



Society of
**Maritime
Industries**

Annual Review of UK Marine Scientific Industries

BY THE SOCIETY OF MARITIME INDUSTRIES MSTG COUNCIL

This report provides an insight into current business activity within the Marine Science and Technology (MST) sector in the UK. This is the 10th annual review, which is compiled by the Society of Maritime Industries (SMI).

Executive Summary

- 95 UK based companies responded to this survey of which 26% were subsidiaries of an overseas parent. 74% of companies surveyed had reported an increase in turnover from 2017.
- The proportion of companies trading for more than 5 years had decreased from the year before suggesting a number of new entrants to the sector.
- The survey results include responses from a larger proportion of SMEs compared to 2017 and a larger proportion of manufacturers and/or service providers made up the respondents than in previous years.
- The market size estimate for MST business in 2018 was £1.63bn which is a substantial increase from last year's figure. Thus showing there is a biennial effect from undertaking the surveys one year at Oceanology International and the alternate year at Ocean Business.
- The total value of exports this year was £551m which has been dropping continuously over the last 3 years. Highlighting that fewer companies reported export sales compared to previous years.
- The majority of companies continue to report an increase in turnover over the past year.
- 58% of companies had increased their headcount whereas 37% reported an increase in 2017.
- Oil and gas remains the largest single market influence on the commercial MST sector. It should be noted however, that there has been an increase in companies citing renewable energy as their main market sector.
- Although Europe is still an important region for export business there is evidence that Asia-Pacific is continually generating export opportunities. Whilst exports to USA/Canada have dropped dramatically.
- 90% of respondents are predicting growth in turnover for the next 12 months, which is an increase on 85% in 2017 and compares favourably with a figure of 51% in the 2016 survey.

Overall it was noticed that there was a high degree of positivity from respondents on the current prospects in the market for MST. Possibly because the fall out from the oil price collapse was now considered to have worked its way through.

Company Overview

95 UK companies contributed to the survey of which 26% were subsidiaries of an overseas parent. With the exception of 2015, this sample size has been around the norm for previous iterations of the report.

Whereas last year 88% of the companies interviewed had been in business for more than 5 years, it was interesting to note that only 84% indicated this was the case this year, suggesting a number of new entrants to the sector.

The sample this year showed that 87% of companies were either in manufacturing and/or services with the balance acting as agents or resellers for other company products. This is a slightly lower proportion of manufacturers/service providers (89% in 2017) than in the previous two surveys, when the question was first introduced. The reason for the increase has not been tested.

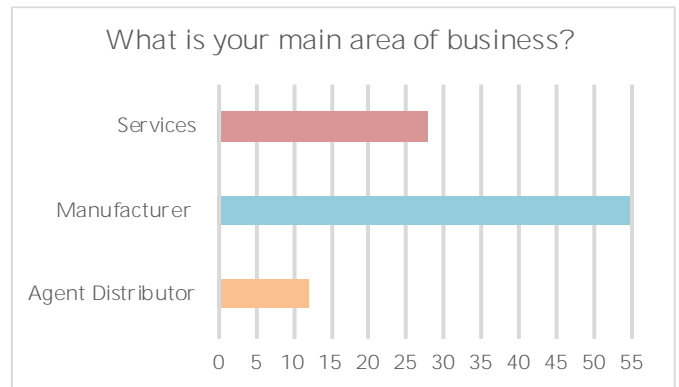


Figure 1: Respondents to main area of business

Turnover

The sector continues to be dominated by small and medium sized enterprises (SMEs) with an annual turnover of less than £50 million. 88% of respondents were SMEs which compared with 83% in 2017 and 78% in 2016.

Utilising our year-on-year method for a crude estimation of market size we arrive at £1,532m for the 94 companies which responded to the question. This computes to a normalised figure (for 100 companies) of £1,629m for 2018 (£1,345 in 2017). This figure is on a par with the equivalent survey in 2016 and a substantial increase on 2017.

