



PRESS RELEASE

SCOTTISH SMEs WITHSTAND CONTINUED ECONOMIC DIFFICULTY BUT BANKS MAY BE STALLING BUSINESS DEVELOPMENT, FINDS QBE SURVEY

Glasgow, 15 January 2010

Key points

- 87% of SMEs in Scotland expect to maintain or increase sales turnover in the first half of 2010 – up from 61% a year ago
- Majority expects 18 month to 2 year wait before UK sees full economic recovery
- 69% say that banks are holding back from lending and stalling sound business propositions

The third survey of small and medium sized enterprises (SMEs) from QBE, the specialist business insurer, identified that the economic climate continues to pose challenges, with 82% of SMEs in Scotland saying that, should current conditions persist, they would experience continued difficulty. Not one of those asked thought that continuation of the present climate would present an opportunity for profitability and growth.

Despite these pressures, Scottish SMEs are optimistic for 2010 trading with 87% predicting maintained or increased sales turnover in the first half of next year. Within this number, however, forecasted increases in sales are only expected to be moderate, with zero percent of Scottish SMEs foreseeing a great rise in sales. This 2010 outlook is still promising though as only 61% expected raised or stable sales in 2009 when asked a year ago.

Scottish SMEs focus on maintenance, not investment

The survey identified that nearly two thirds, 62%, of Scottish SMEs do not plan to invest in their business in the first half of 2010, despite the expectation of moderate increases in turnover. Those that plan to invest said that new software, hardware and equipment were the priority, with only 3% saying they would look to increase their staff base.



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Growth plans will be self-funded due to a lack of commercial credit

According to the findings, uncertainty over the current accessibility of commercial credit may be discouraging Scotland's SMEs from making investments in their business, with only 3% saying they thought it would be easy or very easy to access commercial credit.

The survey identified a reluctance to approach banks for loans to fund investment, with only 5% of Scottish SMEs saying they would use a bank loan – the majority choosing instead to self-fund investment from cash flow. Furthermore, a significant 69% said they believe banks are holding back from lending and are, therefore, stalling sound business propositions

Drop in unemployment figures will herald economic recovery

When asked what they felt to be key indicators of economic recovery, a considerable majority, 85%, of Scottish SMEs said that a decrease in unemployment figures would be a strong sign of recovery, which may reflect that, of all the measures taken during the recession, the most difficult has been making staff cutbacks.

Elliot Miller, Commercial Manager of QBE's Glasgow office, commented: "Despite continued difficulties in the business environment, Scottish 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 Scotland'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.