



Annual Review of UK Marine Scientific Industry 2019

By the Society of Maritime Industries MSTG Council

The 11th edition of this report provides an insight into current business activity within the Marine Science and Technology sector in the UK.

Executive Summary

- 90 UK based companies responded to this survey of which 31% were subsidiaries of an overseas parent. 67% of companies surveyed had reported an increase in turnover from 2018.
- The proportion of companies trading for more than 5 years has increased from 84% the year before to 87% this year.
- The survey results include responses from a large proportion of SMEs and a larger proportion of manufacturers and/or service providers made up the respondents than in the previous year.
- The market size estimate for MST business in 2019 was £1.65bn which is a decrease from last year's figure of £1.63bn.
- The total value of exports this year was £581m which is an increase from last years figure of £550m. Highlighting that more 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 in line with 58% reporting an increase in 2018.
- Oil and gas still 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 and environmental monitoring as their main market sector.
- Although Europe is still an important region for export business there is evidence that USA/Canada is generating export opportunities. Whilst exports to the Middle East have dropped dramatically.
- 80% of respondents are predicting growth in turnover for the next 12 months, which is a decrease on 90% in 2018 and 85% in the 2017 survey.

Overall it was noticed that there was a high degree of positivity from respondents on the current prospects in the market for MST.

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Company Overview

90 UK companies contributed to the survey of which 31% 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.

Last year 84% of the companies interviewed had been in business for more than 5 years,.

The sample this year showed that 89% 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 higher proportion of manufacturers/service providers that in 2018 with a figure of 87%. However 12 companies specified two main areas of business which could account for the increase.

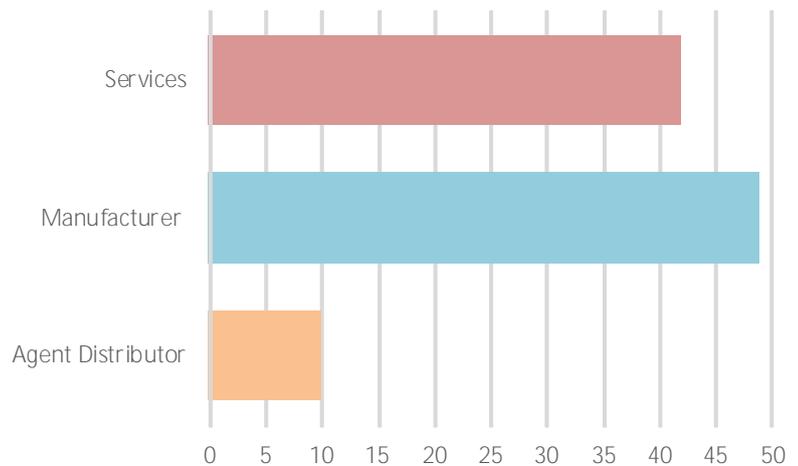


Figure 1: Respondents to main area of business

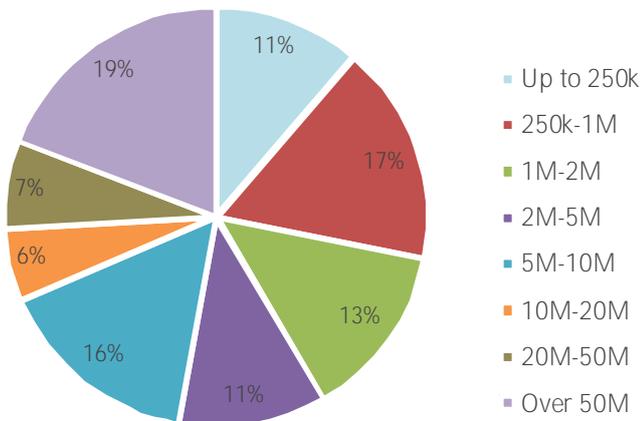


Figure 2: Annual turnover

Turnover

The sector continues to be dominated by small and medium sized enterprises (SMEs) with an annual turnover of less than £50 million. However this year we have seen an increased in companies with a turnover of £50million (17 companies in 2019 compared to 11 in 2018). 81% of respondents this year were SMEs which is compared to 88% in 2018 and 83% in 2017.

