

**SMEs IN EAST OF ENGLAND PREDICT SLOW ECONOMIC
RECOVERY BUT EXPECT STRONG PROFITS**

BUSINESSES' CONCERNED OVER RISE IN INFLATION

Chelmsford, 21 July 2010

Key points

- 92% of Eastern England SMEs expect a 1-2 year wait for the UK to make a full economic recovery
- 90% forecast maintained or increased sales turnover in the second half of 2010 – a more positive figure than the UK average of 77%
- Majority says that an increase in 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 (92%) of SMEs in Eastern England believe that we can expect at least a one year wait before we see a full economic recovery. This is a significant rise on the 76% that predicted this when asked six months ago, which indicates that recovery is slightly slower than had been expected.

The survey findings also illustrated that the current economic climate continues to challenge SMEs in the region, with 1 in 3 (37%) saying that they would experience difficulties if current conditions were to persist. However, this has improved since six months ago, when 54% said that they thought they would face difficulty if there was no positive economic change.

These findings also compared favourably with the rest of the country, with the East England region being the only area in the UK with 0% saying that they would be unlikely to survive should conditions continue. This is particularly positive given that 10% of SMEs in London and 14% of Midlands and Wales SMEs said they would face bankruptcy if the current economic climate did not improve.

This optimism could be linked to the lessons that have been learnt from the downturn, the survey showed. East of England's SMEs recorded a range of benefits from the recent economic difficulties, with 47% saying that they had a greater awareness of individual customer's needs and 42% saying they were now a more competitive business.

Solid turnover expected

The survey also indicated that a healthy 90% of SMEs in Eastern England expect to either maintain or increase sales turnover in the second half of 2010 – a figure that is significantly higher than the national average of 77% of SMEs with this forecast for the next six months.

Business growth stalled by lack of commercial credit

Although the majority of the region's SMEs anticipate solid profits in the second half of the year, only 13% said that they believed it would be easy or very easy to access commercial credit. This concern is perhaps reflected by the admission of 74% 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 invest in 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, welfare and local government – an indication that the cuts to the public sector announced in the recent Budget will be popularly received. The least favoured area for resource cuts was education, with only 3% of the region's SMEs supporting spend reductions in these areas.



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Two thirds (66%) said that they felt a rise in inflation would be problematic for their business, yet only half (50%) of those asked said that they would experience problems in their business with an increase in interest rates.

The inflation-only increase to so-called “sin taxes”, such as those imposed on alcohol and tobacco, may be met less keenly by SMEs in Eastern England. 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. 91% 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.

Jon White, Commercial Manager, Chelmsford, QBE European Operations: “The recent survey findings demonstrate that small to medium sized businesses in the region have weathered the recession well but that, looking forward, we need to provide them with the support to develop and grow.

“At QBE, we are committed to providing our clients with a service that not only answers their commercial insurance needs but helps them to define and meet their long-term targets.”

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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.

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.