



Global economic and insurance outlook
Executive Dialogue

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Key letter

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Key number

2

Economic outlook: Global growth to slow in 2024, while returning to a 2% central bank inflation target on a sustained basis remains challenging



- **Economic growth:** Global growth to slow in 2024. Regional growth discrepancy to continue with the US outperforming Europe, yet still growing below long-term trend



- **Inflation:** Disinflation progress slowing; getting to 2% on a sustained basis remains challenging. Upside risks remain



- **Monetary policy and interest rates:** Focus will shift to interest rate cuts in 2024, although we are still in a structurally higher interest rate regime vs. last decade



- **Key economic risks & alternative scenarios:** (Geo)politics another source of volatility, with disruptions in Red Sea raising stagflationary headwinds. US asset valuations vulnerable to set-backs with an almost “perfect landing” of the economy now priced in.

SRI vs Consensus Forecasts

	Swiss Re Institute			Consensus	
	2023	2024	2025	2024	2025
Real GDP (% change)					
US	2.4	1.1	1.9	1.3	1.7
Eurozone	0.4	0.3	1.2	0.6	1.4
China	5.1	4.5	4.4	4.6	4.5
CPI (% change)					
US	4.2	2.7	2.4	2.6	2.3
Eurozone	5.6	2.7	2.1	2.3	2.1
China	0.6	1.8	2.0	1.1	1.7
10y Gov. Bond Yield (%)					
US	4.7	4.2	4.2	3.8	3.6
Eurozone	2.7	2.4	2.6	2.2	2.2
China	2.8	2.9	2.7	2.6	2.6
Central bank rate (%)					
US	5.4	4.6	3.3	4.2	3.1
Eurozone	4.5	3.8	2.5	3.5	3.0
China	1.7	1.6	1.8	-	-

Sources: Bloomberg Consensus, Swiss Re Institute

For the global primary insurance markets pricing expected to remain firm for Non-Life, while high interest rates continue to support Life savings business



- **Growth:** Global real premiums over 2024-25 to grow by 2.2%, higher than the avg. of the past five years (2018-2022: 1.6%), but still lower than the pre-covid trend (2018-19: 2.8%)



- **Inflation:** Hard market momentum is easing against also moderating economic inflation. Still, social inflation is persistent and key to watch for claims

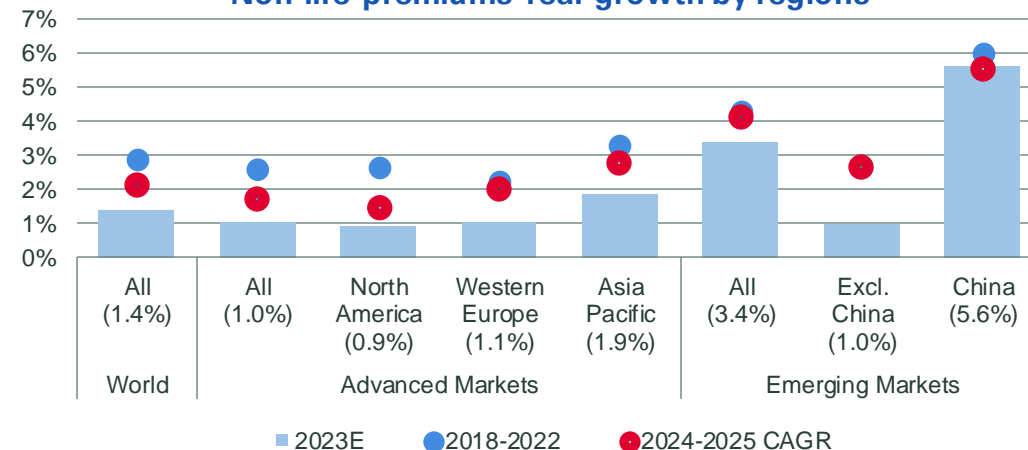


- **Interest rate:** The P&C primary insurance industry still won't earn its cost of capital even though its ROE will rise to ~10% in 2024-25*. The higher interest rate regime is supportive for the global savings Life insurance premium growth

