



Society of
**Maritime
Industries**



Annual Review of UK Marine Scientific Industries

BY THE SOCIETY OF MARITIME INDUSTRIES AMSI COUNCIL

This report provides an insight into current business activity within the Marine Science and Technology (MST) sector in the UK. This is the 9th annual review, which is compiled by the Society of Maritime Industries (SMI).

Executive Summary

- 92 UK based companies responded to this survey of which 22% were subsidiaries of an overseas parent.
- 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 2016 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 2017 was £1.35bn which is below the seven year average. However, 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 £569m which is below the average of the over the last six years. However, fewer companies reported export sales compared to previous years.
- The majority of companies reported an increase in turnover over the past year. The first time for two years more companies had reported an increase than a decrease.
- In spite of the variable business climate 37% of companies had increased their headcount whereas 25% reported an increase in 2016.
- Oil and gas remains the largest single market influence on the commercial MST sector, although the proportion of companies citing the sector has steadily reduced in recent years and is being offset by applications in renewables, defence and environment monitoring.
- Although Europe is still an important region for export business there is evidence that other areas of the world are beginning to generate business for UK based MST companies.
- 85% of respondents are predicting growth in turnover for the next 12 months, a figure which has not been seen since 2014, and compares favourably with a figure of 51% in the 2016 survey.

Company Overview

92 UK companies contributed to the survey of which 22% 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 97% of the companies interviewed had been in business for more than 5 years, it was interesting to note that only 88% indicated this was the case this year, suggesting a number of new entrants to the sector.

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 higher proportion of manufacturers/service providers than in the previous two surveys, when the question was first introduced. The reason for the increase has not been tested.

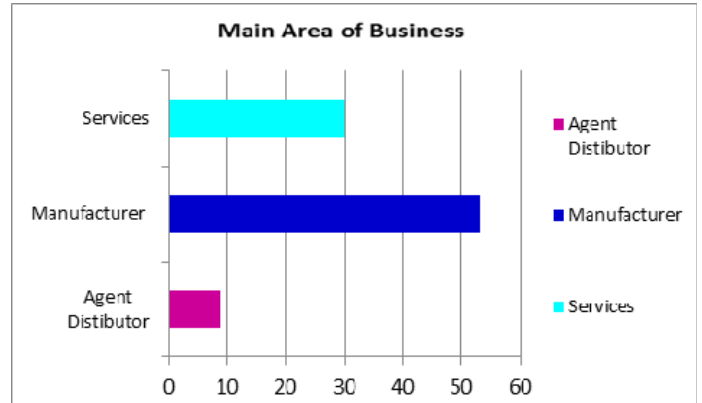


Figure 1: Respondents to main area of business

Turnover

The sector continues to be dominated by small and medium sized enterprises (SMEs) with an annual turnover of less than £50 million. 83% of respondents were SMEs which compared with 78% in 2016 but 84% in 2015.

Utilising our year-on-year method for a crude estimation of market size we arrive at £1,170m for the 87 companies which responded to the question. This computes to a normalised figure (for 100 companies) of £1,345m for 2017 (£1,612 in 2016). The figure demonstrates the first drop in turnover since this methodology was adopted in 2011 which bears out the knock on effect of the persistent low oil price and its effect on projects.

