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QBE SURVEY SHOWS CAUTIOUS OPTIMISM AMONGST UK SMALL AND MEDIUM ENTERPRISES (SMEs) THAT ECONOMIC WORST IS OVER AND THEY ARE WELL POSITIONED FOR THE UPTURN

London, 15 June 2009

Key points

- 57% of SMEs are better placed to make the most of the upturn than 12 months ago
- 43% now run a more competitive business than before the recession started
- 75% expect their turnover to grow or at least be stable for the remainder of 2009

Worst economic conditions experienced but valuable lessons learnt

QBE's second survey of UK small and medium enterprises (SMEs) shows the economic conditions of the last six months have been the toughest they have ever experienced and worse than they expected when they were first asked in November 2008. At that point in the recession, 53% believed these were the most difficult conditions in living memory, since then that figure has risen substantially to 68%.

Despite the very challenging economic conditions, the survey does, however, produce solid grounds for optimism that the worst may now be over, with a substantial majority, 75%, predicting stable or increasing sales turnover in the next six months, up from only 57% displaying the same optimism at the end of last year.

Recession has been a time to review and improve business structures

During the recession, many SMEs have reviewed their business fundamentals, leaving them in good shape to make the most of the coming upturn. 41% of those questioned described their business as more efficient, with 34% saying they are leaner, and 43% believing they are more competitive than a year ago.

When this group were last surveyed at the end of 2008, 54% of those asked believed cost cutting would be very important to their business during 2009. Yet, when surveyed at the half point of the year, this had fallen a little to 50%, perhaps signalling that most of the cost cutting phase of the recession is past.



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The commitment to dealing with difficulties early in the recession is perhaps reflected in only 15% saying they will need to make staff reductions in 2009, compared to the 20% that said they had done so during 2008.

As a consequence of the proactive approach taken during the downturn, 57% believe they are in better shape today to make the most of the upturn than they were 12 months ago.

Regional variations highlight specific industry woes

Across the survey as a whole interesting variations between the regions were identified, which mainly reflect regional concentrations of certain industries, such as automotive suppliers in the Midlands, a region where 71% believe these are the worst conditions ever experienced, compared to Scotland, where only 63% held the same gloomy view. Scotland also proved to be the most optimistic region, with 82% believing sales would either grow or be flat for the remainder of 2009, compared to 75% countrywide and 72% in the Midlands.

Meanwhile, businesses in the North West were least likely to believe themselves better placed to make the most of the upturn than 12 months ago, only 45%, which contrasted with business in the South West where 60% consider themselves well placed to make the most of the opportunities that the end of the recession will bring.

The QBE Business Sentiment Survey

QBE, one of the UK's largest insurers of business risks, undertook the survey of United Kingdom SMEs during May 2009. The data which were gathered and analysed by independent survey company, The Survey Shop, identified cautious optimism amongst UK SMEs that the tough decisions and reorganisation undertaken as a result of the recession see them well positioned to make the most of the opportunities the upturn will offer.

Terry Whittaker, Managing Director of UK National, QBE European Operations, commented: "It is heartening to see that amidst the challenges of this recessionary period, the UK's SMEs are responding positively, taking necessary steps to improve their cost base and organisation. This leaves me confident that the UK's professionally run small businesses are well placed to lead the way out of the recession, both as the year progresses and into 2010."



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Notes to editors

About the QBE Business Sentiment Survey

Data were collected by The Survey Shop between 5th - 12th May 2009. A total of 400 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.

QBE across the UK

Under the leadership of Managing Director, Terry Whittaker, QBE operates seven UK regional underwriting centres – Birmingham, Bristol, Chelmsford, Glasgow, Leeds Manchester, Stafford. Each centre offers market leading products across the full spectrum of property, casualty, professional indemnity, trade credit, and motor insurance on both a combined and a standalone basis.

QBE globally

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 45 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 2008, the company underwrote gross written premium totaling £6,025 million and held shareholders' funds of £5,364 million.