



‘Study in Australia 2010’ July update

Throughout May and June 2009, Australian Education International (AEI) conducted a series of national briefings across Australia, including presentation of market information and economic data, to illustrate the impact of the global economic downturn on the international education industry.

This purpose of this update is to provide the latest available information on the status of the industry and the economic downturn.

This update looks at the latest International Monetary Fund (IMF) projections, exchange rate movements for the first six months of 2009, and the latest AEI data for commencements from the six key countries for AEI’s ‘Study in Australia 2010’ initiative.

Some key findings

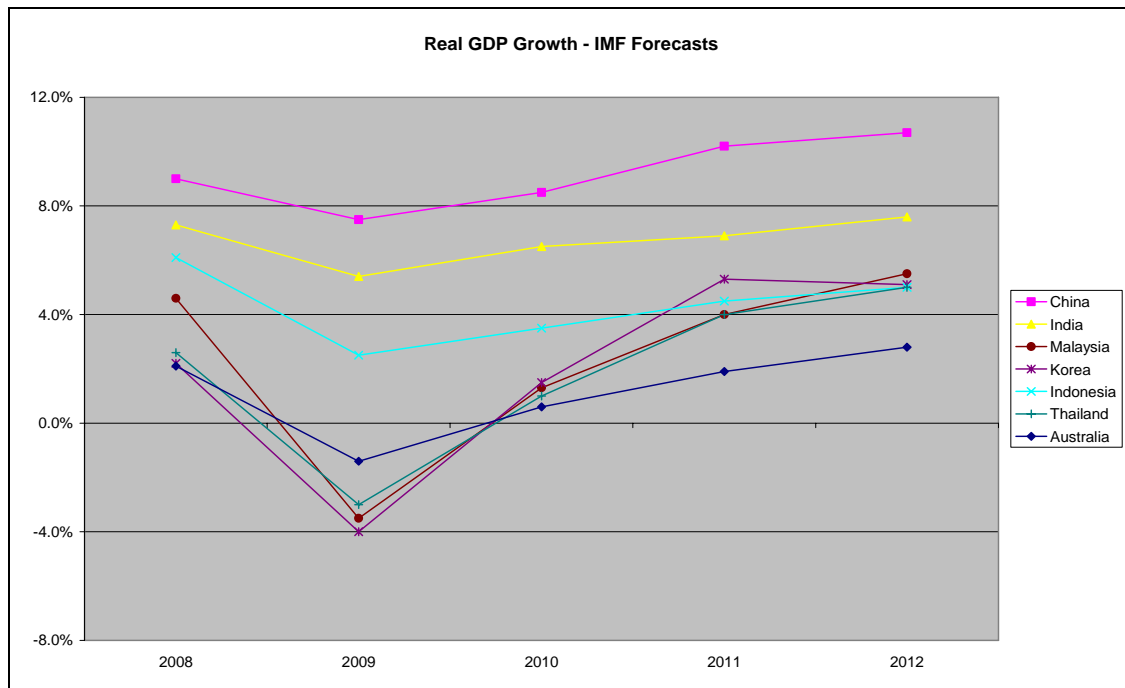
- The IMF is predicting increased global economic growth, but notes that the global economic downturn is not over.
- In 2009, the Australian dollar has risen in value in comparison with key competitor and source countries in the international education market, notably the USA, China and Korea.
- Year to date international student data for 2009 indicate little overall impact on student enrolments or commencements, which continue to grow on 2008 figures. However, there has been a small decline in 2009 commencements from Korea and a moderate decline in overall commencements in the Schools sector.

Economic forecasts

On 8 July 2009, the IMF released its latest World Economic Outlook Update¹, which predicted an improvement in the global economy, forecasting higher economic growth in 2009-10 than previously predicted. Despite predicting higher economic growth, the IMF report notes that the global recession is not over, and recovery is expected to be slow.

