



INDUSTRY FOCUS:

EDUCATION



Prepared by:
Lynette Lee
Mazlina Abdul Rahman

SMEBank-EconomicResearch@smebank.com.my

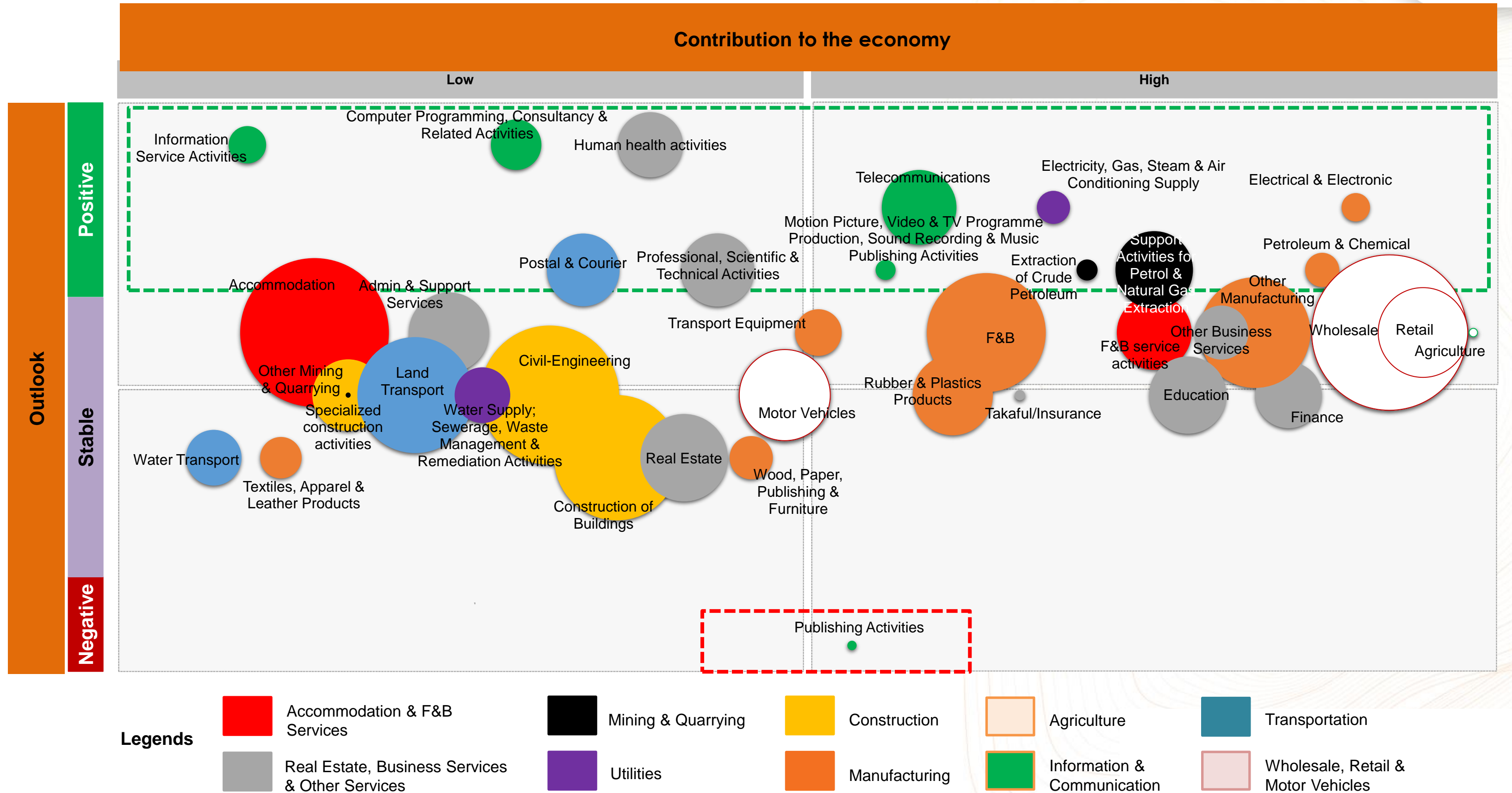
(603) 2615 2020



A decorative graphic consisting of a solid red circle with the number "1" inside, and a thick orange arc that curves around the left side of the circle.

