Media information

Swiss Re

Fed rate action commentary from Swiss Re chief US economist

Contacts:

Corporate Communications, New York
Telephone +1 212 317 5663

Media Relations, Zurich
Telephone +41 43 285 7171

Corporate Communications, London
Telephone +44 20 7933 3445

Corporate Communications, Asia
Telephone +852 2582 3660

Swiss Reinsurance Company Ltd
Mythenquai 50/60
P.O. Box
CH-8022 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com

New York, 12 August 2009 – After today's decision by the Federal Reserve to maintain the target fed funds rate at zero to 25 basis points, Swiss Re's chief US Economist, Kurt Karl, commented, "As expected, the Fed maintained its target policy rate today and they will persist with this policy well into next year. Quantitative easing will also continue. With high unemployment and low capacity utilization, inflation will not be a problem. Also, the Fed knows how to exit from the quantitative easing programs – this should not be a concern."

"The deep inventory drawdown in the second quarter, coupled with the jump in vehicle sales in July, imply that real GDP growth will likely be positive in the current quarter, signaling the end of the recession. Because some of this growth is being pulled forward from future quarters by the "Cash for Clunkers" program, fourth quarter growth will probably be subdued. The stimulus package also appears to be supporting infrastructure spending, with public construction rising 1.0% in June. The prospects for a strong recovery are still close to 15% probability, however, because of the fragility of the current growth. With large job losses still ongoing, the risk of a reversal remains at 25%; in other words, the fourth quarter could post negative growth. Oil prices are not helping, rising above $70 bbl recently. Under the baseline forecast, real GDP growth is expected to decline 2.9% in 2009, but rise by 1.9% next year. Inflation will remain moderate and the yield on the 10-year Treasury note will rise to 4.3% by end-2010," Karl said.

"A global economic recovery appears to be beginning. China continues to grow at a healthy pace. Now, the Japanese and US economies are likely to start growing in the current quarter and Europe will follow, probably by the fourth quarter. Expansionary monetary and fiscal policy, coupled with relatively low commodity prices, will sustain the recovery through next year. By end-2010, however, monetary policy is likely to begin a tightening phase, while fiscal spending will need to be constrained. Real GDP growth in

Euroland is forecast to be barely positive next year, China above 8%, Japan and the UK close to 1%. Inflation will range from near-zero in Japan to close to 1% in Euroland and UK and to over 3% in China. Yields on government bonds are likely to follow the pattern of growth and inflation in each region. In Japan, that means a yield of 1.5% on the 10-year government bond by end-2010, in Euroland a yield of about 4.2%, while in the UK it will be closer to 4.4%," added Karl.

Notes to editors

Swiss Reinsurance Company Ltd

Swiss Re is a leading and highly diversified global reinsurer. The company operates through offices in more than 20 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "A+" by Standard & Poor's, "A1" by Moody's and "A" by A.M. Best.