What is the size of your company's annual turnover?

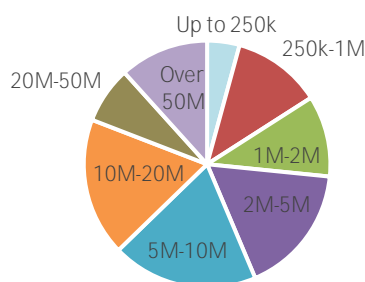


Figure 2: Annual turnover

Market size £bn

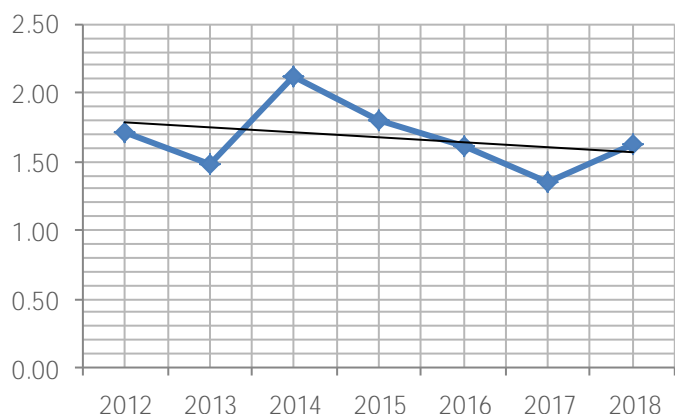


Figure 3: Normalised market share 2012-2018

Proportion of turnover in export sales (%)

A substantial proportion of the companies surveyed (92%) export some of their products and services, This is an increase on the past two years (85% in 2017 and 91% in 2016). Furthermore, only 35% of companies reported that exports were more than 51% of their annual turnover, compared to 36% in 2017 and 52% in 2016. If we calculate the total value of exports based on the normalised market size value we arrive at a figure of £551m for 2018 (£569m in 2017). Quite why exports have not increase in line with the increase in turnover is not clear and may just be an anomaly in the data collection.

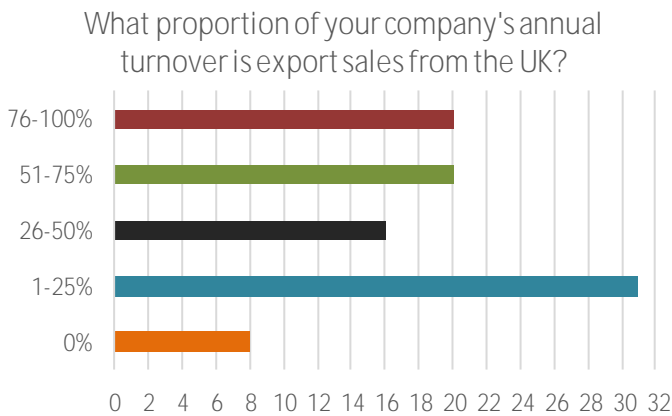


Figure 4: Proportion of company export sales

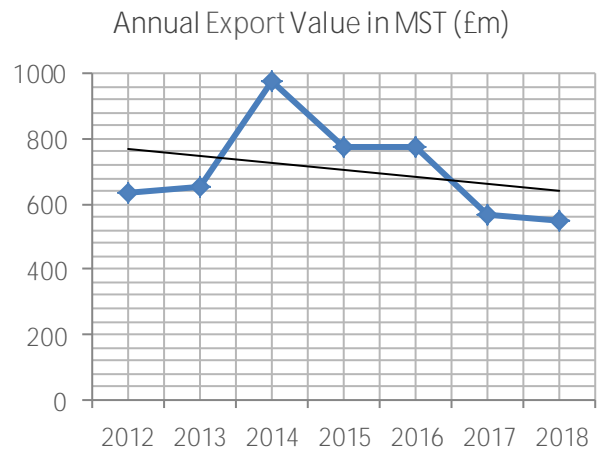


Figure 5: Annual export value in MST 2012-2018

Company Size: Personnel

The total number of personnel employed by companies surveyed this year was 22,800 (95 responses) compared to last year's number of 16,375 (92 responses) and 15,090 in 2016 (82 responses). The average number of jobs per company has significantly increased at 240 compared to 180 in 2017 and 184 in 2016. If we plot the data for the last seven years the number employed per company is on an uphill trend.

