International Education Snapshot: January – August 2013

NEW ZEALAND EDUCATION

This report provides a snapshot of the trends in New Zealand's international education industry for the first eight months of 2013. The report utilises information from the Export Education Levy, Single Data Return, and visa statistics and builds on the first international education snapshot report for January – April 2013, published in August 2013[1]. It compares international student enrolment trends from January to August 2013 to the same period in 2012.

The infographic snapshots attached to this report provide insights into trends in each sector, including the subjects students are choosing to study, which markets are growing and declining, and the overall trend in enrolments.

Overview

International student numbers declined by 3% over the January to August period. Universities, ITP, and secondary school numbers grew while primary school and PTE numbers are down. This is largely due to issues around the South Korea market and work rights for language schools. This latter problem has been addressed by recent policy announcements**.** Increased promotion is planned for South Korea and efforts to have New Zealand qualifications recognised by the South Korean government are being intensified.

Positive Trends

- Institutes of technology (ITP) and universities each experienced growth of 4% in international students.
- Secondary schools also experienced growth of 2%. Secondary schools in Wellington and Canterbury experienced the strongest growth of 12% and 8% respectively.
- Demand for science, technology, engineering and maths (STEM) courses continue to increase in line with global trends. STEM enrolments increased 6% in universities and 9% in ITPs.
- Post graduate enrolments continued to trend upward. Masters-level enrolments grew by 17% and PhDs by 7% in the university sector.
- The Canterbury region experienced strong growth of 6%. Canterbury universities, private training establishments (PTEs) and secondary schools showed signs of recovery, with an increase of 4% at

[1] In the dataset for the January – April 2013 Report, Exchange students were not included in the school sector data (533 students), however are included in this report. Refugee students (3 students), off-job training students (approx. 350 students), and visiting military/diplomatic dependants (43 students) were included in the tertiary data in the January – April dataset. These categories no longer align with ENZ's revised definition of an international student and therefore have not been included in the January – August dataset. For a description of the definition used for international students see Appendix A.

universities, 14% at PTEs, and 8% at secondary schools. The primary school sector and ITP sector experienced a decline of 22% and 2% respectively.

- Students from China continued the year-on-year trend of growth, increasing overall by 4% on the same period last year.

Negative Trends

- There were 84,150 international students enrolled with New Zealand schools and tertiary providers as at 31 August 2013. This is a 3% decline when compared with the same period in 2012 (approximately 2,400 students).

- There was a significant decline in students from South Korea, which contributed to 60% of the overall decline.

- The PTE sector declined by 14% (3,500 students). This accounted for 147% of the overall decline off-setting growth in all other sectors. There were positive signs of growth from PTEs in the Canterbury and Otago regions of 14% and 18% respectively.

- The PTE decline was predominately driven by English language providers (ELS), which declined by 15% (2,020 students).

- There was a decline in lower level English language courses, specifically in government-funded providers of 4%. Several providers are reporting that some of these students are progressing into higher level courses (Bachelors and above), which have increased by 1%.

- The Auckland region experienced a 3% decline in international enrolments, reflecting the decline in the PTE sector, which accounted for 127% of Auckland's overall total decline in students.

- The primary school sector declined by 9%. This is directly related to the decline in students from South Korea, which equated to 145% of the total primary school decline – offsetting growth from China and Thailand. There are positive signs the primary school sector is diversifying. When excluding students from South Korea, the primary school sector has seen strong growth of 12%.

- First-time student visas issued from January to August 2013 declined by 2% compared to the same period last year. 83% of this decline was attributed to South Korean students. There were positive signs of growth from other markets such as India (↑5%), China (↑5%) and the South American region (↑ 4%).

Table 1: The percentage change and total change in students in the International Education Sector:
January to August – 2013 vs. 2012
*rounded

All Sectors	University	ITP	School	Wānanga	Subsidiaries	PTE (excluding ELS)	ELS	Total PTE	Total
% Change	↑4%	↑4%	0%	↑160%	↓4%	↓7%	↓17%	**↓10%**	**↓3%**
Total Change*	↑820	↑390	↑30	↑8	↓130	↓1,490	↓2,020	**↓3,500**	**↓2,400**

Analysis

The two main enrolment periods for international education providers for 2013 has seen a decline of 3% (2,400 students), against the same period in 2012.

