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## **Moody's: Global Changes in Economy, Technology, and Finance Transforming Environment for Higher Education.**

New York, February 23, 2016 — The global higher education sector is undergoing significant transition, with growing demand, increasing competition, and evolving funding models, Moody's Investors Service says in a new report. The strength of enterprise risk management and strategic positioning will drive the financial health of individual universities as they adapt to this changing environment.

"Demand will continue to grow based on the benefits of advanced education. Increasing desire for lifelong learning expands the pool of students. At the same time, globalization and new delivery models drive increased competition for students, faculty, research funding and philanthropy," Moody's Associate Managing Director Susan Fitzgerald says in "Global Higher Education Faces Period of Significant Transition." She adds, "While risk increases during transition periods, the sector overall is expected to be resilient."

Due to the significant growth in demand for education, government funding will be unable to keep pace, particularly amid competing governmental budgetary priorities. This will shape how higher education is funded globally, with students bearing a greater burden of costs. There will also be continued expansion and change in the types of student loans offered.

Amid the global evolution of higher education, changes to regulatory frameworks and oversight mechanisms will intensify and accelerate. Public university funding will become increasingly tied to public policy priorities.

Over time, there will be an increase in mergers and restructurings, with more universities pursuing these arrangements to achieve economies of scale and contain expenses.

Moody's says most mergers of public universities will be driven at the governmental level, rather than by individual universities. Merged entities can benefit from increased enrollment, size and programmatic diversity, but simultaneously face risks as they address the structural challenges that contributed to the merger. Some private colleges lacking brand recognition and scale will close in an increasingly competitive environment.

Beyond seeking to enroll more international students, universities are expanding their brand footprint, either by directly establishing branch campuses outside their home state or country, or partnering with universities in other countries. This can aid revenue diversification and result in a growing pipeline of students at the home campus, Moody's says.

Additionally, students will seek out not only an affordable university, but one with flexible alternatives, including online learning. Online education will become a more accepted and mainstream strategy for universities across regions and programs, and will provide universities with alternative revenue streams and new branding opportunities.

Rising fixed costs are a credit challenge for many universities, particularly against a constrained

revenue environment. These costs include new infrastructure costs as universities absorb debt service and facilities operating costs previously covered by their associated governments, as well as rising regulatory and compliance costs. With an aging university workforce in many countries, pension and other post-employment benefit costs will be an increasing burden for universities globally.

The report is available to Moody's subscribers [here](#).

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