

UK SMEs PREDICT TWO YEAR WAIT FOR ECONOMIC RECOVERY

BUSINESSES' CONCERN OVER RISE IN INFLATION AND INTEREST RATES

London, 15 July 2010

Key points

- Majority expects 2 year wait for the UK to make a full economic recovery
- 78% forecast maintained or increased sales turnover in the second half of 2010 – a small rise from 74% six months ago
- Majority says that an increase in interest rates and inflation would be problematic for their business
- Over half feel that spending should be cut on local government and overseas aid to reduce national deficit

The fourth survey of small and medium-sized enterprises (SMEs) from QBE, the specialist business insurer, shows that the majority (58%) of UK SMEs believe that we can expect a two year wait before we see a full economic recovery. This is a significant jump from the 47% that predicted this when asked six months ago, which indicates that recovery is slower than had been expected.

The survey findings also illustrated that the current economic climate continues to challenge the UK's principal business base, with over half (52%) saying that they would experience difficulties if current conditions were to persist. However, this has improved since six months ago, when 71% said that they thought they would face difficulty if there was no positive economic change.

Similarly, SMEs in UK recorded some benefits of the downturn, with 44% saying that they were now more competitive and 40% saying that they were now a leaner business as a result of the recession.

Gentle growth in turnover expected

The survey also indicated that 78% of UK SMEs expect to either maintain or increase sales turnover in the second half of 2010 – a small rise from the 74% that held this expectation for the first half of 2010 when asked at the end of last year.

Business growth stalled by lack of commercial credit

Although the majority of UK SMEs anticipate solid profits in the second half of the year, nearly half (46%) said that they believed it would be difficult to access commercial credit. This concern is perhaps reflected by the admission of 84% of SMEs in UK that they would not hire more staff in 2010 and of 68% who said they would not be affected by the problems currently facing the Euro – both indicators that SMEs are not looking at either organic or pan-European growth.

Cuts should be made to spending on local government and overseas aid

When asked which areas should receive spending cuts to reduce the national deficit, half (56% and 53% respectively) said that spending on overseas aid and local government should be reduced – an indication that the cuts to the public sector announced in the recent Budget will be popularly received.

On the flip side of this, the inflation-only increase to so-called “sin taxes”, such as those imposed on alcohol and tobacco, may be met less keenly, with the majority of SMEs (56%) in UK indicating they would like to see increases in this area to reduce the national deficit. 88% said they did not want to see increases on petrol and diesel fuel duty and, although this was answered in the Budget, there may be some disappointment that no firm plans on a fuel stabiliser plan were announced.



PRESS RELEASE

Terry Whittaker, Managing Director Distribution, QBE European Operations:

“Small to medium-sized enterprises form a crucial section of UK business and it is important that their collective voice is heard on the future of our economy, because they have a key role to play in its recovery.

“As a specialist business insurer, we are always looking for ways to support the UK’s SME community and encourage them to take steps towards future growth and development. We do this by investing time in really getting to know our clients and providing bespoke insurance solutions that both protect them from the worst and enable them to realise their potential.”

-ENDS-

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Notes to editors

About the QBE Business Sentiment Survey

Data were collected by The Survey Shop in June 2010. A total of 406 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.



PRESS RELEASE

About QBE

QBE Insurance Group is Standard & Poor's 'A+' rated and is one of the world's leading international insurers and reinsurers, headquartered in Sydney, Australia. We operate out of 48 countries across the globe, with a presence in all key insurance markets, and are lead underwriters within our chosen markets, setting rates and conditions. For the year ended 31 December 2009, the company underwrote gross written premium totalling £7,241.86 million and held shareholders' funds of £5,670.07 million.

QBE's European Operations, which accounts for 35% of QBE Group turnover, is a leading specialist in London market and European commercial lines business. It provides a wide range of insurance cover, including property, motor, liability and professional indemnity across a broad range of business types and sizes.

QBE is proud to be the Official Insurance Partner of Premiership Rugby and England Rugby. Our partnerships with two elite properties in the sport will allow QBE's brand to continue to develop and business to grow.