With the release of the World Economic Outlook Update, the IMF has revised its GDP growth projections for a number of countries, including China and India². For China and India, the growth forecasts for 2009 have been revised upwards by 1.0% and 0.9% respectively from the IMF forecasts used in the AEI national briefings, reflecting the improving global economic environment.

The chart below shows the latest IMF forecasts for real GDP growth for each of the six major countries, plus Australia, from 2008 to 2012³.



As the figure above shows, the IMF is forecasting that in 2009, Korea, Malaysia, Thailand and Australia will all experience a fall in real GDP output. China, India and Indonesia are all forecast to grow, although at much lower rates than in recent years.

All seven economies are forecast to grow each year between 2010 and 2012, with China in particular returning to double digit growth from 2011.

¹ <http://www.imf.org/external/pubs/ft/weo/2009/update/02/index.htm>

² The IMF is expected to next update its projections for all countries in October 2009.

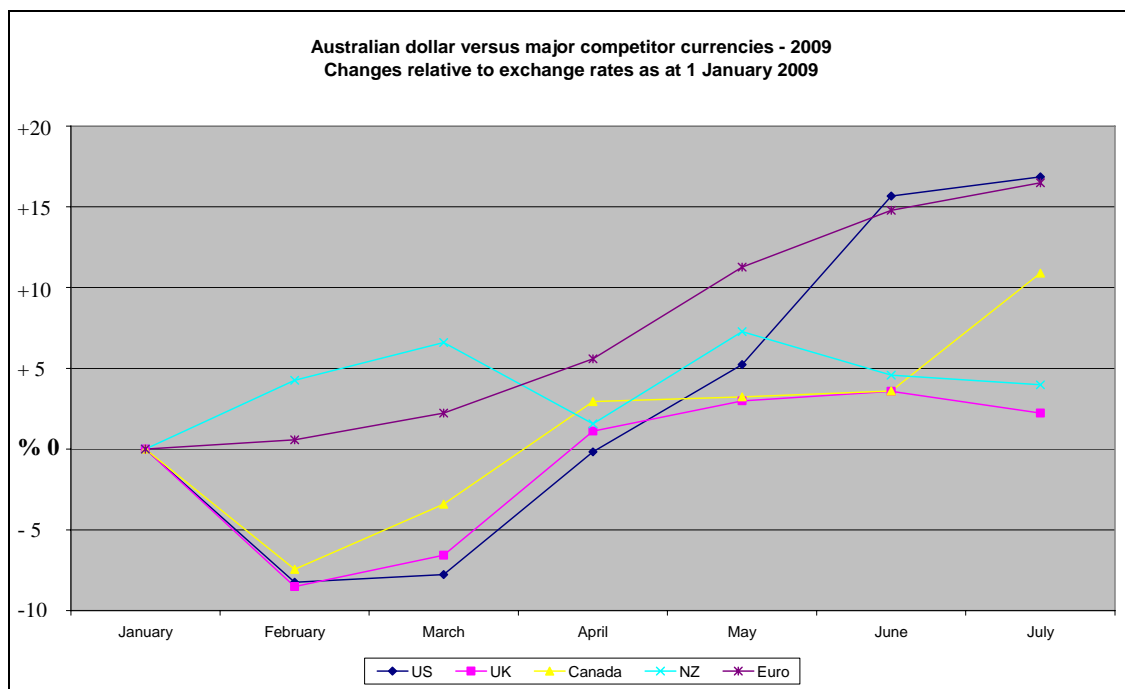
³ Data for the chart is sourced from the IMF's Data Mapper (<http://www.imf.org/external/datamapper/index.php>) and from the July 2009 World Economic Outlook Update.

Exchange Rate Movements

AEI has released two research snapshots looking at the movements of the Australian dollar against both major competitor and source country currencies⁴. As these snapshots note, exchange rate movements can have a significant impact on student decisions about their study destinations, impacting on Australia's price competitiveness.

The data (presented in the chart below) tracks changes in the relative value of the Australian dollar in other countries – starting from an arbitrary point in time (1 January 2009 is used below) representing the value of AUS\$1.00 at that time. A declining value in the next month indicates the Australian dollar has become more affordable in that country – while an increase means the Australian dollar has become more expensive.

