

NORTH WEST SMEs PREDICT TWO YEAR WAIT FOR ECONOMIC RECOVERY BUT EXPECT PROFITS ABOVE UK AVERAGE

Manchester, 21 July 2010

Key points

- Two thirds (66%) expect 2 year wait for the UK to make a full economic recovery
- 85% forecast maintained or increased sales turnover in the second half of 2010 – higher than UK average of 78%
- 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 (66%) of SMEs in the North West believe that we can expect a two year wait before we see a full economic recovery. This is a rise on the 54% 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 SMEs in the North West, with nearly half (45%) saying that they would experience difficulties if current conditions were to persist. However, this has improved since six months ago, when 65% said that they thought they would face difficulty if there was no positive economic change.

Similarly, the North West's SME base recorded some benefits of the downturn, with 45% saying that they were now a more efficient business and 42% saying that they were now more competitive as a result of the recession.

Solid turnover expected

The survey also indicated that a healthy 85% of SMEs in the North West expect to either maintain or increase sales turnover in the second half of 2010 – a figure that is above the UK average of SMEs with this expectation for the second half of the year (78%).

Business growth stalled by lack of commercial credit

Although the majority of North West SMEs anticipate solid profits in the second half of the year, only 1 in 10 (11%) said that they believed it would be easy to access commercial credit. This concern is perhaps reflected by the admission of 89% of SMEs in the region that they would not hire more staff in 2010, which would indicate that they do not feel they are in a position to look at organic business 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, the most popular choices were overseas aid and local government, with 68% and 63% respectively looking for cuts in these areas – an indication that the cuts to the public sector announced in the recent Budget will be popularly received. The two that were least favoured were health and education, with only 13% and 11% of the region's SMEs supporting spend reductions in these areas.

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 by the region's SMEs. When asked which areas they would like to see increases to reduce the national deficit, the most chosen area was on alcohol and tobacco duty. 87% 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 programme were announced.



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Antony Broome, Commercial Manager, Manchester, QBE European Operations:

“Small to medium sized enterprises are the lifeblood of our national economy and, although it is encouraging that the region’s SMEs have a positive outlook, we need to support and encourage their development and growth as well as their survival in the short-term.

“As a provider of specialist insurance cover for SMEs, we are focused on getting to know each client and their business so we can provide them with the protection that best fits their needs and help them achieve 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.

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.



PRESS RELEASE

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