

6 August 2015

Supplementary forecast information release

Assumptions underpinning our forecast for student numbers

The OBR is releasing the information below following a request for further detail underlying the July 2015 *Economic and fiscal outlook (EFO)*. The OBR will where possible meet requests to release supplementary forecast information, where this will improve the quality of public debate on the public finances. Our full release policy can be found on our website.

We forecast student numbers using a methodology that starts with an in-year estimate for the current year, which is then grown in line with demographic assumptions that are adjusted for expected trends in entry rates, which are themselves determined by trends in application and acceptance rates.

The table on the next page sets out the assumptions underpinning our July 2015 forecast. Figures for student numbers are rounded to the nearest thousand. Our July forecast assumed that:

- student numbers would rise by 15,000 to 370,000 in 2015-16. That follows estimated growth of 10,000 to 355,000 in 2014-15. Our 2014-15 and 2015-16 estimates are both informed by emerging administrative data;
- in the absence of changes in application or acceptance rates, student numbers would move in line with demographic trends among 18 to 24-year olds. UCAS reports that almost 90 per cent of UK domiciled acceptances to start higher education are of those aged 18 to 24, with 18-year olds accounting for around half of all acceptances.¹ Age-specific population growth rates are weighted by their share of acceptances. As the table shows, demographic trends alone would imply falling student numbers;
- entry rates will continue to rise in line with recent trends,² driven by steady year-on-year increases in application rates and a further one-off rise in acceptance rates in 2016-17. Given recent reforms to student financing and the removal of the cap on student numbers, it is not straightforward to estimate the appropriate growth in entry rates that should be applied to the forecast. The uncertainty associated with these estimates means they are likely to continue to be subject to revision in future forecasts; and
- taking the downward pressure from demographic trends together with assumed rises in entry rates among that shrinking population, we expect student numbers to continue rising, but at diminishing growth rates over our five-year forecast horizon.

¹ See UCAS *End of cycle report 2014*, December 2014.

² Recent trends in age-specific application rates are also discussed in the UCAS *End of cycle report*. See, for example, Figure 87 and accompanying discussion.

Table: Student numbers forecast

	Percentage point change on a year earlier (unless otherwise stated)						
	Estimate		Forecast				
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Weighted 18-24 population growth			-1.4	-1.3	-2.0	-2.2	-2.1
Weighted growth in entry rate			4.1	3.0	2.8	2.5	2.2
Assumed growth in student numbers			2.7	1.7	0.8	0.3	0.1
	Thousands						
Student numbers	355	370	380	386	389	390	391