

## Canada-India Centre for Excellence

### ***The Economic Impact of International Students: Evidence from Canada and Selected OECD Economies***

*Surendra Gera, PhD  
Senior Fellow  
Canada-India Centre for Excellence  
Carleton University, Ottawa*

#### ***Introduction***

Education is increasingly globalised, with growing number of students going abroad for studies. Canadian universities and colleges attract a significant number of international students every year. While the money spent by international students and their visitors is an important source of export earnings, it also contributes to national GDP and tax revenues. International students also generate significant spillover benefits including addressing skill shortages, increased tourism and adding cultural values to local communities.

Canada is currently one of the top four destinations for international students, along with the United States, the United Kingdom, and Australia.

The purpose of this briefing is twofold: *First*, to provide a brief overview of the size and scale of Canada's education exports and their importance to the economy; and *Second*, for comparative purposes, we examine the economic impacts of education exports for three OCED economies - USA, the UK and Australia.

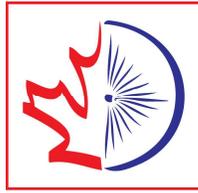
#### ***Part I: The Economic Benefits of International Students to the Canadian Economy***

International students make up a significant proportion of Canadian university population. A recent OECD study noted Canada was the 6<sup>th</sup> most popular destination for international higher education students with about 5% of the total global share among OECD countries in 2012.<sup>1</sup> Statistics Canada data shows that international students constituted 11% of students at Canadian post- secondary institutions in 2013-14, up from 7% in 2004-05. Between 2004 and 2015, the international student population more than doubled, from 169,000 to 355,000.

In 2015, there were around 355,000 international students in Canada - a growth rate of 8.1% from 2014. Over 200,000 of these students came from Asia, with China as the top source country followed by India. The number of students from India increased six fold during the 2007-2015 period, at an average annual rate of 27% per year. The data for 2016 shows that the number of international students reached nearly 415,000 in 2016, up from 355,000 a year earlier and significantly higher than double of 172,000 in 2007. A large number of these

---

<sup>1</sup> OECD, Education at a Glance 2014, Table C4.4 and Table C4.7 (September 2014) as noted in Paul Bailey, "Canada's International Education Strategy", Department of Foreign Affairs, Trade and Development.



## Canada-India Centre for Excellence

international students studying in Canada in 2016 came from China and India – 132,000 from China and 80,000 from India. Chinese students in 2016 accounted for nearly 32% of all international students in Canada and represented a three-fold increase from a decade ago. The number of students from India in 2016 accounted for little over 19% - a ten-fold increase over the decade. Much of the remaining increase reflects an inflow of students from France, Nigeria, Brazil, Saudi Arabia and Vietnam. <sup>2</sup>

Recent high rate of growth in the number of international students in Canada has contributed significantly to the Canadian economy. Roslyn Kunin and Associates have prepared 4 economic impact studies in 2009, 2012, 2014, and 2016 for the Global Affairs Canada. We have focussed on the last two studies to understand the trends over the recent years. The study completed in 2012 based on 2010 data estimated that international students (both long-term and short-term) spent 8 billion dollars in 2010 (equivalent to a \$4.9 billion contribution to GDP). Nearly 37% Of that revenue came from two countries – China and South Korea. They supported 86,570 jobs nationally and also generated \$455 million in tax revenues.

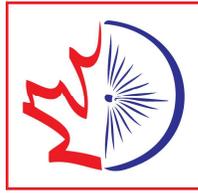
Recent update of this study last year, based on 2014 data by Roslyn Kunin & Associates Shows a much higher contribution by the international students to the Canadian economy.

- This study shows a significant increase in spending by international students. In 2014, international students in Canada spent around \$11.4 billion on tuition, accommodation, and discretionary spending – equivalent to a \$9.3 billion contribution to GDP.
- Canada's international education services (\$11.4 billion) amount to 11% of Canada's total service exports to the world (equivalent to 2.2% of Canada's total merchandise exports).
- In 2014, spending by international students supported 122,700 jobs in the Canadian economy.
- The data shows that in 2014, around 38,900 students from *India* chose Canada as their study destination. Based on this data, one can say, that roughly \$2.2billion of the total expenditure of \$11.4 billion is by the students from India.