Utilising our year-on-year method for a crude estimation of market size we arrive at £1,486m for the 90 companies which responded to the question. (£1,532m in 2018)

This computes to a normalised figure (for 100 companies) of £1,651m in 2019 (£1,629m for 2018 and £1,345 in 2017). This figure shows there to be a gradual increase each year since the substantial drop in market size which was highlighted in 2017.

Market size £bn



Figure 3: Normalised market share 2012-2019

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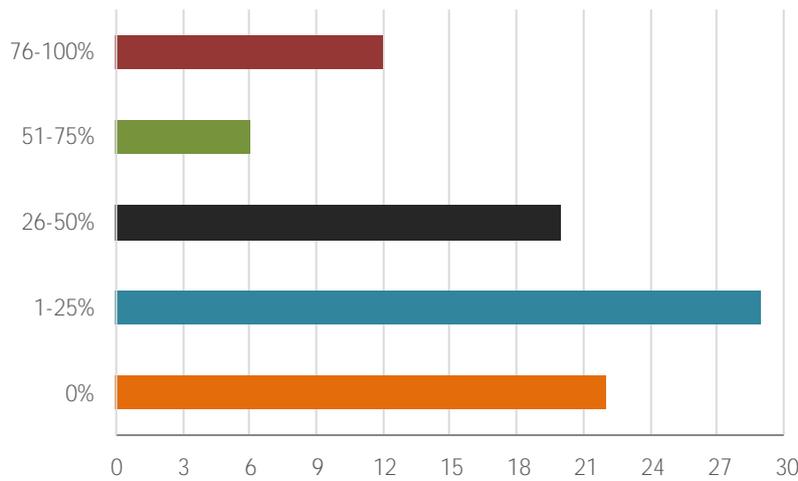


Figure 4: Proportion of company export sales

Proportion of turnover in export sales (%)

A substantial proportion of the companies surveyed (75%) export some of their products and services, This is a decrease on the past two years (92% in 2018 and 85% in 2017).

Furthermore, only 20% of companies reported that exports were more than 51% of their annual turnover, compared to 35% in 2018 and 36% in 2017. If we calculate the total value of exports based on the normalised market size value we arrive at a figure of £581m for 2019 (£551m in 2018) Showing that exports are increasing in line with turnover.

Annual Export Value in MST (£m)

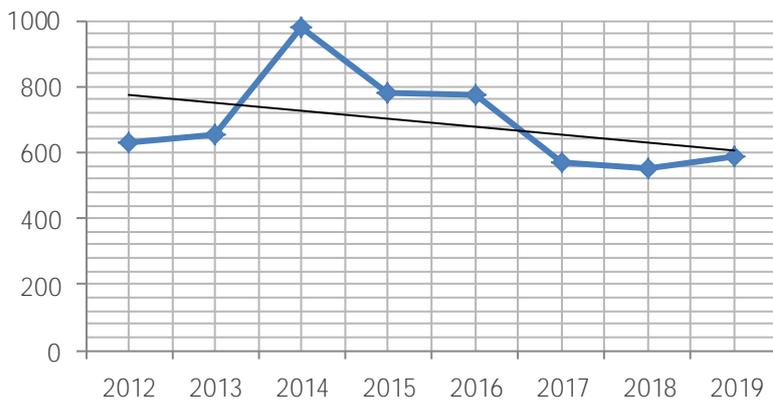


Figure 5: Annual export value in MST 2012-2019

Company Size: Personnel

The total number of personnel employed by companies surveyed this year was 19,365 (90 responses) which is a drop compared to last year's number of 22,800 (95 responses). But in line with the number of companies surveyed.

The average number of jobs per company has slightly decreased to 215 this year compared to 240 in 2018. If we plot the data for the last seven years the number employed per company was on a uphill trend and has now taken a slight dip.

