



PRESS RELEASE

LONDON'S SMEs ARE SURVIVING BUT ARE RELUCTANT TO INVEST AS A LACK OF ACCESSIBLE COMMERCIAL CREDIT IS STUNTING BUSINESS DEVELOPMENT, FINDS QBE SURVEY

London, 15 January 2010

Key points

- Majority expects to maintain or increase sales turnover in the first half of 2010
- 7 out of 10 expect 18 month to 2 year wait for the UK to make a full economic recovery
- 68% will not invest in their business in the first six months of 2010
- 63% of London-based SMEs believe 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 the economic climate continues to challenge, London's SMEs are performing well, with 72% expecting to maintain or increase sales in the first half of 2010. This outlook is particularly encouraging given that, when asked a year ago, only 38% of London SMEs expected increased or flat sales in 2009.

Despite this positive forecast, the survey illustrates that, in comparison to other UK regions, London SMEs say they learnt little from the downturn with only 37% saying the lessons learnt from the recession have better placed them to take advantage of the upturn's opportunities. This figure is considerably lower than the national average of over half, 54%.

Individual businesses to recover ahead of the national economy

7 out of 10 of London's SMEs said that they thought it would be 2011 before the UK makes a full economic recovery from the recession and not a single respondent forecast recovery in the next six months. Conversely, when asked to forecast when their own business would recover, nearly 3 out of 10, 29%, of London-based SMEs said it already had and a further third, 33%, said they expected to in 2010.



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Growth plans on hold

Although the majority of London's SMEs have already pulled through or expect to do so in the coming year, the survey indicates that London-based SMEs continue to focus on staying afloat rather than looking for development opportunities. Over two thirds, 68%, said they will not invest in their business in the next six months, which is more conservative than the national average of 57%.

This cautious approach may be underpinned by concerns over the availability of commercial credit, with over half, 58%, of SMEs in London saying they thought it would be difficult to access commercial credit. Accordingly, a significant 63% felt banks were holding back from providing credit and, in so doing, sound business propositions are being stalled.

Signs of a recovery

The top three indicators most likely to be regarded by London businesses as a strong sign of recovery were an upward trend in high street retail sales (79%), a downward trend in unemployment figures (74%) and an upward trend in property prices (71%).

Terry Whittaker, Managing Director, National Division, QBE European Operations, commented: "Despite continued difficulties in the business environment, London'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 capital's businesses make the most of the upturn."

-ENDS-



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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.