

Media Dialogue 2024

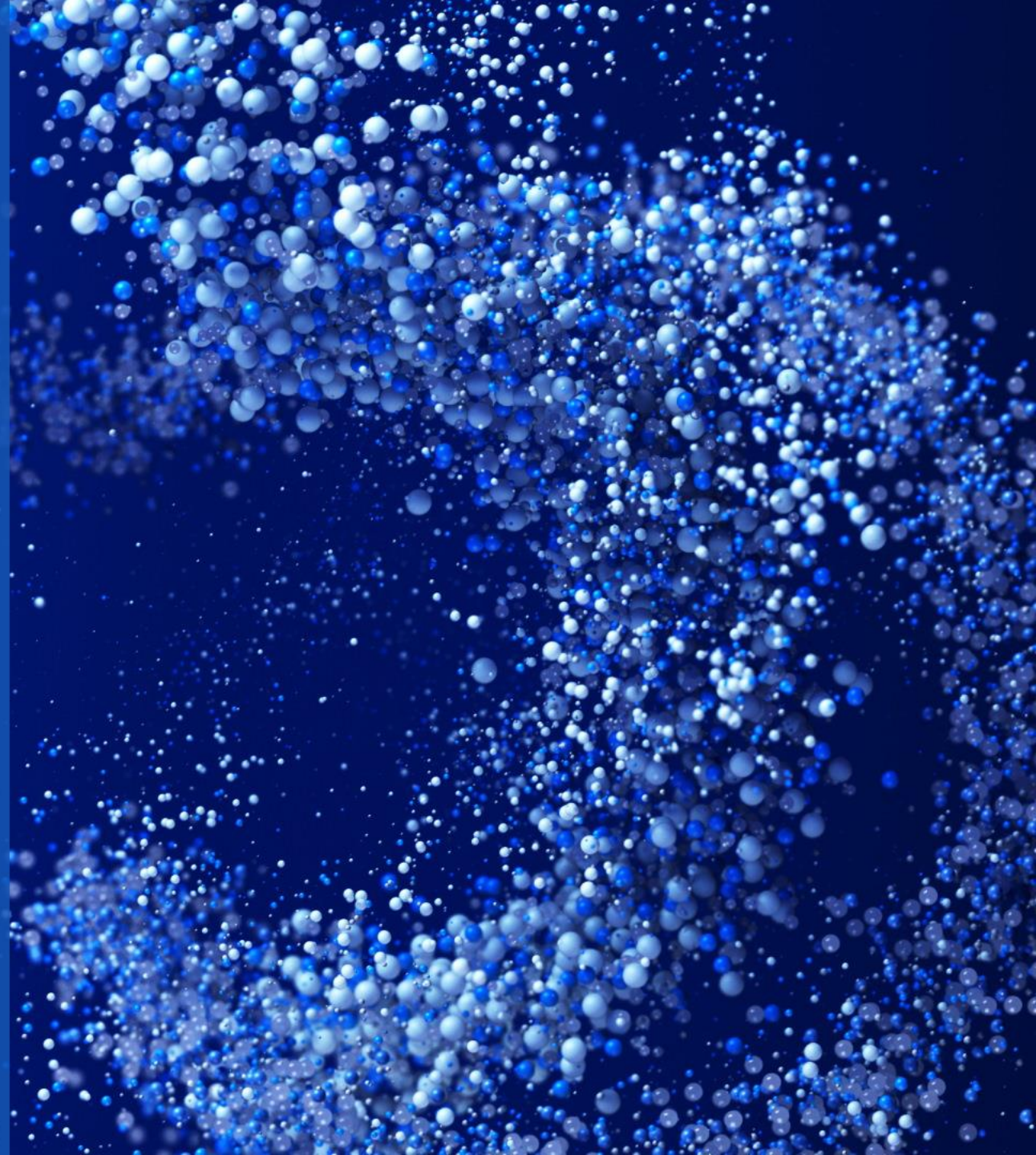
Global economic and insurance market
outlook 2025/26

19 November 2024





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Group Chief Economist



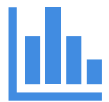
Key letter and numbers

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Global economic outlook: Growth in the shadow of (geo-)politics with more macro volatility ahead



- **Economic growth will diverge further:** US outperformance to continue, while Europe and China are weighed down by global trade uncertainty and geopolitics. China's stimulus will not solve long-run structural challenges



- **Inflation progress will slow:** Inflation will not return to the US central bank target next year, while affordability pressures continue to strain households



- **Monetary policy loosening, but US higher for longer:** Greater central bank divergences amid widening gaps in inflation and growth outcomes, with less rate cuts from the Fed than the ECB



- **Key economic risks prevail:** (Geo-)political challenges with uncertainty over higher trade tariffs and fiscal sustainability in the US result in more macro volatility for inflation and bond yields

	Swiss Re Institute					Consensus	
	2024 (F)	2025 (F)	2026 (F)	2010-2019	2025-2034	2024 (E)	2025 (F)
Real GDP (% change)							
US	2.8	2.2	2.1	2.3	2.0	2.6	1.9
Euro area	0.7	0.9	1.1	1.4	1.1	0.7	1.2
United Kingdom	0.9	1.2	1.5	2.0	1.3	1.0	1.3
China	4.9	4.6	4.1	7.7	3.7	4.8	4.5
World	2.8	2.8	2.7	3.1	2.5	2.7	2.8
CPI (% change)							
US	2.9	2.5	2.4	1.8	2.3	2.9	2.3
Euro area	2.3	2.0	2.1	1.4	2.1	2.4	2.0
United Kingdom	2.5	2.2	2.3	2.2	2.3	2.5	2.3
China	0.4	1.1	1.5	2.6	1.8	0.5	1.2
World	5.1	3.3	3.0	2.9	2.8	5.2	3.4
10y gov. bond yield (%)							
US	4.4	4.2	4.2	2.4	4.2	3.9	3.7
Euro area	2.2	2.3	2.4	1.0	2.9	2.1	2.2
United Kingdom	4.4	4.5	4.5	1.9	4.5	3.9	3.7
China	2.2	2.2	2.2	3.5	2.5	2.1	2.0
Central bank rate (%)							
US	4.6	3.9	3.4	0.7	3.2	4.4	3.2
Euro area	3.0	2.0	2.0	-0.2	2.0	3.0	2.0
United Kingdom	4.8	3.8	3.5	0.5	2.8	4.7	3.6
China	1.5	1.1	1.0	3.0	1.7	-	-

