

**MANUFACTURING AND ENGINEERING SMES PREDICT SLOW
ECONOMIC RECOVERY BUT EXPECT SOLID PROFITS**

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

London, 22 July 2010

Key points

- 88% of manufacturing and engineering SMEs expect a 1-2 year wait for the UK to make a full economic recovery
- 78% forecast maintained or increased sales turnover in the second half of 2010
- Majority says that an increase in interest rates and inflation would be problematic for their business

The fourth survey of small and medium sized enterprises (SMEs) from QBE, the specialist business insurer, shows that the majority (88%) of manufacturing and engineering SMEs believe that full economic recovery in the UK could take up to two years.

The survey findings also illustrated that the current economic climate continues to challenge SMEs in the manufacturing and engineering industry, with over half (68%) saying that they would experience difficulties if current conditions were to persist.

However, manufacturing and engineering SMEs recorded some benefits of the downturn, with 56% saying that they were now a leaner and more competitive business as a result of the recession.

Solid turnover expected

The survey also indicated that a healthy 78% of manufacturing and engineering SMEs expect to either maintain or increase sales turnover in the second half of 2010 – a positive increase from last year’s figure of 73% and slightly above 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 manufacturing and engineering SMEs anticipate solid profits in the second half of the year, 54% said that they believed it would be difficult to access commercial credit, with only 5% saying they thought it would be very easy. This concern is perhaps reflected by the admission of 83% of SMEs in the industry 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.

Rises in interest rates and inflation could cause problems

Over half, 56%, said that they felt an increase in interest rates would be problematic for their business, and 73% of those asked said that they would experience problems in their business with a rise in inflation.

98% 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.

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.”



PRESS RELEASE

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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.



PRESS RELEASE

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