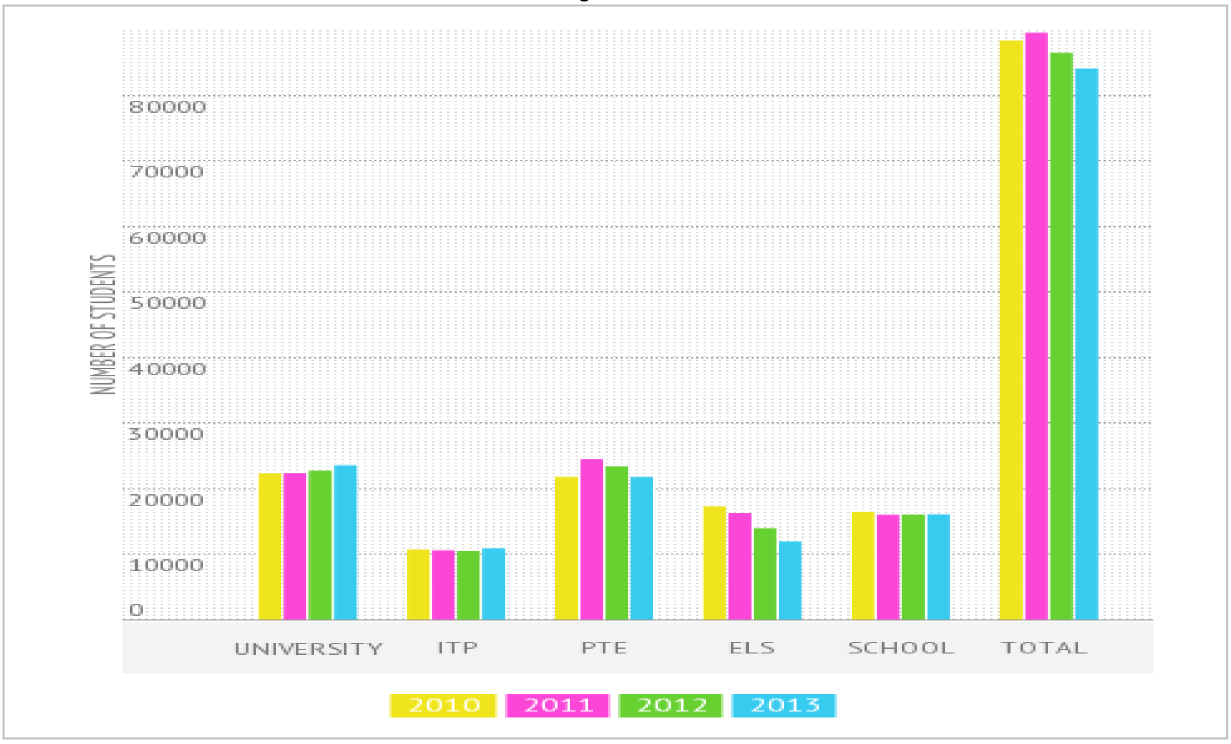
The overall decline of 2,400 international students can be attributed to two key factors:

1. **The loss of 1,440 students from South Korea, contributing to 60% of the overall decline of international students**

2. **The PTE sector experienced a loss of 3,500 students, which offset growth in the university, ITP and secondary school sectors.**

In light of these significant declines, the industry has proven to be relatively resilient, while showing pockets of growth.

Figure 1: The Number of Students in the International Education Sector:
January to August - 2010 to 2013
*Excludes Wānanga and Subsidiaries