Sources: Bloomberg, Swiss Re Institute

Global primary insurance market outlook: High interest rates continue to support life savings business, while non-life premium growth is expected to decelerate

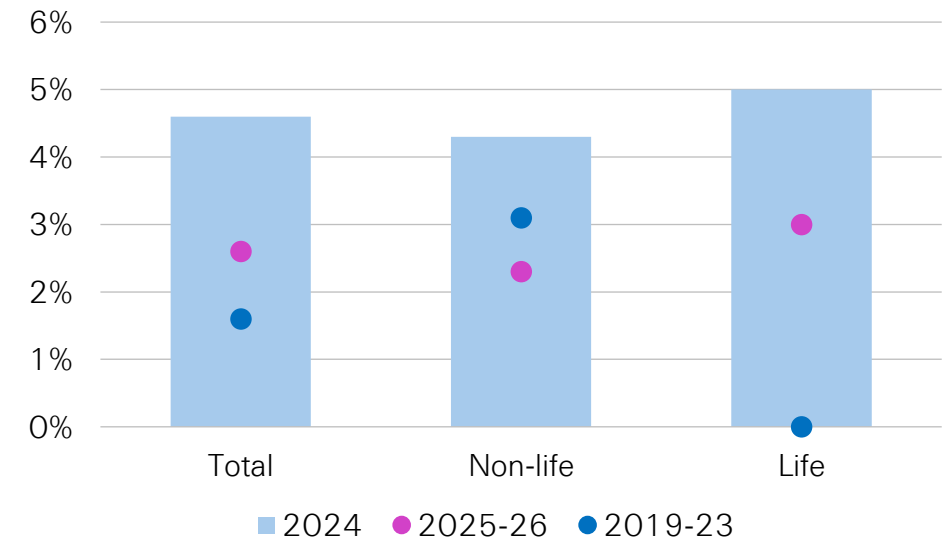
Non-life insurance premium growth decelerating from 2024 price-driven boost

- Price moderation will impact **Advanced Markets** the most in the next two years
- In **Emerging Markets** increasing insurance penetration and market development will support growth
- Continued growth in demand for **nat-cat covers**

Life insurance premiums to grow over double of the 2014-23 rate

- **Higher interest rates** continue to drive savings business growth, after North America posted a 20-year high growth in 2024
- Demand pivot from fixed-rate to **index-linked savings business**
- Still elevated **pension de-risking**, helped by regulatory changes

Premium growth in real terms by line



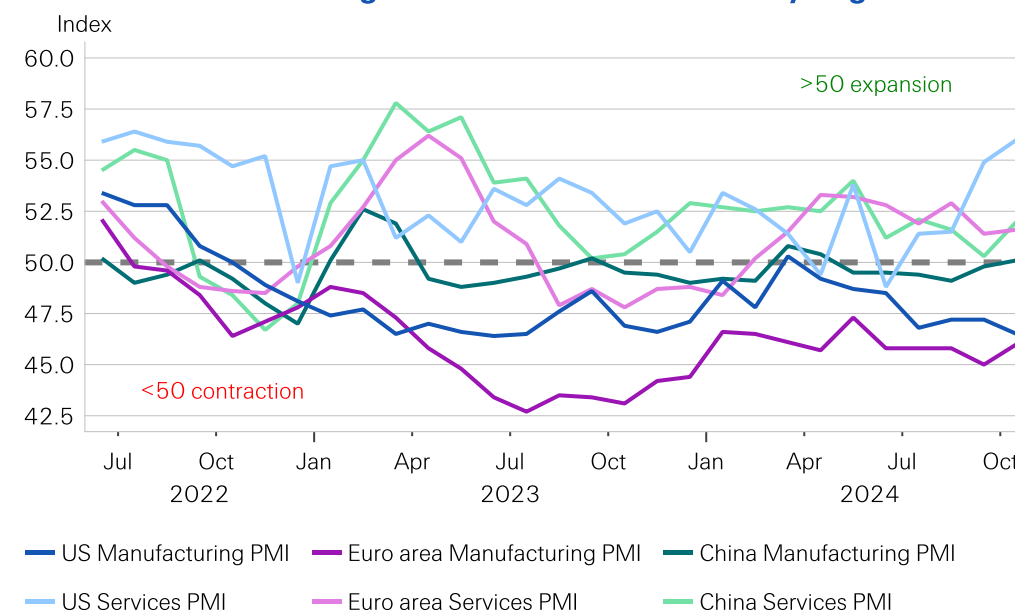
Theme 1: New US administration and a Republican Congress raise upside pressure on inflation and interest rates, while growth upside is limited

Key variables before Trump, after Trump's first term, and today

		Jan 2017	Jan 2021	Today	Key changes in macro backdrop
Growth	GDP	2.2%	4.2%	2.8%	Economy is closer today to late stage
	ISM manufacturing	55.7	59.2	46.5	Manufacturing is weaker
	Unemployment rate	4.7%	6.4%	4.1%	Greater risk of non-linear loosening
	Debt to GDP ratio	97	121	113	Fiscal space more limited
Prices	CPI Inflation	2.5%	1.4%	2.4%	Limited room for growth without overheating
Interest rates and markets	Fed funds rate	0.5%	0.0%	4.6%	Ample policy space to stimulate if needed
	10-year yield*	2.4%	1.1%	4.3%	Cost of capital has normalized
	Credit spreads	0.56	0.26	0.52	Credit spreads remain tight
	Debt to GDP ratio	97	121	113	Fiscal space more limited
	S&P 500 P/E ratio	25.5	38.6	29.6	Tight risk premia , and stretched valuations

*Note: 10-year yields have fallen on average 135 bps over a cutting cycle. So far in this cycle, they have risen around 60 bps. Job growth uses 3-month moving average

