

Annual Review of the UK Marine Scientific Industry 2021

By the Society of Maritime Industries
MSTG Council

The 12th edition of this report provides an insight into current business activity within the Marine Science and Technology sector in the UK.

Society of Maritime Industries

(SMI) is the voice of the UK's maritime engineering and business sector promoting and supporting companies which design, build, refit and modernise ships, and supply equipment and services for all types of commercial and naval ships, ports and terminals infrastructure, digital technology, maritime defence and security, marine science and technology, maritime autonomous systems and marine renewable energy.



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Executive Summary

In general, there were high levels of positivity in the industry and its growth for the next 12 months.

79 UK based companies responded to this survey of which 20% were subsidiaries of an overseas parent.

The proportion of companies trading for more than 5 years has increased from 87% in 2019 to 89% this year.

70% of companies reported an increase in turnover over the past year.

The market size estimate for MST business in 2021 was £1.56bn which is a decrease from last year's figure of £1.65bn, this was expected due to Covid.

The total value of exports this year was £589m which is a small increase from last years figure of £581m. Highlighting that companies reported higher levels of export sales compared to previous years.

The survey results include responses from a large proportion of SMEs and once again a larger proportion of manufacturers and/or service providers made up the respondents than in the previous year (91%).

62% of companies had increased their headcount, which is an improvement compared to 57% reporting an increase in 2019.

Covid and Brexit were cited as having the biggest impact on business over the past 12 months which was to be expected.

91% of respondents are predicting growth for the next 12 months, which is an increase compared to 80% in 2019.

Oil and gas still remains the largest single market influence on the commercial MST sector. It should be noted however, that this was closely followed by renewable energy this year. The number of companies citing environmental monitoring as their main market sector has also increased.

Europe still remains the most important export market for the MST sector however, USA/Canada and Asia Pacific were also important. USA was cited as the biggest area of growth over the last 12 months.



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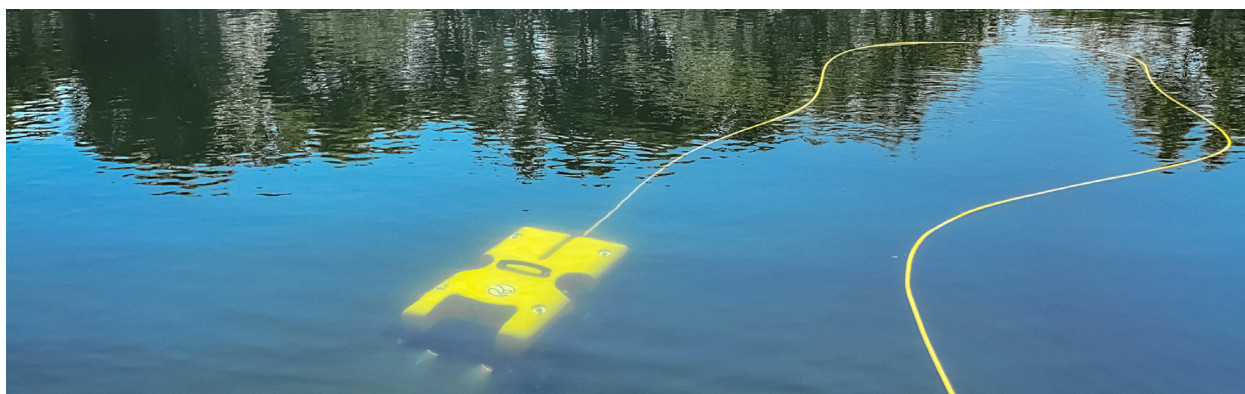
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Company Overview



79 UK companies contributed to the survey of which 20% 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.

This year 89% of the companies interviewed had been in business for more than 5 years, which is the same percentage as last year.

The sample this year showed that 91% of companies were either in manufacturing and/or services with the balance acting as agents or resellers for other company products (Figure 1). This is a slightly higher proportion of manufacturers/service providers than in 2019 with a figure of 89%. However, 12 companies specified two main areas of business which could account for the increase. The two-year gap between the survey due to the Covid-19 pandemic could also have had an impact.

