

## **Briefing for First Minister on Unis Wales research into the economic impact of international students**

### **Key messages:**

- International students bring immense cultural, social and economic **benefits to Wales**
- This report shows the significant and positive economic benefit to Wales of hosting international students.
- In 2015/16, international students and their visitors generated **£716m of Welsh output**, created **£372m** (equivalent to 0.7%) of **Welsh GVA** through expenditure, and generated over 6850 FTE jobs, (equivalent to **0.5% of Welsh employment**).
- This economic impact **flowed across Wales, with 1,598 jobs and £82m of GVA** created in areas which do not have a university presence .
- In **Wales**, since 2013/14, **non-EU student numbers have dropped by 3230, or 16.2%**. This equates to a **loss of £59.8m of Welsh GDP**, and is the equivalent of **1098 additional jobs**.
- However, **proactive work by the Welsh Government and Welsh universities in fostering positive relationships** with the global higher education market, and particularly the markets facing the greatest reduction in recruitment in South Asia, will likely prove beneficial for future recruitment trends.
- Future changes to immigration rules following Brexit could cause greater drops in EU and Non-EU recruitment, having further economic implications for Welsh HEI's and the Welsh economy and jobs.

### **1. Background to report**

- International students bring cultural, social and economic **benefits to Wales**.
- The Welsh Government set out its international agenda for Wales in 2015<sup>1</sup>, which highlighted the **role of universities in strengthening Wales' international presence**.
- Welsh universities not only contribute to an outward-looking, international Wales, but **bring immense economic, social and cultural benefits** to Wales through our globally connected institutions.
- At a time of increasing challenges to Welsh higher education on the international and national stage, it's important to **recognise the benefits of international student recruitment** for our institutions, and Welsh society and economy.

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<sup>1</sup> Wales in the World: The Welsh Government's International Agenda (2015)

## **2. Profile and characteristics of international students in Wales**

- **22,190 international students** from **140 countries** from both the rest of the EU and non-EU countries in Welsh universities 2015/16.
- **5460** from other EU countries (beyond the UK), and 16,730 from outside the EU
- International students make up **17% of the total** 128,670 students in Wales.
- The **largest cohort of international students come from Asia 44%**. Followed by 25% EU, Africa 11.3%, Middle East 12.5%.

## **3. The economic impact of international students.**

- The international dimension of Welsh higher education is of **considerable value to Wales**, in terms of making international connections and acting as a bridge between Wales and the global economy. It increases the country's presence on the world stage with the additional economic and cultural benefits that could bring.
- By attracting students from abroad, the higher education sector is contributing, both immediately and in the longer term, to the goal of **raising the country's profile** and attracting investment
- International students are having an **immediate and positive impact on the Welsh economy**
- **Communities across Wales benefit** from their direct and immediate impact on the economy, even those without a university presence.
- The research found that overall, in 2015/16, international students and their visitors generated **£716m of Welsh output, £372m GVA** through expenditure, and generated over **6850 FTE jobs**.

### **Breakdown of findings:**

#### **3.1 GVA**

The spending of international students and their visitors generated **£372 million of Welsh GVA** – which was equivalent to **0.7% of 2015 Welsh GVA**.

- Every Non-EU student generated £18.5k of Welsh GVA.
- Every EU student generated £9.3k of Welsh GVA

### 3.2 Export Earnings

International students and their visitors spent **£487 million in 2015/16**. This was equivalent to **3.7% of all 2015 Welsh exports**. This was also greater than the total 2016 international tourist and visitor spend in Wales.

### 3.3 Output

The expenditure of international students and their visitors generated **£716m of Welsh output** across Wales.

- Every Non-EU student generated £34.9k of Welsh output.
- Every EU student generated £19.3k of Welsh output.

### 3.4 Jobs

The spending of international students and their visitors generated over **6850 full time equivalent jobs in Wales**, equivalent to nearly **0.5% of Welsh employment**. While a large part of the impact was felt in the areas immediately surrounding the universities, jobs were generated right across Wales.

- One Welsh job was generated for every 3 Non-EU students in Wales.
- One Welsh job was generated by every 6 EU students in Wales.

### 3.5 Distribution of impact

Most of the impact was felt in university areas, where students are based. However the analysis also showed that impact **flowed across Wales including to areas that do not have a university presence**.

- 1,598 jobs and £82m of GVA were created in areas which do not have a university presence

## 4. Comparison to previous 2015 report on 2013/14 data.

- EU student numbers have remained much the same over the past two years.
- There has been a drop of **16.2% of non-EU student numbers** - a total of 3230.
  - This is higher than the UK average, where Non-EU student numbers have remained broadly the same.
- There is a noticeable geographical cluster in drop in recruitment – there's been a **clear drop in recruitment from South Asia, with 2,915 fewer students- a drop of 59%**. Sri-Lanka, Bangladesh, India, Pakistan and Nepal all saw significant reductions.
- This is **higher than the UK average**, where Non-EU international student recruitment in this market has dropped by 22%

## 5. Remarks on findings.

- As part of the UK, Wales continues to be one of the most attractive destinations in the world for international students and staff – despite fierce global competition and significant challenges in terms of the UK immigration system – but recruitment figures in Wales over the last few years have not done justice to our potential to increase our success in this global growth area, and any further reductions in recruitment risk losing the opportunities for economic growth offered.
- For example, the reduction in Non-EU international student recruitment of 16.2% **equates to a loss of £59.8m GDP and is equivalent to 1098 Welsh jobs.**
- One possible explanation for the drop in recruitment is changes to UK Home Office immigration and visa regulations affecting overseas (Non-EU) student admissions. For example in relation to Indian applicants in particular, surveys suggest that the tightening of post-study work rules has deterred many. Other explanations are decreasing currency values and emerging HE markets elsewhere.
- The 59% drop in recruitment from South Asia is significant as South Asia has been and continues to be an important target international market for Welsh higher education, and so a significant reduction in recruitment from this geographical market has an impact on overall Non-EU international recruitment figures for Wales.
- However Unis Wales **recognises and appreciates Welsh Government's active work** on fostering positive relationships with the global higher education market, and particularly the South Asia market, for example the upcoming visit to Vietnam, and believes these efforts will prove beneficial to future recruitment trends
- Whilst EU student recruitment has remained the same, Brexit will have implications for recruitment trends short and long-term. Initially, we expect to see a rise in EU student recruitment following the vote to leave, as EU students monopolise on existing access arrangements. However long-term, Brexit will result in **predicted reductions in recruitment**, which will have financial implications for both Welsh HEIs and the Welsh economy, jobs and international trade relationships.
- Unis Wales **supports WG in Opposing the UK Government's arbitrary reduction of immigration**, and of WG's desire long-term to see reform of migration policies to recognise unique needs of Wales, moving away from current UK-Wide approach, as stated in their "**Brexit and Fair Movement of People: Securing Wales' Future**" paper.

## 6. Methodology

- This report updates an earlier 2015 study, and presents an **analysis of the 2015/16** economic impact on Wales of International students.
- Student and visitor expenditure and its impact on the Welsh economy was modelled using a **purpose designed input-out based modelling system**, designed for analysis of higher education institutional and student impact.
- A Welsh higher education 'gravity-model' was developed and used to examine how **impact flows out across Wales** from centres of higher education student concentration.

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