Swiss Re

News release

Fed tapering will end this year, says Swiss Re Chief Economist, Kurt Karl

New York, March 19, 2014 – 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, comments: "The Fed seems set on reducing its asset purchases – tapering – at a pace of about USD 10 billion per month, so its final purchase of assets could be in August, but in any case will very likely be completed before year-end."

Although unusually harsh weather weakened US economic activity earlier this year, a rebound is expected in coming months with growth supported by accelerating consumer spending, stronger growth of business investment, and a continued recovery in the housing sector. Real GDP growth is forecast to be 3.0% in 2014 and 3.5% in 2015. The yields on the 10-year Treasury are projected to be at 3.5% by end-2014 and 4.2% by end-2015.

Karl adds: "The unemployment rate is already near the Fed's threshold of 6.5%, which was meant to trigger a consideration of raising the Fed funds rate, so with tapering completed this year, the Fed is expected to begin raising rates early next year, lifting it to 1.75% by end-2015."

Deflation worries for the Eurozone eased slightly as the CPI edged higher to 0.8% in February, allowing the ECB to leave rates unchanged at its March meeting. A rate cut in the future, however, is still possible, though not expected, since the risk of deflation is still prominent. The regional manufacturing PMI was 53.2 in February, even though France continues to lag behind, with its PMI only at 49.7. Meanwhile the Eurozone Service PMI rose to 51.7.

"These indicators are consistent with modest real GDP growth of 1.0% this year," says Karl. "Yields on the 10-year German bunds will rise to 2.3% by end-2014 and to 2.8% by end-2015. The UK economy remains strong, with growth expected to be near 3% this year and yields on 10-year government bonds rising along with US interest rates."

In China, Premier Li Keqiang revealed a 7.5% GDP growth target for 2014, similar to 2013, and a 7-8% GDP growth target for later years. Financial deleveraging and credit risks remain key concerns as economic growth slows modestly, because of the high and rising corporate sector debt and the refinancing needs of local governments.

Media Relations,

New York
Telephone +1 914 828 6511

Zurich
Telephone +41 43 285 7171

Hong Kong
Telephone +852 2582 3660

Investor Relations,
Zurich
Telephone +41 43 285 4444

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

Telephone +41 43 285 2121
Fax +41 43 285 2999

www.swissre.com
@SwissRe

Karl concludes: "The outlook for Japan is not much changed –it is still expected to grow by close to 1.5% this year and next, despite the increase in the sales tax in April. Nevertheless, growth from a weak yen will only be a short-term stimulus unless substantive structural reforms are implemented."

Swiss Re
The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients. From standard products to tailor-made coverage across all lines of business, Swiss Re deploys its capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend. Founded in Zurich, Switzerland, in 1863, Swiss Re serves clients through a network of over 60 offices globally and is rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "A+" by A.M. Best. Registered shares in the Swiss Re Group holding company, Swiss Re Ltd, are listed on the SIX Swiss Exchange and trade under the symbol SREN. For more information about Swiss Re Group, please visit: www.swissre.com or follow us on Twitter @SwissRe.

For logos and photography of Swiss Re executives, directors or offices go to www.swissre.com/media

For media 'b-roll' please send an e-mail to media_relations@swissre.com