Manufacturing and Services PMIs in key regions



Source: Macrobond, Swiss Re Institute

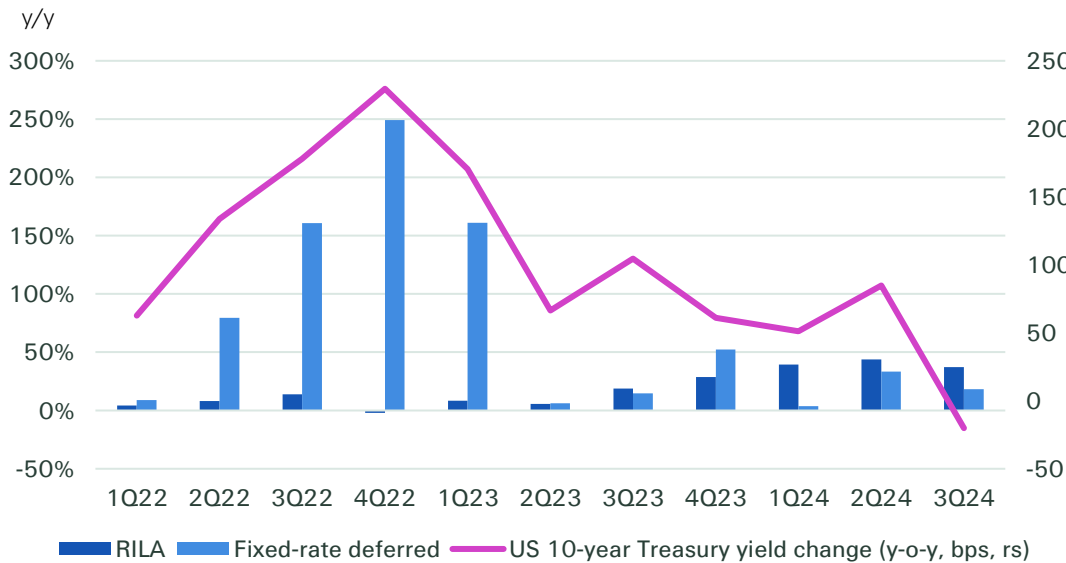
Theme 2: Upside risks to inflation and interest rates in various scenarios

Key policy channels:		Escalatory tariffs			Full protectionism			Full fiscal		
➤ Trade policies		10% broad tariffs on world, while excl. close allies (EU, CA, MX) with potential selective tariffs. 30% on China with partial retaliation			60% tariffs on Chinese imports, and 10% elsewhere. China and ROW fully retaliate			Trump admin prioritizes fiscal agenda, using tariffs to offset lost revenues. 10% tariff on all imports from H125. 30% tariff on China. Minimal retaliation		
➤ Fiscal policies		TCJA fully extended, but no additional fiscal expansion			TCJA fully extended, but no additional fiscal expansion			TCJA fully extended, further personal and corporate tax reductions		
➤ Immigration policies		500k deportations + reduced migration/year			1 million deportations + reduced migration/year			500k deportations + reduced migration/year		
Economic impact %		US	Europe	China	US	Europe	China	US	Europe	China
	GDP	-0.5	-0.3	-0.5	-1.4	-1.0	-0.9	+0.4	+0.1	-0.2
	Inflation	+0.5	-0.1	-0.1	+1.0	+0.1	+0.3	+0.5	+0.2	-0.1
	10y yields	+0.2	-0.1	-0.1	-0.1	-0.4	-0.2	+0.8	+0.6	0.0
UW profitability	Property and specialty		●			●			●	
	Motor		●			●			●	
	Liability		●			●			●	
Premium volume impact		<ul style="list-style-type: none"> All LoBs impacted negatively through less economic activity and income Growth 			<ul style="list-style-type: none"> All LoBs impacted, but property and specialty impacted the most Protectionism through non-tariff barriers alters competitive climate for re/insurers 			<ul style="list-style-type: none"> All LoBs impacted positively through higher economic activity and income growth Savings business benefits from higher interest rates 		

● Limited impact ● Moderate negative impact ● Significant negative impact

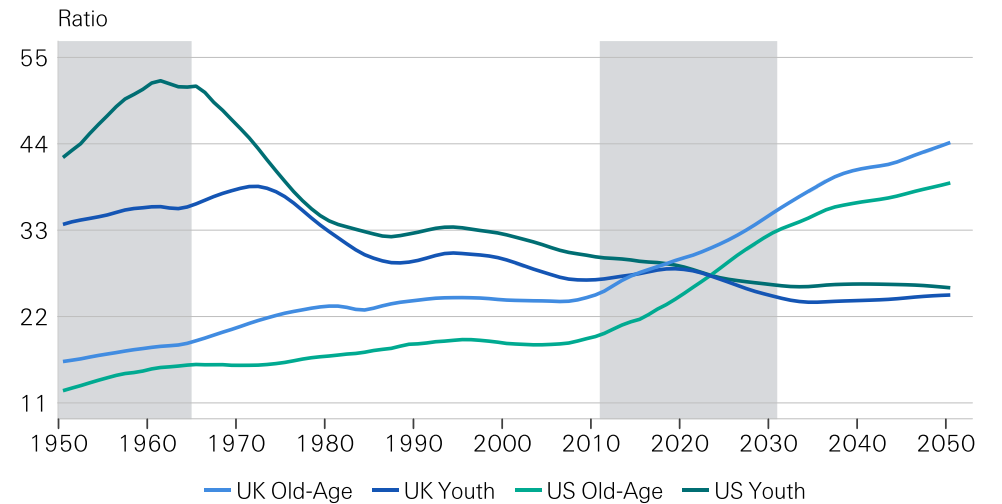
Theme 3: Life insurance is turbocharged by the monetary policy turn and surging dependency ratios supporting the annuity sales pivot

United States: Individual annuity market developments



Source: Life Insurance Marketing and Research Association (LIMRA), U.S. Department of the Treasury, Swiss Re Institute

US and UK dependency ratios, 1950-2040



Source: UNCTAD, Macrobond, Swiss Re Institute

1) Old-age dependency ratio = Population 65+ / (15-64); Youth dependency ratio = (0-14) / (15-64)
 Baby boomer generation defined as people born from 1946-64. Bars show the years in which this generation enters the numerator of each dependency ratio.