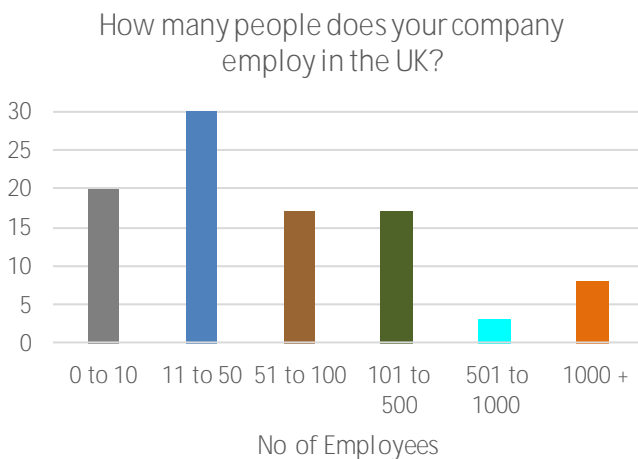


Figure 6: Number of Employees per company

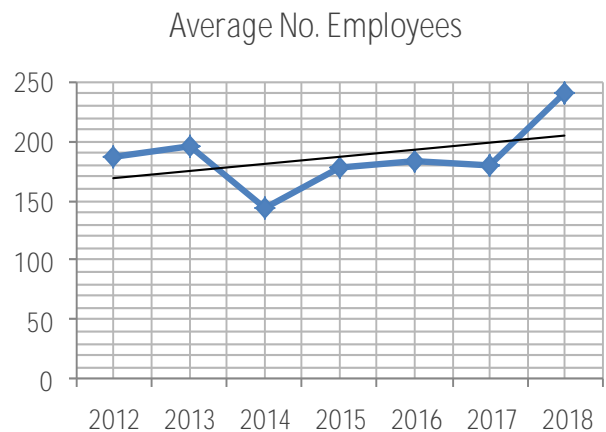


Figure 7: Average number of employees per company 2012-2017

Market Activity

The majority of companies surveyed supply into the oil and gas sector with 83% claiming it to be one of their markets. The oil and gas sector is still the dominant user of MST services and the increase in oil price during 2017-18 will have helped create more opportunities for the sector. Figure 8 shows the breadth of applications to which the products and services in the MST sector supply. Renewable Energy (74% vs 67% in 2017), Defence (74% vs 58% in 2017) and Environmental Monitoring (61% vs 53% in 2017) are major users of MST and there is a decrease in Academic Research (47% vs 51% in 2017) possibly reflecting the strong increases in non-oil and gas sectors especially defence (28% increase). When companies were asked to name their single main market oil and gas was still the most quoted (35%) with defence (19%) and renewable energy (14%) being the next most quoted.

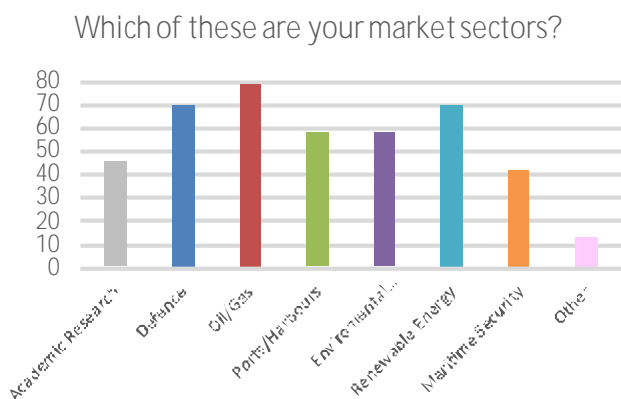


Figure 8: Companies citing market sectors

Which of these is your main market sector?