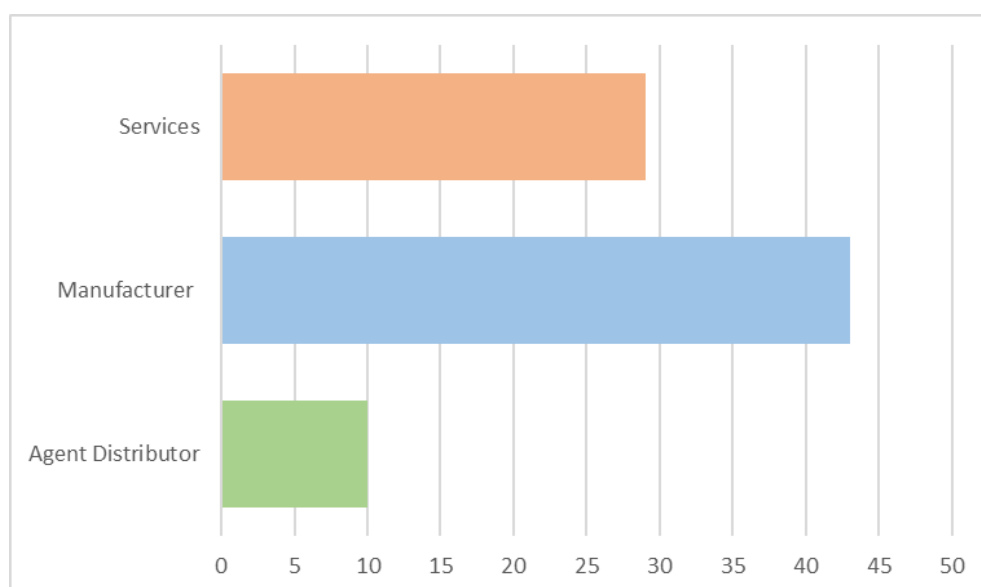


Figure 1:
Respondents to main area of business

Turnover



The sector continues to be dominated by small and medium sized enterprises (SMEs) with an annual turnover of less than £50 million. The most common bracket was £2-5million with 15 companies reporting this turnover, as seen in Figure 2. This year we have seen a decrease in companies with a turnover of over £50million, only 6 companies reported turnover of over £50 million, compared with 17 companies in 2019. Again, this could be due to the reduced sample size or the pandemic.

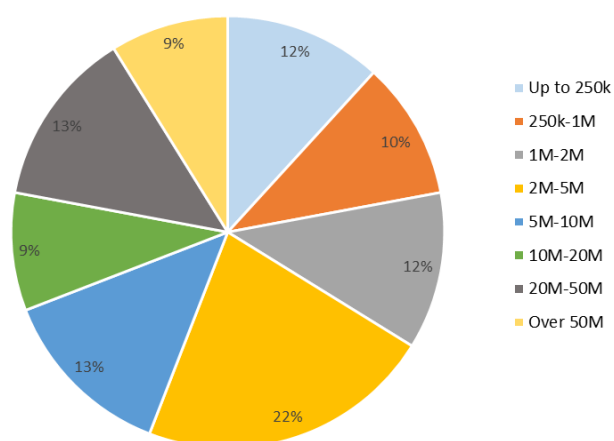


Figure 2: Annual Turnover

Utilising our year-on-year method for a crude estimation of market size we arrive at £1,060m for the 68 companies which responded to the question.

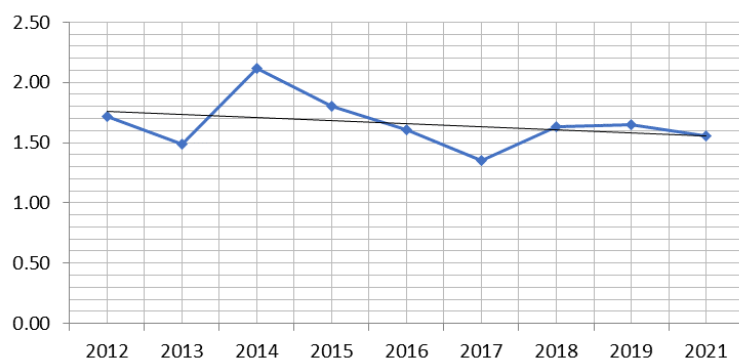


Figure 3: Normalised market share 2012-2021

This computes to a normalised figure (for 100 companies) of £1,558m in 2021 (£1,651m in 2019, £1,629m for 2018 and £1,345 in 2017), shown in Figure 3. This value shows there to be a slight decrease since last year, which could be due to reduced activity during the pandemic.

