



## US housing recovery continues to strengthen, says Swiss Re Chief Economist, Kurt Karl

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**New York, 24 October 2012 – 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 Economist, Kurt Karl, commented: "The resilience of the US recovery is being bolstered by the gathering strength of the housing market."**

Karl added: "As growth prospects improve, long-term interest rates should rise modestly, with yields on the 10-year note close to 2% by year-end. The key headwinds for US growth are the ongoing uncertainty from the Euro debt crisis and the US "fiscal cliff". With the cliff postponed to late March by Congress and modest improvements in Euro area policy, US growth should accelerate next year, assuming no major policy errors. The strongest growth trend stems from the housing market, with prices rising and permits up 45% in September compared to a year earlier. Our outlook on growth remains unchanged with real GDP growth of 2.2% this year, strengthening to 2.7% in 2013. Yields on the 10-year Treasury note are projected to reach 2.6% by end-2013."

He continued: "Economic indicators have stabilized in Europe, but at levels consistent with ongoing recession. We have reduced our growth forecasts for the Euro area to -0.4% this year and +0.4% next. Recent comments by politicians from creditor countries confirm our expectations that the process towards "banking union" will be long and bumpy. Japan is expected to continue growing, though quarterly GDP patterns may be volatile, partially due to the lumpiness of reconstruction spending, but also the strong yen and weak external demand. Real GDP growth is expected to be 2.0% this year and 1.6% next year. Growth has slowed in China, but this has probably reached its trough. Expansionary fiscal and monetary policies are expected to boost growth to 8.5% next year. Monetary policy usually takes a year to have its full impact. Other countries – besides the US, Japan and China – have also recently initiated expansionary monetary policies, including the UK; Brazil and India. The European Central Bank is expected to become more expansionary, if – as expected – the Spanish government signs a Memorandum of Understanding."

### Notes to editors

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