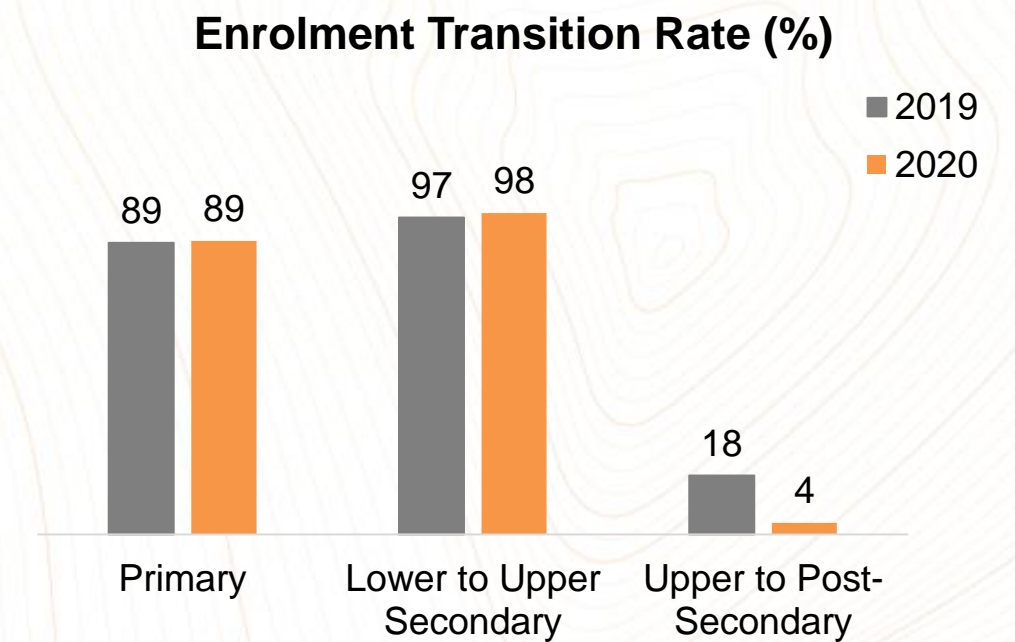
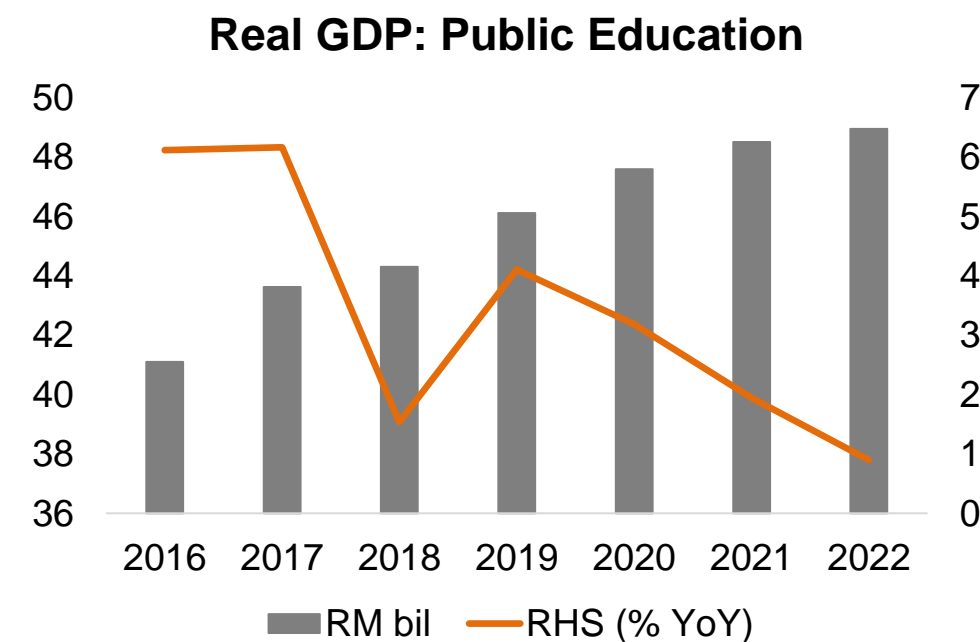
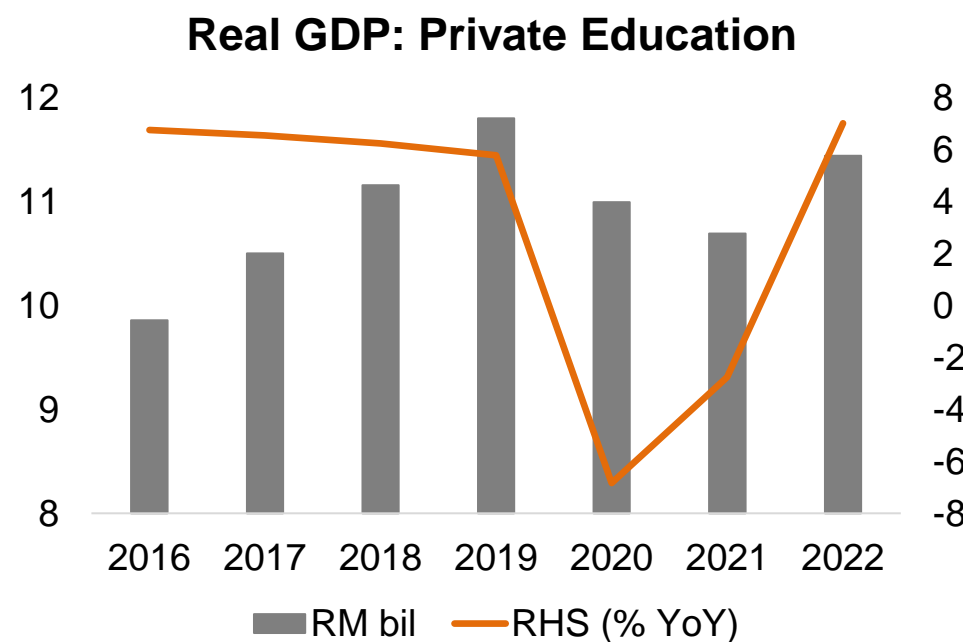
1

Industry Focus: Education



- Education sector is **on track for progressive recovery** as the economy rebuilds from COVID-19.
- In general, **private institutions have greater dominance in pre-schools and higher education** but not in **primary & secondary** combined where the **prospects are deemed to be bright** due to high fragmentation.
- Recent developments (e.g. flexible learning system at public universities; more MOE's pre-schools) may pose **some threats to the private education sector**.
- Evolving issues (e.g. declining fertility rate; low interest in tertiary) are **concerning and may become rampant** if not properly addressed.
- Despite that, some industries along the Industry Value Chain (IVC) **may still benefit** from these developments. Refer page 12 - 13
- Moreover, **increasing demand for Technical & Vocational Education Training (TVET) as well as other education** (e.g. sports, arts) offer opportunities.