The chart below shows the appreciation of the Australian dollar against the US, UK, Canadian, New Zealand and Euro currencies from 1 January 2009 to 1 July 2009⁵. This indicates that since the start of 2009, the Australian dollar has appreciated 17% in value compared to the US dollar; 2% against the UK pound; 11% against the Canadian dollar; 4% against the NZ dollar and 16% against the Euro.

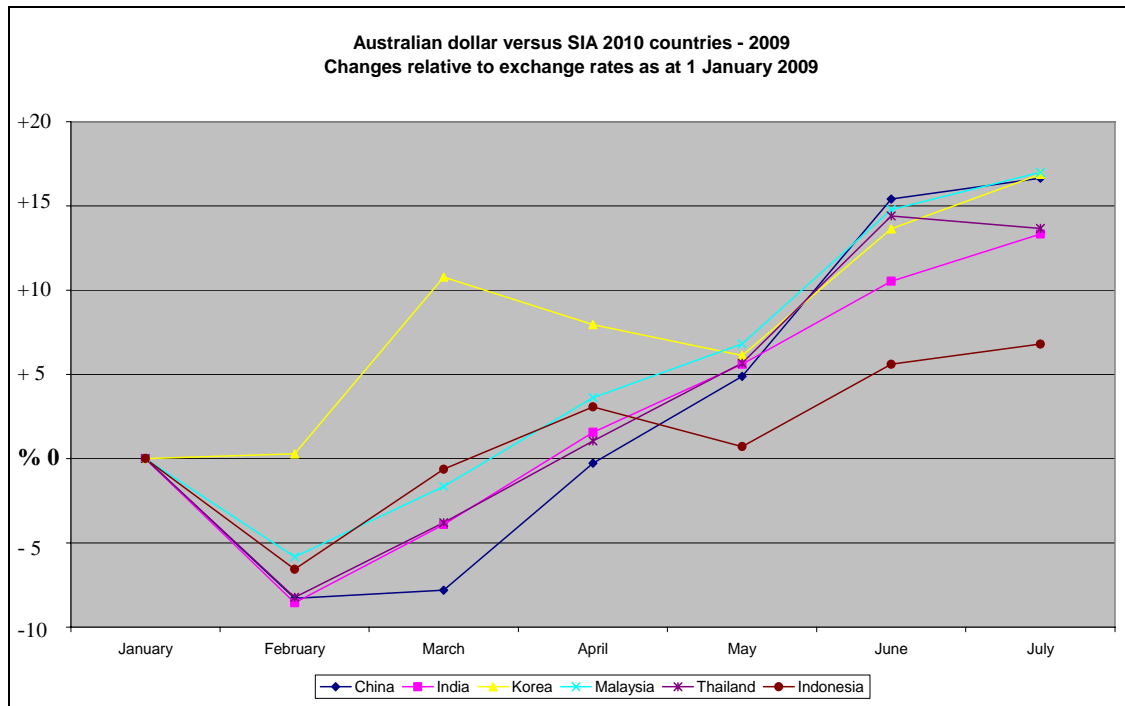


⁴ See http://aei.gov.au/AEI/PublicationsAndResearch/Snapshots/13SS06_pdf.pdf and http://aei.gov.au/AEI/PublicationsAndResearch/Snapshots/43SS09_pdf.pdf

⁵ This chart and the following chart have been constructed using exchange rate data obtained from OANDA (<http://www.oanda.com/convert/classic>)

These currency trends are consistent with broader global economic trends. Since the start of 2009, Australia's relatively resilient economy and a decreasing global credit risk have contributed to a rise in the value of the Australian dollar against some of Australia's major competitors in the international education and training sector.

The chart below shows a similar picture, showing the relative appreciation of the Australian dollar against the currencies of the six focal 'Study in Australia 2010' countries.



