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NZ wants to double foreign student revenue by 2034 – but does it have capacity?

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On the face of it, New Zealand's push to expand international education looks like an easy win for economic growth.

Government targets, announced last year, aim to nearly double revenue to NZ\$7.2 billion by 2034, lifting student numbers from 83,400 to 119,000.

International education exports – representing the total expenditure by overseas students on tuition and living costs – have climbed to \$4.5 billion as enrollment numbers continue their upward trajectory.

Embedded in the new Tertiary Education Strategy, the goals have become a cornerstone of government policy, rather than simply a sector ambition.

Yet, numbers that work on paper don't necessarily make for prudent policy.

Three risks in particular deserve closer attention: housing pressure in university towns, over-reliance on a narrow band of source countries and uncertain employment outcomes for graduates.

The squeeze on student cities

University towns are already under housing strain, even before accounting for tens of thousands of additional students.

Dunedin offers a telling example. In mid-2025, median weekly rent in the city rose 12%, despite a surge in available listings. When prices rise even as supply increases, demand is clearly outpacing what the market can provide. Wellington, Christchurch and central Auckland are experiencing similar pressures.

The problem is not just availability. New Zealand's persistent issues with cold, damp and poorly insulated housing affect students disproportionately, as they are more likely to rent the poorest-quality homes.

More international students in an already tight market means more people in substandard accommodation, with consequences for health and academic performance.

The government's response – allowing students to work 25 hours per week rather than 20 – helps individual budgets but does nothing about the underlying housing constraint.

Recent experience overseas offers a cautionary lesson. Australia and Canada pursued rapid international student growth, before running into housing pressure and rising public frustration. Eventually, both countries imposed emergency caps.

Canada cut study permits by roughly half in 2024–25; Australia capped new enrolments and tightened visa rules. In either case, the rationale was the same: growth had outpaced the infrastructure – housing, services, labour markets – needed to absorb it.

The fallout went beyond policy corrections. Anti-immigration rhetoric intensified, concerns about crime became entangled with debates about student numbers and reputational damage extended to the countries' education brands – the very asset that had attracted students in the first place.

Too many eggs, too few baskets

The target of 119,000 students is not extreme – it remains below the 2016 peak of 131,800.

What is ambitious is doubling revenue with a moderate increase in numbers. That means more students in expensive programmes such as master's degrees and a concentration in markets that can pay.

According to international education news and intelligence hub

ICEF Monitor, China accounts for 35% of international enrolments and India 14%. Together, these two countries represent roughly half the total. Master's enrolments are at 185% of pre-pandemic levels, driven predominantly by Asian markets.

That concentration creates exposure. An RNZ investigation documented the vulnerability before the pandemic, when diplomatic tensions and Chinese government messaging affected student flows overnight.

The [India–New Zealand Free Trade Agreement](#), concluded in December 2025, adds a new wrinkle.

Put simply, it prevents New Zealand from imposing caps specifically on Indian student visas – though broader settings like post-study work rights and financial requirements remain adjustable.

That strengthens bilateral ties, but it also locks in one part of the current growth model at the exact moment Australia and Canada are scrambling to regain flexibility.

International education growth also sits awkwardly alongside domestic challenges. Budget 2025 [cut approximately \\$45 million](#) from research funding and the Ministry of Business, Innovation and Employment-administered Endeavour Fund [will not award new grants in 2026](#).

The system is being asked to do more with less for domestic students while relying more heavily on international fees to balance the books.

Economic consultancy [Infometrics](#) has raised a specific concern: that expanded post-study work rights could affect employment outcomes for domestic graduates, particularly in fields where both groups compete for the same entry-level roles.

The evidence is not yet conclusive, but the risk is real enough to warrant tracking outcomes by field and visa status – something New Zealand does not yet do systematically.

Growth, but with guardrails

The government's [Going for Growth plan](#) could succeed – but only with safeguards. Rental markets in university towns would need to be systematically monitored, with clear triggers for intervention.

Source markets would need genuine diversification. Graduate employment outcomes should be reported transparently. And central government targets must be aligned with local government capacity to absorb growth.

These mechanisms are cheap compared to the emergency restrictions other countries have been forced to adopt. International education can genuinely contribute to New Zealand's economy and intellectual life.

But growth targets are the easy part. Protecting the housing system, labour market and public confidence that make such growth sustainable is the real test.

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