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BUILDING & CONSTRUCTION SMES PREDICT PROFITS IN 2010 DESPITE TOUGH ECONOMIC CONDITIONS, FINDS QBE SURVEY

SECTOR'S BUSINESSES SAY BANKS ARE STALLING GROWTH

London, 01 February 2010

Key points

- 68% say banks are holding back lending and delaying the development of business initiatives
- 63% forecast maintained or increased sales turnover in 2010
- 53% of building and construction SMEs are now better placed to make the most of an upturn than 12 months ago

A challenging 2009 but optimism is growing

QBE's third survey of small and medium enterprises (SMEs) in the building and construction sector shows that the last six months have been challenging, with 63% of SMEs in this sector maintaining that the current business conditions are not the most favourable they have experienced in the last 18 months. Despite the difficult environment, SMEs in the sector are optimistic, with 63% forecasting maintained or increased sales turnover in 2010.

This positive attitude is also shown by the survey's finding that 53% of construction SMEs say that they are now in a better position to take advantage of an upturn than 12 months ago. Furthermore, if the current economic situation were to continue for the next 12 months, 53% of SMEs surveyed stated that, although it would be difficult, their business would survive. Some building and construction SME's revealed even greater optimism, with 29%, nearly a third, claiming that their business had already recovered from the recession.



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Focus remains on business survival rather than expansion

Due to the difficult financial climate the survey emphasised that despite some optimism the focus remains on survival and consolidation rather than business development. This is demonstrated by the survey's finding that 58% of construction and property SMEs are not expecting to invest in their business in the next six months. A lack of access to commercial credit may be driving this as 68% of respondents said banks are holding back on lending. Businesses themselves were equally cautious on debt, with only 5% of SMEs in the sector saying they would fund a business investment with a bank loan.

Terry Whittaker, Managing Director of UK National, QBE European Operations, commented: "The difficulties that this vital industry has experienced over the last eighteen months have been well documented but, despite continued pressures, it is evident that SMEs in the construction and building sector are maintaining stability. With these businesses experiencing unprecedented cost constraints, it is essential that they are given support to ensure they remain buoyant and to enable them to develop."

The QBE Business Sentiment Survey

QBE, the specialist business insurer, undertook the survey of SMEs in the UK at the end of 2009. The data were gathered and analysed by independent survey company, The Survey Shop.

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Notes to editors

About the QBE Business Sentiment Survey

Data were collected by The Survey Shop in November 2009. A total of 402 interviews were conducted by telephone using quota sampling. Respondents were qualified as owners, managers and decision-makers, and the data are representative of SMEs in UK and Ireland.

About QBE

QBE Insurance Group is Standard & Poor's 'A+' rated and is one of the world's leading international insurers and reinsurers, headquartered in Sydney, Australia. We operate out of 45 countries across the globe, with a presence in all key insurance markets, and are lead underwriters within our chosen markets, setting rates and conditions. For the year ended 31 December 2008, the company underwrote gross written premium totaling £6,025 million and held shareholders' funds of £5,364 million.

QBE's European Operations, which accounts for almost 40% of QBE Group turnover, is a leading specialist in London market and European commercial lines business. Active in both the Lloyd's and company market, QBE offers considerable diversity to the broking community, via eight product-focused underwriting divisions - casualty, QBE Re Europe, property, motor, marine & energy, specialty, aviation - all operations have the ability to write on both Lloyd's and company market paper.