

**YORKSHIRE & NORTH EAST SMEs PREDICT SLOW ECONOMIC
RECOVERY BUT EXPECT PROFITS ABOVE UK AVERAGE**

**BUSINESSES' CONCERN OVER RISE IN INFLATION AND INTEREST
RATES**

Leeds, 21 July 2010

Key points

- 3 out of 4 Yorkshire & North East SMEs (77%) expect a 1-2 year wait for the UK to make a full economic recovery – 0% of SMEs forecast a full economic recovery in the next 6 months
- 82% forecast maintained or increased sales turnover in the second half of 2010 – a slight rise on the UK national average of 77%
- 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 (77%) of SMEs in Yorkshire and North East of England believe that we can expect at least a one year wait before we see a full economic recovery.

The survey findings also illustrated that the current economic climate continues to challenge SMEs in the region, with over half (51%) saying that they would experience difficulties if current conditions were to persist. However, this has improved slightly since six months ago, when 58% said that they thought they would face difficulty if there was no positive economic change.

Similarly, Yorkshire and North Eastern SMEs recorded some benefits of the downturn, with 49% saying they were now a more competitive business and 43% commenting that they now had a greater awareness of individual customer's needs.

Solid turnover expected

The survey also indicated that a healthy 82% of SMEs in the region expect to either maintain or increase sales turnover in the second half of 2010 – a figure that is in line with the number of Yorkshire and North Eastern SMEs that held this view half a year ago and slightly higher than the national average of 77% of SMEs with this forecast for the next six months.

The region's SMEs have a more positive forecast for second half turnover, with 1 in 10 (11%) saying they expected a great increase in sales in the next six months, comparable with the 5% national average, 3% forecast from London SMEs, and 0% from SMEs in the North West.

Business growth stalled by lack of commercial credit

Although the majority of Yorkshire and North Eastern SMEs anticipate solid 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 84% 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 and welfare. Nearly 3 in 4 (73%) said they felt overseas aid resources should be decreased – the highest figure across the country and a significant jump from the national average of just 50%. The two that were least favoured were health and education, with only 5% and 8% of the region's SMEs supporting spend reductions in these areas.



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Half (49%) said that they felt an increase in interest rates would be problematic for their business, and 65% of those asked said that they would experience problems in their business with a rise in inflation.

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 the region. 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. 92% 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.

Elliot Miller, General Manager, North and Ireland, QBE European Operations: “It is clear from the findings that, although conditions have improved for the region’s small to medium sized enterprises, there is still a long way to go.

“At QBE, we recognise that these enterprises are an essential part of the UK’s business platform and we work hard to provide the support and encouragement they need to 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.

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.