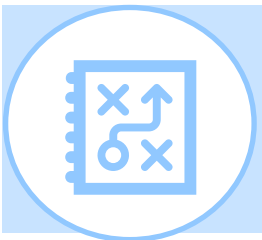
Key takeaways



Still solid economic growth, but inflation progress could slow at the global level. Cross-country divergences will further widen, with less synchronization in inflation and central bank interest rate paths. Strong upside risks to long-dated bond yields



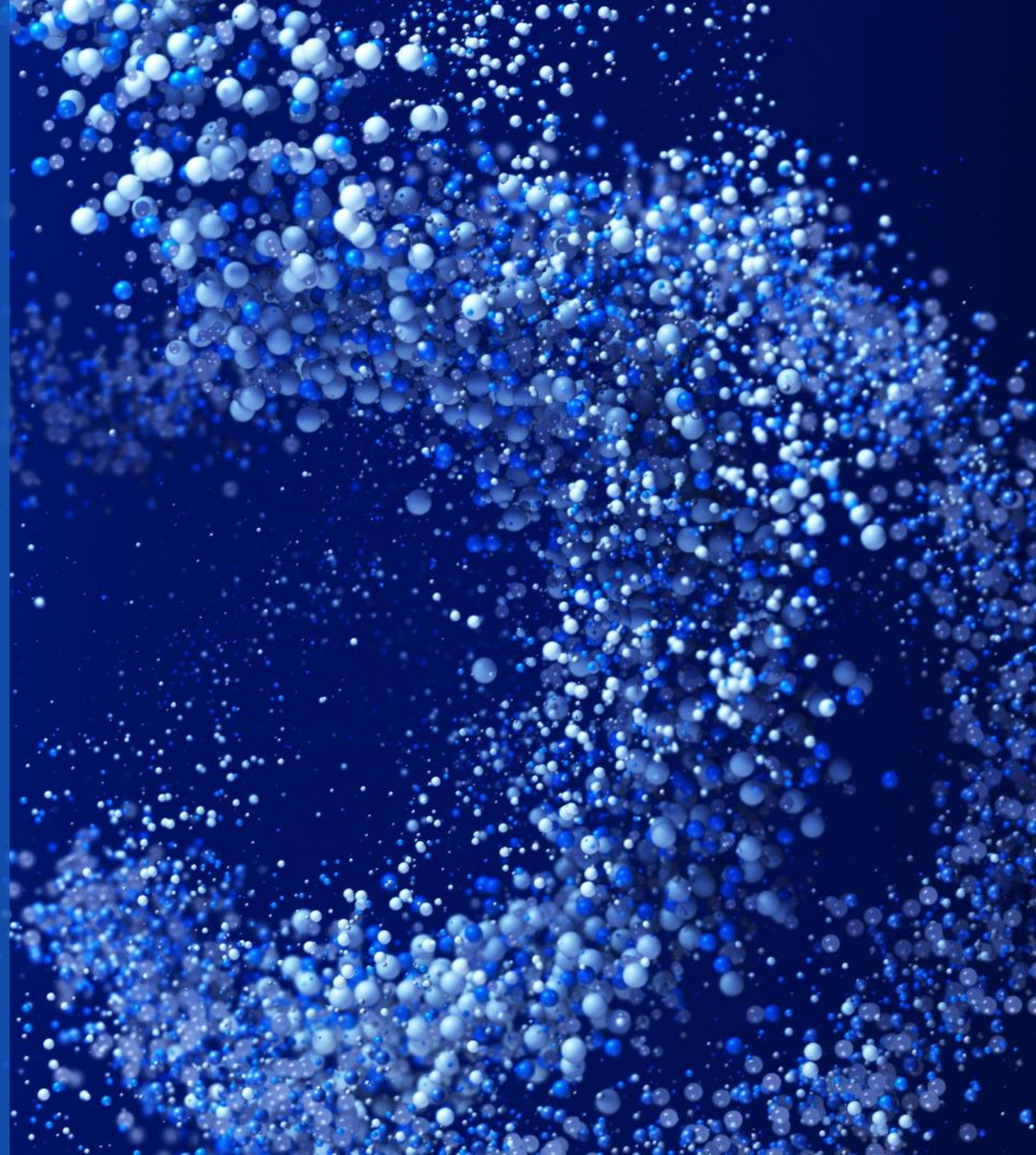
Solid economic growth and structurally higher interest rates will support insurance growth and profitability, especially in life sector. While non-life premium rates are moderating, higher inflation and asset risks could extend out the rate cycle



High uncertainty and geopolitical risks make alternative scenario monitoring key. Risks around the baseline scenario are skewed to adverse scenarios, namely “renewed supply side shocks” (stagflation) or a “global recession”



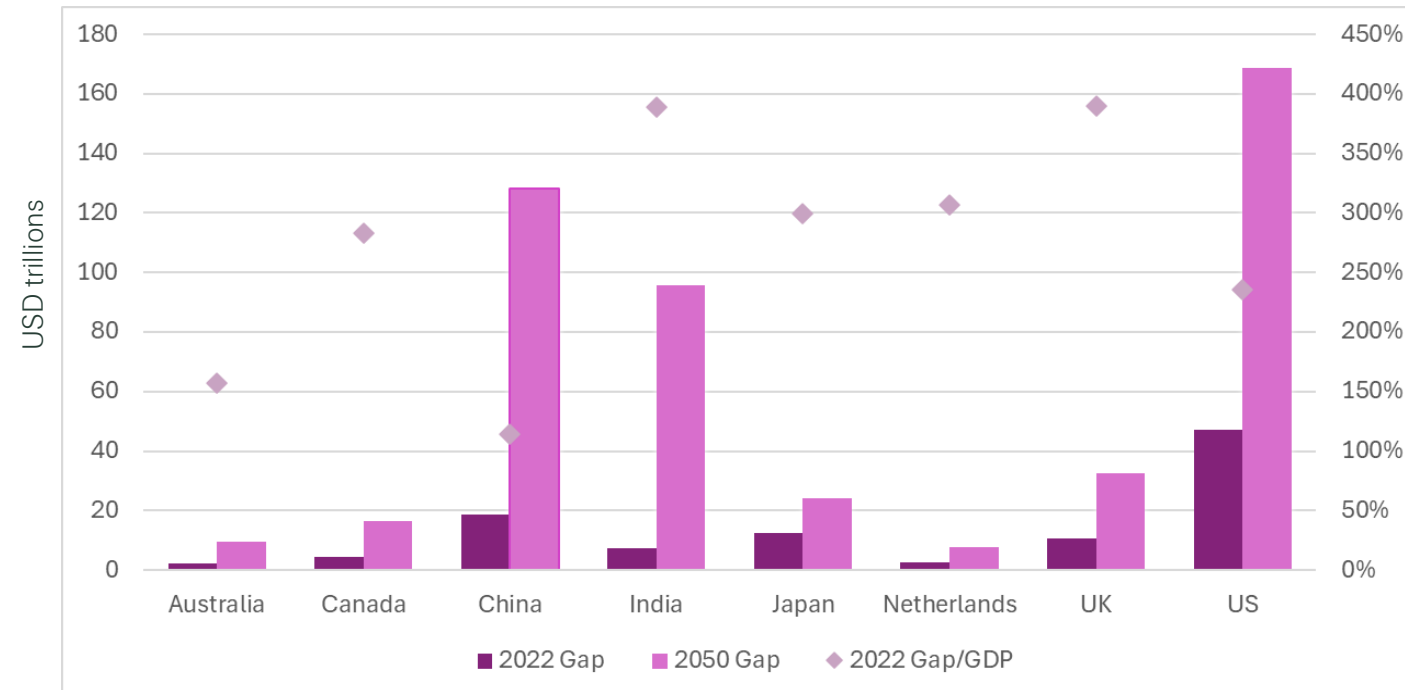
Paul Murray
Chief Executive Officer
Life & Health Reinsurance