Proportion of turnover in export sales (%)

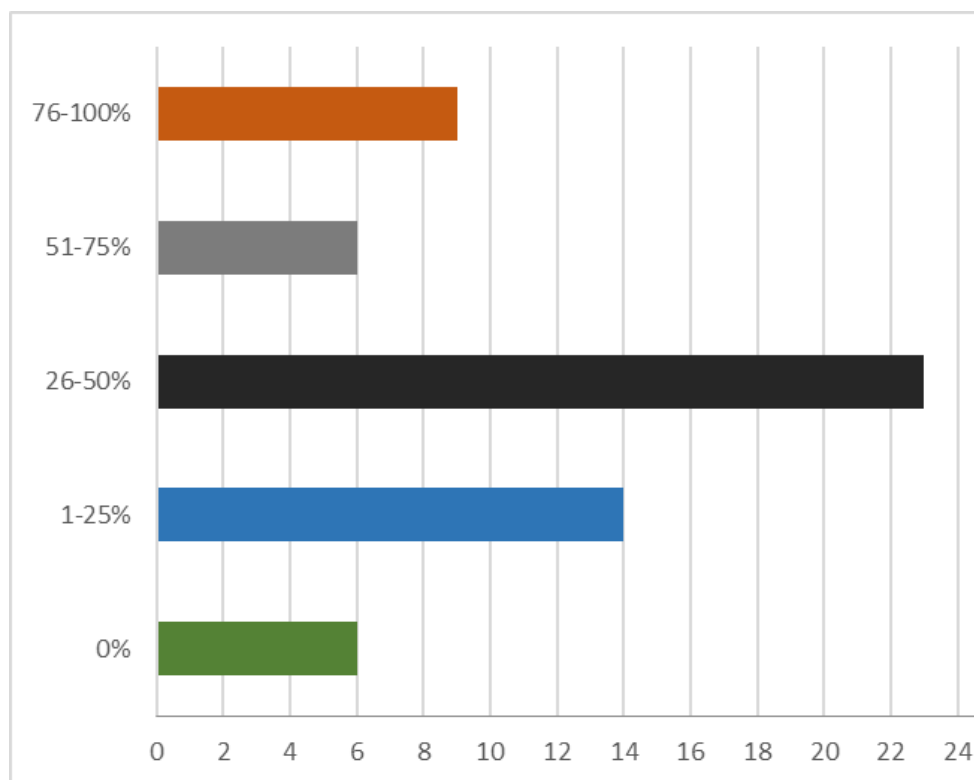


Figure 4:
Proportion of company export sales

A substantial proportion of the companies surveyed (65%) still export some of their products and services however, this is a decrease on the past two years (75% in 2019 and 92% in 2018).

Furthermore, only 19% of companies reported that exports were more than 51% of their annual turnover (Figure 4), compared to 20% in 2019 and 35% in 2018. If we calculate the total value of exports based on the normalised market size value (for 100 companies) we arrive at a figure of £589m for 2021 (£581m for 2019), as shown in Figure 5.

This shows that although less companies reported turnover from exports, the export value of the market remains constant.

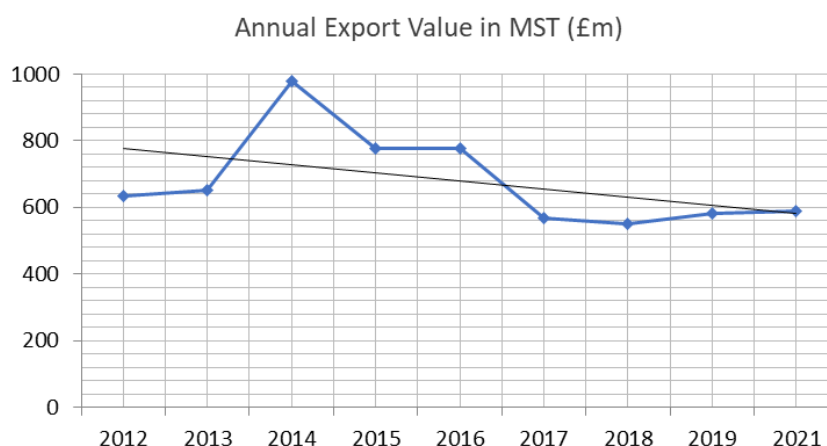


Figure 5: Annual export value in MST 2012-2021



Company Size: Personnel

The total number of personnel employed by companies surveyed this year was 13,150 (76 responses) which is a drop compared to the total of 19,365 (90 responses) in 2019. The majority of companies reported having less than 50 employees as seen in Figure 6. When looking at the average number of jobs per company, this figure has reduced too.