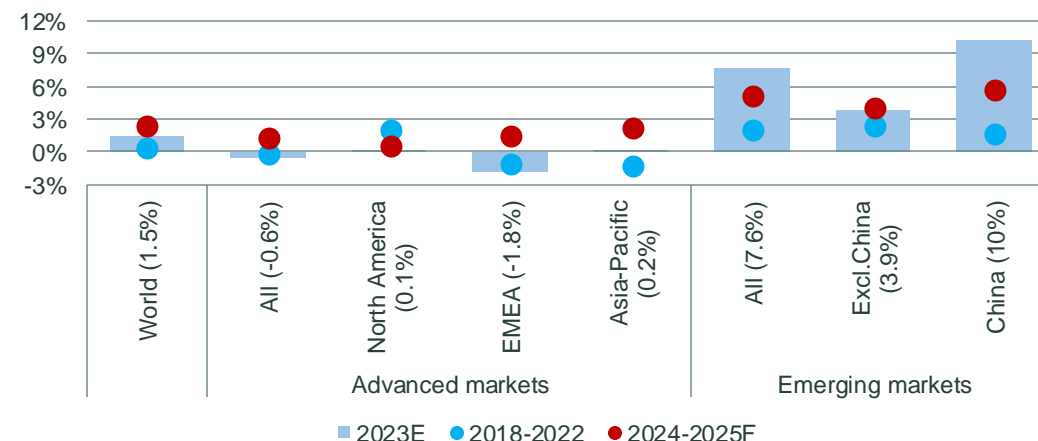


- **Risk outlook:** In-force savings business are vulnerable to lapse risks while disinflation pace will not be even, keeping costs for personal lines elevated

Non-life premiums real growth by regions







Life premiums real growth by regions



Hot topics to watch for insurance markets

The macro dynamics continue to be a key driver

	Trend	Implications for insurance
 Inflation	Economic inflation is moderating	<ul style="list-style-type: none">• Claims inflation still high• Lagged impact on u/w results• Rates catching up → attractive new business vs adverse development on legacy book• Social inflation is persistent
 Interest rates & profitability	Structurally higher interest rate regime	<ul style="list-style-type: none">• Benefits to the profitability gap take time• Cost of capital is also higher but benefits outweigh the costs
 Volatility, uncertainty	Ongoing macro and geopolitical uncertainty	<ul style="list-style-type: none">• Credit, commercial real estate, financial stability and market liquidity risks → risks of rating migration, liquidity risks, ALM challenges• Increased interest rate volatility → mass lapse risks
 Policy shifts	Structural refocusing of government policy: decarbonisation and rise in industrial policy	<ul style="list-style-type: none">• New risk pool opportunities

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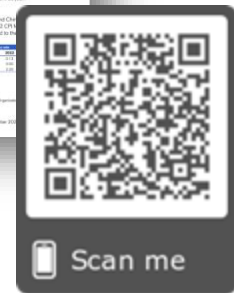
Economic Insights

- 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.



Questions?

Use the MS Teams Live Q&A function

Appendix

We attach a 10-20% probability for adverse global economic outcomes over the next 3 years with downside risks higher than upside potential

	Prob: 5-10%		Prob: 10-20%				
	Productivity revival		1970s-style structural stagflation		Severe global recession		
Narrative	Tech driven productivity growth		Commodity shocks, wage-price increases		Significant global financial system stress		
	Higher capital investment		Lacklustre growth and runaway inflation		Abrupt tightening in financial conditions		
	Benign financial conditions		Central banks loose credibility		Severe economic contractions		
Top signposts	1 Higher capital investment		1 Renewed energy/supply disruptions		1 Unexpected monetary policy moves		
	2 Resilient growth, benign inflation		2 Economic reacceleration		2 Pockets of financial market stress		
	3 Manageable energy pressures		3 Unanchored inflation expectations		3 Sharp slowdown in demand		
Key US forecasts		2024	2025	2024	2025	2024	2025
	Real GDP growth	3.2%	2.7%	-1.4%	0.1%	-2.5%	0.5%
	Inflation	2.8%	2.6%	10.0%	7%	1.5%	1%
	10y yields	5.0%	4.6%	6.2%	5%	1.2%	1.8%
USD IG spreads	90bps	110bps	230bps	190bps	280 bps	210bps	



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