

**SCOTTISH SMEs PREDICT SLOW ECONOMIC RECOVERY AND  
EXPECT PROFITS ABOVE UK AVERAGE**

**BUSINESSES' CONCERNED OVER RISE IN INFLATION**

**Glasgow, 21 July 2010**

**Key points**

- 73% of Scotland's SMEs expect at least an 18 month wait for the UK to make a full economic recovery
- 3 out of 4 (76%) forecast maintained or increased sales turnover in the second half of 2010
- 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 overseas aid and welfare to reduce national deficit

The fourth survey of small and medium-sized enterprises (SMEs) from QBE, the specialist business insurer, shows that the majority (73%) of SMEs in Scotland believe that we can expect at least an eighteen month wait before we see a full economic recovery.

The survey findings also illustrated that the current economic climate continues to challenge Scottish SMEs, with half (49%) saying that they would experience difficulties if current conditions were to persist. However, this has improved significantly since six months ago, when 82% said that they thought they would face difficulty if there was no positive economic change.

Similarly, SMEs in Scotland recorded some benefits of the downturn, with 58% saying they were now a more competitive business and 45% commenting that they were now a leaner business.

**Solid turnover expected**

The survey also indicated that a healthy 76% of SMEs in Scotland expect to either maintain or increase sales turnover in the second half of 2010 – a figure that, although in line with the national average of 77%, is a drop from the number of Scottish SMEs that held this belief six months before (87%).

**Business growth stalled by lack of commercial credit**

Although the majority of Scottish SMEs anticipate steady profits in the second half of the year, 0% said that they believed it would be very easy to access commercial credit. This concern is perhaps reflected by the admission of 3 out of 4 (75%) Scottish SMEs 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 and local government, with 43% and 50% 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 8% and 8% of the Scotland's SMEs supporting spend reductions in these areas.

Two thirds (66%) of Scottish SMEs said when asked that they felt a rise in inflation would be problematic for their business, although less (43%) thought that they would experience problems in their business with an increase in interest rates.

The recent Budget announcement of an inflation-only increase to so-called "sin taxes", such as those imposed on alcohol and tobacco, may be met less keenly by SMEs in Scotland. 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. 90% said they



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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.

**Maureen Robertson, Commercial Manager, Glasgow, QBE European Operations:**

“The last two years have been hugely challenging for SMEs in Scotland and it is pleasing to see that these businesses are forecasting positive returns for this year.

“However, while their buoyancy is crucial, we should work together to help these companies consider their long-term goals as their profitable development is going to be vital to the recovery of the wider national economy.”

**-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.

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.