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SMEs IN SOUTH WEST FORECAST STURDY 2010 PROFITS BUT A LACK OF ACCESSIBLE COMMERCIAL CREDIT IS STUNTING BUSINESS DEVELOPMENT, FINDS QBE SURVEY

Bristol, 15 January 2010

Key points

- 83% of SMEs in South West of England expect to maintain or increase sales turnover in the first half of 2010, from 59% a year ago
- Majority expects 18 month to 2 year wait before UK sees full economic recovery
- 60% say that banks are holding back from lending and stalling sound business propositions

Although the current economic climate remains challenging, the third survey of small and medium sized enterprises (SMEs) from QBE, the specialist business insurer, shows that SMEs in the South West of England anticipate decent 2010 sales, with a considerable 83% expecting to maintain or increase turnover in the first half of 2010, the most optimistic forecast of any UK region in this survey and a jump up from the national average of 74%. When asked a year ago, only 59% of the region's SMEs expected to increase or maintain sales in 2009, so this recent forecast for 2010 is promising.

This regional confidence was further highlighted by the finding that the majority, 60%, of South West SMEs feel they are now better placed to take advantage of an upturn in the economy than they were 18 months ago, before the recession.

Region's businesses will bounce back quicker than the national economy

The findings of the survey indicated that South West SMEs expect their own businesses to recover from the strains of the recession faster than the national economy will – a statistic that shows both a promising confidence in their own platforms but also a concern for the stability of the wider economic structure. Although 61% of SMEs in the South West said they did not anticipate that the UK economy would fully recover before 2011, and not a single respondent expect this recovery in the next six months, nearly one third,



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28%, said their own business had already recovered, and a further 38% said they forecast it to do so in the coming year.

Survival, rather than development, remains the focus

Despite their optimistic attitude, the findings of the survey indicated that SMEs in the South West continue to focus on staying afloat, rather than looking for opportunities to develop. When asked whether they plan to invest in their business in the first half of 2010, the majority, 63% said they would not or did not know. Undoubtedly, this cautious approach is underpinned by the conviction that, although individual businesses may be healing swiftly, the national economy will take some time to recover.

The survey also identified a lack of accessible commercial credit as a top concern, with 60% of the region's SMEs saying that banks are holding back from lending and are thereby stalling sound business propositions. Clearly this attitude is resulting in a reluctance to approach banks as, of those seeking to invest in the next six months, the majority asserted that they would self-fund the development, with only 1 in 10 saying they would use a bank loan.

Chris Parker, Commercial Manager of QBE's Bristol 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 South West'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.