous states in the country reported dramatic declines: Per capita income in California dropped 3.5 percent to $42,325; in New York, the drop was 3.8 percent to $46,957.

[Millions of dollars, seasonally adjusted at annual rates]										
2008	2009				2010	Percent change from preceding quarter/1				
Q IV	Q I\r	Q II\r	Q III\r	Q IV\r	Q I\p	2009:I	2009:II	2009:III	2009:IV	2010:I
12,218,427	11,939,357	12,034,685	11,988,807	12,054,392	12,167,340	-2.3	0.8	-0.4	0.5	0.9

p Preliminary.

1. Percent changes are expressed at quarterly rates.

Note: Estimates may not add to totals because of rounding.

Standardized Unemployment Rate

Total nonfarm payroll employment declined by 125,000 in June, and the unemployment rate edged down to 9.5 percent, the U.S. Bureau of Labor Statistics reported today. The decline in payroll employment reflected a decrease (-225,000) in the number of temporary employees working on Census 2010. Private-sector payroll employment edged up by 83,000.

From December 2008 to December 2009, employment declined in 325 of the 334 largest U.S. counties according to preliminary data, the U.S. Bureau of Labor Statistics reported today. Trumbull, Ohio, posted the largest percentage decline, with a loss of 8.6 percent over the year, compared with a national job decrease of 4.1 percent. Almost 54 percent of the employment decline in Trumbull occurred in manufacturing, which lost 3,504 jobs over the year (-22.7 percent). Arlington, Va., experienced the largest over-the-year percentage increase in employment among the largest counties in the U.S., with a gain of 0.5 percent.

The U.S. average weekly wage increased by 2.5 percent over the year. Among the large counties in the U.S., Douglas, Colo., had the largest over-the-year increase in average weekly wages in the fourth quarter of 2009, with a gain of 26.1 percent. Within Douglas, professional and business services had the largest over-the-year increase in average weekly wages with a gain of 99.8 percent. A fourth-quarter acquisition in this industry resulted in large payouts, which may include bonuses, severance pay, and stock options. St. Louis City, Mo., experienced the largest decline in average weekly wages with a loss of 33.9 percent over the year. This decline reflects a return from very high levels in 2008 caused by an acquisition in professional and business services and manufacturing.

Frequency	Annual			Quarterly					Monthly								
Time	2007	2008	2009	2009			2010		2009			2010					
				Q2	Q3	Q4	Q1	Q2	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
United States	4.6	5.8	9.3	9.3	9.7	10	9.7	9.7	10.1	10	10	9.7	9.7	9.7	9.9	9.7	9.5

US International Transaction

The U.S. current-account deficit—the combined balances on trade in goods and services, income, and net unilateral current transfers—increased to $109.0 billion (preliminary) in the first quarter of 2010, from $100.9 billion (revised) in the fourth quarter of 2009. The increase was the third consecutive quarterly increase since the deficit of $84.4 billion in the second quarter of 2009, which was the smallest deficit since the third quarter of 1999. The increase was more than accounted for by an increase in the deficit on goods. An increase in net unilateral current transfers to foreigners also contributed. Increases in the surpluses on income and services were partly offsetting.

- Goods and services: The deficit on goods and services increased to $115.3 billion in the first quarter from $104.7 billion in the fourth.
- Income receipts: Income receipts on U.S.-owned assets abroad increased to $162.8 billion from $155.2 billion. The increase was more than accounted for by higher direct investment receipts. Other private receipt (which consists of interest and dividends) declined slightly and U.S. government receipts were little changed.
- Income payments: Income payment on foreign-owned assets in the United States rose to $119.0 billion from $118.2 billion. The increase was more than accounted for by an increase in direct investment payments. Other private payment (which consists of interest and dividends) declined and U.S. government payments were slightly higher.

- Financial Account:

a) Net financial inflows were $31.3 billion in the first quarter, down from $115.7 billion in the fourth.

b) U.S.-owned assets abroad increased $300.8 billion in the first quarter, following an increase of $8.7 billion in the fourth.

c) U.S. direct investment abroad was $105.0 billion in the first quarter, up from $83.2 billion in the fourth quarter.

d) Foreign-owned assets in the United States increased $332.1 billion in the first quarter, following an increase of $103.6 billion in the fourth.

e) Net private foreign purchases of U.S. Treasury securities were $103.4 billion in the first quarter, up sharply from $15.2 billion in the fourth.

f) Net private foreign purchases of U.S. securities other than U.S. Treasury securities were $5.2 billion in the first quarter, down from $20.4 billion in the fourth.