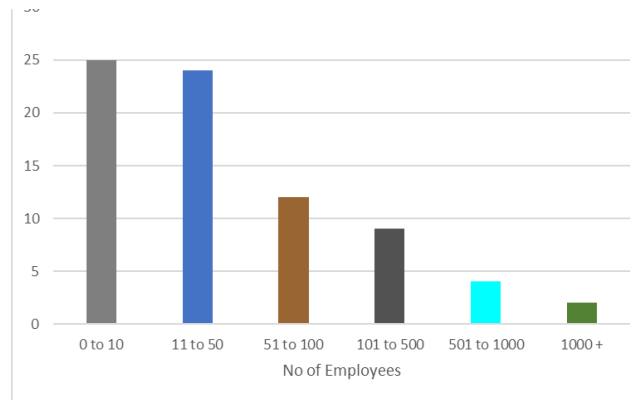
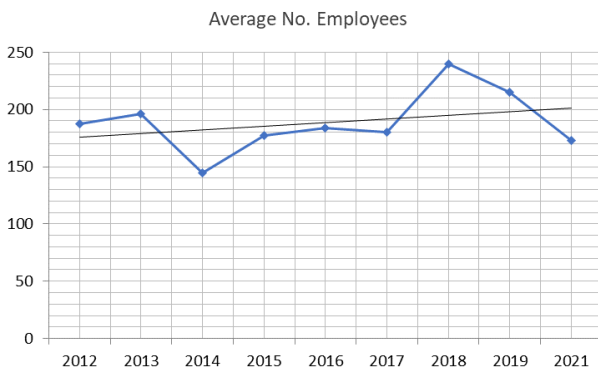


Figure 6: Number of Employees per company



The average number of jobs per company was 173 compared to 215 in 2019 and 240 in 2018 (Figure 7). If we plot the data for the last 10 years the number employed per company was on an uphill trend and has now taken a slight dip

