

## THE ECONOMIC IMPACT OF INTERNATIONAL STUDENTS

### INTRODUCTION

Higher education is increasingly globalised, with growing numbers of students looking to study for a degree outside of their home country. The United Kingdom is currently the second most popular destination for international students after the United States. Our universities are truly global institutions, and international students in the UK generate invaluable economic, societal and cultural benefits, and jobs in communities in every region of the UK.

This briefing outlines new figures for 2014–15 on the economic impact of international students studying in the UK. The research was conducted for Universities UK by Oxford Economics. It highlights the important contribution that international students make to both national GDP and export earnings. It sets out data that shows the jobs generated by international students at a regional level and the income they provide local businesses. This data is part of a larger study analysing the economic impact of UK universities and of international students to be published in spring 2017. Unless otherwise stated, reference to international students in this briefing includes both EU and non-EU students.

This briefing also presents some of the key figures on the impact of international students at a UK and regional level for the nine regions of England.

This new data is published at a time when the government has recently outlined a new Industrial Strategy ‘fit for a global Britain’<sup>1</sup> and as the UK preparing to exit the European Union (EU). Both present potential opportunities to develop policies to leverage the UK’s national and regional strengths more effectively to achieve economic growth, prosperity, and international influence. Therefore any government strategies for economic success should recognise the fundamental importance of EU and non-EU international students.

While this report focuses on the economic benefits of international students, the contribution of such students extends beyond monetary outcomes, adding value to both the experience of UK students and the UK’s global soft power. British students benefit from building international contacts and an understanding of other cultures that equips them for an increasingly globalised labour market. A recent survey found that three-quarters of domestic students say that studying alongside international students was a useful preparation for working in a global environment, and the same proportion said it gave them a better worldview.<sup>2</sup>

A 2015 report by ComRes, *The Soft Power 30: A Global Ranking of Soft Power*, noted that the ability of a country to attract foreign students, or facilitate exchanges, is a powerful tool of public diplomacy. Further, 55 world leaders from 51 countries have studied in the UK. Having heads of state spend part of their most formative years learning about and being part of UK culture highlights how the UK’s higher education sector is a long-term asset, not just locally and nationally but also internationally.<sup>3</sup>

British universities are world-leading. To retain this enviable position and the economic and social benefits that come with it, it is critical that they remain able to recruit genuine international students and world-leading academics and researchers from around the world with minimal barriers.

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<sup>1</sup> <https://www.gov.uk/government/news/pm-unveils-plans-for-a-modern-industrial-strategy-fit-for-global-britain>

<sup>2</sup> HEPI (2015) What do home students think of studying with international students?

<sup>3</sup> HEPI (2015) Now that’s what we call soft power: 55 world leaders educated in the UK

## SUMMARY

In 2014–15 the 437,000 international students (EU and non-EU) made up 19% of all students registered at UK universities. Those students spend money on a wide range of goods, services, and activities. As this expenditure is additional to that undertaken by UK residents, it creates extra economic activity in the economy.

In 2014–15:

- On- and off-campus spending by international students and their visitors generated £25.8 billion in gross output for the UK economy.
- This activity contributed £13.8 billion gross value added (GVA) to UK GDP.
- On- and off-campus spending by international students and their visitors supports jobs all over Britain, supporting 206,600 full-time equivalent (FTE) jobs nationally.
- International students are good for the British economy as a whole, being responsible for £10.8 billion of UK export earnings.
- Spending by international students outside of university fees and accommodation (ie ‘off-campus’ spending) amounted to £5.4 billion.
- International students also boost other British industries, for example adding £750 million to the UK transport industry and £690 million to the retail industry.
- The economic activity and employment sustained by international students’ off-campus spending generated £1 billion in tax revenues. This is the equivalent to the salaries of 31,700 nurses or 25,000 police officers.

