



## Growth should strengthen again in the second half of the year, predicts Swiss Re Chief Economist, Kurt Karl

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**New York, 1 August 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 US economy slowed in the second quarter, but is likely to be stronger in the second half of the year."**

Karl added: "Unfortunately, the uncertainty around developments in the Euro area and the potential US fiscal situation are keeping the risks to the global economy skewed to the downside. However, recent indicators continue to suggest that moderate growth of the US economy will be sustained. The housing sector is finally turning up with new construction strengthening and prices in many markets firming. Moreover, lower gasoline prices are leaving the consumer with more spare cash to spend. We expect real GDP growth of 2.2% this year, strengthening to 2.7% in 2013. As a consequence, yields on the 10-year Treasury note are forecast to rise to 2.1% by end-2012 and to 2.7% by end-2013."

He continued: "In Europe, the risks remain elevated. The Troika's assessment of the Greek adjustment program could result in the IMF's unwillingness to extend more loans to Greece, triggering a Greek sovereign default and potentially an exit of Greece from the Eurozone. In addition, the pending decision on the legality of the European Stability Mechanism (ESM) by the German constitutional court is increasing uncertainty. Japan is still recovering from last year's earthquake/tsunami and reconstruction will help to sustain real GDP growth at around 1.8% this year and 1.6% next year. Growth in China has slowed but both fiscal and monetary policies are poised to boost growth. The Chinese central bank has lowered lending rates twice since June this year. We expect Chinese growth to be around 8% in 2012 and 2013. Other major central banks have also recently further loosened monetary policies: the Fed extended "Operation Twist" until end-2012, the Bank of England added another GBP 50 bn to its Quantitative Easing program and the ECB lowered interest rates in July".

### Notes to editors

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