Figure 7: Average number of employees per company 2012-2021



Market Activity

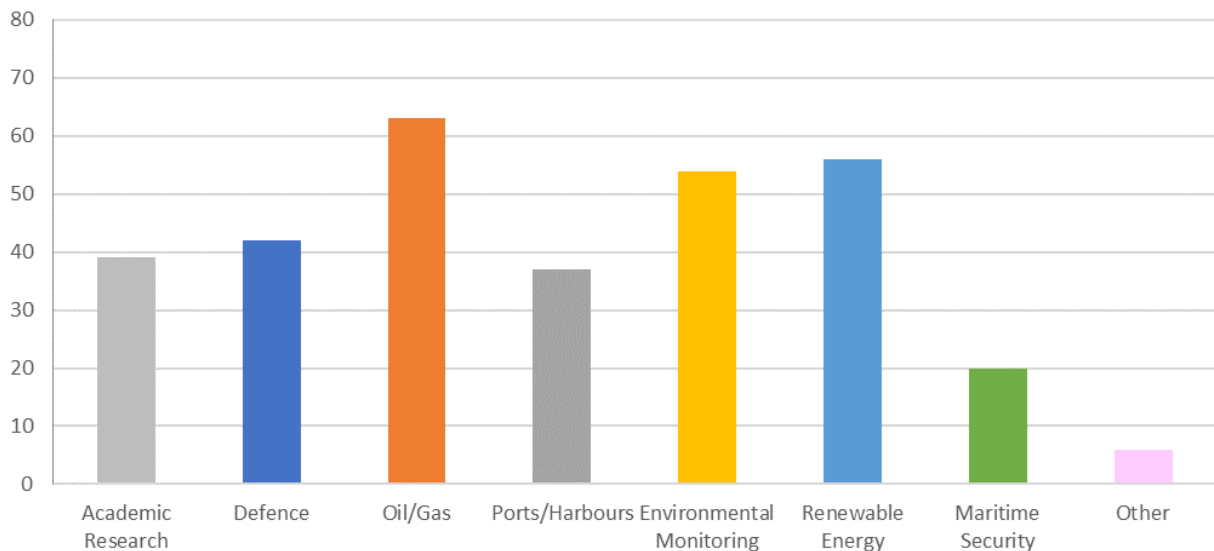


Figure 8: Companies citing market sectors

The majority of companies surveyed supply into the oil and gas sector with 80% claiming it to be one of their markets, the same as 2019. The oil and gas sector is still the dominant user of MST services. Figure 8 shows the breadth of applications to which the products and services in the MST sector supply. Renewable Energy (71% vs 72% in 2019), Academic Research (49% vs 48% in 2019) and Environmental Monitoring (68% vs 60% in 2019) are major users of MST and there is a decrease in Defence (53% vs 55% in 2019).

When companies were asked to name their single main market oil and gas was still the most quoted (29%) with renewable energy (21%) and environmental monitoring (14%) being the next most quoted (Figure 9). Interestingly renewable energy has increased from 14% in 2019 which reflects the current push on renewables.

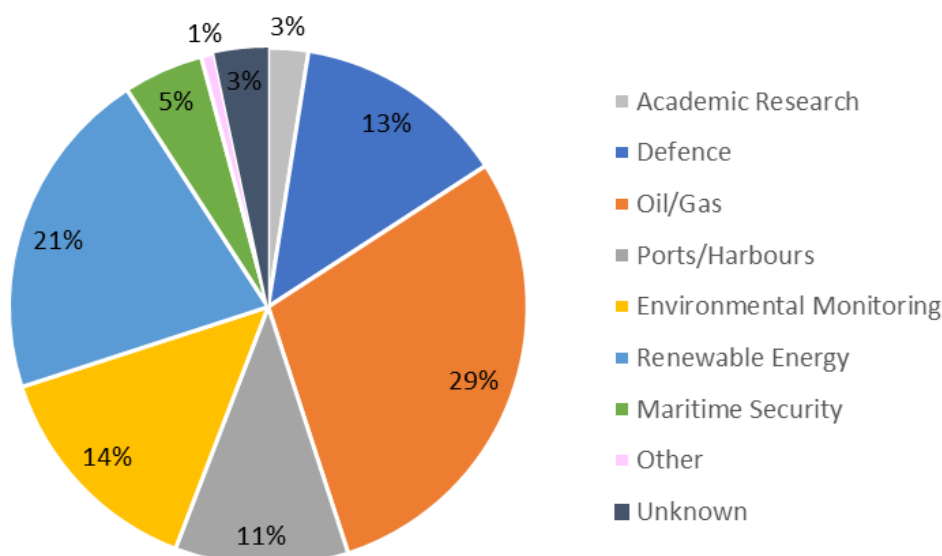


Figure 9: Companies citing main market sector

Export Markets

When asked which regions they exported to the European market was quoted by more companies than any other region (79% vs 77% in 2019). Other important markets were USA/Canada with significant mentions for Asia/Pacific, as seen in Figure 10. Note this year there continued to be a significant percentage (15%) of companies that stated either they only exported within the UK or didn't export at all. Despite this, Europe still comes top as the largest market with 41% (up from 33% in 2019) of companies claiming it is their main market. (58% vs 73% in 2018).