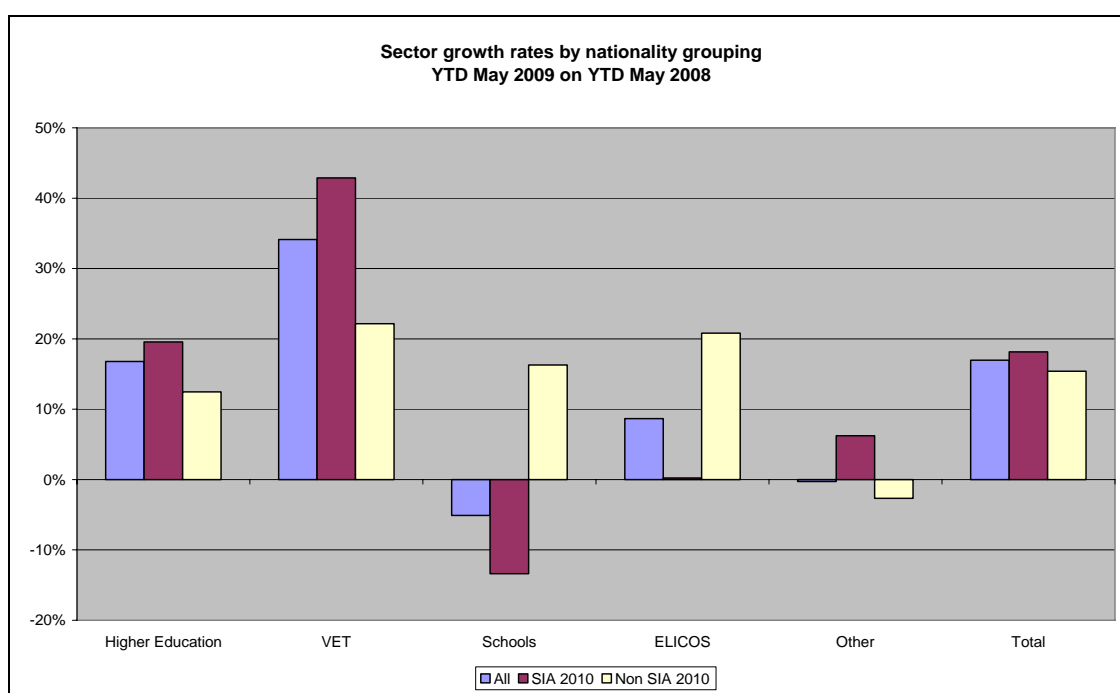
Relative to the start of 2009, the Australian dollar has appreciated by 17% against the Chinese, Korean and Malaysian currencies; by 14% against the Thai baht; 13% against the Indian rupee and 7% against the Indonesian rupiah.

These two charts show that relative to major competitor and source countries, the appreciating dollar is making an education in Australia relatively more expensive than at the start of the year. Despite this relative increase in the cost of an Australian education, the number of international commencements in Australia continues to grow; suggesting international students recognise and appreciate the quality of an Australian qualification. The next section of this outlook examines the latest data on international student commencements and enrolments.

International student commencements and enrolments

In 2008, the number of international student enrolments in Australia reached an all-time high, exceeding 500,000⁶. Despite the current global economic environment significantly affecting many of Australia's major source countries, demand for an Australian qualification remains high, and commencements in the year to May 2009 are significantly ahead of where they were at that time last year, suggesting that international student enrolments for 2009 will reach a new all-time high.

The chart below shows the relative growth rates in commencements by sector for all nationalities, for the six 'Study in Australia 2010' countries, and for all the other countries combined.



International student commencements are up 17% in the year to date (YTD) May 2009 when compared to YTD May 2008, with the six 'Study in Australia 2010' countries increasing by 18%⁷. Most of the growth has come from the vocational education and training (VET) and higher education sectors, with a small fall in the schools and other (non-award) sectors.