g) Net foreign sales of U.S. federally sponsored agency bonds were $1.4 billion, a shift from net foreign purchases of $2.4 billion. Net foreign sales of U.S.corporate bonds were $28.1 billion, up from $19.5 billion.

h) Foreign direct investment in the United States was $47.3 billion in the first quarter, following investment of $41.5 billion in the fourth. The increase was more than accounted for by a shift to net intercompany debt investment in the United States. In contrast, equity investment and reinvested earnings both declined. In the first quarter, the U.S. dollar appreciated 3 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

CRUDE OIL PRICES: 2008-2010

As the US economy continues to recover from its deep recession, economists and other observers have begun to voice fears of a "double-dip" recession, and those fears have helped keep a lid on oil prices in recent weeks.

After posting three consecutive quarters of growth from Q3 of 2009 to Q1 of 2010, much fear that the US economy (as measured by percentage growth of GDP) could be edging toward a double-dip recession this quarter. Essentially, economic recovery usually begins modestly and picks up steam as companies and individuals increase spending, which stimulates economic activity and creates jobs, which provide more individuals and companies with more spending money, and the cycle continues. In a double-dip recession, the initial recovery does not gain enough momentum to pull the economy completely out of recession, and raises fears of a deeper and prolonged second recession. Fears of the double-dip (which investopedia calls a "worst-case scenario") often lead to timidity in markets and constraints on economic activity—which could ironically turn those fears into self-fulfilling prophecies.

With persistently high unemployment and negative economic news being the norm for Q2 of 2010, fears of a double-dip recession have made their way into today's economic reality. According to reports from several economic news sources, those fears are keeping oil prices low, and will likely continue to do so in the near term. A double-dip recession in the US would almost certainly lead to a drop-off in oil demand and falling prices; jittery oil traders have begun to anticipate that trend, bringing current prices down.

US government raised its outlook for global oil consumption this year to 85.82 million barrels a day from 85.51 million last month. That's up 1.9 percent from last year's 84.26 million. The 2009 demand figure was revised from 84.01 barrels a day. Oil use will climb to 87.29 million in 2011, 170,000 barrels a day higher than last month's projection.

U.S. oil use will average 18.89 barrels a day this year, up 200,000 barrels from 2009. This year's forecast was decreased 30,000 barrels from the June estimate.

Crude Oil Prices

Month	2008	2009	2010
January	$84.70	$33.07	$69.85
February	$86.64	$31.04	$68.04
March	$96.87	$40.13/$39.88	$72.90
April	$104.31	$42.45/$42.20	$76.31
May	$117.40	$51.27/$51.02	$66.25
June	$126.33	$61.71/$61.46	$76.68
July	$126.16	$56.16	
August	$108.46	$62.80	
September	$96.13	$60.98	
October	$68.50	$67.43	
November	$49.29	$69.43	
December	$32.94	$66.33	
Average	$91.48	$53.56/$53.48	$71.69*
*2010 Average through June			

Business with India

The ripples of crumbling USA market can be witnessed all over the world. Whatever happens in America, its impact can be felt way beyond the United States. Indian economy is no exception to this rule. Many banks are almost on the verge of collapse and frantic steps are undertaken by respective governments to prop them up. India, on the other hand, is far more fortunate. Many factors are responsible for relatively less negative impact on Indian economy.

The slow pace of financial reforms taking place in India, cautious approach towards permitting foreign investments in Indian business sectors, numerous bureaucratic hurdles and regulatory constraints have turned out to be advantageous for India. India has always been criticized for its slow speed in economic growth but in hindsight it's that very turtle speed has proved to be a blessing in disguise.

Indian financial system has very little exposure to foreign assets and their derivative products and that's the prime reason India won't be as adversely affected as other major countries. Revival of world economy will take a long time. Though, India will be affected in certain aspects like, low investments by foreign companies. Many FIIs (financial institutional investors) are heavily selling their holdings in numerous Indian companies and that is reflecting in gloom and doom scenario in stock exchange. Apart, companies, mainly IT and ITES companies whose prime business target is USA are bound to suffer. Also, textile companies will find themselves with low top line and bottom-line growth in their balance sheets because of less demand from foreign countries and consequently less revenue from exports.