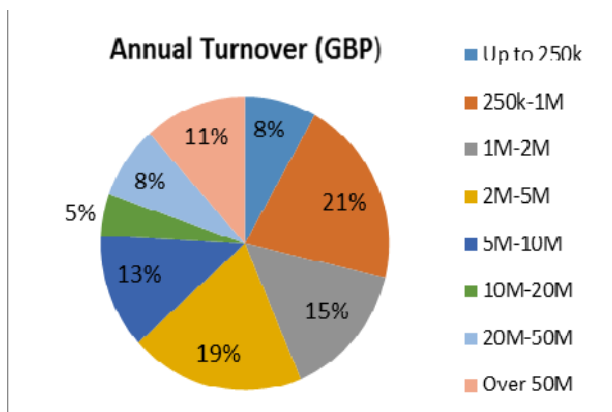


Figure 2: Annual turnover

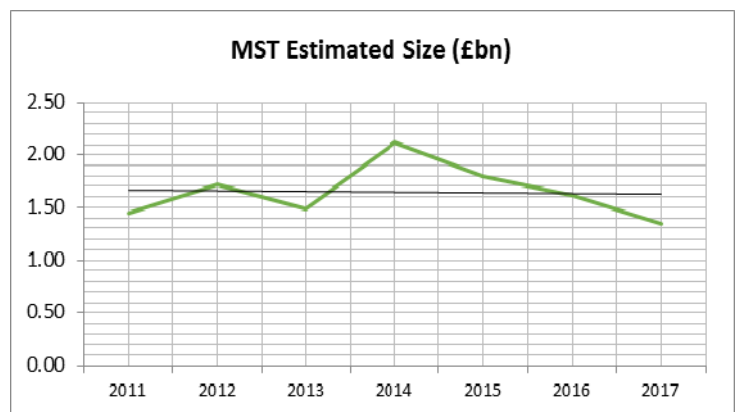


Figure 3: Normalised market share 2011-2017

Proportion of turnover in export sales (%)

A substantial proportion of the companies surveyed (85%) export some of their products and services, however, this is a reduction on the previous two years (91% in 2016 and 100% in 2015). Furthermore, only 36% of companies reported that exports were more than 51% of their annual turnover, compared to 52% in 2016. If we calculate the total value of exports based on the normalised market size value we arrive at a figure of £569m for 2017 (£777m in 2016) which correlates to the reduced number of companies not exporting.

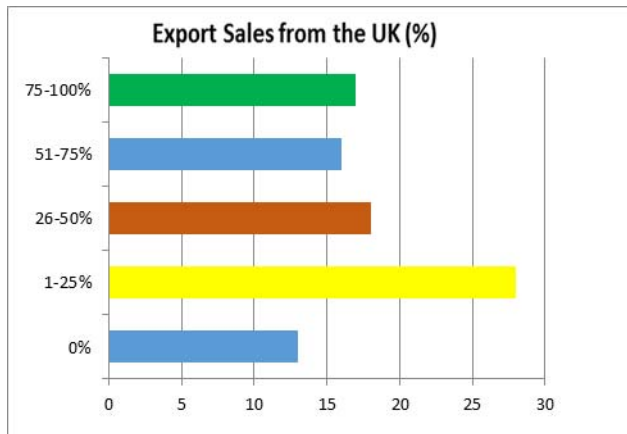


Figure 4: Proportion of company export sales

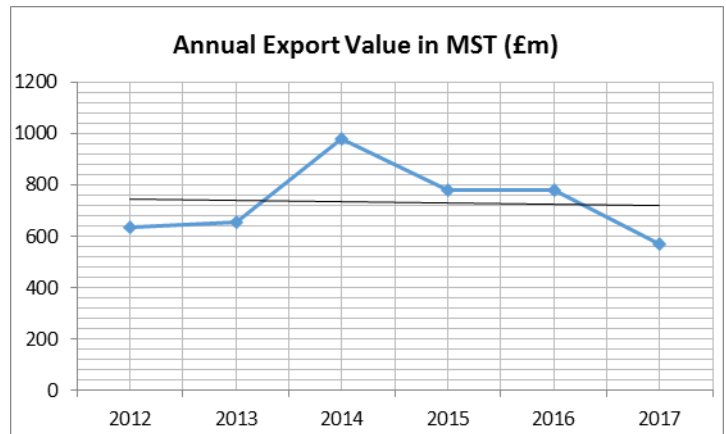


Figure 5: Annual export value in MST 2012-2017

Company Size: Personnel

The total number of personnel employed by companies surveyed this year was 16,375 (92 responses) compared to last year's number of 15,090 (82 responses). The average number of jobs per company is slightly down at 180 versus 184 in 2016.

If we plot the data for the last six years the number employed per company is on a very slight downward trend.

