

SECTOR COMMENT

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Contacts

Sam McDonald +44.20.7772.1401
 Associate Analyst
 sam.mcdonald@moodys.com

Sebastien Hay +34.91.768.8222
 Senior Vice President/Manager
 sebastien.hay@moodys.com

Jeanne Harrison +44.20.7772.1751
 VP-Senior Analyst
 jeanne.harrison@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
 Asia Pacific 852-3551-3077
 Japan 81-3-5408-4100
 EMEA 44-20-7772-5454

Higher Education – United Kingdom

Rise in undergraduate acceptances for 2020/21 despite coronavirus demonstrates resilience of UK universities

On 25 June, the Universities Colleges and Admissions Service (UCAS) reported an increase in undergraduate student acceptances to UK universities for the 2020/21 academic year.¹ Overall growth in acceptances of 1% for the 2020/21 academic year despite the coronavirus shock demonstrates the resilience of demand for UK higher education.

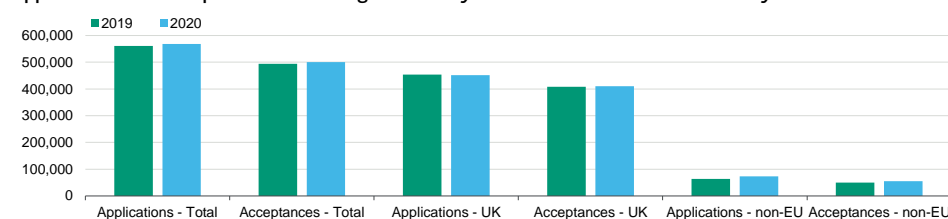
UCAS reported growth of 1% year-on-year in domestic undergraduate acceptances for the 2020 entry to 410,420. This is a strong result given both the uncertainty caused by coronavirus and a fall in the population of 18-20 year olds in the [UK](#) (Aa2 negative), a trend which will reverse from 2021. For UK universities, income from domestic undergraduate students accounts for the largest single revenue source (at 26% of total income for 2019) as reported in our recent report.² Growth in domestic acceptances partially mitigates the risks to university budgets of lower tuition fee income caused by lower student demand due to coronavirus.

Non-EU (international) undergraduate student acceptances increased 12% year-on-year to 55,380, which underlines the strength of the UK's international reputation as a provider of high quality higher education. Although the 12% increase is lower than the 15% increase in applications, the double-digit increase despite challenges posed by the pandemic is a strong result for the sector. Tuition fee income from non-EU (international) students accounted for 14% of total income for UK universities in 2019.

Exhibit 1

Undergraduate demand for 2020 is in line with the previous year despite coronavirus uncertainty

Applications and acceptances for undergraduates by domicile for 2019 and 2020 entry



Source: Universities and Colleges Admissions Service (UCAS)

EU undergraduate student acceptances fell 6% year-on-year to 34,530 reflecting an adverse trend of falling applications from EU students for UK universities. However, tuition fee income from EU students is less material than income from UK undergraduates or from non-EU (international) undergraduates at around 3% of total income. The UK government's announcement that EU undergraduates will lose "home status" - which allows them to pay the same fees and gives them the same access to UK student finance - from the 2021/22 academic year will likely lead to further falls in 2021/22 ³.

In addition to an increase in total acceptances, undergraduate deferrals (acceptances with a deferred start date) are lower. Overall, deferrals are down 1% year-on-year for the 2020 entry, although there is variation by cohort. UK student deferrals were down 2% but there was an increase of 21% in deferrals from non-EU (international) students compared to the 2019 entry. Deferrals could rise further because students on some courses are allowed to do so up until the start of term. However, given the restrictions on lectures and social activities being implemented for the next academic year, fewer overall deferrals is also a strong result for the sector.

The weak economy and the counter-cyclical nature of demand for higher education together with ongoing restrictions on non-essential travel likely supported demand among UK applicants. However, the sector has also taken a number of steps to sustain demand amid the pandemic. For example the sector regulator, the Office for Students, pressured universities to outline plans for campuses and teaching to give students clarity on campus and teaching arrangements for next year. Universities UK, the sector's primary lobbying group, outlined a framework to help universities emerge from lockdown and provide a safe learning environment⁴. As a result, most universities, including all those we rate, have committed to opening their campuses for the 2020/21 academic year through a blend of online and in-person teaching. UCAS also extended its acceptance deadline this year, which has given universities more time to prepare and students more time to make their decision.

However, uncertainty remains as to the impact of coronavirus on demand from postgraduate students (domestic and international) who may be less likely to enrol on a one-year course subject to campus and teaching restrictions. Applications for postgraduate courses are handled by individual universities, not UCAS.

In addition, the National Union of Students (NUS) has launched a campaign calling on the UK government to compensate students for online courses provided during lockdown by providing debt relief, tuition fee compensation or allowing students to retake courses at no cost. If successful, tuition fee compensation or retaking courses for free would negatively impact universities' budgets⁵. To date, the UK government and universities have resisted calls for tuition fee compensation. We will continue to monitor these developments.

Moody's related publications

Sector research

- » [Higher Education – United Kingdom : Coronavirus may cause operating deficits in 2021; strong balance sheets boost resilience](#), May 2020
- » [Higher Education – Global: Coronavirus will lower student demand and increase costs for universities](#), April 2020
- » [Higher Education – United Kingdom: Higher government research spending is credit positive for UK universities](#), March 2020

Endnotes

1 <https://www.ucas.com/corporate/news-and-key-documents/news/rise-number-students-planning-start-university-autumn>

2 [Higher Education – United Kingdom: Coronavirus may cause operating deficits in 2021; strong balance sheets boost resilience, 18 May 2020](#)

3 <https://www.gov.uk/government/news/student-support-in-england>

4 <https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/principles-considerations-emerging-lockdown-uk-universities-june-2020.aspx>

5 <https://www.nusconnect.org.uk/nus-uk/student-safety-net/join-the-complaint-chain>

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