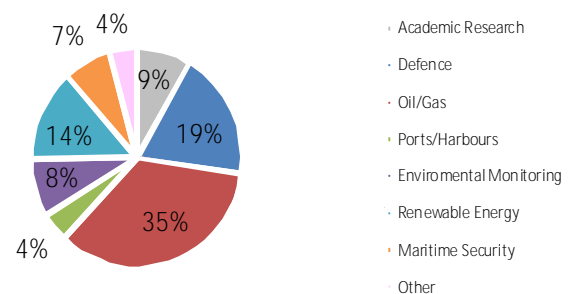


Figure 9: Companies citing main market sector

Export Markets

The European market was quoted by more companies than any other region (88% vs 79% in 2017) Other important markets were Asia/Pacific Middle East and USA/Canada with significant mentions for Africa. It was interesting to note that Europe still comes top as the largest market with 47% of companies claiming it is their main market. This signifies that the terms of the UK's future trading relationship with the European Union, following the EU Referendum result, could be a significant factor for many companies.

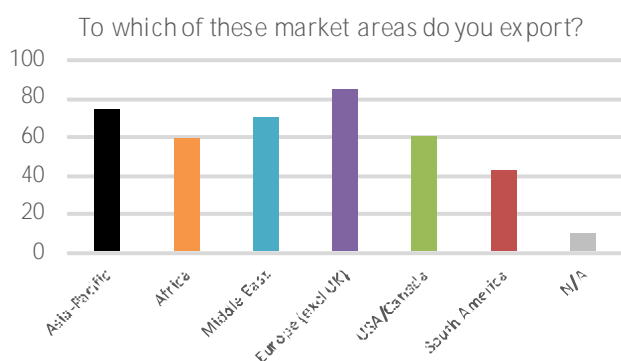


Figure 10: Main Export Markets

Areas of Growth

Companies were asked in which countries they had seen their most significant growth the previous year and China and France came out top. These were closely followed by Spain and The Netherlands. When grouped by region Asia/Pacific was mentioned the most over Europe. Only 29 companies felt able to respond to this question, the remainder believed that there wasn't specific growth in countries but there was growing sales in regions such as Asia/Pacific.

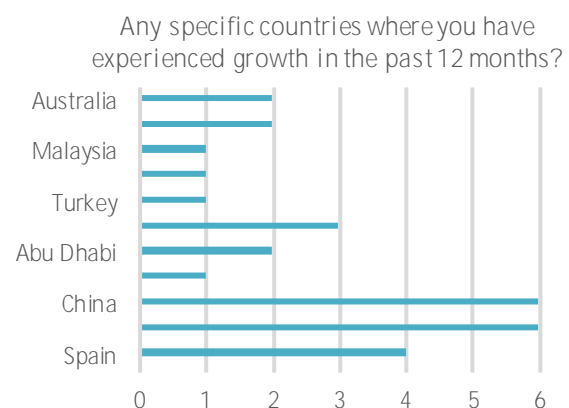


Figure 11: Areas of growth

Business Trends

in the *past 12 months*

Turnover

74% of companies reported an increase in turnover for the previous year. This is a significant increase to the 52% of companies in 2017. This positive picture was reflected in those reporting no change in turnover which had gone down from 50% in 2016 to 28% in 2017 to 18% in 2018. The increase in turnover will be part due to the increase in the oil and gas business but also the widening use of MST services in defence and renewables.

R&D

There was a small decrease in the number of companies reporting higher R&D expenditure over the year (2018: 46%, 2017: 49%, 2016: 47%) with 52% reporting no change and 2% a decrease in their expenditure. However there could be a correlation with companies responding to increased orders. Leaving less time for R&D activity, especially for SME's.