Retirement savings gap for eight of the world's biggest economies was USD 106 trillion in 2022 and could more than quadruple by 2050

- **Baby Boomers are retiring** and must manage their retirement savings amassed over their working lives
- Interest rate hikes initiated to counter post-pandemic inflation have meant higher returns on life savings and annuity insurance products in many places

Retirement savings gap, in 2022 values, USD trillions

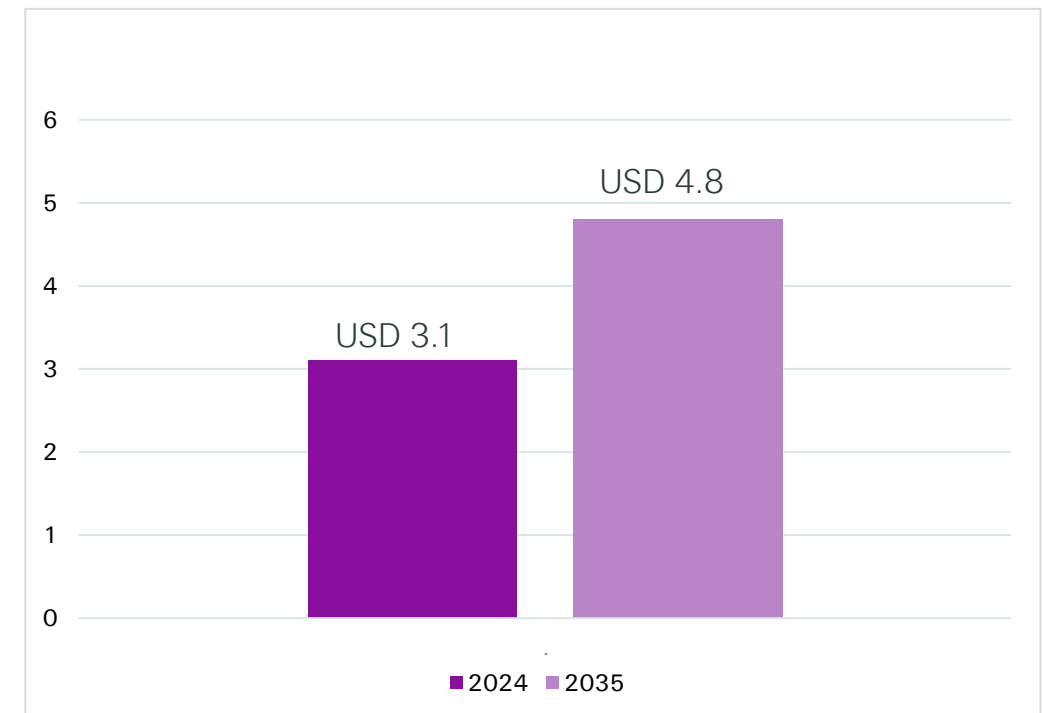


Source: Swiss Re Institute

Life insurance premiums to increase by 55% by 2035

- **Interest rates, despite some easing, are set to stay elevated** for the medium term, underpinning demand for life savings products
- Real wage growth, ageing demographics and the rise of the middle class in emerging markets continue to support the positive backdrop