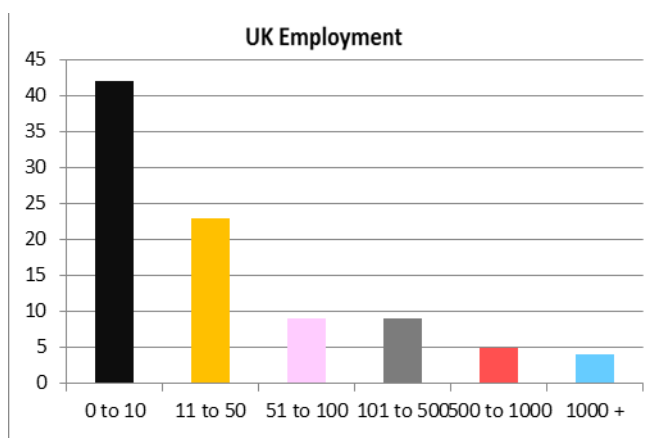


Figure 6: Number of Employees per company

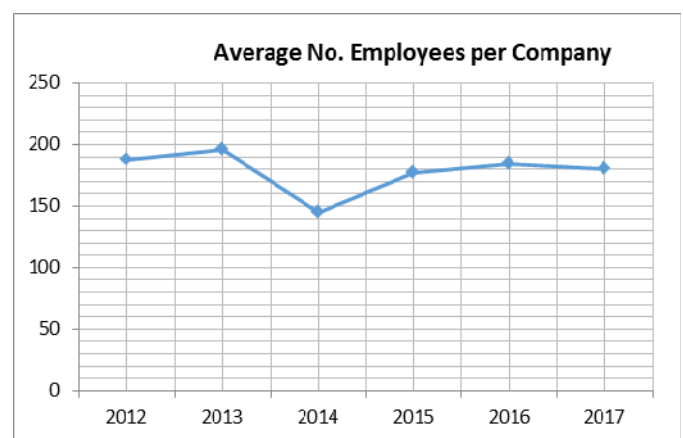


Figure 7: Average number of employees per company 2012-2017

Market Activity

The majority of companies surveyed supply into the oil and gas sector with 80% claiming it to be one of their markets. However, last year 93% of companies mentioned the oil and gas sector as one of their markets which is perhaps a reflection of the current depressed state of that sector in terms of new opportunities. The graph (Figure 8) shows the breadth of applications to which the products and services in the MST sector supply. As shown in 2016, Renewable Energy (67%), Defence (58%) and Environmental Monitoring (53%) are major users of MST and there is a big jump in Academic Research (51% vs 39% in 2016) possibly reflecting that many science research budgets have been maintained against cuts in other areas.

When companies were asked to name their single main market oil and gas was still the most quoted (32%) although by much less than in previous years, with defence (19%) and renewable energy (11%) being the next most quoted.