South Korean decline

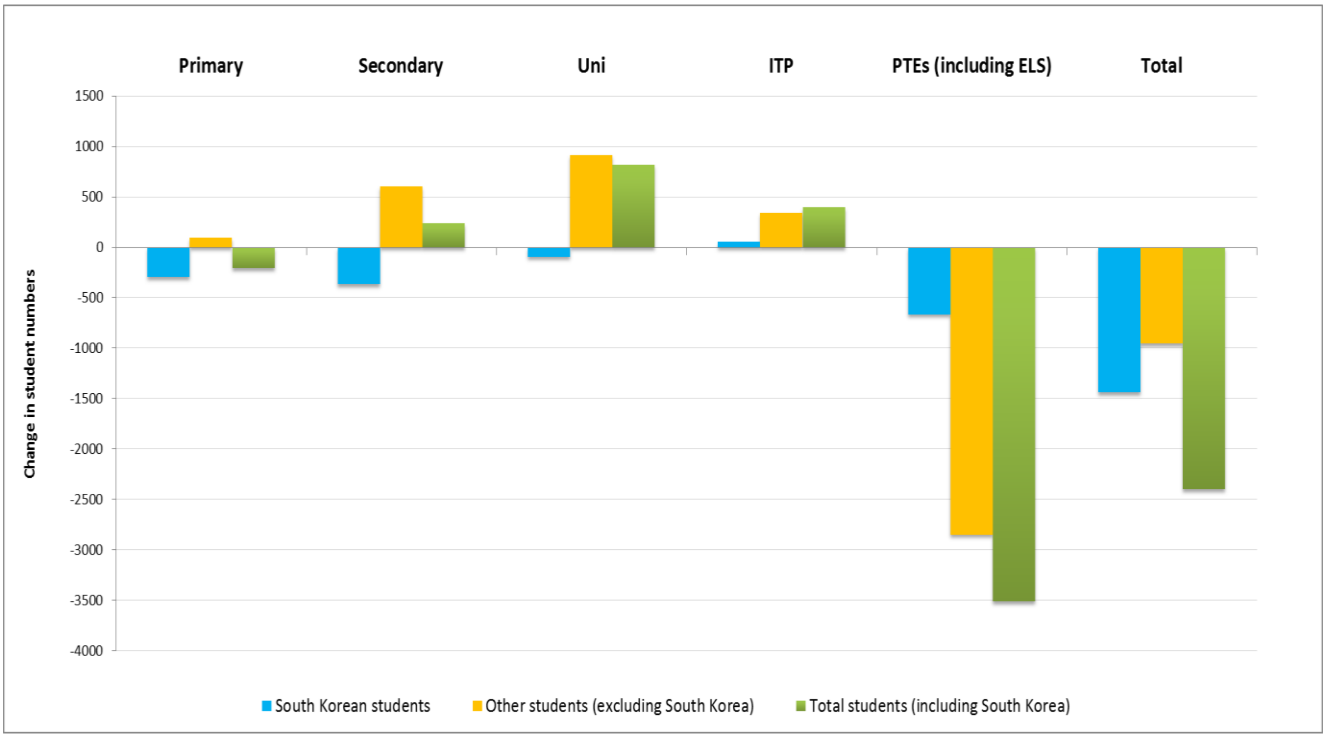
The signals from South Korea suggest that the decline in students is a global trend, driven by in-market socio-economic factors, which have impacted on the number of South Korean students studying abroad. There was a 40% decrease in outbound South Korean school students between 2006 and 2012. There appears to be three key changes that have occurred in South Korea to contribute to this, including:

- demographical changes such as decline in birth rate and the shrinking of the middle class
- a drive by the government of South Korea to retain students and improve the delivery of education domestically, specifically English language provision, and
- a relatively sluggish economy, which has only seen 1% growth in GDP between 2006 and 2013.

Students returning to South Korea from New Zealand to continue studies are often required to produce documentation from New Zealand which states that the school or training provider they studied at was officially "government approved". Formal recognition arrangements between New Zealand and South Korea would assist in the further promotion of New Zealand as a priority education destination for South Korean students and may also impact on their willingness to stay on in New Zealand for tertiary study. A recognition arrangement with the key South Korean agencies is currently being negotiated by the New Zealand Qualifications Authority (NZQA) and Education New Zealand (ENZ).

Figure 2 shows the significance and impact of the South Korean decline for New Zealand. This graph also illustrates how some sectors, like the secondary school sector, has demonstrated its resilience and ability to adapt and to grow in spite of the significant decline in South Korean students.

Figure 2: Comparing the change in South Korean and total student numbers by sector between January - August 2012 and 2013
***Excludes Subsidiaries and Wānanga**



PTE decline:

There was a net decline of approximately 3,500 enrolments in the PTE sector, of which 60% (2,020 students) were attributed to English language providers. The decline was centred in Auckland representing 83% of the net PTE decline. Approximately 70% of the decline can be attributed to four key countries; China represented 22%, South Korea 19%, Saudi Arabia 17%, and Brazil 11%.