Sub-Sector	Outlook
Education	Stable



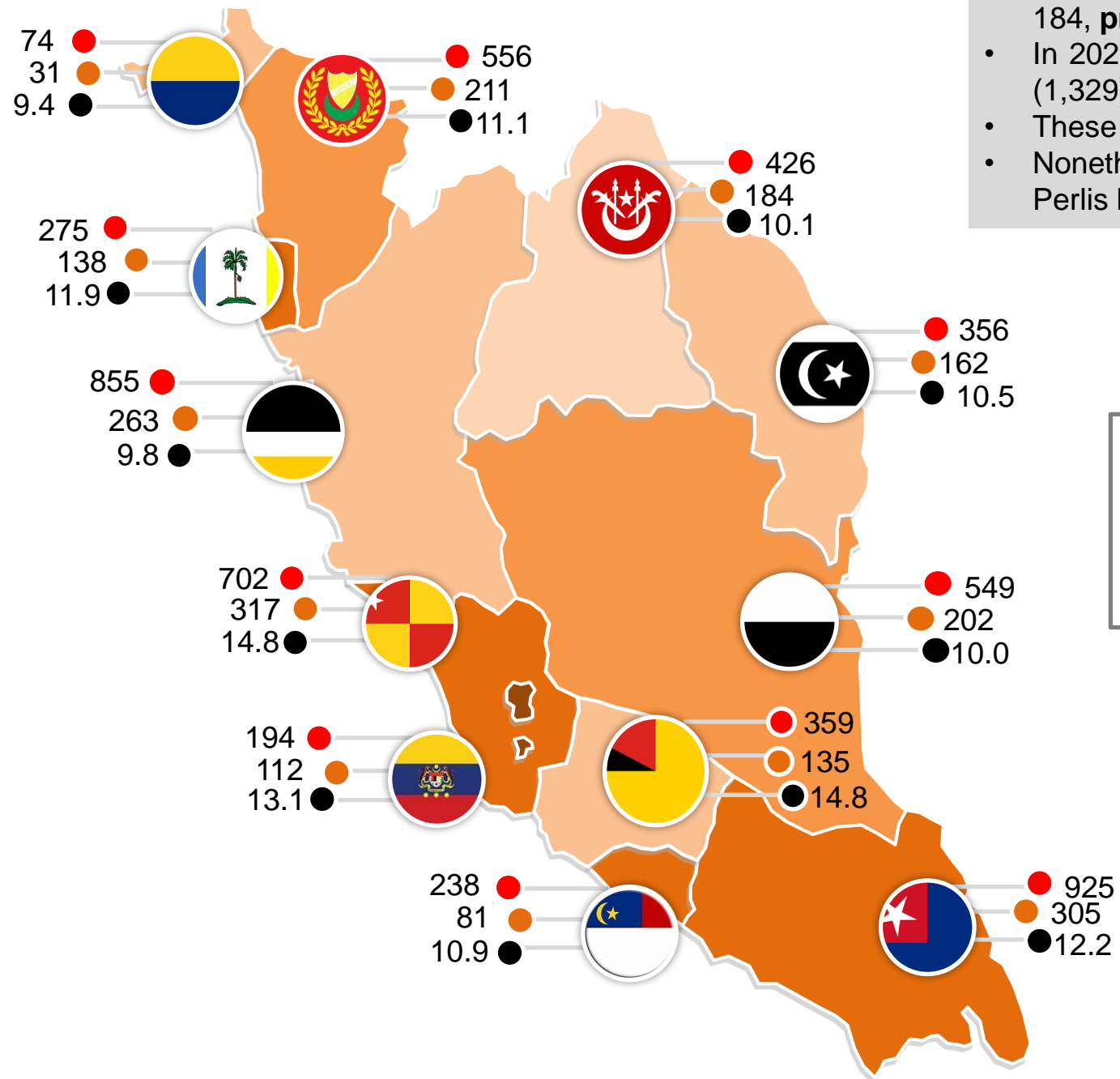
GDP of **private education** are still **±3% short** of pre-pandemic level in 2019.

While **public education GDP increased** over the years, the pace of the **growth are moderating**.

The pandemic may have further **discouraged studies at tertiary level**.

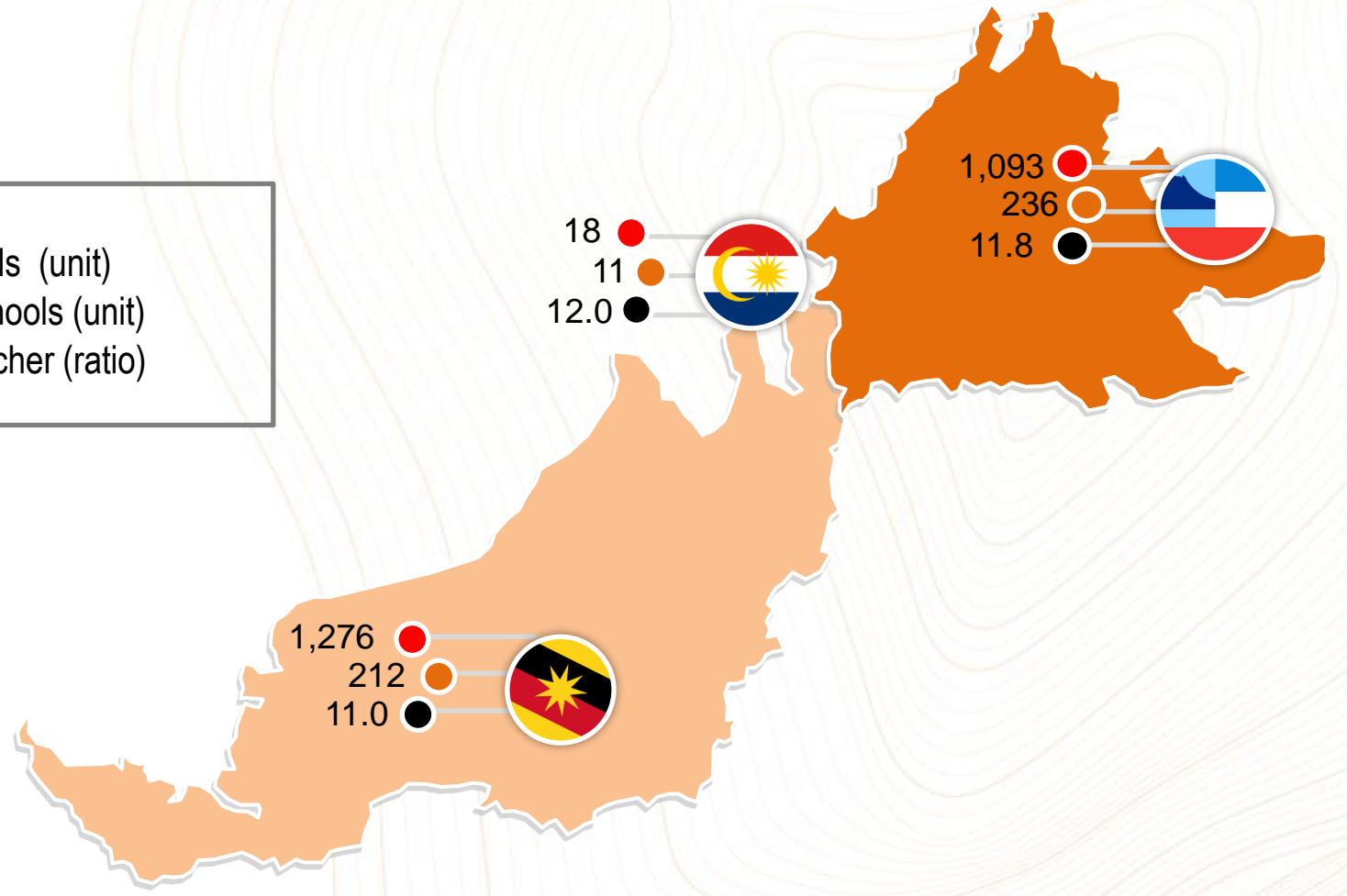
Education include pre-primary, primary, secondary, higher, other education (e.g. sports, martial arts, music, dancing, tuition centre, driving school) as well as related support services (e.g. student exchange programme)