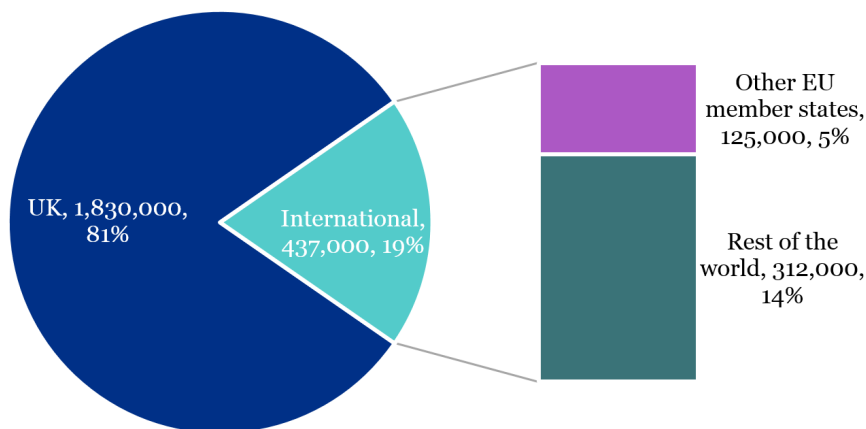
This national impact is mirrored at a regional and local level, providing an important anchor for the government’s Industrial Strategy and contributing to economic growth across the country. For example, in the North West of England, international students’ off-campus expenditure was £458 million in 2014–15, generating a £281 million GVA contribution to local GDP and 3,995 full-time jobs. Figures for all nine regions of England are outlined later in this briefing.

## THE ECONOMIC IMPACT OF INTERNATIONAL STUDENTS

UK universities attract a significant number of international students every year. While the money spent by international students in the UK is an important source of export earnings, it also generates economic activity which contributes to UK GDP and supports jobs and tax revenues.

There were approximately 437,000 international students enrolled at UK universities in 2014–15. International students accounted for 19% of all students registered at UK universities. Of these, 125,000 come from other EU Member States and 312,000 from the rest of the world.

**Figure 1: Students attending UK universities by nationality, 2014–15**



Source: HESA

**International students spent an estimated £6.1 billion in the UK economy in 2014–15.** This figure includes all subsistence spending, including payments to universities, except for expenditure on tuition fees. Student subsistence spending has been calculated using survey evidence on the expenditure of students attending English, Welsh and Scottish universities, multiplied by the number of international students.

**Oxford Economics estimates that £5.4 billion of international students’ subsistence expenditure funded from abroad was spent off campus.** This spending generated an estimated £11.3 billion of gross output in the UK in 2014–15.

**The transport and retail sectors were significant beneficiaries of international students’ subsistence spending.** The £750 million and £690 million boost to their gross value added comprised 13% and 12% of the total increase in economic output from the presence of international students, respectively.

**The economic activity and employment sustained by international students’ subsistence spending generated £1 billion in tax revenues for the UK Exchequer in 2014–15.** This figure encompasses corporation taxes, labour taxes (including income tax and National Insurance contributions), consumption taxes, and other taxes on businesses. It is sufficient to pay the salaries of 31,700 full-time nurses or 25,000 full-time police officers.<sup>4</sup>

**International students also paid an estimated £4.8 billion in tuition fees to UK universities in 2014–15.** This accounts for over 14% of total university income. Some 88% – £4.2 billion – of this fee income was paid by students from outside the EU.

**Through their payments to universities (for tuition fees and accommodation), international students supported an additional estimated £13.5 billion in gross output and contributed £13.8 billion gross value added to GDP in the UK in 2014–15.** Students from outside the EU accounted for 86% of this impact.

<sup>4</sup> ONS, Annual Survey of Hours and Earnings: 2015 Provisional Results, 18 November 2015. The median salary for a full-time nurse and police officer (sergeant and below) was £31,497 and £40,014 in 2015, respectively. Numbers rounded to the nearest hundred.