⁶ http://www.deewr.gov.au/Ministers/Gillard/Media/Releases/Pages/Article_090226_151822.aspx

⁷ The data in this section has been extracted from AEI's detailed pivot table for May 2009 (http://aei.gov.au/AEI/MIP/CurrentMarketInformation/NationalOffice/Statistics/2009/2009_detailed_pivot.zip.htm)

The table below shows the number of commencements by nationality for all sectors, for the first five months of each year.

Table 1: Commencements for Year to Date May (all sectors)

| Nationality | 2007 | 2008 | 2009 | Growth 09 on 08 |
|-------------|--------|--------|---------|-----------------|
| China | 29,361 | 36,979 | 43,218 | 17% |
| India | 16,784 | 24,695 | 32,157 | 30% |
| South Korea | 11,464 | 11,473 | 11,058 | -4% |
| Thailand | 5,511 | 6,181 | 7,670 | 24% |
| Malaysia | 5,695 | 6,259 | 7,100 | 13% |
| Indonesia | 3,323 | 3,744 | 4,354 | 16% |
| Total | 72,138 | 89,331 | 105,557 | 18% |

As table 1 illustrates, five of the six focal countries for the 'Study in Australia 2010' initiative have shown double digit growth in 2009, with South Korea the only country experiencing a small decline in commencements.

The next table shows commencements by sector for the six focal countries combined, for the first five months of each year.

Table 2: Commencements by sector for Year to Date May (SIA 2010 countries)

| Sector | 2007 | 2008 | 2009 | Growth 09 on 08 |
|------------------|--------|--------|---------|-----------------|
| Higher Education | 25,004 | 26,994 | 32,271 | 20% |
| VET | 18,135 | 26,812 | 38,308 | 43% |
| Schools | 5,518 | 6,223 | 5,389 | -13% |
| ELICOS | 20,693 | 25,641 | 25,700 | 0% |
| Other | 2,788 | 3,661 | 3,889 | 6% |
| Total | 72,138 | 89,331 | 105,557 | 18% |

Table 2 shows that the growth differs across sectors. Growth in the VET sector remains strong, with commencements in 2009 43% higher than for the corresponding period in 2008, despite the global economic environment. Higher education commencements are also 20% higher in 2009, reflecting strong interest in higher level Australian qualifications.

ELICOS commencements have remained essentially flat, while school commencements have fallen by 13%, led by falls from China and South Korea.

The next series of tables will show commencements by sector for each of the six focal countries.

Table 3: Commencements by sector for Year to Date May (China)

| Sector | 2007 | 2008 | 2009 | Growth 09 on 08 |
|------------------|--------|--------|--------|-----------------|
| Higher Education | 11,306 | 13,009 | 17,080 | 31% |
| VET | 5,397 | 7,032 | 9,172 | 30% |
| Schools | 3,054 | 4,062 | 3,409 | -16% |
| ELICOS | 8,293 | 10,807 | 11,162 | 3% |
| Other | 1,311 | 2,069 | 2,395 | 16% |
| Total | 29,361 | 36,979 | 43,218 | 17% |

China is showing strong growth in both higher education and VET commencements, as well as double digit growth in 'other' or non-award commencements. Chinese school commencements are down by 16%, which may impact on higher education and VET commencements in future years.

Table 4: Commencements by sector for Year to Date May (India)

| Sector | 2007 | 2008 | 2009 | Growth 09 on 08 |
|------------------|--------|--------|--------|-----------------|
| Higher Education | 5,448 | 5,315 | 5,431 | 2% |
| VET | 7,417 | 13,014 | 20,656 | 59% |
| Schools | 39 | 30 | 74 | 147% |
| ELICOS | 3,672 | 6,078 | 5,699 | -6% |
| Other | 208 | 258 | 297 | 15% |
| Total | 16,784 | 24,695 | 32,157 | 30% |

India continues to see very strong growth in VET commencements, up almost 60%. Higher education commencements have also increased slightly, with school commencements more than doubling off a low base. Indian ELICOS commencements are down 6% on the corresponding period in 2008.