Another impact would be seen in financial reforms taking place in India. India's cautious approach towards integrating with world economy has paid off and now even more caution would be taken in de-regularization of the financial sector considering conditions of market based economies. More regulations are expected to come into force so that India does not have to face similar worst conditions as faced by ASEAN countries in 1997-98 crisis and recession of 2008. Let's have a look into the accounts of USA's business with India (amount in millions of dollars):

Line	(Credits +; debits -)	2008:I	2008:II	2008:III	2008:IV	2009:I	2009:II	2009:III	2009:IV	2010:I
	Current account									
1	Exports of goods and services and income receipts	7,240	7,879	9,338	6,909	6,862	7,736	8,472	6,684	7,913
2	Exports of goods and services	6,421	7,129	8,559	5,983	6,073	6,725	7,714	6,001	6,982
3	Goods, balance of payments basis	3,763	4,426	5,781	3,888	3,323	4,169	5,010	4,007	4,012
4	Services	2,658	2,704	2,778	2,094	2,750	2,556	2,704	1,995	2,970
5	Travel	572	1,102	881	473	516	888	741	432	523
6	Royalties and license fees	186	248	228	238	177	334	190	165	139
7	Other private services	1,517	762	1,184	1,078	1,746	918	1,377	1,160	1,989
8	U.S. government miscellaneous services	15	15	15	12	12	13	14	15	14
9	Income receipts	819	750	779	926	788	1,011	758	682	930
10	Income receipts on U.S.-owned assets abroad	814	745	774	922	784	1,007	753	678	925
11	Direct investment receipts	370	391	410	552	493	705	427	342	570
12	Other private receipts	440	352	358	367	287	301	321	334	350
13	U.S. government receipts	4	2	6	3	4	1	5	2	5
14	Compensation of employees	5	5	5	5	4	4	4	4	5
15	Imports of goods and services and income payments	(10,177)	(9,587)	(10,110)	(10,053)	(8,723)	(8,365)	(9,012)	(9,215)	(10,163)
16	Imports of goods and services	(9,778)	(9,228)	(9,760)	(9,586)	(8,291)	(7,969)	(8,657)	(8,805)	(9,711)
17	Goods, balance of payments basis	(6,665)	(6,229)	(6,722)	(6,234)	(5,210)	(4,969)	(5,564)	(5,559)	(6,582)
18	Services	(3,113)	(2,999)	(3,038)	(3,352)	(3,081)	(3,000)	(3,093)	(3,247)	(3,129)
19	Direct defense expenditures	(1)	(2)	(5)	(1)	(4)	(1)	(5)	(4)	(4)
20	Royalties and license fees	(31)	(25)	(28)	(25)	(22)	(32)	(28)	(36)	(36)
21	Other private services	(2,218)	(2,349)	(2,441)	(2,412)	(2,306)	(2,420)	(2,385)	(2,431)	(2,334)
22	U.S. government miscellaneous services	(10)	(7)	(7)	(7)	(8)	(7)	(7)	(7)	(7)
23	Income payments	(400)	(359)	(350)	(466)	(432)	(396)	(356)	(410)	(451)
24	Income payments on foreign-owned assets in the United States	(310)	(306)	(310)	(375)	(326)	(335)	(309)	(292)	(333)
25	Direct investment payments	(37)	(54)	(39)	(78)	(55)	(73)	(62)	(51)	(103)
