

‘The World Is in Trouble’: Deutsche Bank Chief Economist

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The global economy still faces turmoil as government try to figure out how to move out of fiscal rescue packages, which could lead to another two downturns, Deutsche Bank Chief Economist Norbert Walter said Thursday.

In addition, nervousness on the part of major dollar holders could pressure the greenback and lead to a very worrying 2010, Walter said.

Norbert said recently in research notes “the world is in trouble.”

“I believe that the rescue packages brought on have been so costly for so many governments that the exit from this fiscal policy will be very painful, very painful indeed,” he said. “Some of us are already talking about a W-shaped recovery. I’d probably talk about a triple-U-shaped recovery because there are so many stumbling blocks here to get out of this.”

“There are a few countries that have not dismissed people, they had a dramatic drop in their sales but they kept on people because they believed the recession would be very shallow,” Walter said. “They now have to fire people. That will increase unemployment and they therefore, of course, may be endangering retail sales in some countries.”

If Australia hikes rates in September or October, markets “will certainly shiver” and cause zig-zagging at the bottom of the recession, Walter said.

And while the White House struggles with issues like health care and puts a fiscal policy exit strategy on the back burner, there are big concerns of about the direction of the U.S. dollar.

“I’m deeply worried about the worries of those investors who have invested a lot, really a lot into the dollar” like the Chinese, Japanese, Arabs and Russians, he said.

“If they have second thoughts about the quality of this currency then the dollar is bound to weaken” which means higher long-term interest rates for a country where government debt is approaching 100 percent of gross domestic product, he said.

If that happens, “2010 could be a worrisome year for all of us,” he said.

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