Table 5: Commencements by sector for Year to Date May (South Korea)

| Sector | 2007 | 2008 | 2009 | Growth 09 on 08 |
|------------------|--------|--------|--------|-----------------|
| Higher Education | 1,694 | 1,802 | 2,030 | 13% |
| VET | 1,929 | 2,592 | 3,088 | 19% |
| Schools | 1,821 | 1,581 | 1,341 | -15% |
| ELICOS | 5,530 | 4,987 | 4,178 | -16% |
| Other | 490 | 511 | 421 | -18% |
| Total | 11,464 | 11,473 | 11,058 | -4% |

Commencements from South Korea have fallen, led by double digit falls in the ELICOS and schools sectors. These falls have been somewhat offset by double digit growth in VET and higher education commencements, although falling ELICOS and school commencements may impact on the VET and higher education sector in future years.

Table 6: Commencements by sector for Year to Date May (Thailand)

| Sector | 2007 | 2008 | 2009 | Growth 09 on 08 |
|------------------|-------|-------|-------|-----------------|
| Higher Education | 1,071 | 993 | 1,017 | 2% |
| VET | 1,650 | 2,088 | 2,781 | 33% |
| Schools | 161 | 133 | 175 | 32% |
| ELICOS | 2,553 | 2,883 | 3,613 | 25% |
| Other | 76 | 84 | 84 | 0% |
| Total | 5,511 | 6,181 | 7,670 | 24% |

Commencements from Thailand have increased by almost 25%, led by strong growth in the VET and ELICOS sectors. Schools commencements have also increased strongly, off a small base, and higher education commencements are higher than in 2009, and just below where they were in 2007 at the same point in time.

Table 7: Commencements by sector for Year to Date May (Malaysia)

| Sector | 2007 | 2008 | 2009 | Growth 09 on 08 |
|------------------|-------|-------|-------|-----------------|
| Higher Education | 3,914 | 4,246 | 4,986 | 17% |
| VET | 819 | 896 | 1,073 | 20% |
| Schools | 338 | 326 | 308 | -6% |
| ELICOS | 126 | 235 | 248 | 6% |
| Other | 498 | 556 | 485 | -13% |
| Total | 5,695 | 6,259 | 7,100 | 13% |

Malaysia is also experiencing overall growth in commencements, led by growth in the higher education and VET sectors, and smaller growth in the ELICOS sector. Malaysian school commencements have fallen slightly, as have non-award commencements.

Table 8: Commencements by sector for Year to Date May (Indonesia)

| Sector | 2007 | 2008 | 2009 | Growth 09 on 08 |
|------------------|-------|-------|-------|-----------------|
| Higher Education | 1,571 | 1,629 | 1,727 | 6% |
| VET | 923 | 1,190 | 1,538 | 29% |
| Schools | 105 | 91 | 82 | -10% |
| ELICOS | 519 | 651 | 800 | 23% |
| Other | 205 | 183 | 207 | 13% |
| Total | 3,323 | 3,744 | 4,354 | 16% |

Indonesia is seeing growth in commencements from most of its sectors, led by the VET and ELICOS sectors, and smaller growth in the higher education sector. The schools sector is the only sector in decline, continuing a trend from 2008.

Conclusions

As the data in this update shows, Australia's international education and training industry remains resilient in the face of the global economic environment.

The IMF's projections forecast a less severe economic recession than previously foreseen, suggesting that a number of key countries will emerge from recession sooner, although global recovery will continue to take some time.

Australia's resilient economy and a less risk-averse global environment have contributed to an appreciation of the Australian dollar, which makes Australian exports, such as education and training, relatively more expensive.

Despite the appreciation of the Australian dollar from its recent lows in late 2008, demand for an international education remains strong, with double digit growth in commencements in 2009 from five of the six focal countries for AEI's 'Study in Australia 2010' initiative.

AEI's international network will continue to work with Australia's international education and training industry to support Australian providers through measures like the 'Study in Australia 2010' initiative.