Note: SME Bank's financing data as of Jun 2023. Financing Working (Modloss)



- As of Apr 2022, Malaysia has circa 14.1k schools including private ones where majority of it (69%) are primary schools, followed by secondary (22%) and those with two levels both primary & secondary (9%).
- Meanwhile, number of preschools stood at around 25k units.
- While private primary school increased by a unit to 138 in 2022 and those of secondary maintained at 184, **private preschools dropped by 4% YoY** to 7.8k in 2022.
- In 2021, the highest number of government schools were recorded in Sarawak (1,488 unit) and Sabah (1,329), corresponding to their large land area.
- These states are among those with highest number of teachers and students as well.
- Nonetheless, Selangor has the largest student to teacher ratio – circa 15 students for each teacher while Perlis has the least.

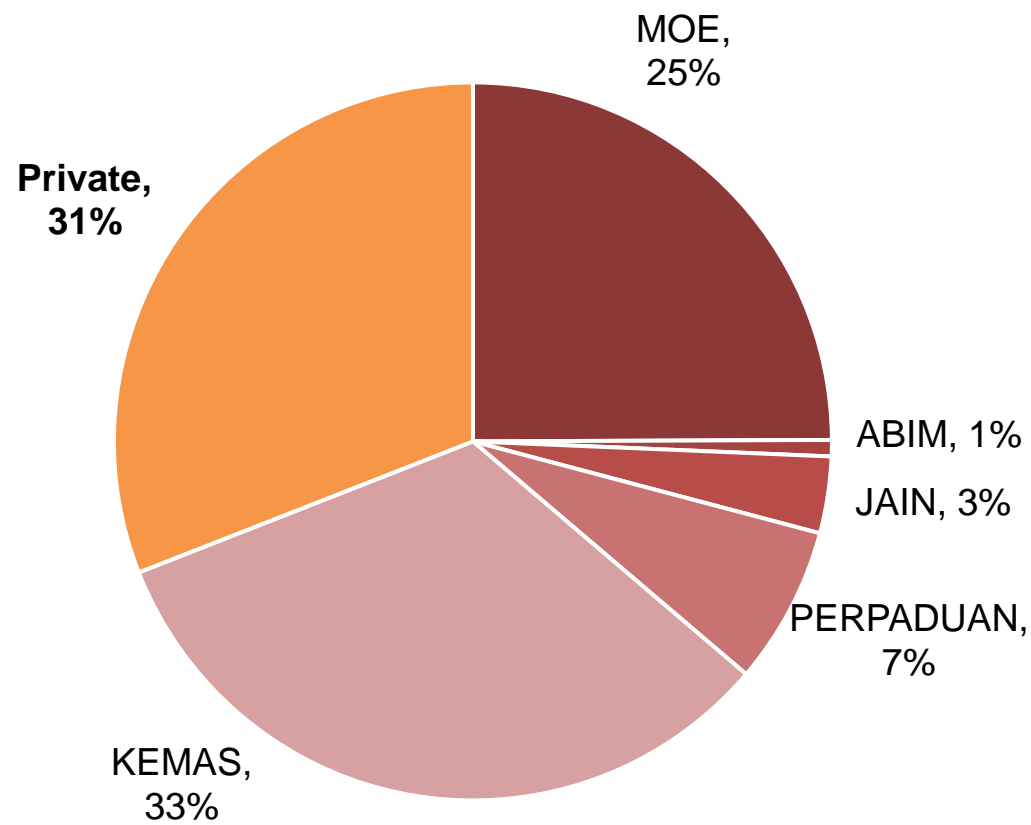
- Primary schools (unit)
- Secondary schools (unit)
- Student to teacher (ratio)



Note: Schools on map cover fully and partially government assisted schools as at Jan 2021.