Headcount

In spite of the variable business climate 58% of companies reported that they had increased their headcount versus 37% in 2017 and 25% in 2016. When we view the analysis on future expectations it would appear that companies are preparing for better times ahead.

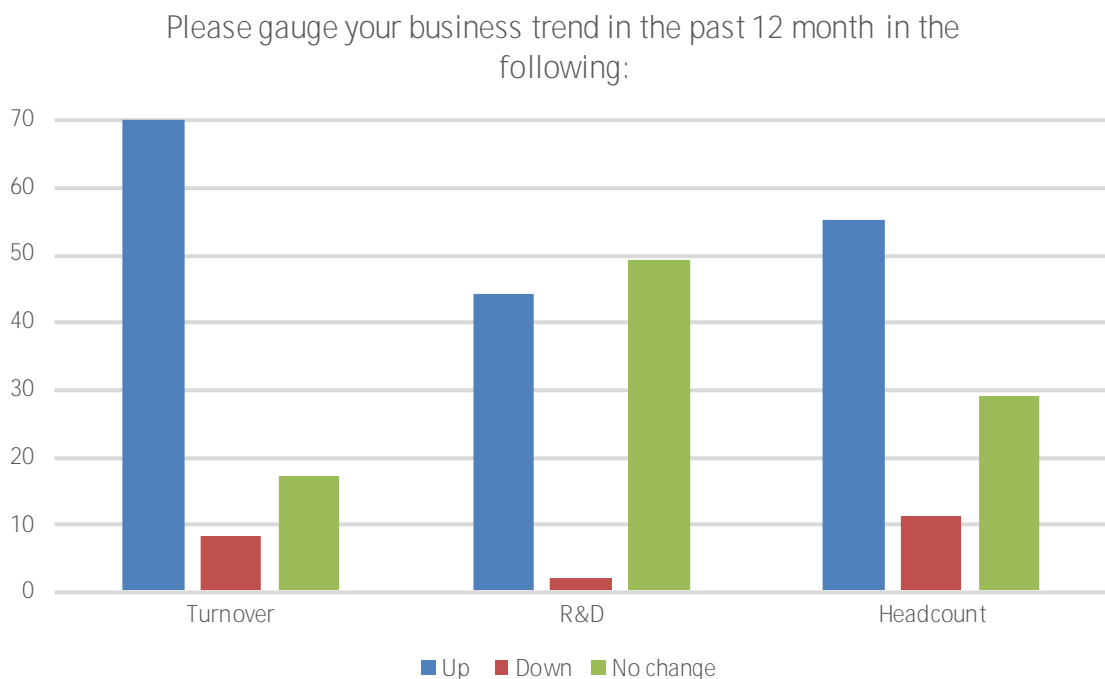


Figure 12: Business trends in past twelve months

Business Trends

in the next 12 months

Companies have a very positive outlook for the year ahead suggesting the different business streams supported by a resurgent oil and gas industry are giving them good confidence levels. 90% of companies are predicting growth over the next 12 months, a figure which has increased compared to the positive outlook of 85% in 2017 and the relatively modest figure of 51% for 2016. Similarly, only 2% of companies expect a downturn versus 3% last year, further enforcing the positive trend.

How do you see the business trend for your company over the next 12 months?