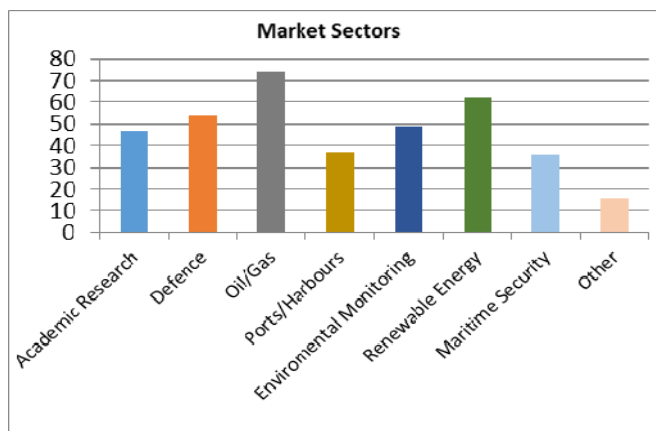


Figure 8: Main market sectors

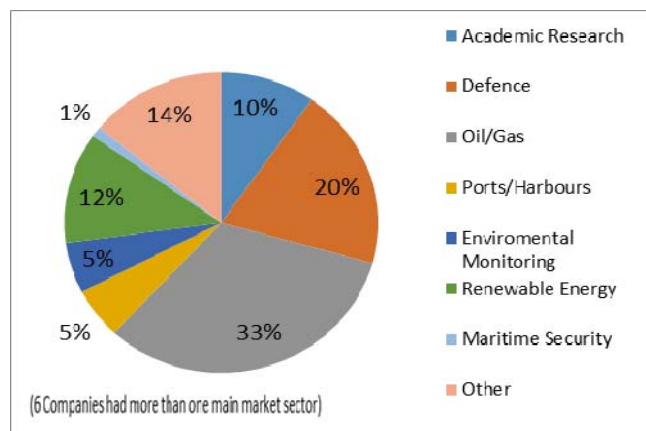


Figure 9: Companies citing market sectors as

Export Markets

The European market was quoted by more companies than any other region although less so than in 2016 (79% vs 94% in 2016). Other important markets were USA/Canada, Asia/Pacific and the Middle East with significant mentions for Africa and South America. It was interesting to note that Europe still comes top as the largest market with 40% 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.

Areas of Growth

Companies were asked in which countries they had seen their most significant growth the previous year and the USA and France came out top. These were closely followed by China and The Netherlands. When grouped by region Asia/Pacific was mentioned the most over Europe. Only 27 companies felt able to respond to this question, the remainder indicating that there had not been significant growth in specific countries and their sales growth had been evenly spread across all the markets in which they had traded.

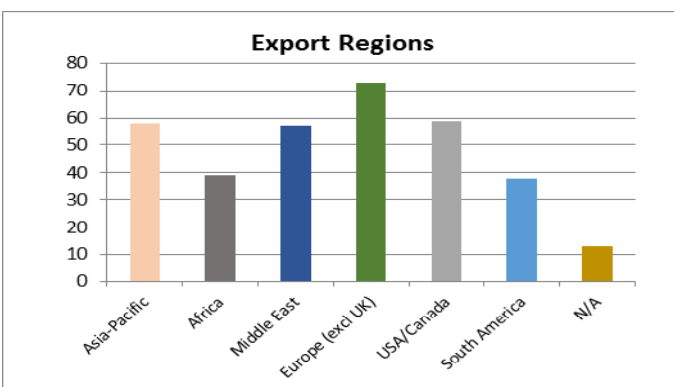


Figure 10: Main Export Markets

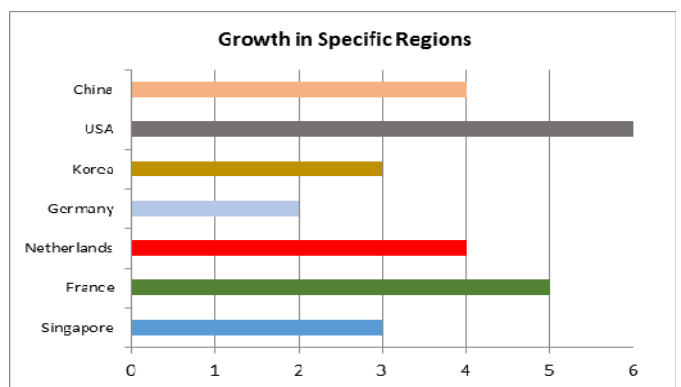


Figure 11: Areas of growth

Business Trends

Business Trends in the **past 12 months**

Somewhat surprisingly 52% of companies reported an increase in turnover for the previous year. The first time for two years more companies had reported an increase than a decrease. This positive picture was reflected in those reporting no change in turnover which had gone down from 50% in 2016 to 28% in 2017. This information appears to conflict with the decrease in UK MST market turnover reported at the beginning of the report and an explanation can be offered that the larger number of SMEs interviewed over previous years possibly skewed the aggregated data even if individually the companies had had a better year.