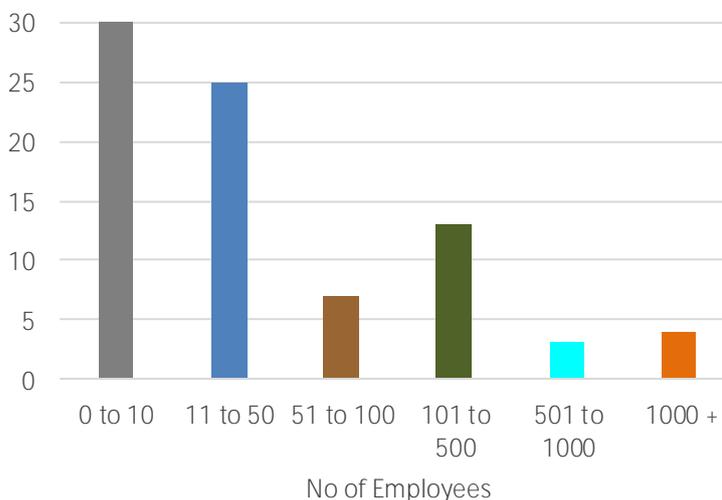


Figure 6: Number of Employees per company

Average No. Employees

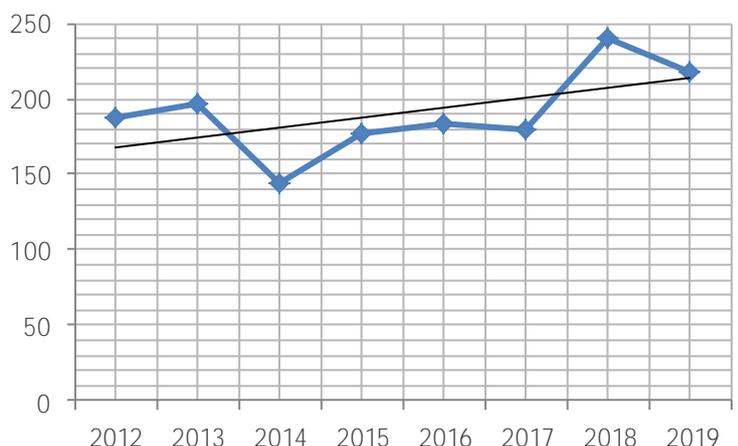


Figure 7: Average number of employees per company 2012-2019

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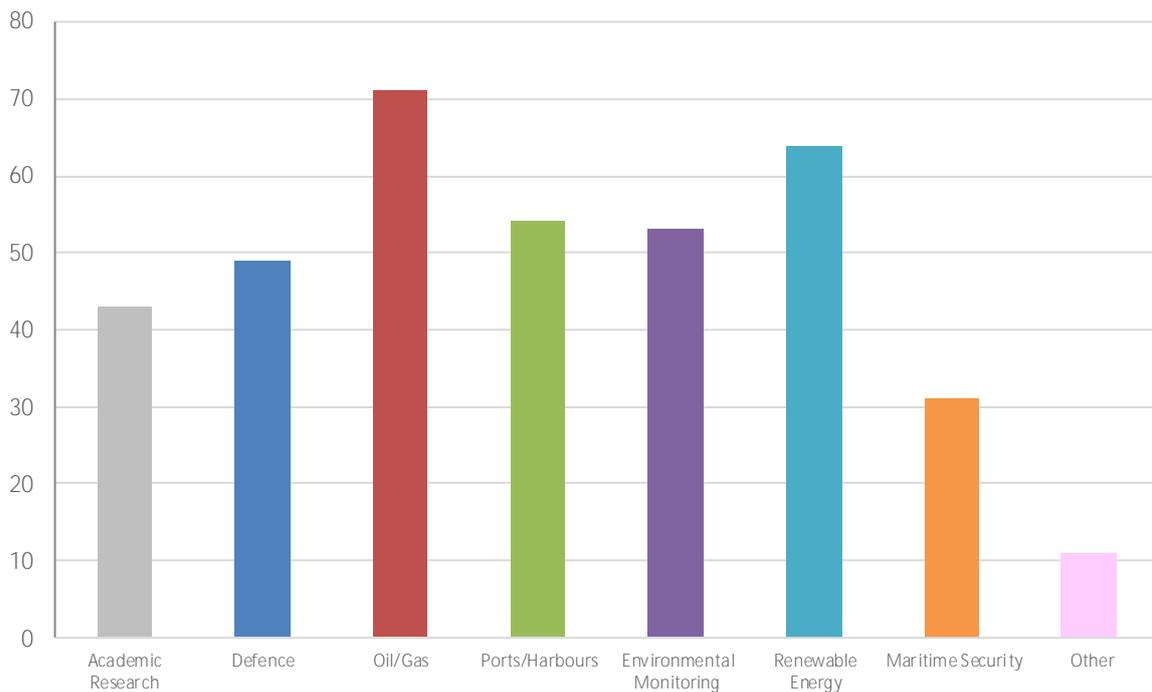