ENZ met with a range of PTEs to understand the context and issues attributed to the Auckland decline. Providers highlighted increased global competition, recent policy changes, operational immigration processes in some markets and the decline in South Korean students as being the key contributing factors of the decline these providers are experiencing.

The relatively tough operating environment has caused some PTEs to rationalise their operations or no longer accept international students; this relates to approximately 650 students.

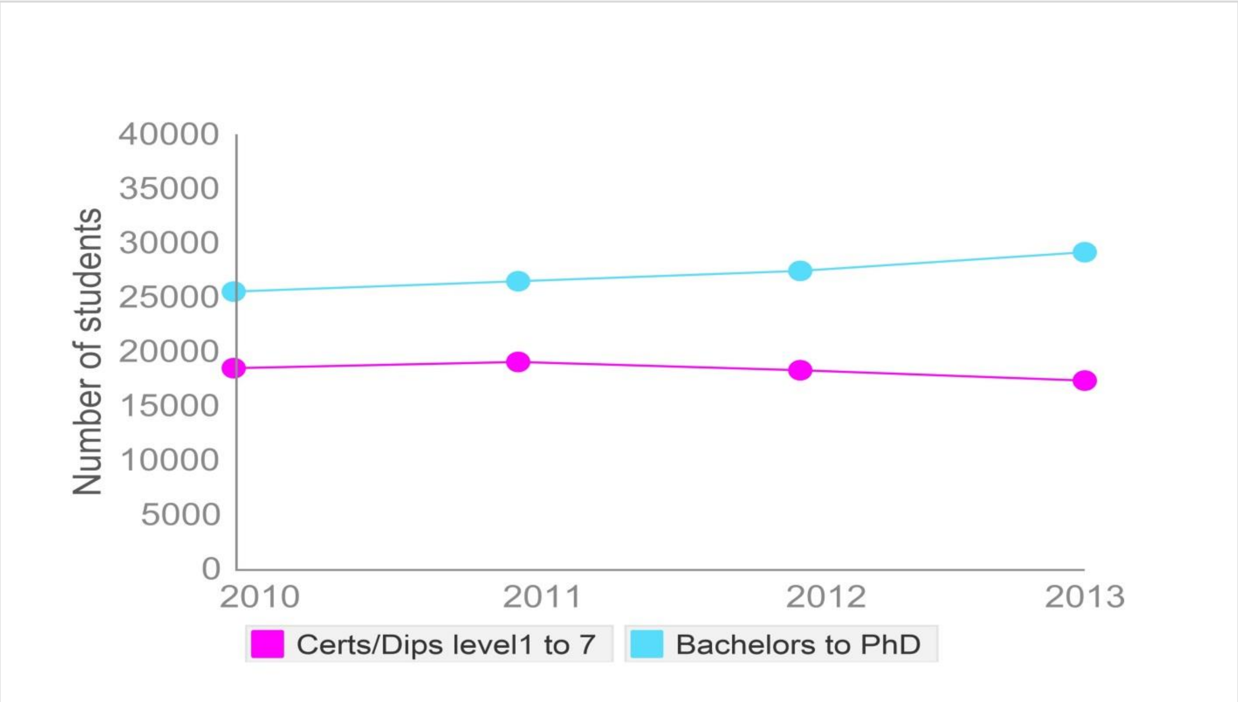
Commentators expect that the decline in the English language sector will stabilise with recent Cabinet decisions to extend full-time work rights for all scheduled breaks for students enrolled for one academic year. This applies to all tertiary education providers, regardless of their External Evaluation Rating (EER) rating2. Providers are already reporting a positive impact on student interest.

Growth in higher education

There has been a consistent trend in international students focusing on quality higher education. The trends suggest there has been a decrease in low level English language courses, specifically by government-funded providers. This reduction has been offset with strong growth in Bachelor-level and above, with growth in subjects such as Engineering (↑14%), Management and Commerce (↑9%), Information Technology (↑7%), and Agriculture, Environmental and related studies (↑13%).

With the recent changes to work rights, it is predicted that the trends seen on Figure 3 will continue as international students will opt to enrol in longer-term provision to qualify for work rights.

