

Global Economic Outlook: Global recession in 2009, weak recovery in 2010

Real GDP

	2008E	2009E	2010E
%			
Global Economy	3.6	0.9	3.3
Industrial World	0.9	-1.4	1.4
Developing World	6.3	3.1	5.1
US	1.2	-1.9	2.0
Europe	0.9	-0.9	1.2
EMU	0.9	-1.0	1.1
UK	0.8	-0.6	1.9
CEEMEA	4.8	1.3	3.4
Japan	-0.1	-2.0	0.2
Asia ex-Japan	7.6	5.3	6.8
China	9.4	7.5	8.5
Latin America	4.3	-0.4	2.6

Source: Morgan Stanley Research; E = Morgan Stanley Research estimates

CPI Inflation

	2008E	2009E	2010E
%			
Global Economy	6.1	2.6	3.7
Industrial World	3.3	0.5	2.4
Developing World	9.0	4.8	4.9
US	3.8	-0.3	3.1
Europe	3.4	1.4	2.3
EMU	3.3	1.5	2.2
UK	3.6	1.0	2.5
CEEMEA	11.7	8.4	7.4
Japan	1.5	-0.1	0.6
Asia ex-Japan	6.6	1.8	2.8
China	6.1	-0.8	1.5
Latin America	7.5	8.5	7.6

Source: Morgan Stanley Research; E = Morgan Stanley Research estimates

Morgan Stanley Interest Rate Outlook

Date*	Fed Funds	Prime	LIBOR 3-Mo	Treasury Yield Curve					
				3-Mo.	6-Mo.	2-Yr.	5-Yr.	10-Yr.	30-Yr.
Dec 08, 2008	1.00	4.00	2.19	0.01	0.28	0.94	1.71	2.73	3.15
08Q4	0.50	3.50	2.10	0.10	0.35	1.00	1.78	2.80	3.25
09Q1	0.50	3.50	1.50	0.25	0.40	1.00	1.98	3.25	3.75
09Q2	0.50	3.50	1.20	0.40	0.55	1.15	2.33	4.00	4.60
09Q3	0.50	3.50	1.10	0.45	0.65	1.25	2.53	4.40	5.05
09Q4	0.50	3.50	1.10	0.50	0.75	1.50	2.81	4.75	5.40
10Q1	1.00	4.00	1.80	1.25	1.50	2.00	3.23	4.95	5.55
10Q2	1.75	4.75	2.65	2.25	2.45	2.75	3.83	5.10	5.60
10Q3	2.50	5.50	3.25	2.90	3.10	3.50	4.35	5.30	5.70
10Q4	3.00	6.00	3.55	3.25	3.45	4.00	4.75	5.50	5.80

* All forecast values are for the end of the designated period.

Global growth will be slow, with the US in outright recession and no sign of inflation. Monetary policy will start to normalize only in 2010.

Treasury yields will be caught between much higher issuance and the weak economy. We expect the US yield curve to remain very steep for another year.

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Global Economics

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GDP and Inflation

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