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YORKSHIRE & NORTH EAST SMES SURGE AHEAD, BUT BUSINESS DEVELOPMENT WILL BE SELF-FUNDED DUE TO UNAVAILABLE COMMERCIAL CREDIT, FINDS QBE SURVEY

Leeds, 15 January 2010

Key points

- 80% of SMEs in Yorkshire and North East expect to maintain or increase sales turnover in the first half of 2010 – a rise from 68% a year ago
- Majority expects 18 month to 2 year wait before UK sees full economic recovery
- 72% say that banks are not making credit available and are holding back business recovery

The third survey of small and medium sized enterprises (SMEs) from QBE, the specialist business insurer, shows that although current economic conditions are still challenging, SMEs in Yorkshire and North East England are optimistic for the year ahead, with 8 in 10 expecting to maintain or increase sales in the first half of 2010. This is an increase from the 68% of SMEs in the region that forecast a year ago increased or flat turnover in 2009.

The survey found that the region's SMEs are among the most confident in the UK, exceeding the national average of 74% of those expecting sustained or increased sales turnover in the first half of 2010.

Recovery will take UK longer than individual businesses, say region's SMEs

The survey illustrated that SMEs in Yorkshire and North East England anticipate the UK as a whole to make a slow recovery, with 59% forecasting that we will not see full national economic recovery until 2011. Conversely, the region's SMEs believe that they will recover ahead of the national economy, as almost a third, 31%, say their business has already bounced back, and another third, 33%, say they expect a full recovery in the coming year.



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Growth plans will be self-funded

That SMEs in Yorkshire and the North East of England are optimistic for the coming year is further illustrated by the number that plan to develop their business in the first half of 2010. 53%, over half, of the region's SMEs say they will invest in their business in the next six months – a figure which is considerably higher than the national average of 38% and, surprisingly, exceeds the expectations of all other UK regions, including London (of whom only 29% will make an investment in the first half of 2010).

When asked what investments they would make, the top priorities for SMEs in Yorkshire and North East England were new software, hardware and equipment and increased staff numbers, which illustrates that investment plans in the region are currently focused on the day-to-day essentials rather than more opportunistic developments such as acquisitions and relocations.

Only 6% of those who said they plan to invest in their business in the coming six months said they would fund investment with a bank loan as the majority, 61%, believed it would be difficult to access commercial credit. When asked how they thought banks were handling requests for borrowing from businesses, 72%, almost three quarters, felt banks were holding back from lending and were denying sound business propositions the chance to succeed.

Drop in unemployment figures will signal upturn

The survey showed that a downward trend in unemployment is most likely to be regarded as a strong sign of recovery by the region's SMEs. This is perhaps a watermark from the tough staffing decisions that many of the region's small to medium sized businesses have had to take during the downturn.

Pat Wood, Commercial Manager of QBE's Leeds office, commented: “Despite continued difficulties in the business environment, the region's SMEs are performing well and their optimistic forecasts for the coming year are encouraging. While conditions are uncertain, it is unsurprising that their focus is on staying afloat rather than expanding. As confidence improves we have to hope that sufficient prudent lending will re-emerge, to assist the North East's businesses make the most of the upturn.”

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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

Founded in Australia over 100 years ago, QBE Insurance Group is a specialist business insurer, now operating out of 45 countries across the globe. We have been active in the UK since 1904, originally within the marine insurance market, but branching out more recently to offer commercial insurance to companies across the UK. At the end of 2008, the Group's turnover was over £6bn, making it one of the largest insurance firms in the UK.

We provide insurance for a broad range of business categories, including property, motor (commercial, bus and fleet), public and product liability insurance, professional indemnity, leisure and sport, marine, energy, aviation, and specialty insurance, including bloodstock.

In the UK QBE is rated a leading insurer for claims service,* among the top three insurance companies for service overall by *Insurance Times*, 2008 and was chosen as 'most competitive insurer' in July 2009**.

* June 2009, source: Gracechurch Survey

** Source: Insurance Times

QBE is proud to be the official insurance partner of the Guinness Premiership. This partnership with the world's most competitive domestic rugby union competition will allow QBE's brand to develop and business to grow in the UK.