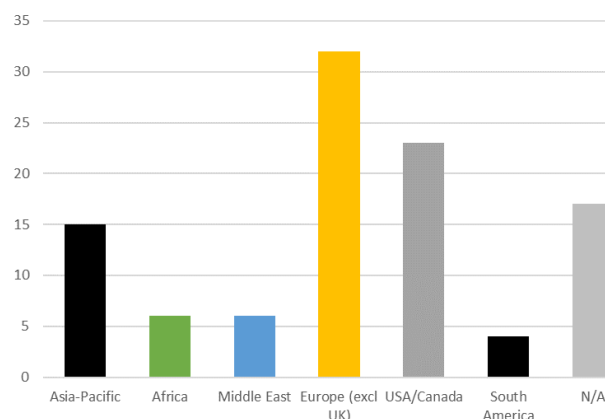
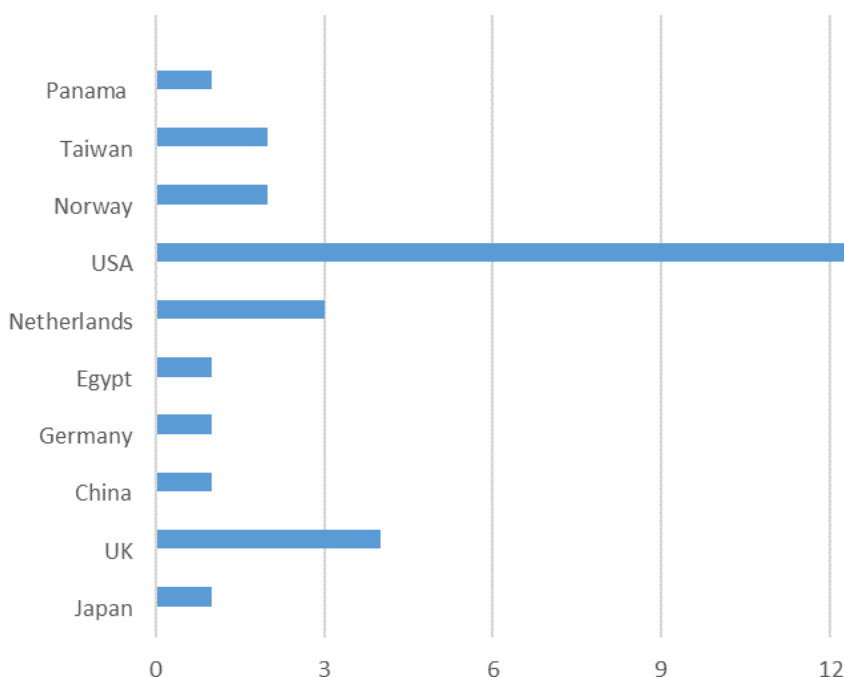


Figure 10: Main Export Markets

Areas of Growth

Companies were asked in which countries they had seen their most significant growth the previous year and the USA came out on top by a huge landslide for another year. The UK and the Netherlands were also mentioned by multiple companies.

As shown from Figure 11, there were several countries just mentioned once and many respondents claimed that they saw overall growth on a continent in general such as Europe and Asia. 39 companies felt that they could respond



to this question which is a decrease from the year before where 50 companies felt able to answer this.

Figure 11: Areas of growth



Business Trends in the past 12 months

Turnover

70% of companies reported an increase in turnover in the past 12 months (Figure 12). This is a slight increase from the 67% that reported an increase in 2019. 10% of companies claimed that their turnover had decreased in the previous 12 months, this is an increase compared to the 5% who claimed turnover had gone down in 2019. The percentage of companies claiming that there had been no change to their turnover went down from 26% in 2019 to 19% in 2021.

R&D

Between 2018 and 2019 there was notable increase of 14% in the number of companies reporting higher R&D expenditure over the past year (2019: 60% , 2018: 46%). This higher expenditure has been kept up for another year as 61% of respondents reported an increase in R&D expenditure in 2021. 10% of companies reported a decrease in R&D expenditure (Figure 12), this is much higher than the 2% reported this in 2019. This could be due to reduced production during the global pandemic or the effects of Brexit, or a combination of the two.

Headcount

Despite the difficulties of the past two years 62% of companies reported that they had increased their headcount (Figure 12), this is an improvement on the 57% in 2019 and 58% in 2018.

The percentage of companies that claimed a decrease in headcount was 4%, with the remaining 33% reporting no change.

When we view the analysis on future expectations it would appear that companies are preparing for better times ahead.