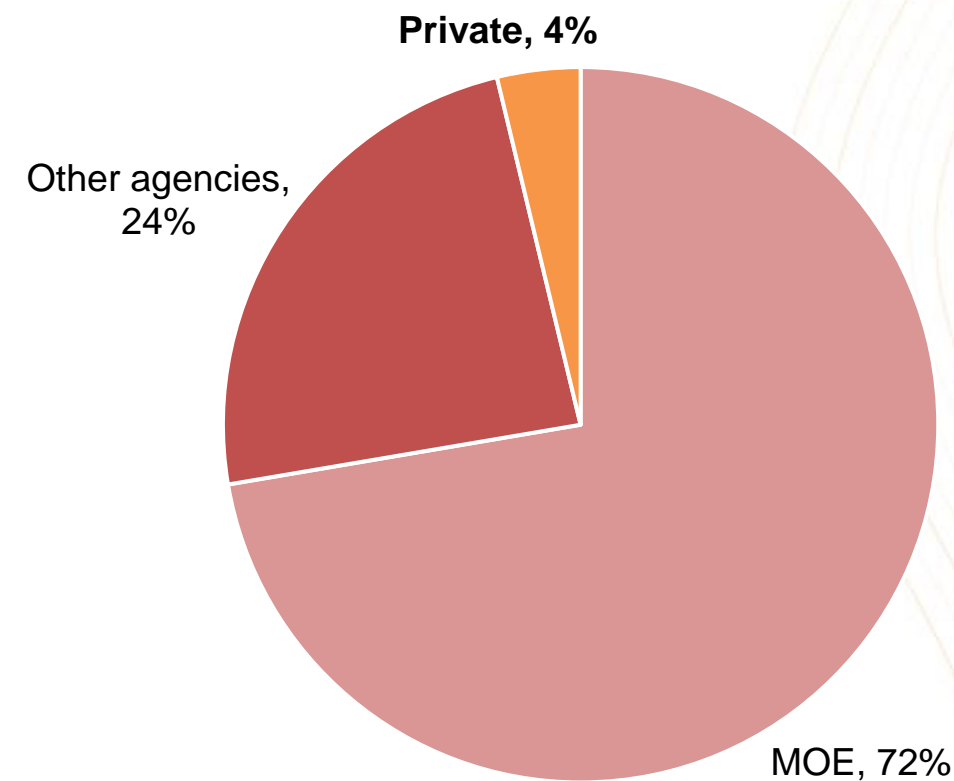
Private institutions have greater dominance in pre-schools and higher education but not in primary & secondary combined, where schooling is mandatory (for primary education). However, prospects seem to be bright in this segment due to high fragmentation (provide opportunities for SMEs to enter and reach smaller target markets) as well as rising affluence (result in lifestyles changes).

Pre-schools by Provider (Share)



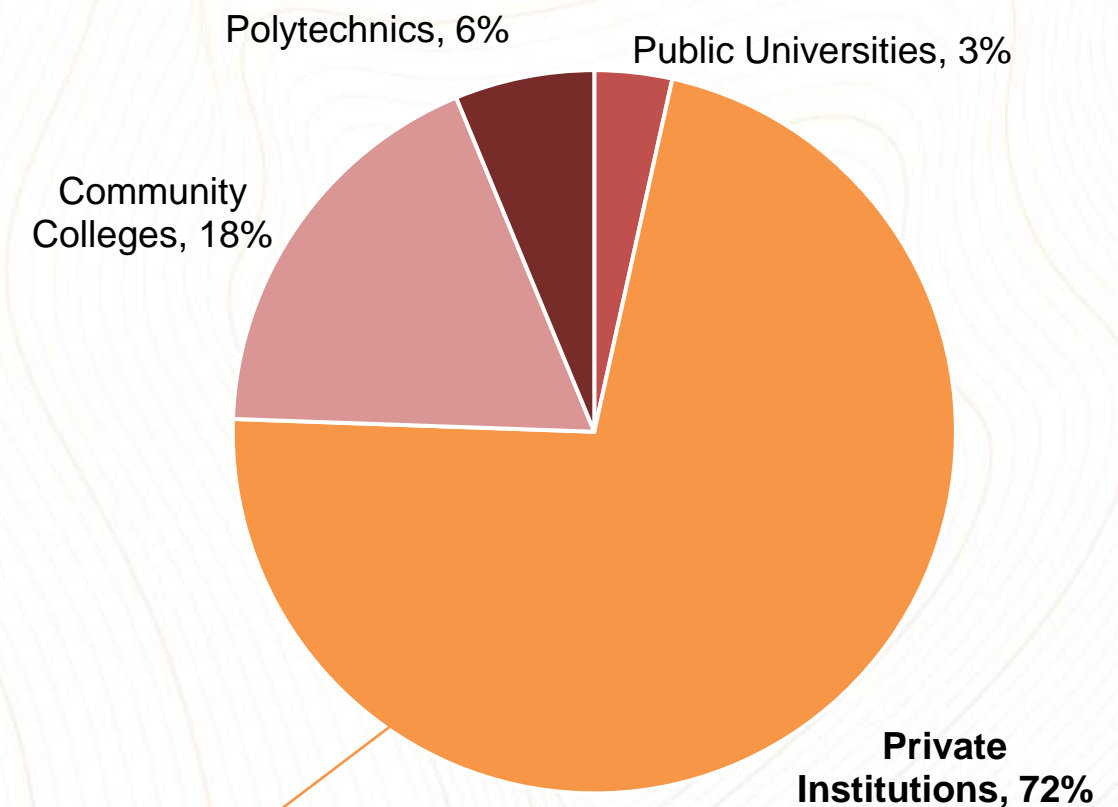
TOTAL: 25,042 units

Primary & Secondary Schools by Provider (Share)



TOTAL: 14,137 units

Higher Education by Provider (Share)



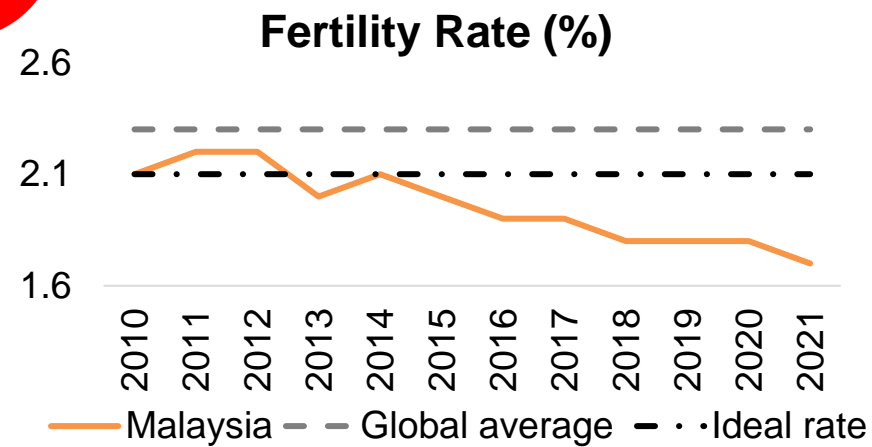
TOTAL: 574 units (596)

Universities	International Branch Campuses	University Colleges	Colleges
55 (53)	10 (10)	35 (37)	316 (335)