The large number of students from emerging-market economies suggests that both - the government's International Education Strategy and Immigration, Refugees, and Citizenship Canada (IRCC) policies in regard to study permits are yielding results. The government's Focus on key countries like China, India, Brazil, Mexico, North Africa, the Middle East and Vietnam have helped to attract students from these countries. A number of other factors that may also have contributed to significant growth in international students in Canada include: the quality of Canadian education; rising middle class in emerging markets; relatively lower tuition fees and

---

<sup>2</sup> Mark Ryan/prince George Citizen, June 7, 2017



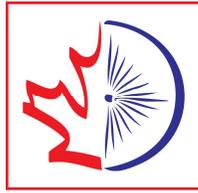
## Canada-India Centre for Excellence

cost of living; Canadian government and institutions' promotional efforts abroad; and recent changes to Department of Immigration, Refugees and Citizenship, Canada (IRCC)'s policies with respect to study and work permits. It is possible that recent shift in the UK policies, Brexit, and recent US elections have influenced the 2016 exceptional growth in international students.

Competition with other OECD countries is tough. In line with its competitors, Canada will have to continue its efforts to promote itself as the best destination for studies. Should the future increase in international students continue at the rates similar to 2016, Canada and its education institutions will need to assess their capacity to deliver quality services to a significantly greater number of students. Over the longer term, the key will be Canada's ability to retain talent. Tapping into the talent produced by our institutions will be an important part of securing Canada's current and future prosperity.

### Top Three Source Countries for International Students, 2010-2015

Year	China, People's Republic (%)	India (%)	France (%)
2010/09	13.6	73.7	9.8
2011/10	19.2	34.8	11.7
2012/11	18.5	17.8	16.0
2013/12	16.8	7.8	11.3
2014/13	13.5	9.5	13.9
2015/14	11.2	28.3	7.6



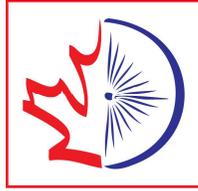
## ***Part II: The Economic Impact of International Students – Evidence from the Three OECD Economies***

In this part of the paper, we present evidence regarding the economic impact of international students from three OECD economies – the U.K., U.S.A, and Australia.

### **The United Kingdom (U.K.)**

The U.K. is currently the second most popular destination for international students after the United States. This briefing presents figures for 2014-15 on the economic impact of international students studying in the U.K. It also focuses on the contribution that international students make to national GDP and export earnings.\*

- International students make up a significant proportion of the UK university student population. In 2014-15, they accounted for 19% of all students registered at UK universities, some 437,000. Of these, 125,000 come from other EU Member States and 312,000 from the rest of the world.
- In total, universities in the UK earned 13.1 billion pounds in export earnings in 2014-15. 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 pounds.
- Oxford Economics estimates that 5.4 billion pounds of international students' subsistence expenditure funded from abroad was spent off campus. The economic activity and employment sustained by international students' subsistence spending generated 1 billion pounds in tax revenues for the UK Exchequer in 2014-15.
- *Output generated:* On-and off- campus spending by international students and their visitors generated 25.8 billion pounds in gross *output* in the UK in 2014-15 – equivalent to a 13.8 billion contribution to GDP.
- *Jobs Generated:* Spending by international students supported jobs all over Britain. In 2014-15, they supported 206,600 jobs nationally. *Boosting Other Sectors of the Economy:* International students also boosted other British industries. For example, in 2014-15 their off campus spending added 750 million



## Canada-India Centre for Excellence

pounds to the UK transport industry and 690 million pounds to the retail industry.

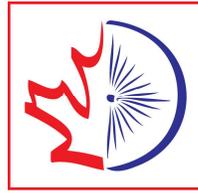
---

### **The United States of America (U.S.A.)**

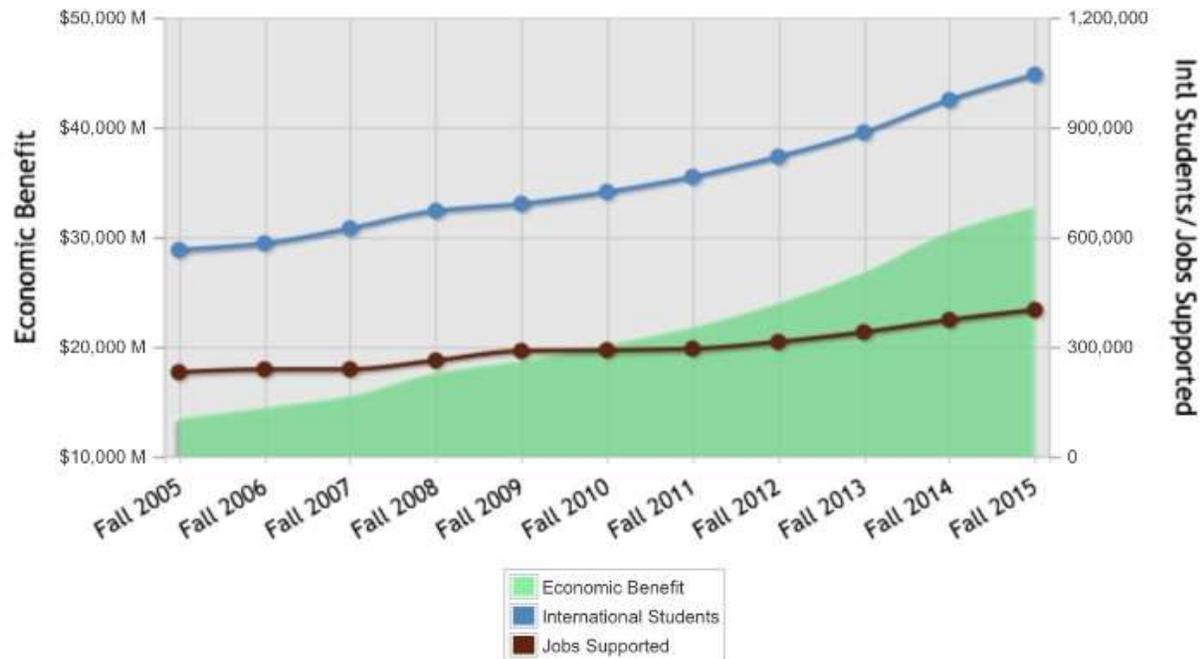
National Association of Foreign Student Advisors (NAFSA)'s latest analysis finds that the 1,043,839 international students studying at U.S. colleges and universities contributed \$32.8 billion and supported more than 400,000 jobs to the U.S. economy during the 2015-2016 academic year.