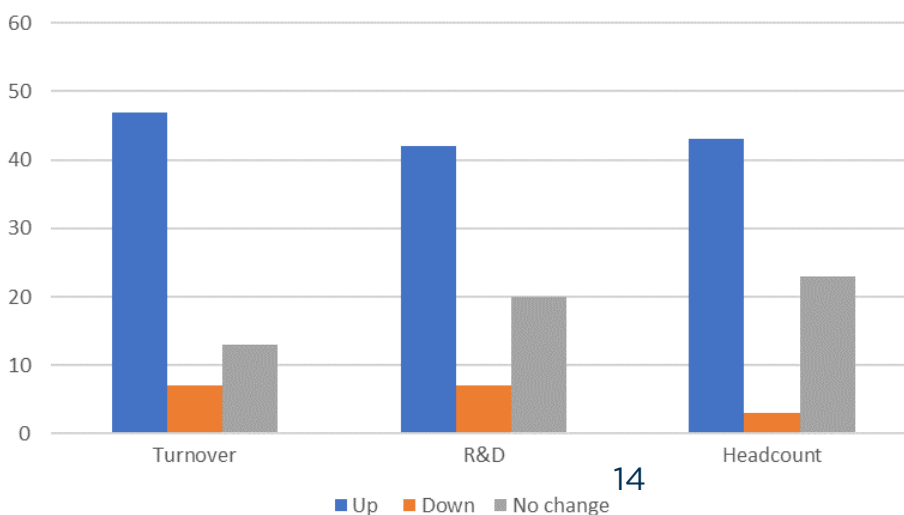


Figure 12: Business trends in past twelve months

Business Trends in the next 12 months

Companies once again have a positive outlook for the year ahead, despite the difficulties faced recently. 91% of companies have predicted growth over the next 12 months, as shown in Figure 13. This has increased compared to the positive outlook of 80% in 2019 and 90% in 2018. Similarly, only 1% of companies (1 respondent) expect a downturn in the next 12 months. This is also improved from the 2019 figure of 2%, further enforcing the positive trend over the next 12 months.

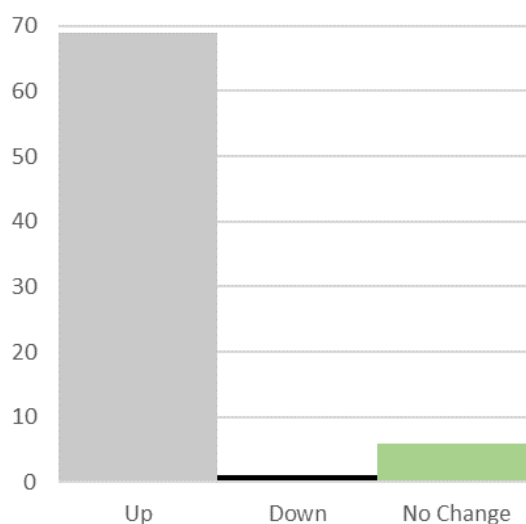


Figure 13: Business trends in the next 12 months



Significant Factors Impacting Business

Covid was cited as the biggest effect on business in the past 12 months, with 88% noting it as either a major (42%) or minor (46%) effect (Figure 14). Brexit was reported as the second biggest impact, with 85% of respondent reporting it as an effect (25% major effect and 60% minor effect).

Skill shortages and Export Controls were both considered major effects by 21% of respondents, with Export Controls being considered a minor effect by 52% of respondents and Skill Shortages a minor impact by 36% of companies.

Trade barriers were considered an impact by 61% of respondents (12% major and 48% minor). The price of oil continues to decrease in importance with only 14% of companies citing it as a major impact, compared to 26% in 2019, 51% in 2018 and 72% in 2017.