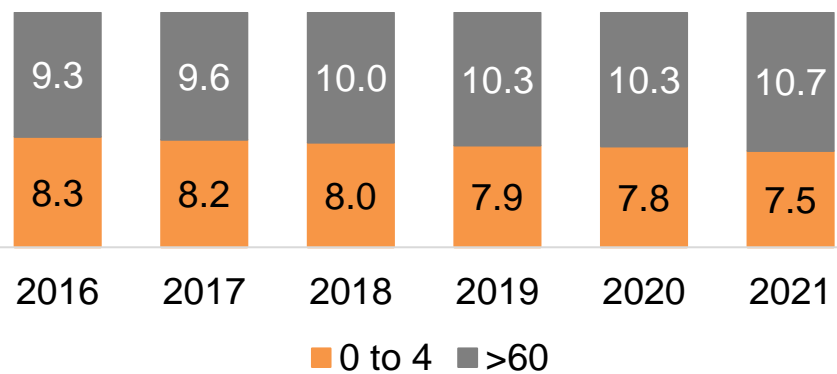
Number of pre-schools, primary & secondary as of 30th Apr 2022
 Number of higher education institutions in 2022
 () number of higher education institutions in 2021
 ABIM: Angkatan Belia Islam Malaysia; JAIN: Jabatan Agama Islam Negeri



Declining fertility rate and aging population



Malaysia's Population by Age (% share)



More emphasis in **TVET**



The rise of **ChatGPT**

- as additional learning tools
- may pose **threat to human's role** in certain education line e.g. computer learning, basic coding

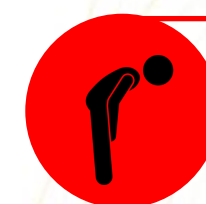


Ongoing study by Govt in making 11 schooling years a mandatory



Low interest in tertiary studies

- UCSI study shows only 51% of 1k SPM candidates plan to continue studying at tertiary level; 39% want to look for job; 10% had no plans



Changes in Govt policies (e.g. minimum wage, teachers' recruitment & training)



Hybrid & flexible learning system as well as reduced years at public universities

- students are given the choice and flexibility to study from home - attend lectures online
- offers flexibility – students may opt to work
- reduction in the education loans/ costs
- degree courses shortened by a year

Beneficiary: **IVC e.g. publications, manufacture & retail of stationaries & electronic devices**

However, **private institutions may lose its competitiveness** since Govt also offers flexibility at more affordable costs



Qatar Fund for Development (USD 50 mil) – for Rohingya refugees to pursue their studies in local universities



Growing demand for other/holistic education e.g. sports, martial arts, yoga, painting, music & dance as a result of more affluent people and changes in lifestyles – creative industry as potential high growth sector



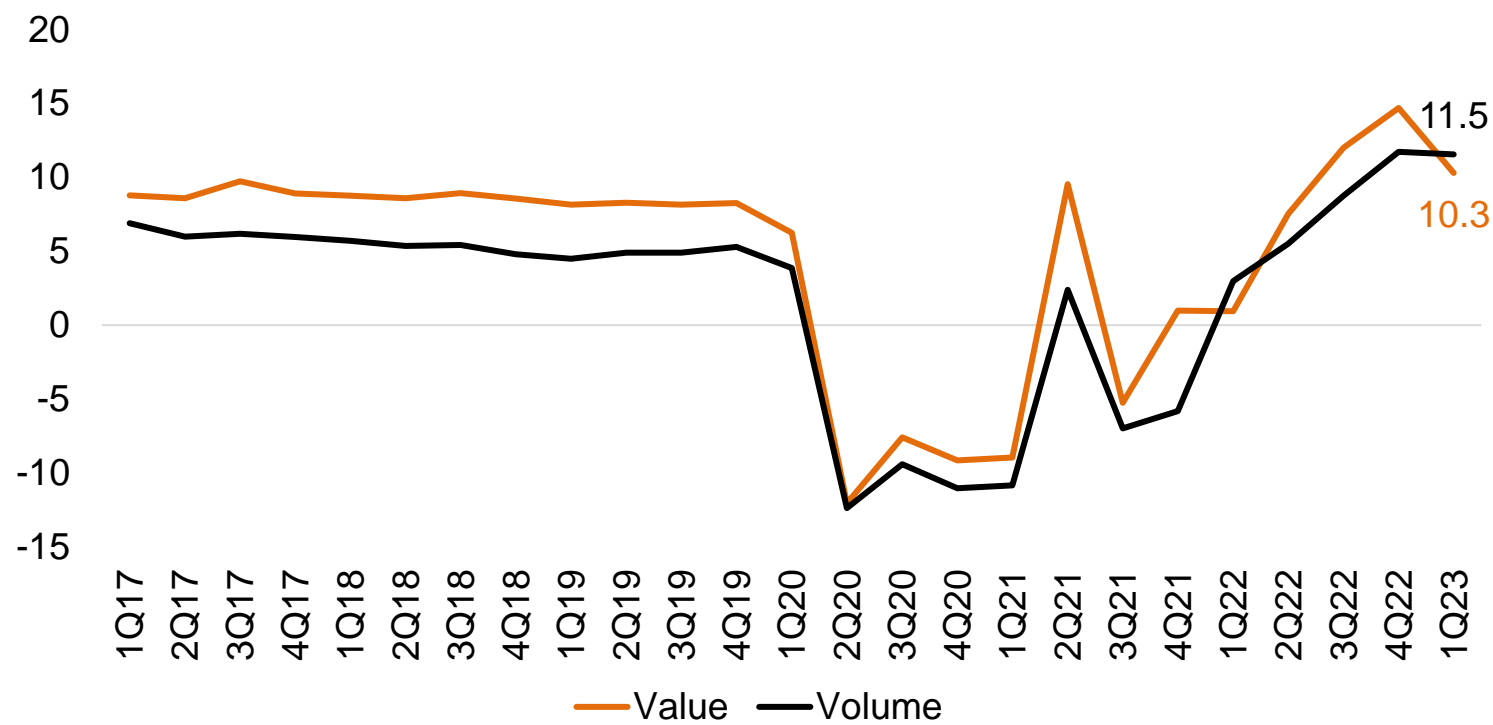
Govt aims to increase pre-school enrollment to 90% (currently: 80%)