26	Other private payments	(104)	(89)	(104)	(108)	(68)	(71)	(64)	(61)	(56)
27	U.S. government payments	(169)	(163)	(167)	(189)	(203)	(191)	(183)	(180)	(174)
28	Compensation of employees	(90)	(53)	(40)	(92)	(106)	(61)	(46)	(118)	(118)
29	Unilateral current transfers, net	(839)	(592)	(776)	(606)	(874)	(629)	(817)	(653)	(937)
30	U.S. government grants	(30)	(23)	(33)	(19)	(30)	(23)	(23)	(16)	(20)
31	U.S. government pensions and other transfers	(5)	(6)	(6)	(6)	(6)	(7)	(6)	(7)	(7)
32	Private remittances and other transfers	(804)	(563)	(737)	(580)	(838)	(599)	(788)	(630)	(910)
33	Capital account									
34	U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (-))	1,689	(2,023)	2,115	(1,502)	(472)	(696)	(2,131)	(1,625)	(3,702)
35	U.S. government assets, other than official reserve assets	16	4	35	17	20	12	17	12	19
36	Repayments on U.S. credits and other long-term assets	17	12	25	23	13	11	19	16	11
37	U.S. foreign currency holdings and U.S. short-term assets	(1)	(8)	10	(6)	7	1	(1)	(4)	8
38	U.S. private assets	1,673	(2,027)	2,080	(1,519)	(492)	(708)	(2,148)	(1,637)	(3,721)
39	Direct investment	(931)	(832)	1,098	(2,849)	204	(831)	(314)	(407)	(917)
40	Foreign securities	2,636	13	1,131	791	(534)	575	(1,141)	(1,452)	(661)
41	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	101	(123)	(76)	144	56	(55)	(118)	195	53
42	U.S. claims reported by U.S. banks and securities brokers	(133)	(1,085)	(73)	395	(218)	(397)	(575)	27	(2,196)
43	Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+))	(939)	1,182	2,969	11,608	10,632	3,279	(4,294)	(8,290)	1,253
44	Other U.S. government liabilities	126	61	66	37	116	(332)	1	38	49
45	Direct investment	608	362	21	223	437	238	(253)	69	289
46	U.S. securities other than U.S. Treasury securities	1,609	(147)	(94)	(22)	(62)	(60)	(1,508)	(185)	(151)
47	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	(108)	(75)	(8)	(57)	34	(27)	(143)	(216)	134
48	Statistical discrepancy (sum of above items with sign reversed)	3,026	3,141	(3,535)	(6,356)	(7,424)	(1,325)	7,783	13,101	/20/5636
49	Balance on goods (lines 3 and 20)	(2,901)	(1,803)	(941)	(2,346)	(1,887)	(800)	(554)	(1,552)	(2,570)
50	Balance on services (lines 4 and 21)	(455)	(295)	(260)	(1,258)	(331)	(444)	(388)	(1,252)	(159)
51	Balance on goods and services (lines 2 and 16)	(3,357)	(2,098)	(1,201)	(3,604)	(2,218)	(1,244)	(943)	(2,804)	(2,729)
52	Balance on income (lines 12 and 29)	419	391	429	460	356	615	402	272	479
53	Unilateral current transfers, net (line 29)	(839)	(592)	(776)	(606)	(874)	(629)	(817)	(653)	(937)
54	Balance on current account (lines 1, 18, and 29 or lines 51, 52, and 53)	(3,776)	(2,300)	(1,548)	(3,749)	(2,735)	(1,258)	(1,358)	(3,185)	(3,187)