Figure 3: Trends in low and high level provision in the tertiary sector, January to August 2010 - 2013



Canterbury recovery

There were positive signs of recovery in Canterbury with an overall 6% increase in students. There are clear signs that the international education industry recovery in Canterbury is picking up pace. The future focus for ENZ is to create a sustainable platform to begin transition and handover from ENZ-led recovery initiatives to industry-led initiatives in the region.

Growth of South American Scholarships

The secondary school sector has seen strong growth resulting from South American scholarship schemes. In January, 334 secondary school students from Brazil arrived to study for six months under the "Win the World" programme funded by the Brazilian Pernambuco State government. Also, 40 Chilean secondary school students studied in Auckland under the "Penguins without Borders" pilot, also for six months. In July, 101 further "Penguins" arrived for the remainder of the year. These arrangements have provided new areas of growth and diversity for the industry.

Emergence of Wānanga

Te Whare Wānanga O Awanuiarangi has entered the market offering "Doctorate of Indigenous Development and Advancement" to international students, at full international fees. These students are predominately from the USA and study through distance learning. These students travel to New Zealand for block courses. Currently there are 12 students enrolled. ENZ is looking at how it can best support the growth of niche programmes delivered by Wānanga.

International Education trends in Australia

Enrolments between January to August remained flat in Australia (0.8% growth). Declines occurred in the higher education sector (↓0.3%), vocational education and training (VET) sector (↓8.4%), and school sector (↓3.9%).

The English Language Sector (ELS) and non-award sector[3] saw strong growth of 18.8% and 10.4%, predominantly driven by increases from Colombia (↑30%), Brazil (↑26%), and Viet Nam (↑79%). These two sectors appear to be providing Australia's international education industry with stability as traditional markets decline.

Australia saw overall declines in traditional markets such as China (↓0.9%), India (↓11.3%), South Korea (↓1.1%), and Saudi Arabia (↓7.7%). The decline is being offset by new and emerging markets such as Brazil (↑16.2%), Pakistan (↑18.9%), and Colombia (↑19.1%).

Commentators suggest the possible cause of the decline in the Australian tertiary sector is due to the high cost associated with international education in Australia. Also, Australia appears to be experiencing a 'hang-over' effect from the significant decline in Indian students that occurred as result of attacks on international Indian students around 2009. Since 2010 the number of Indian student enrolments has declined by 53% (47,140 enrolments).

[3] Includes foundation studies and enabling courses.

The recent increase in Australia's ELS sector is being driven by changes in work rights and streamlining of visa processing. These changes have been highly attractive to South American students. The changes to Australian work rights are similar to the New Zealand work right changes announced in September.

Outlook

Overall:

The short-term indicators suggest the 2013 year-end result will show a slight decline overall when compared to 2012. Growth in the university and ITP sectors will most likely continue. The declines already experienced in the ELS sector may slow down and stabilise with some providers already reporting an increase in interest as a result of the recently announced changes to work rights.

Overall, Tuition fee revenue and economic benefits are expected to remain steady.

In the medium-to-long term, on-going work on policy settings to support international education growth; opportunities for the sector to link industry growth funding with planned marketing and promotion activities in key markets; an anticipated increase in scholarship students and global forecasts of increasing demand for high quality international education indicates, on balance, a positive outlook for New Zealand's international education sector.

Student Visa:

It appears that the decline in student visa numbers that was experienced in 2012 is now stabilising and showing signs of growth.

Between January and August total student visa numbers have declined by 2% on the same period the year before. The net decline of student visas was approximately 1350 overall; of which 1200 were South Korean student visas. The decline was primarily driven by an 18% decrease in student visas in February and March 2013. Student visas have rebounded from the early decline and have steadily grown by 8% between April and August.

Between April and August, total first time student visas issued grew by 6%, on the same period the year before. This is a positive sign as it shows that there is a new pipeline of students entering. There have been some encouraging signs of growth coming out India, China, Philippines, and Brazil.

Work rights:

The changes to work rights announced in September will position New Zealand equally against our competitors. The changes were to:

- extend part-time work rights to Category 1 English Language providers,
- extend full-time work rights during scheduled breaks/vacations to students enrolled for one academic year or more in all tertiary providers, and
- unlimited work rights for PhD and Masters Research students.