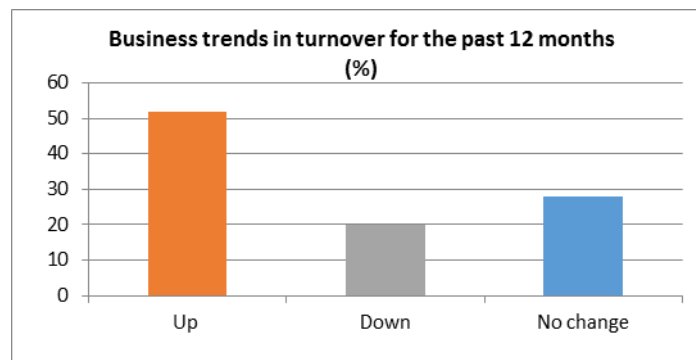


Figure 12: Business trend in turnover

There was a small increase in the number of companies reporting higher R&D expenditure over the year (2017: 49%, 2016: 47%) with 47% reporting no change and 4% a decrease in their expenditure.

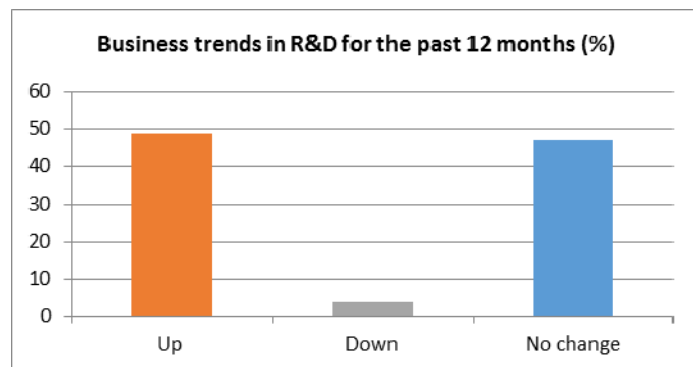


Figure 13: Business trend in R&D

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

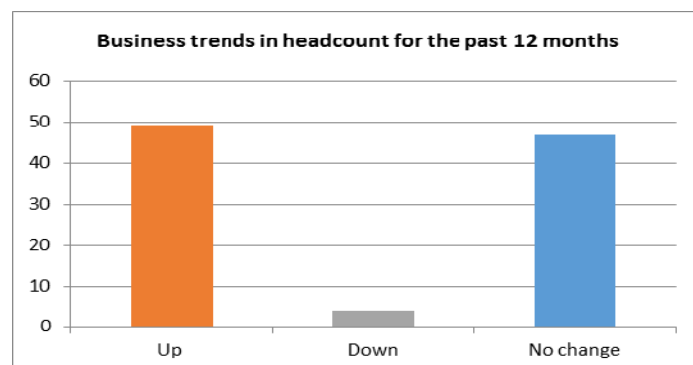


Figure 14: Business trend in headcount

Business Trends in the next 12 months

Companies have a very positive outlook for the year ahead suggesting that they have found alternative business streams and that the oil and gas sector is beginning to look at projects again. 85% of companies are predicting growth over the next 12 months, a figure which has not been seen since 2014 and compares with the relatively modest figure of 51% for 2016. Similarly, only 3% of companies expect a downturn versus 8% last year, further enforcing the positive trend.