Business with China

In China the impact of international financial crisis has been varied and it has not been open and clear due to lack of transparency and information gathering in China. In financial field China Investment Corp., the sovereign wealth fund that bought stakes in Morgan Stanley and Blackstone Group LP before their stocks plunged, may have as much as $5.4 billion frozen in a U.S. money-market account. Stable Investment Corp., an affiliate of Beijing-based CIC, was the largest shareholder in Reserve Primary Fund on Sept. 1, according to regulatory filings. Reserve Primary suspended withdrawals after becoming the first U.S. money- market fund in 14 years to leave investors with losses. Stable Investment had about $6 billion in additional U.S. money-market funds earlier this year. China, which has primarily held its $1.8 trillion in currency reserves in low-yielding U.S. government debt, set up CIC last year to put about $200 billion into assets with higher rates of return, such as stocks and corporate bonds. It invested $5 billion in Morgan Stanley, the second-biggest U.S. investment bank, and $3 billion in buyout firm Blackstone, manager of the largest leveraged buyout fund. Both New York-based companies have lost more than 70 percent of their market value since the purchases.

Let's have a look into the accounts of USA's business with China (amount in millions of dollars):

Line	(Credits + Debits) 1	2008				2009				2010
		I	II	III	IV	I	II	III	IV	I
	Current account									
1	Exports of goods and services and income receipts	23,970	24,479	24,740	21,842	20,227	21,573	23,519	29,269	28,881
2	Exports of goods and services	21,688	22,052	22,127	20,223	18,635	19,395	21,037	26,943	26,123
3	Goods, balance of payments basis	17,871	18,494	18,048	16,599	14,518	16,112	16,772	22,921	21,330
4	Services	3,817	3,558	4,078	3,624	4,117	3,283	4,265	4,022	4,792
5	Travel	599	714	830	574	686	557	919	593	695
6	Passenger fares	211	220	272	194	240	151	270	186	227
7	Other transportation	568	598	584	531	362	417	485	540	538
8	Royalties and license fees	491	543	616	659	475	544	543	617	528
9	Other private services	1,940	1,475	1,768	1,659	2,347	1,608	2,041	2,080	2,795
10	U.S. government miscellaneous services	7	9	8	7	7	6	7	7	10
11	Income receipts	2,282	2,428	2,613	1,619	1,592	2,178	2,482	2,326	2,758
12	Income receipts on U.S.-owned assets abroad	2,272	2,417	2,603	1,608	1,583	2,169	2,472	2,316	2,748
13	Direct investment receipts	1,593	1,859	2,015	1,032	1,061	1,684	2,028	1,900	2,330
14	Other private receipts	663	550	573	569	508	474	431	410	407
15	U.S. government receipts	16	8	15	7	14	11	13	6	11
16	Compensation of employees	10	10	10	10	10	10	10	10	10
17	Imports of goods and services and income payments	(87,105)	(97,041)	(112,232)	(103,554)	(80,112)	(83,358)	(93,884)	(98,143)	(87,529)
18	Imports of goods and services	(75,198)	(84,231)	(98,928)	(89,982)	(66,930)	(70,842)	(81,700)	(85,896)	(75,092)
19	Goods, balance of payments basis	(72,978)	(81,826)	(96,441)	(87,599)	(64,969)	(68,776)	(79,562)	(83,804)	(73,042)
20	Services	(2,221)	(2,406)	(2,487)	(2,382)	(1,961)	(2,065)	(2,138)	(2,091)	(2,050)
21	Direct defense expenditures	(7)	(1)	(4)	(3)	(2)	(2)	(3)	(3)	(3)
22	Travel	(542)	(637)	(570)	(550)	(518)	(628)	(578)	(538)	(510)
23	Passenger fares	(171)	(158)	(184)	(185)	(126)	(109)	(119)	(106)	(127)
24	Other transportation	(720)	(759)	(800)	(721)	(470)	(481)	(538)	(585)	(619)
25	Royalties and license fees	(26)	(30)	(35)	(58)	(34)	(31)	(29)	(33)	(34)
26	Other private services	(748)	(810)	(885)	(855)	(801)	(803)	(860)	(816)	(747)
27	U.S. government miscellaneous services	(7)	(10)	(9)	(10)	(10)	(10)	(11)	(10)	(9)
28	Income payments	(11,906)	(12,809)	(13,305)	(13,572)	(13,182)	(12,517)	(12,183)	(12,247)	(12,437)
29	Income payments on foreign-owned assets in the United States	(11,770)	(12,705)	(13,210)	(13,436)	(13,022)	(12,399)	(12,079)	(12,075)	(12,262)
30	Direct investment payments	(32)	(46)	(38)	(31)	(20)	(27)	(3)	(40)	(24)
31	Other private payments	(1,265)	(1,207)	(1,268)	(1,261)	(1,016)	(797)	(707)	(685)	(666)
32	U.S. government payments	(10,473)	(11,452)	(11,904)	(12,144)	(11,986)	(11,575)	(11,369)	(11,350)	(11,572)
33	Compensation of employees	(136)	(104)	(94)	(136)	(159)	(118)	(105)	(172)	(175)