Figure 8: Companies citing market sectors

Market Activity

The majority of companies surveyed supply into the oil and gas sector with 80% claiming it to be one of their markets. 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 (72% vs 74% in 2018), Academic Research (48% vs 47% in 2018) and Environmental Monitoring (60% vs 61% in 2018) are major users of MST and there is a decrease in Defence (55% vs 74% in 2018). When companies were asked to name their single main market oil and gas was still the most quoted (37%) with defence (15%) and renewable energy (14%) being the next most quoted.

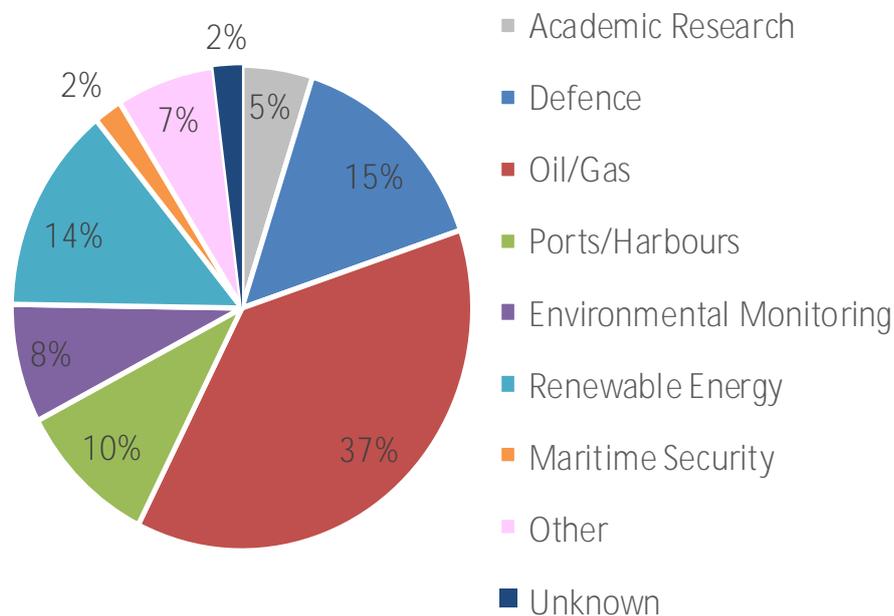


Figure 9: Companies citing main market sector

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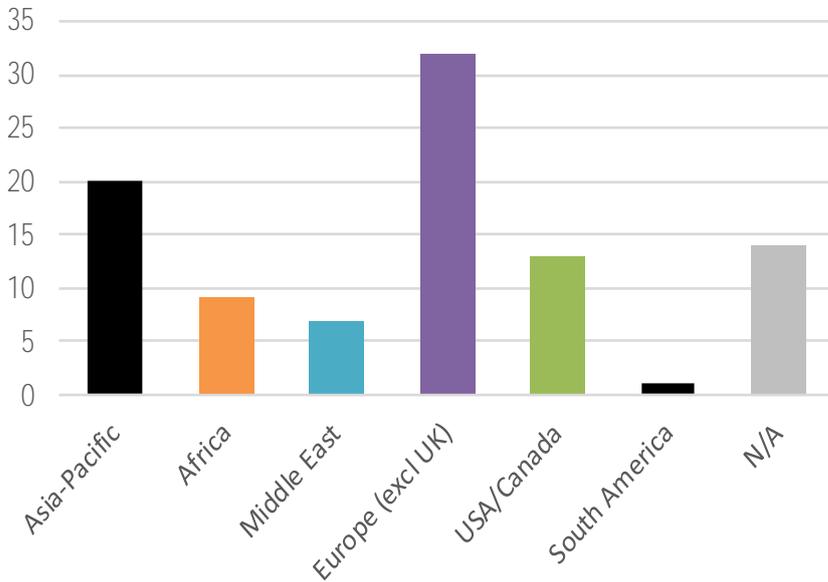


