Swiss Re

Fed rate action commentary from Swiss Re US economist

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NEW YORK, March 18, 2003 – Following today's announcement that the Federal Reserve Board would hold the target federal funds rate at 1.25 percent, Swiss Re economist David Laster said, "Despite a deteriorating economic outlook in recent weeks, the Fed remains on hold for now. We anticipate that the Fed will cut rates once again at its next meeting on May 6. Should the economy shows signs of dramatic weakening before then, however, the Fed would not hesitate to cut rates between meetings. "

"Uncertainty about the Iraq situation, rising oil prices, and declining confidence have combined to weaken economic growth. Nonetheless, the economy continues to expand, fueled in part by low interest rates and a record level of mortgage refinancing. Business inventories are lean and investment has held its own. We now expect real GDP to grow 2.5 percent this year: at a 1-2 percent pace in the first half of the year, and a 3-4 percent pace in the second half. Due to increasing energy prices, inflation should rise to 2.2 percent this year. Core inflation (excluding food and energy prices) will fall below 2 percent this year and next. The likelihood of a double-dip recession, though up slightly, remains just 20 percent."

"The European Central Bank, responding to a sluggish economic environment, lowered rates by 25 basis points. Because of the strengthening euro and weak economic activity, European inflation is likely to moderate in 2003. The Bank of Canada, by contrast, increased rates 25 basis points in the face of rising inflationary pressure."

About Swiss Re
Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. For 2001, Swiss Re reported a net loss of CHF 165 million, largely due to the 11 September event. Gross premiums in 2001 were CHF 28.5 billion. At the end of June 2002, Swiss Re's shareholders' equity amounted to CHF 18.3 billion and the total balance sheet stood at CHF 168 billion. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by A.M. Best.