- open more pre-schools
- run an advocacy campaign

Beneficiary: **IVC e.g. school bus/van services and stationaries.**

However, it can be a direct threat to private pre-schools

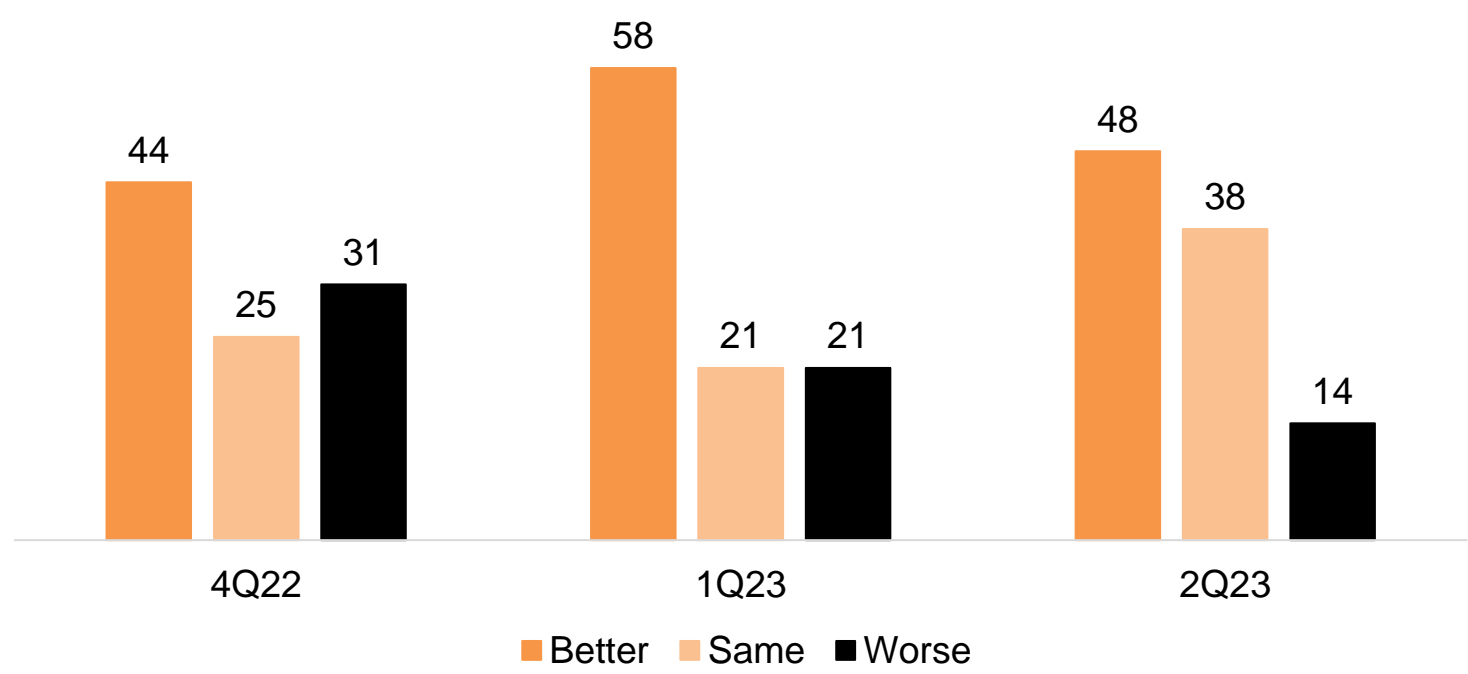
Private Education Sales (% YoY)



Less volatility in general

- Sales value and volume of private education had been steady pre-pandemic before experiencing COVID-19-induced decline in 2020 and 2021.
- In 2022, it rebounded to slightly above its long-term trend and likely to stabilize going forward.
- Nonetheless, government's ongoing discussion on making 11 schooling years a mandatory, to open more MOE's pre-schools as well as offering hybrid and flexible learning at Govt universities, if materialised, may **pose some challenges and opportunities to the private sector.**

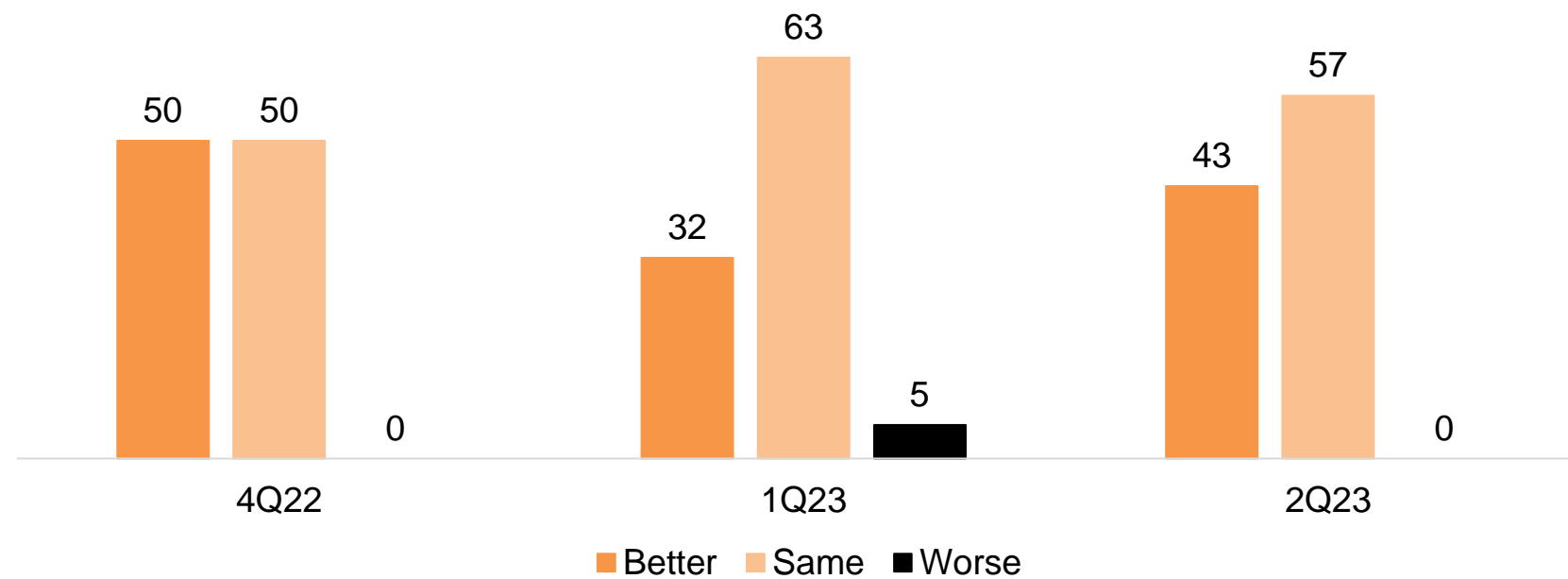
BTS: Education: Expectation on gross revenue (%)



