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BANKS ARE STALLING POSITIVE DEVELOPMENT, SAY UK SMES –

DESPITE FORECASTS OF INCREASED SALES, BUSINESSES CONTINUE TO FOCUS ON SURVIVAL

London, 15 January 2010

Key points

- 80% expect to maintain or increase sales turnover in the first half of 2010 – up from 57% a year ago
- Majority expects 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
- Two thirds of UK SMEs believe that banks are holding back from lending & stalling sound business propositions

The third survey of small and medium sized enterprises (SMEs) from QBE, the specialist business insurer, shows that the economic climate continues to challenge the UK's principal business base, with more than one in five, 21%, of SMEs saying they would find it difficult to survive if current conditions were to persist.

Individual businesses to recover ahead of the national economy

Despite these pressures, the survey illustrated that 80% of the UK's SMEs expect to either maintain or increase sales turnover in the first half of 2010. This is particularly promising given that only 57% had this expectation a year ago. When asked how long they thought it would be before the national economy recovers from the recession, the majority, 58%, said it would not be before 2011 and only 4% anticipated it would happen in the first half of 2010.



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Conversely, it seems that SMEs in the UK are more optimistic for the recovery of their own businesses, with over a quarter, 26%, saying that their business has already bounced back from the recession and a further third, 33%, saying they expected recovery in 2010.

Growth plans stalled by lack of commercial credit

Although the majority of UK SMEs anticipate solid 2010 turnover and swift individual recovery from the recession, the survey found that the focus of these enterprises continues to be on staying afloat rather than investing in growth with over half saying that did not plan to invest in their business in the first half of 2010.

Undoubtedly this cautious approach is the result of ongoing concerns over the stability of the national economy, but the survey indicated it may also be caused by uncertainty over current availability of commercial credit, with only 9% of SMEs saying it would be easy to access commercial credit. Only 6% said they would fund investment with a bank loan, a statement that is underpinned by the belief of two thirds, 66%, of UK SMEs that banks are stalling sound business propositions by holding back from lending.

The survey identified that the UK's SMEs are concerned that other business issues may also be on the rise. The majority said they expect competitors reducing prices, taxation issues and increased costs from suppliers to increase as business risks over the first half of 2010.

Drop in unemployment will signal lasting recovery

When asked which economic changes would signal national economic recovery, an upward trend in property prices (77%), an upward trend in world stock market indices (78%) and a downward trend in unemployment figures (79%) were the most likely to be seen by businesses as a strong sign of a recovery.



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Terry Whittaker, Managing Director, National Division, QBE European Operations, commented: “Small to medium sized enterprises make up the bulk of British business and they are, therefore, crucial to the well-being of the economy. It is encouraging to see that they have weathered the storm well and are optimistic for 2010 but, as conditions improve, the focus will turn from survival to business development and we should encourage growth in this key area of our national economic structure.”

-ENDS-

For further information please contact:

Samantha Whiteley, Haggie Financial

Tel: + 44 20 7417 8989; email Samantha.Whiteley@haggie.co.uk

Henny Breakwell, Haggie Financial

Tel: +44 20 7417 8989 email: Henny.Breakwell@haggie.co.uk

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.



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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.