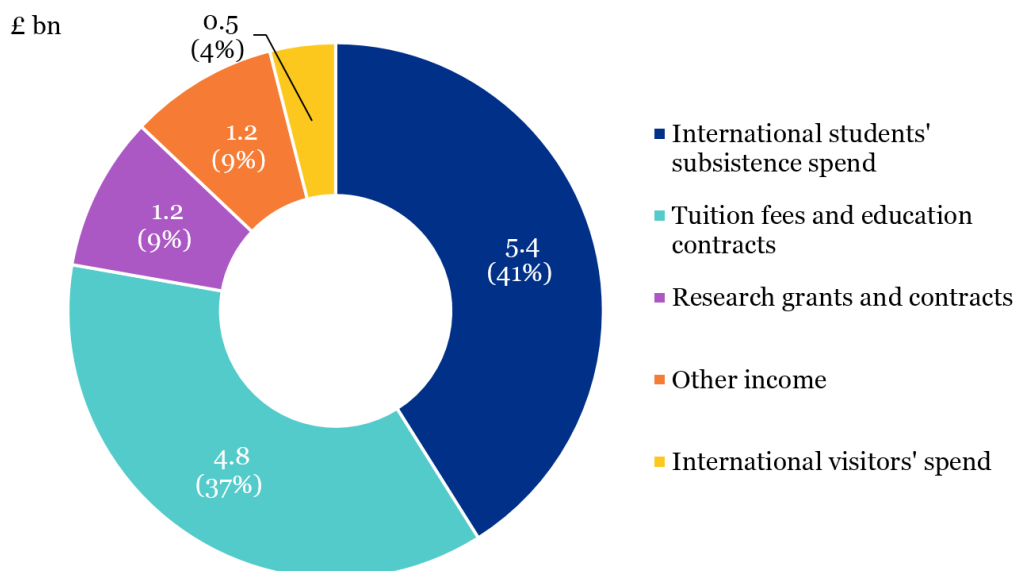
**Taking their university payments, off-campus spending, and the spending of their visitors together, international students generated £25.8 billion in gross output in the UK in 2014–15.** This contributed £13.8 billion gross value added to GDP. 80% of this impact is attributable to students from outside the EU.

**Spending by international students also generated a total of 206,600 full-time equivalent jobs nationally.** Again, 80% of these jobs (165,900 FTE) are attributable to students from outside the EU. Put another way, 33 jobs are generated in the UK economy for every 100 university students from outside the EU.

## UNIVERSITIES' EXPORT EARNINGS

In total, universities in the UK earned £13.1 billion in export receipts in 2014–15. This was through the revenue they generated themselves from abroad, including international students' tuition fees, the subsistence spend of the international students they attract and those students' visitors' expenditure. This is equivalent to 2.6% of all UK exports of goods and services in the same year.<sup>5</sup> Alternatively, it was more than a third of the value of all business and professional services exports in 2014–15.<sup>6</sup>

**Figure 2: Total exports generated by universities, their international students' subsistence spend and their visitors' expenditure, 2014–15**



Source: HESA, IPS, Oxford Economics

Taken together, international students' subsistence spending and payments to universities (ie on- and off-campus expenditure) accounted for £10.8 billion of the total £13.1 billion export earnings generated by universities in the UK.

## VISITORS' EXPENDITURE

Friends and relatives will often visit international students studying at UK universities, such as parents travelling to drop off or collect their children, or visit while on holiday. As the expenditure they undertake in the UK is additional to that spent by UK residents, it creates extra economic activity in the country.

<sup>5</sup> UK exports: table 1 of ONS, "UK trade in goods and services publication tables", September 2016

<sup>6</sup> Business and professional service exports were worth around £37.4 billion in the same period, calculated using Table C1 of ONS, "International Trade in Services, 2015", January 2017

While it is not known how many visitors from home each international student receives, Oxford Economics uses data on students' nationality, the nationality of the wider population, and the origin of visitors to friends and relatives in the UK to estimate the number of visitors each student receives, and how much they spend. Open days and graduation ceremonies are likely to further complicate the picture.

Based on this data, in 2014–15, visitors to international students in the UK spent an estimated £520 million. In the first place, this expenditure is likely to benefit the transport, hotels, hospitality, cultural, recreational and sports attraction sectors. It is then likely to ripple out along their supply chains to the rest of the economy, with the associated wage-consumption impacts.

Overseas visitors' spending generated an estimated £1 billion in gross output in 2014–15. Of this, £300 million is attributable to visitors from other EU Member States, while the remaining £700 million was generated by the spending of visitors from the rest of the world.

International students' visitors' spending is estimated to contribute £480 million in gross value added to UK GDP in 2014–15. It supports a further 11,000 jobs and £100 million in tax receipts. Around 30% of this impact is attributable to visitors to students from other EU Member States, with the remainder due to their counterparts from the rest of the world.