Global life Insurance Premiums, USD trillions

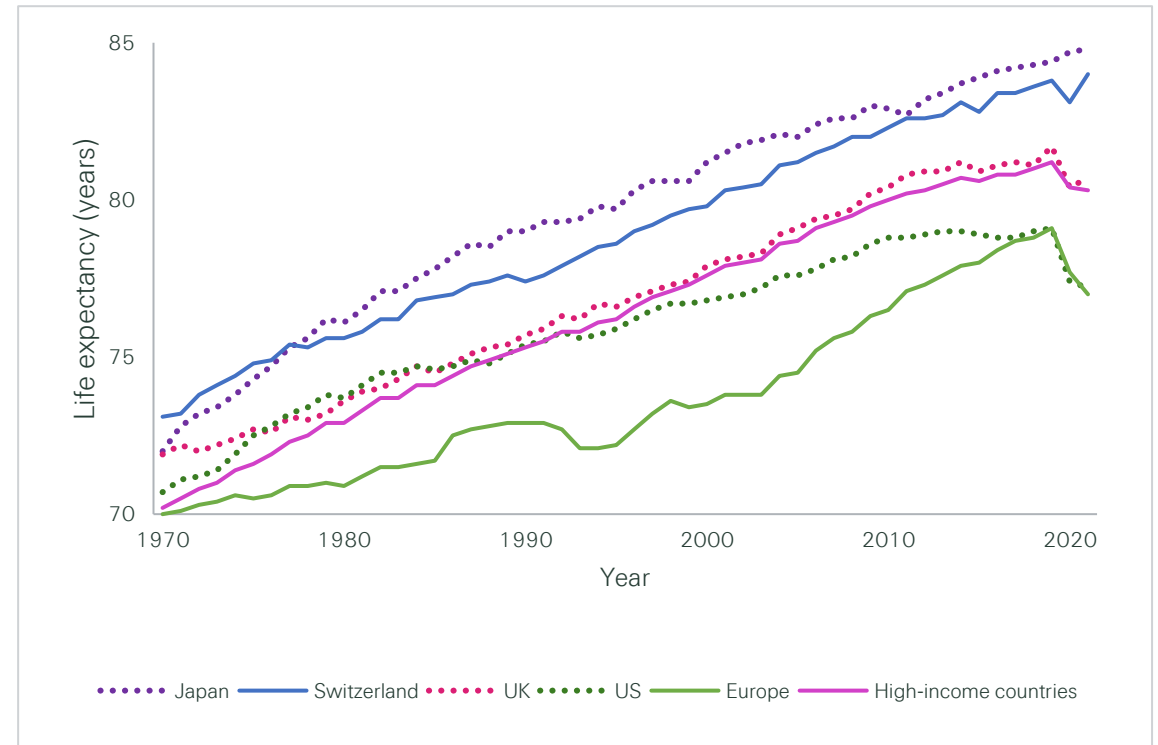


Source: Swiss Re Institute

Life expectancy continues to improve but has slowed since 2010

- Historically, **mortality improvements have typically come in waves**
- Mortality improvements have plateaued since 2010, after advances in treating cardiovascular diseases peaked
- US diverges – only top 10% socioeconomic group has a high life expectancy
- Key issues in the US are access to healthcare, obesity and opioids
- COVID-19 resulted in a temporary drop in life expectancy

Increasing life expectancy since the 1970s in select countries

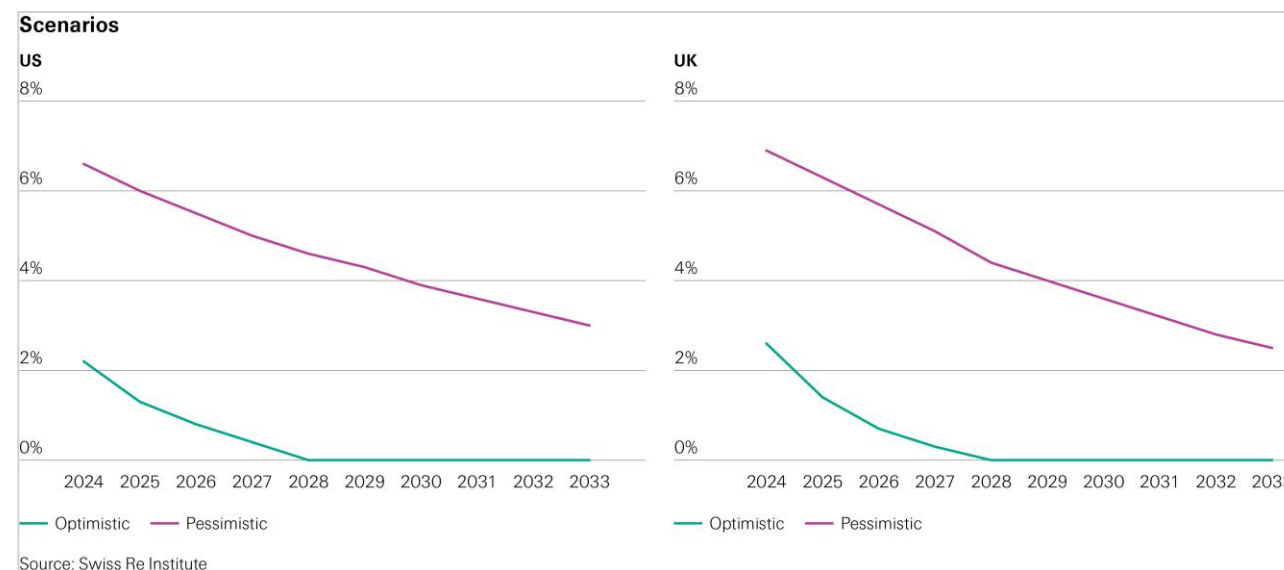


Source: Various national agencies collated by Our World in Data – reproduced by Swiss Re Institute

Five years after the first COVID-19 case, we still have excess mortality

- **COVID-19 is still driving excess mortality both directly and indirectly**
- Pessimistic scenario: Excess mortality to remain elevated until 2033 in the US and UK, above pre-pandemic expectations, the longest period of elevated peacetime excess mortality in the US
- Optimistic scenario: US and UK pandemic-linked excess mortality would disappear by 2028, reverting to pre-pandemic mortality expectations
- Optimistic scenarios require healthcare and medical advancements