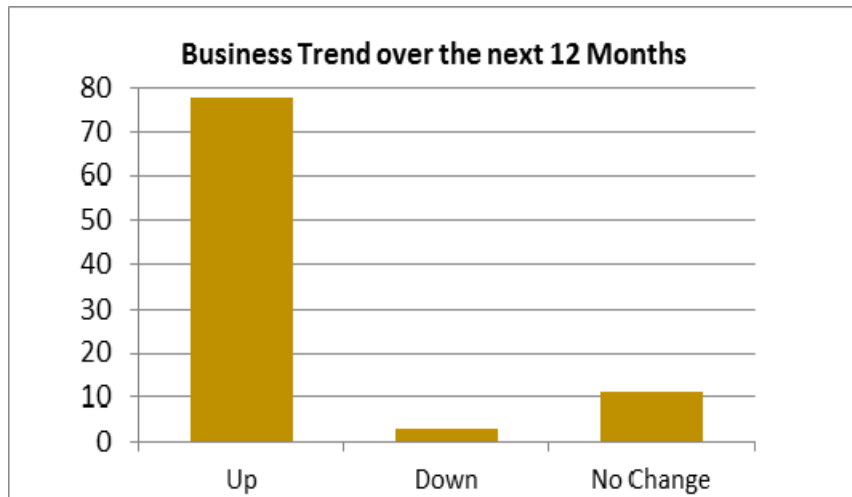


Figure 15: Business trends in the next 12 months

Factors that have had the biggest effect on business

The price of oil is still seen as having a major effect on business over the last year with 72% citing this whereas trade barriers, export controls, skills and finance did not excite undue comment.

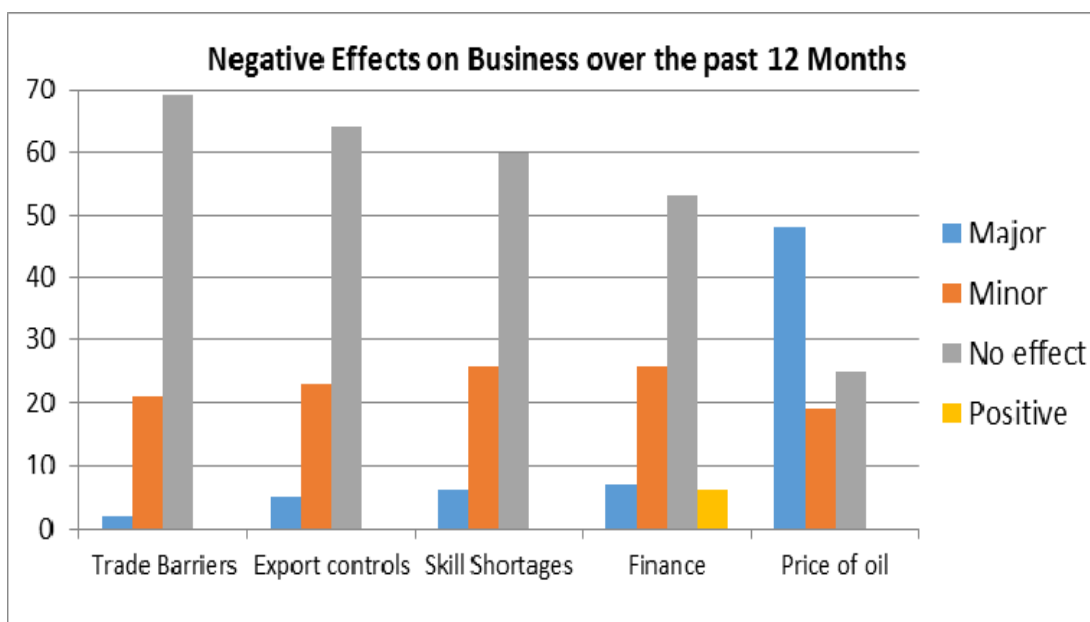


Figure 16: Factors that has the biggest effect on business

Conclusions

- In spite of the last year seeing difficult trading conditions for many companies, the industry faces the future with confidence with 85% expecting to increase their turnover.
- MST companies contribute £1.35 billion per annum to the UK economy with £569m coming from exports.
- The range of applications for MST products and services is broad and whereas oil and gas is still significant, demand from renewable energy, defence and environmental monitoring areas of business has seen an increase for many companies.
- Although Europe is still an important region for export business there is evidence that other areas of the world are beginning to generate business for UK based MST companies.
- Some of the variances with 2016 survey results can be explained that the survey source is centred around two different trade shows and for 2017, a higher proportion of companies were SMEs exhibiting at Ocean Business, whereas in 2016 Oceanology International tends to attract larger multi-nationals.

Survey Methodology

The data for the 2017 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 2017.

The collection, processing and presentation of this data was performed by Katie Gascoyne and Ava Catton of SMI, with assistance from the University of Plymouth.

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 AMSI 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.