Figure 10: Main Export Markets

Export Markets

The European market was quoted by more companies than any other region (77% vs 88% in 2018) Other important markets were Asia/Pacific with significant mentions for USA/Canada. Note this year a lot more companies stated that either they only exported within the UK or didn't export at all this is covered by N/A responses (15% vs 9% in 2018).

Despite this, Europe still comes top as the largest market with 33% of companies claiming it is their main market. What is interesting to highlight is exporting to the Middle East has dropped dramatically since last year (58% vs 73% in 2018).

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. As from 2018 both China and The Netherlands had shown increased growth.

As show 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. 54 companies felt that they could respond to this question which is drastic increase from the year before where only 29 companies felt able to answer this.

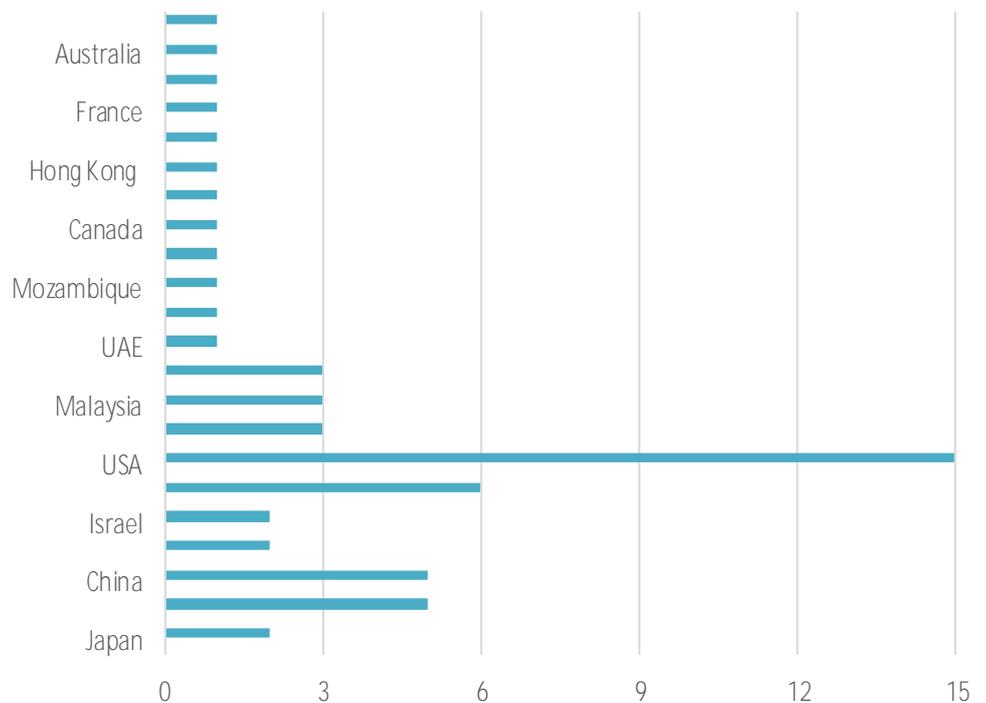


Figure 11: Areas of growth

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Business Trends in the **past** 12 months

Turnover

67% of companies reported an increase in turnover for the previous year. This is a slight decrease to the 74% of companies in 2018. However less companies claimed that their turnover had gone down (5% vs 8% in 2018). This shows that in comparison to last years results, more companies are claiming that there has been no change to their turnover as this has gone up from 18% in 2018 to 26% in 2019.