Scenario forecasts for US and UK, general populations excess mortality, 2033

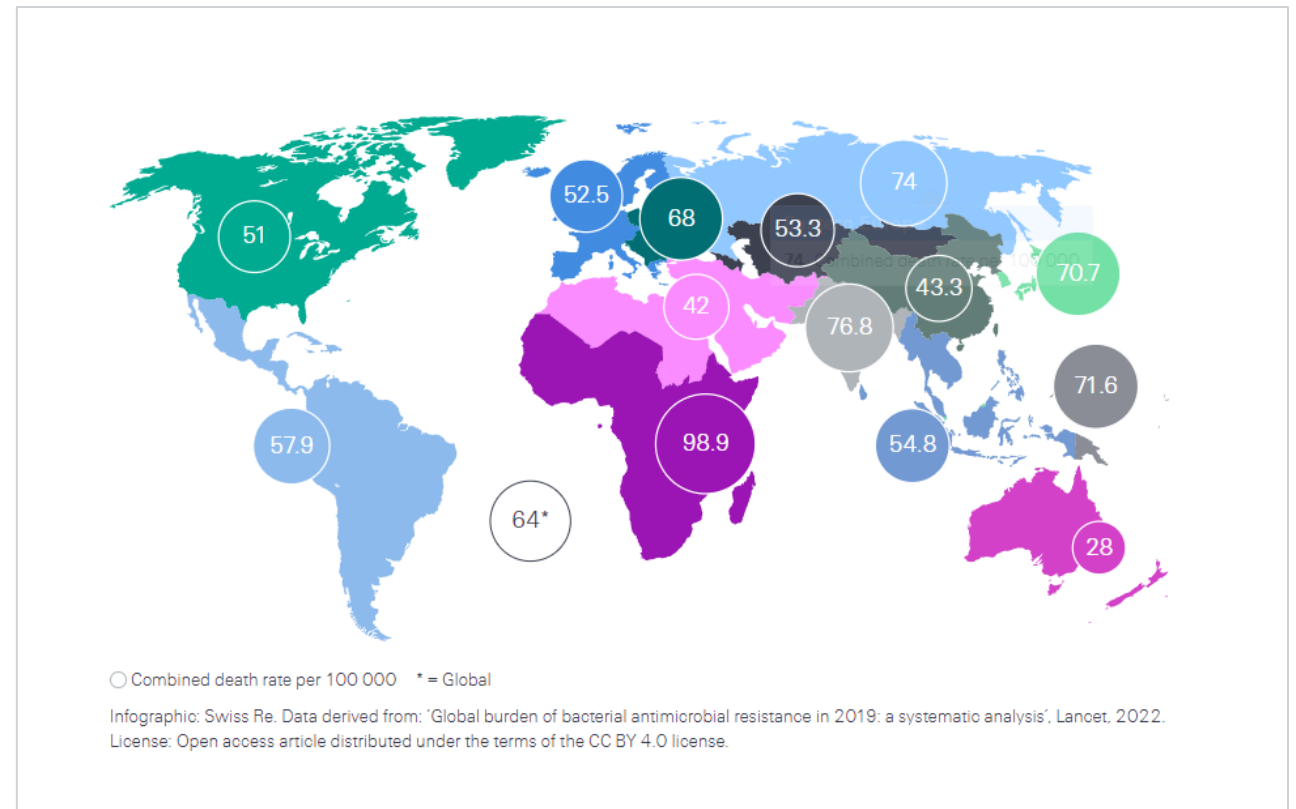


Source: Swiss Re Institute

Antimicrobial resistance – the silent pandemic – has the potential to adversely impact life expectancy improvements

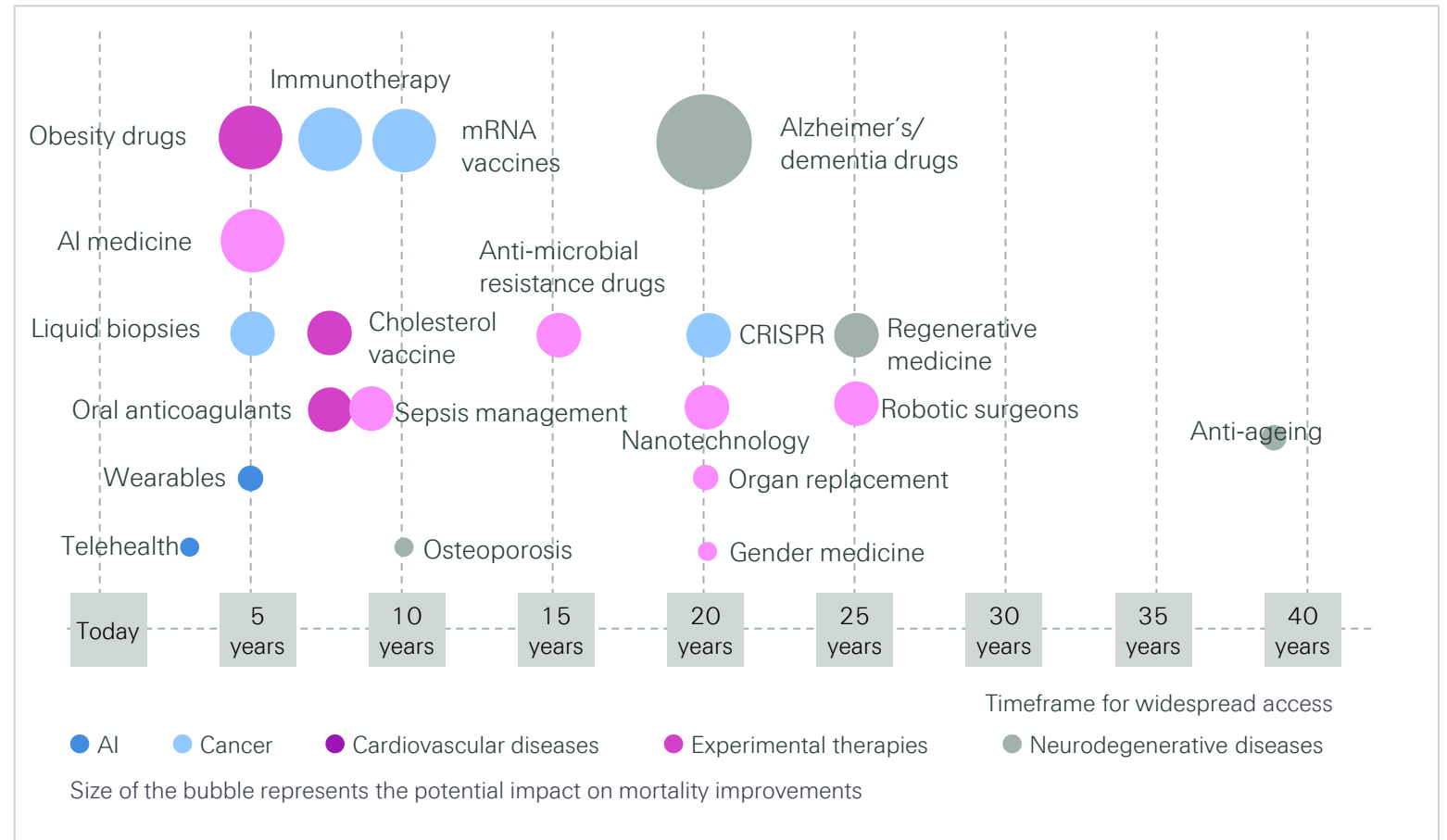
- **The accelerated spread of antimicrobial resistance (AMR)** has been attributed to excessive and improper use of antibiotics in both humans and animals
- In 2021, AMR contributed to the deaths of 4.7 million people
- Swiss Re calls out for increased awareness
- Ongoing global surveillance, as well as cooperation across sectors and borders, are key to overcoming this challenge

Global map of all-age, AMR-associated death rates per 100 000



But we have reason to be optimistic: Promising technologies for future medical advancements