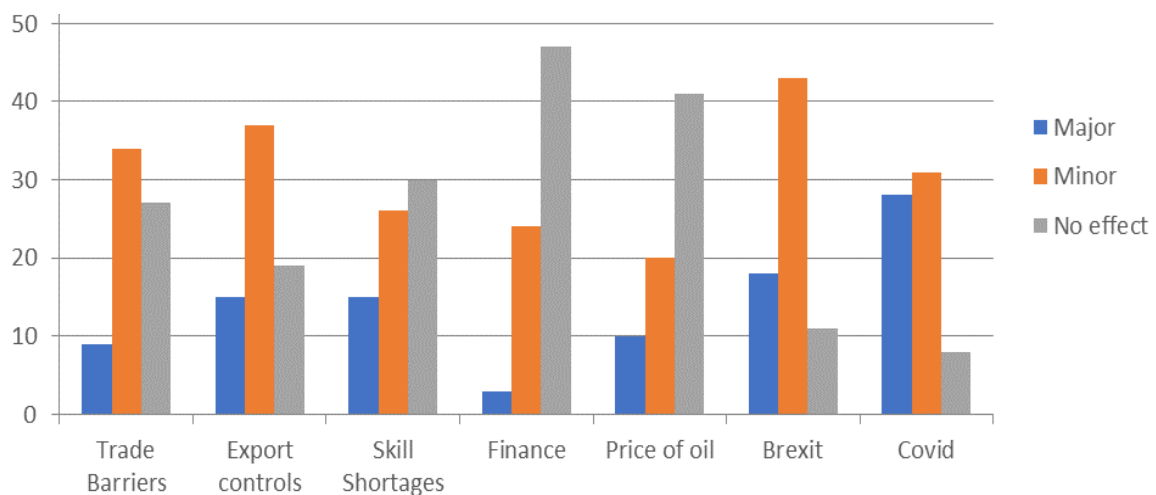
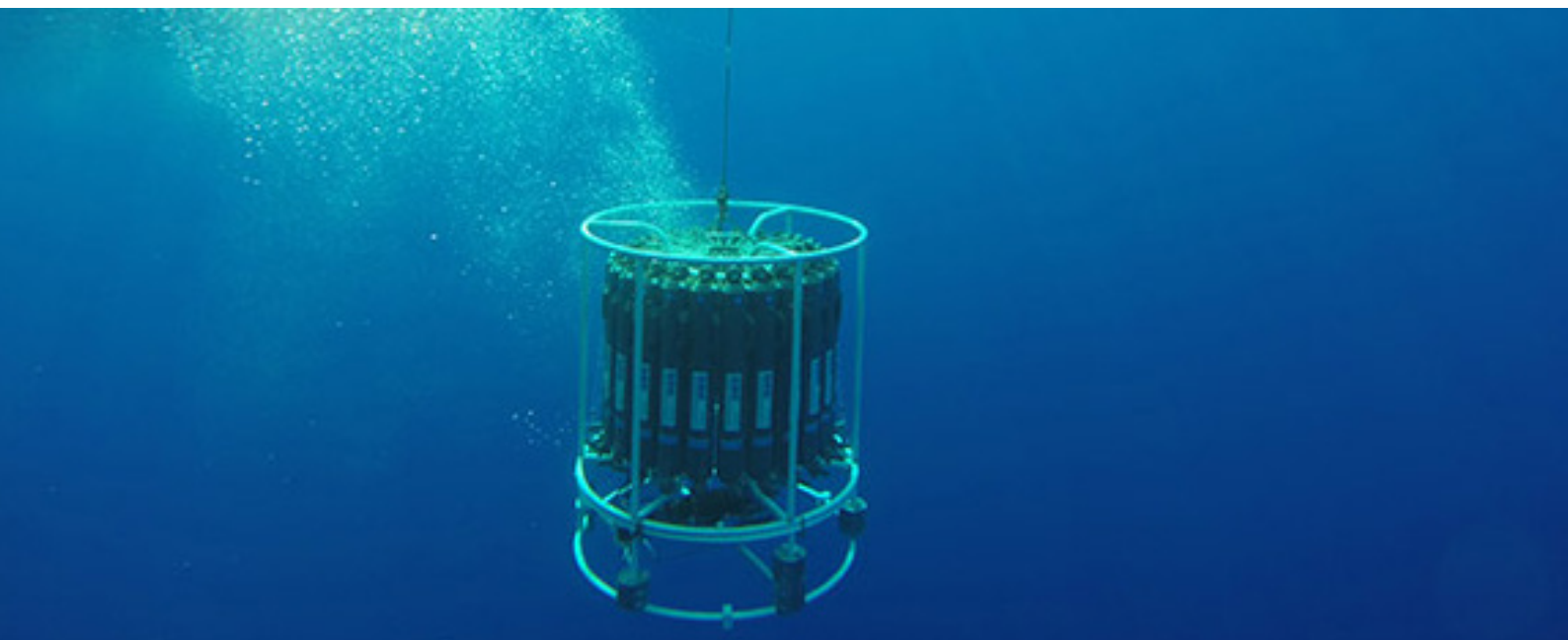


Figure 14: Factors with most significant effect on business



About:

The Society of Maritime Industries is the voice of the UK's maritime engineering and business sector promoting and supporting companies with Commercial Marine, Maritime Autonomous Systems, Maritime Defence & Security, Digital Technology, Ports & Terminals Infrastructure and Marine Science & Technology interests.

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.



Survey Methodology:

The data for the 2021 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 Ocean Business in October 2021.

The collection of this data was performed by Isabel Triggs and Molly Cornwall from the University of Portsmouth and the presentation was carried out by Kirstin Gentleman and Emma Johnson of SMI.



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