R&D

There was notable increase of 14% in the number of companies reporting higher R&D expenditure over the past year (2019: 60% , 2018: 46%). The decrease in R&D expenditure by companies remained at 2% which shows positivity and the ability for companies to allocate time for R&D activity.

Headcount

In spite of the variable business climate 57% of companies reported that they had increased their headcount which isn't far off the figure of 58% in 2018. However the percentage of companies that claimed no change has increased by 4% since 2018. When we view the analysis on future expectations it would appear that companies are preparing for better times ahead.

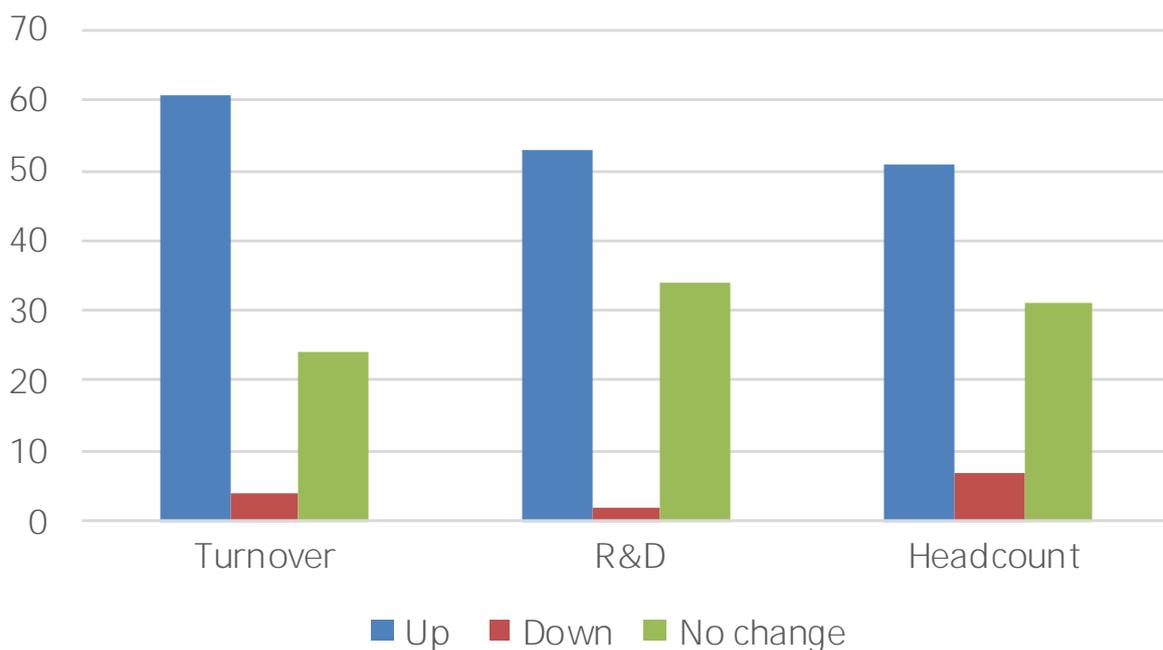
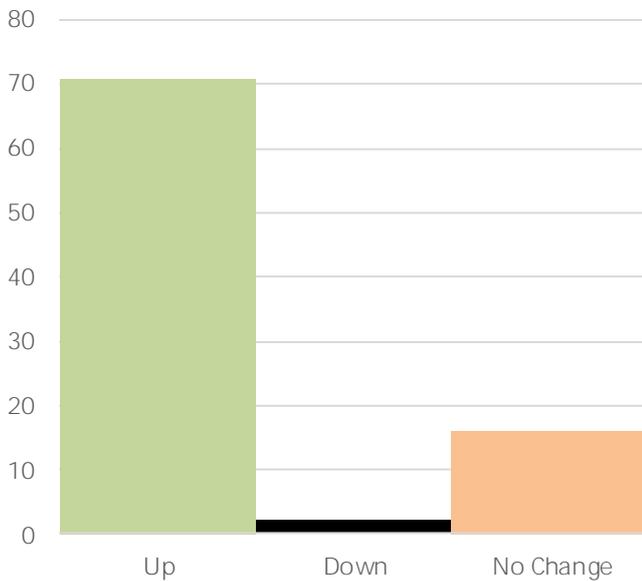


Figure 12: Business trends in past twelve months

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Business Trends in the next 12 months



Companies have a positive outlook for the year ahead.