- The graph below displays the economic contributions, enrollment data and jobs supported over a ten-year time frame.
- According to NAFSA, there is a 7.4 percent increase in job support and creation, and a 7.5 percent increase in dollars contributed to the economy from the previous academic year.
- International students and their families spend money on living expenses and tuition fees most in California, New York and Massachusetts.
- According to NAFSA, for every seven international students enrolled, three U.S. jobs are created and supported by spending occurring in the higher education, accommodation, dining, retail, transportation, telecommunications and health insurance sectors
- The economic contributions of international students are in addition to the immeasurable academic and cultural value these students bring to their campuses and local communities.
- NAFSA argues that "the bad news for the U.S. is that it lags behind in the global competition for talent". While in the past 15 years, the number of students going abroad for higher education has doubled, 6% less of them are coming to U.S.
- "NAFSA attributes this decline to the urgent need for the U.S. to develop proactive government policies and strategies to ensure the country remains globally competitive".

### **The Economic Benefits of International Student Enrollment to the United States – A Ten Year Trend**



## Canada-India Centre for Excellence

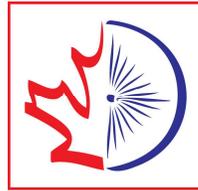


Source: NAFSA – International Student Economic Tool

### Australia

According to the Department of Education and Training, the number of international students studying in Australia broke the record in 2016 - 554,179 international students enrolled in courses in Australia, an increase of 10% from 2015.

- 43% were enrolled in the higher education sector in 2016, rising by 12.9% to 306,691;
- Of those the largest numbers came from China and India. China topped the list with 27.5% of the total number of enrolments. With 78,424 enrolments in 2016, India represents the country with the largest number of foreign students studying in Australia. Korea, Thailand, and Vietnam completed the list. These top five source countries accounted for over half (51.3%) of all international student enrolments in 2016 (see Table below).
- The vocational education sector accounted for 26% of international student enrolment with English Language Intensive courses (ELICOS) attracting 21% (151,110).
- International education is now the third largest export sector generating more than \$21 billion of economic activity in Australia.



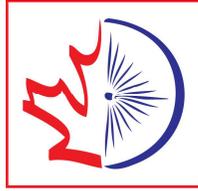
## Canada-India Centre for Excellence

### Top 5 source countries sending foreign students

<b>Nationality</b>	<b>2015</b>	<b>2016</b>	<b>Growth on 2015</b>	<b>Share of all nationalities</b>
China	169,687	196,315	15.7%	27.5%
India	71,992	78,424	8.9%	11.0%
Republic of Korea	28,610	30,595	6.9%	4.3%
Thailand	27,765	30,451	9.7%	4.3%
Vietnam	29,362	29,766	1.4%	4.2%
<i>Other nationalities</i>	315,533	347,333	10.1%	48.7%
<b>All nationalities</b>	<b>642,949</b>	<b>712,884</b>	<b>10.9%</b>	<b>100.0%</b>

*Australia's top 5 source countries sending foreign students in 2016. Source: Australian Department of Education and Training*

- A recent report by Deloitte Economics, "*Growth and Opportunity in Australia Education*", December 2015 projects that Australia's onshore education sector is forecast to grow to 940,000 by 2025. The top eight source markets in 2025 are expected to be China, India, Vietnam, Thailand, Nepal, Malaysia, Brazil and South Korea.
-



Canada-India  
Centre for Excellence