These changes will most likely cause a decrease in enrolments in shorter duration courses as students will move to enrol in longer courses at higher levels to be eligible for work-rights. These changes will most likely amplify previous regulatory changes that are aimed at encouraging international students into higher level programmes of longer duration in order to secure post-graduation work rights. The non-English language providers in the PTE sector will need to continue to adapt their product offerings to meet these regulatory settings if they are to successfully reverse current overall trends of declining student volumes.

ENZ will continue work with Immigration NZ and Ministry of Business, Innovation, and Employment to track the impact and gain a better understanding on policy settings and influences.

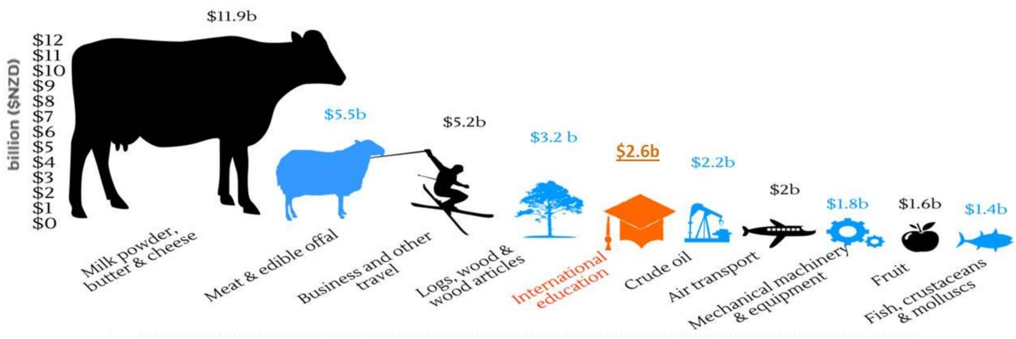
Economic Value of International Education:

In September the Economic Impact of International Education 2012/13 report produced by Infometrics was released. Infometrics estimate the value of international education at $2.6 billion. The sector has increased by 3% in value since 2008.

Key highlights:

- Offshore activity contributes approximately $104 million.
- International education supports more than 28,000 jobs nationally – 13,607 directly and 14,563 indirectly.
- By sector, universities proportionately contribute the most at $901 million (34.7% of the total), followed by non-ELS PTEs at $583 million (22.5%), and ELS PTEs $343 million (13.2%).
- By region, Auckland contributes the most at $1.65 billion (63% of the total), followed by Canterbury $195 million (7%) and Wellington $177 million (7%).
- International education is New Zealand fifth largest export.

Figure 4: Top 10 New Zealand Exports



Future trends:

International education commentators are still forecasting an increase in demand for international education globally, however at lower levels than previously predicted. Factors such as improved domestic provision, increased inter-regional student mobility and the strong growth of online provision has slowed the growth rate of international student mobility, specifically from traditional markets. The changing international environment presents new opportunities with the emergence of new markets such as Brazil, Indonesia and Chile, and new modes of delivery such as in-market delivery, on-line delivery, and new qualifications such as taught-Masters' degrees[4], which tend to have high demand due to the length and quality of the course.

ENZ is currently assessing the emerging landscape to identify opportunities and future scenarios. This work, when completed with the industry strategic roadmap being developed in conjunction with industry

[4] Also referred to as 180-point Masters' degree.

participants, will hold the industry in good stead to respond to take advantage of tomorrow's operating environment.

For detailed statistical information:

Immigration data is available at: www.immigration.govt.nz

Education data is available at: www.educationcounts.govt.nz.

The Export Education Levy data will be released in November 2013. The Single Data Return data will be available in a full-year data set in early 2014.

Appendix A

Definition of an international student:

As part of the Economic Valuation study earlier in 2013, ENZ revised the definition of International students to align with international standards.

ENZ defines international students as students who are non-residents of New Zealand who:

- have entered into New Zealand expressly with the intention to study, or
- have enrolled in a New Zealand provider offshore, where the educational programme is delivered in-market.

Along with full fee-paying students, the following categories have been included when measuring the economic value of international education[5]:

- international PhD students
- exchange students
- NZ AID students
- foreign research post graduate students.

[5] These categories are considered to be domestic students under the Education Act 1989.