80% of companies are predicting growth over the next 12 months, a figure which has decreased compared to the positive outlook of 90% in 2018 and 85% in 2017.

Similarly, only 2% of companies expect a downturn which is the same result as last year, further enforcing the positive trend 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 becoming less and less of a major effect to companies with 26% citing it compared to 51% in 2018 and 72% in 2017. Skill shortage are on increasingly becoming a major with problem with 23% claiming this compared to 7% in 2018. Surprisingly Brexit wasn't considered as much of a major effect as anticipated with only a 7% increase from last year. Trade barriers, export controls, finance did not excite undue comment.

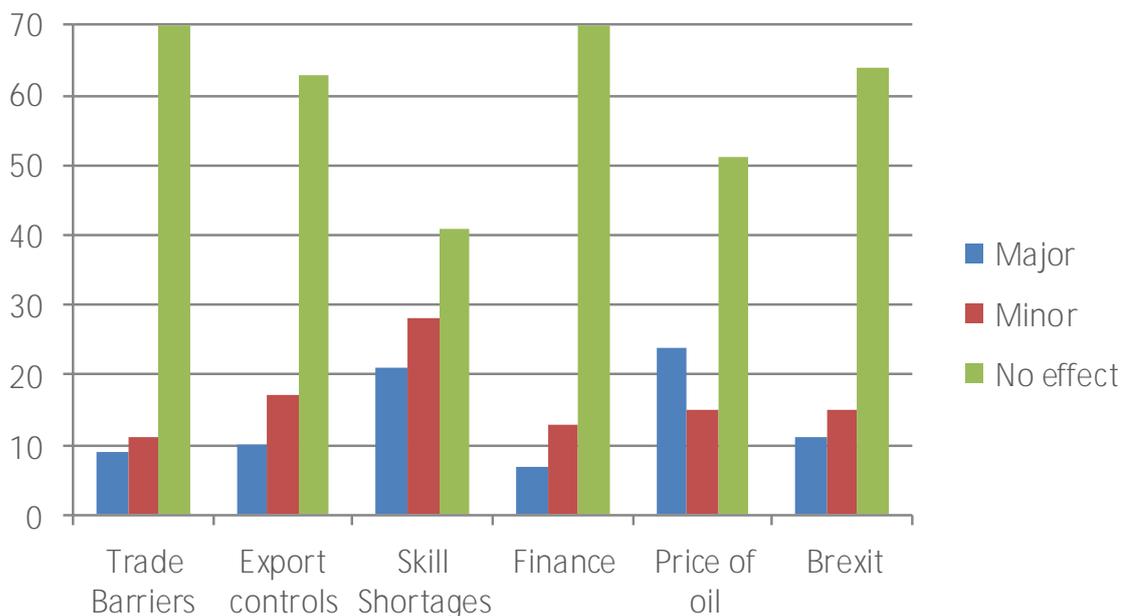


Figure 14: Factors that has the biggest effect on business

Conclusions

- In the 2018 Survey it was seen that companies had been looking to explore other sector business streams. The evidence of that is seen in this survey with academic research on the up whilst renewables and environmental monitoring have all kept a steady pace as business segments. Defence however has seen a significant decline.
- UK based MST companies reported a turnover of £1.65 billion per annum and the 90 companies surveyed employ over 19,000.
- Europe remains the key export market with Asia Pacific in second place and USA/Canada in 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 2019 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 April 2019.

The collection of this data was performed by Isobel Chant and Kirstin Gentleman and the presentation was carried out by 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 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.