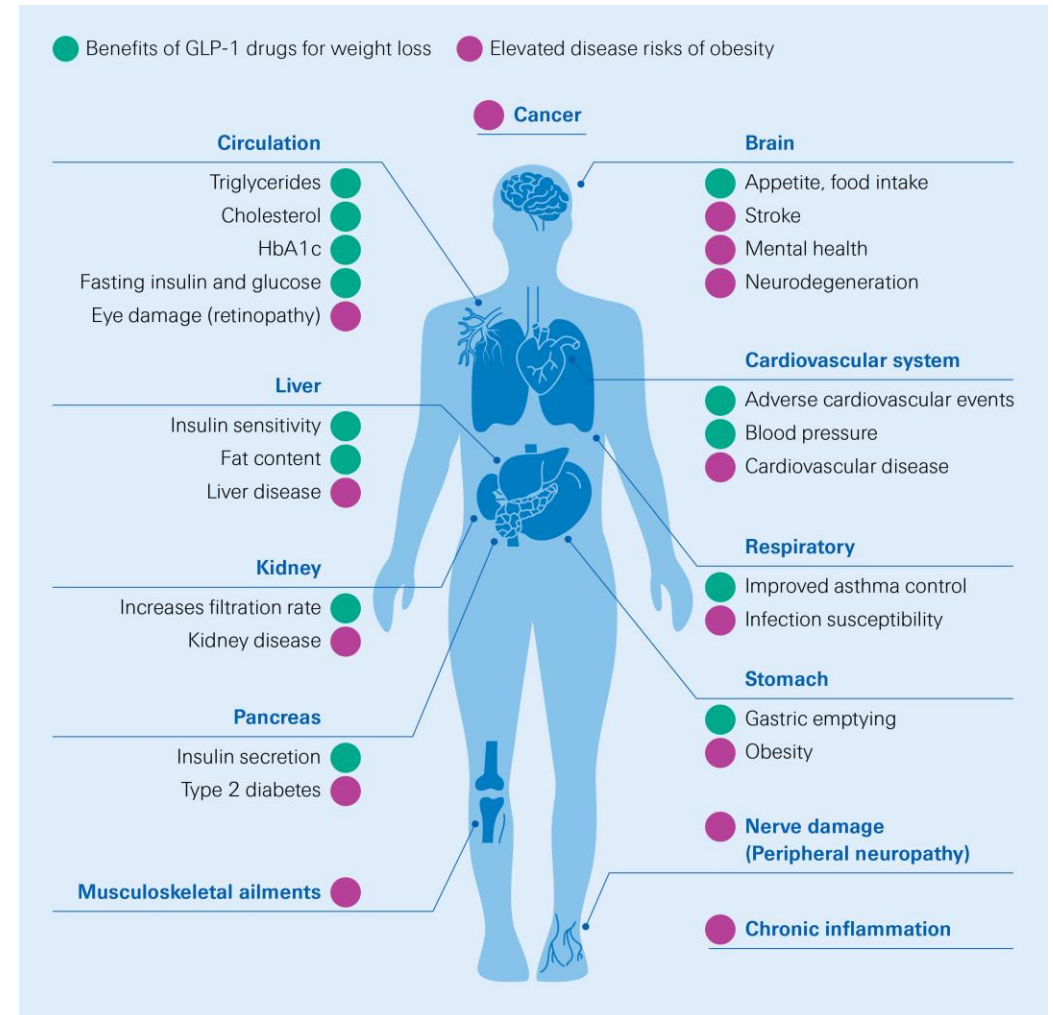
- **Broad consensus is that further life expectancy gains are coming**
- Advanced technologies will provide opportunities for healthcare improvements, but uncertainty about timing is high
- Drug breakthroughs around dementia and cancer are expected
- Personalisation and digitalisation will be key factors for individual developments



Source: Swiss Re Institute.

GLP-1 drugs are emerging as a weight loss game changer

- **Obesity rates have nearly tripled** globally since 1975, with over 890 million adult and 160 million children affected
- Obesity increases the risk of hypertension, insulin resistance, heart disease, type 2 diabetes and certain cancers
- New weight-loss injectables have shown great promise as a complementary treatment leading to weight loss and improved metabolic health
- Individual lifestyle changes remain crucial for increased life expectancy



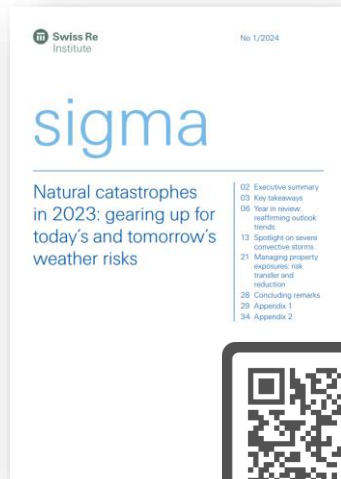
Q&A



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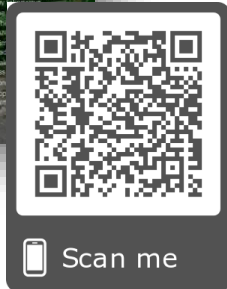
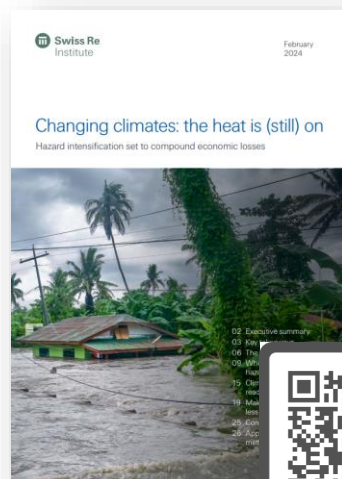
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- Market information for managers and specialist in the (re)insurance industry



Expertise Publications

- Expert analysis of specific risk topics in regional markets and the global (re)insurance industry



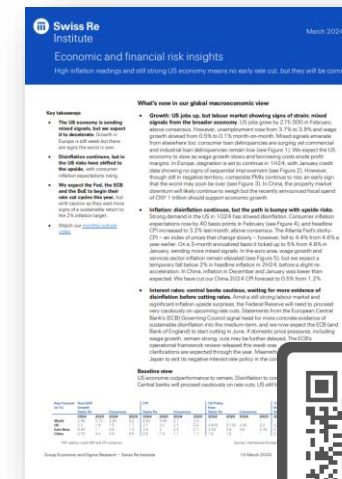
Economic Insights

- Key findings on macro developments and market events, and their implications for the (re)insurance industry



Economic Outlook

- Monthly newsletters on global economic and financial market risk landscape



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further questions.

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