## REGIONAL ECONOMIC IMPACT OF INTERNATIONAL STUDENTS

Spending by international students is a key contributor to regional economies. This impact is particularly significant in the context of the government's Industrial Strategy and objectives to sustain and grow regional economies.

The data below highlights the key economic benefits from international students for the nine English regions:

### East Midlands

- The region's universities attracted 27,010 students from outside the UK in 2014–15.
- International revenue in the East Midlands amounted to £394 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £779 million of export earnings. Overall, international student spending on and off campus was responsible for £688 million of this total.
- International students' off-campus expenditure (£353 million) in the East Midlands generated £393 million of gross output, a £207 million GVA contribution to GDP, and 3,093 full-time equivalent jobs in the region alone.

### East of England

- The region's universities attracted 27,980 students from outside the UK in 2014–15.
- International revenue in the East of England amounted to £586 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £988 million of export earnings. Overall, international student spending on and off campus was responsible for £781 million of this total.
- International students' off-campus expenditure (£368 million) in the East of England generated £419 million of gross output, a £215 million GVA contribution to GDP, and 3,081 full-time equivalent jobs in the region alone.

## London

- The region's universities attracted 101,465 students from outside the UK in 2014–15.
- International revenue in London amounted to £1,884 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £3,333 million of export earnings. Overall, international student spending on and off campus was responsible for £2,739 million of this total.
- International students' off-campus expenditure (£1,327 million) in London generated £1,534 million of gross output, a £750 million GVA contribution to GDP, and 8,855 full-time equivalent jobs in the region alone.

## North East

- The region's universities attracted 19,820 students from outside the UK in 2014–15.
- International revenue in the North East amounted to £315 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £594 million of export earnings. Overall, international student spending on and off campus was responsible for £514 million of this total.
- International students' off-campus expenditure (£256 million) in the North East generated £271 million of gross output, a £139 million GVA contribution to GDP, and 2,032 full-time equivalent jobs in the region alone.

## North West

- The region's universities attracted 35,850 students from outside the UK in 2014–15.
- International revenue in the North West amounted to £636 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £1,136 million of export earnings. Overall, international student spending on and off campus was responsible for £970 million of this total.
- International students' off-campus expenditure (£458 million) in the North West generated £538 million of gross output, a £281 million contribution to GDP, and 3,995 full-time equivalent jobs in the region alone.

## South East

- The region's universities attracted 49,995 students from outside the UK in 2014–15.
- International revenue in the South East amounted to £941 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £1,642 million of export earnings. Overall, international student spending on and off campus was responsible for £1,271 million of this total.
- International students' off-campus expenditure (£641 million) in the South East generated £780 million of gross output, a £394 million GVA contribution to GDP, and 5,247 full-time equivalent jobs in the region alone.

## South West

- The region's universities attracted 25,275 students from outside the UK in 2014–15.
- International revenue in the South West amounted to £372 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £725 million of export earnings. Overall, international student spending on and off campus was responsible for £612 million of this total.
- International students' off-campus expenditure (£323 million) in the South West generated £369 million of gross output, a £191 million GVA contribution to GDP, and 2,832 full-time equivalent jobs in the region alone.

## West Midlands

- The region's universities attracted 36,600 students from outside the UK in 2014–15.
- International revenue in the West Midlands amounted to £537 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £1,058 million of export earnings. Overall, international student spending on and off campus was responsible for £904 million of this total.
- International students' off-campus expenditure (£478 million) in the West Midlands generated £544 million of gross output, a £268 million GVA contribution to GDP, and 3,916 full-time equivalent jobs in the region alone.

## Yorkshire and the Humber

- The region's universities attracted 32,760 students from outside the UK in 2014–15.
- International revenue in Yorkshire and the Humber amounted to £506 million which, together with the estimated off-campus expenditure of international students and their visitors, represented a total of £973 million of export earnings. Overall, international student spending on and off campus was responsible for £835 million of this total.
- International students' off-campus expenditure (£429 million) in Yorkshire and the Humber generated £483 million of gross output, a £242 million GVA contribution to GDP, and 3,594 full-time equivalent jobs in the region alone.

### FURTHER INFORMATION

For further information please contact:

**Karmjit Kaur, Political Affairs Manager**

[karmjit.kaur@universitiesuk.ac.uk](mailto:karmjit.kaur@universitiesuk.ac.uk)

020 7419 5411