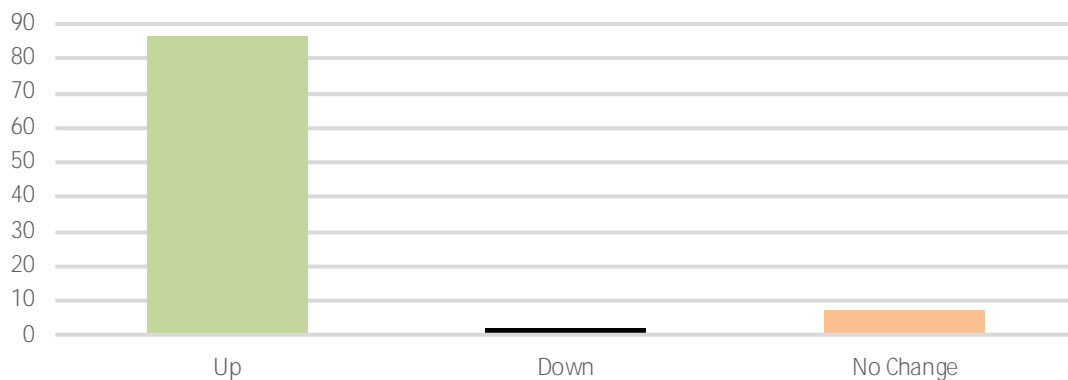


Figure 13: Business trends in the next 12 months

Factors that have had the biggest effect on business

The price of oil is slowly becoming less of a major effect to companies with 51% citing it compared to 72% in 2017. Trade barriers, export controls, skills and finance did not excite undue comment.

Have the following had a negative effect on your business over the past 12 months?

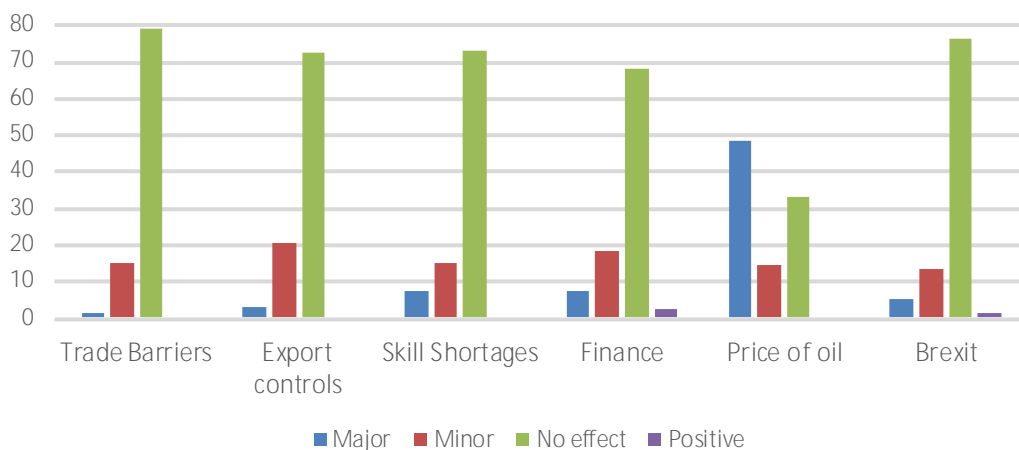


Figure 14: Factors that has the biggest effect on business

Conclusions

- In the 2017 Survey it was seen that companies had been looking to non-oil and gas sector business streams. The evidence of that is seen in this survey as defence, renewables and environmental monitoring have all increased as business segments.
- UK based MST companies reported a turnover of £1.63 billion per annum and the 95 companies surveyed employ nearly 23,000.
- Europe remains the key export market with Asia Pacific in second place and North America and the Middle East coming in joint third.
- There are some variances in the year to year analysis due to the different profile of exhibitors between Oceanology International (larger corporate focus) and Ocean Business (SME focus)

Survey Methodology

The data for the 2018 report was collected in the form of a questionnaire presented to senior managers of UK businesses currently active in the MST sector during the trade show Oceanology international in March 2018.

The collection, processing and presentation of this data was performed by Katie Gascoyne and Ava Catton of SMI.

About

The Society of Maritime Industries is the voice of the UK's maritime engineering and business sector promoting and supporting companies which build, refit and modernise Commercial and naval vessels, and supply equipment and services for all types of ships and underwater vehicles, ports and terminals infrastructure, offshore oil & gas, maritime security and safety, marine science and technology and offshore renewable energy.

The MSTG Council sets the policy and guides the activities for the marine science and technology market area within the Society of Maritime Industries, utilising the extensive expertise of its members.