Line	(Credits + Debits) 1	2008				2009				2010
		I	II	III	IV	I	II	III	IV	I
	Current account									
34	Unilateral current transfers, net	(781)	(611)	(763)	(678)	(786)	(622)	(726)	(597)	(862)
35	U.S. government grants	(2)	(2)	(4)	(4)	(7)	(5)	(5)	(7)	(6)
36	U.S. government pensions and other transfers	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)
37	Private remittances and other transfers6	(777)	(607)	(757)	(672)	(777)	(615)	(719)	(588)	(853)
38	U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (-))	3,702	(167)	6,034	2,517	3,952	6,165	3,193	5,425	(6,995)
39	U.S. government assets, other than official reserve assets	37	18	45	23	35	39	35	35	30
40	Repayments on U.S. credits and other long-term assets	38	22	36	22	36	41	36	24	35
41	U.S. foreign currency holdings and U.S. short-term assets	(1)	(4)	9	1	(1)	(2)	(1)	11	(5)
42	U.S. private assets	3,665	(185)	5,989	2,494	3,917	6,126	3,158	5,390	(7,025)
43	Direct investment	(2,427)	(1,792)	(4,354)	(7,267)	3,315	7,223	(2,313)	(1,227)	(2,697)
44	Foreign securities	4,320	5,446	304	1,735	1,470	1,885	4,075	4,928	3,784
45	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	63	(271)	(29)	226	(1,113)	989	(1,243)	1,464	85
46	U.S. claims reported by U.S. banks and securities brokers	1,709	(3,568)	10,068	7,800	245	(3,971)	2,639	225	(8,197)
47	Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+))	88,742	122,776	119,705	92,412	53,442	21,648	30,339	37,989	46,639
48	U.S. securities other than U.S. Treasury securities	(10,667)	(1,604)	(5,537)	6	(1,083)	(1,814)	440	(269)	(98)
49	U.S. liabilities to unaffiliated foreigners reported by U.S.	3,180	707	706	(633)	(169)	(95)	(51)	(558)	(203)
50	U.S. liabilities reported by U.S. banks and securities brokers	96,144	123,731	124,486	92,693	54,932	23,687	29,738	38,933	47,016
51	Statistical discrepancy (sum of above items with sign reversed)	(28,528)	(49,436)	(37,482)	(12,539)	3,277	34,594	37,558	26,057	19,866
52	Balance on goods (lines 3 and 20)	(55,106)	(63,332)	(78,392)	(71,000)	(50,451)	(52,665)	(62,790)	(60,883)	(51,712)
53	Balance on services (lines 4 and 21)	1,596	1,152	1,591	1,241	2,156	1,218	2,127	1,930	2,742
54	Balance on goods and services (lines 2 and 19)	(53,511)	(62,180)	(76,801)	(69,759)	(48,295)	(51,447)	(60,663)	(58,953)	(48,969)
55	Balance on income (lines 12 and 29)	(9,625)	(10,382)	(10,692)	(11,953)	(11,589)	(10,339)	(9,702)	(9,921)	(9,679)
56	Unilateral current transfers, net (line 35)	(781)	(611)	(763)	(678)	(786)	(622)	(726)	(597)	(862)
57	Balance on current account (lines 1, 18, and 35 or lines 54, 55, and 56)	(63,917)	(73,173)	(88,256)	(82,390)	(60,670)	(62,407)	(71,090)	(69,471)	(59,510)

Looking Forward

U.S. unemployment will surge to 10 percent this year and the budget deficit will be $1.5 trillion next year, both higher than previous Obama administration forecasts because of a recession that was deeper and longer than expected.

The Office of Management and Budget forecasts a weaker economic recovery than it saw in May as the gross domestic product shrinks 2.8 percent this year before expanding 2 percent next year, according to the administration's mid-year economic review issued today. The Congressional Budget Office, in a separate assessment, forecast the economy will grow 2.8 percent next year. Both see the GDP expanding 3.8 percent in 2011.

While the danger of the economy immediately falling into a deep recession has receded, the American economy is still in the midst of a serious economic downturn. The long-term deficit outlook remains daunting.

The budget shortfall for 2010 would mark the second straight year of trillion-dollar deficits. Along with the unemployment numbers, the deficit may complicate President Barack Obama's drive for his top domestic priority, overhauling the U.S. health care system.

Spending Caps

Administration and congressional budget officials expect the unemployment rate, which was 9.4 percent last month, to keep rising. White House officials said the rate likely will rise to 10 percent by the end of 2009, averaging 9.3 percent for the entire year.

It will worsen to a 9.8 percent average in 2010 instead of the 7.9 percent estimate in May.

Deficit Projections

The median estimate of 31 economists in a Bloomberg News survey completed Aug. 21 was for a fiscal year 2010 deficit of $1.3 trillion.

The outlook for the 2009 fiscal year is slightly better than the previous forecast. The government's shortfall will peak this year at $1.58 trillion before narrowing over the next decade. That is less than the $1.84 trillion projected in May because budget officials were able to delete hundreds of billions of dollars that had been set aside for bank bailouts.

Last year's deficit was $459 billion.

The CBO estimates the budget deficit will total $1.6 trillion this year, or 11.2 percent of the GDP, and $1.4 trillion in 2010.

Market Reaction

The market will view this as a very consensus-oriented forecast" and there won't be any significant reaction

Prediction is Congress will pass a second "mini" stimulus bill next year of about $250 billion to aid jobless workers, state governments and home buyers. The economy will be growing at an uncomfortably slow rate, not enough to bring down unemployment, and of course it's an election year

Govt. defended the trillion-dollar deficits during a recession and said they shouldn't be used to block the administration's health-care initiative. Revising the way the nation pays for medical care will help save money.

Sources:

1. Bureau of Economic Analysis.
2. OECD Statistics.
3. American Economy Statistics.
4. U.S. Census Bureau.
5. International Monetary Fund.

Contact Details:

Visit us at	**www.mas.net.in / www.ajsh.in**	
Send your query to:	info@mas.net.in	
Ankit Jain	ankit@mas.net.in	+91 98106 61322
Siddhartha Havelia	siddhartha@mas.net.in	+91 98113 25385