Stable prospect of revenue

- Business Tendency Survey (BTS) Malaysia in 2Q 2023 showed majority (48%) of the businesses in the education sector expect gross revenue to be better in the upcoming 3 to 6 months.
- This is in line with our SME Bank's 1H 2023 SME Sentiment Index survey where 62% of respondents from the education sector expect their business performance/sales to increase in the next 6 to 12 months and 23% foresee a significant growth.

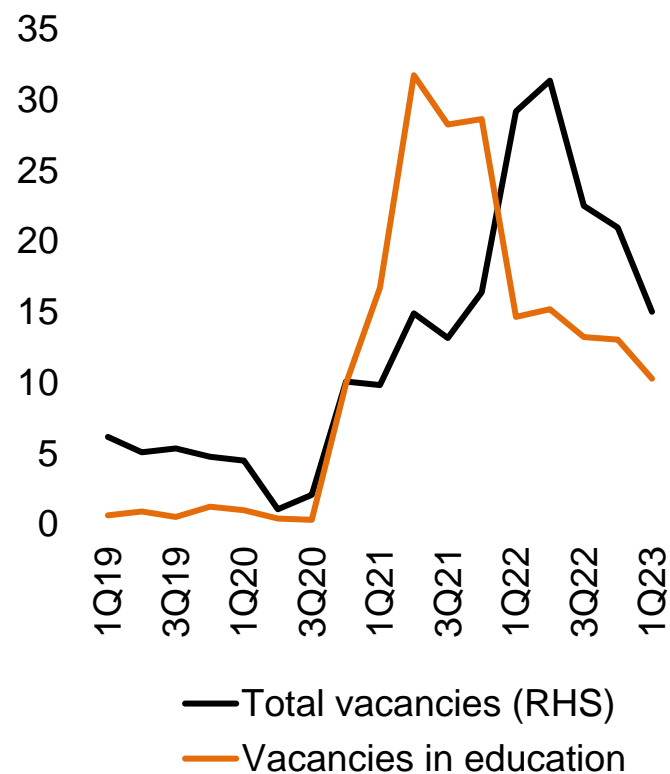
BTS: Education: Expectation on employment (%)



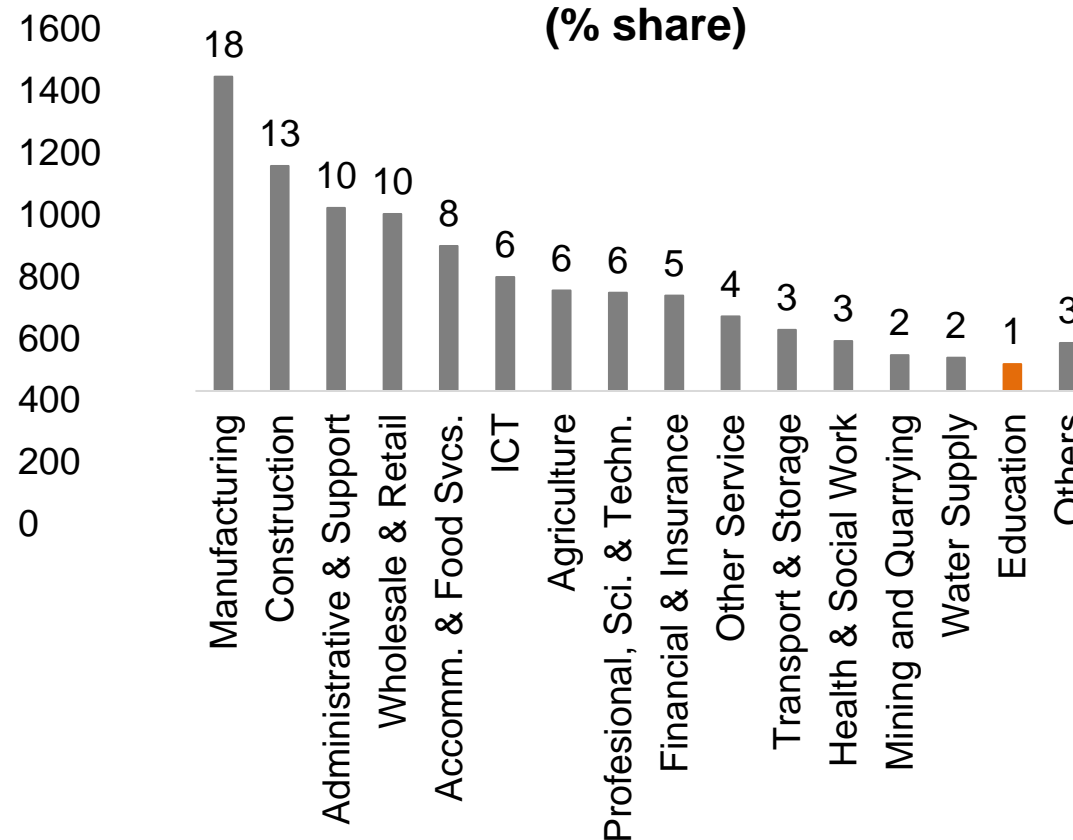
Cautious on hiring decision

- Based on BTS, businesses in the education sector mostly prefer to maintain current headcounts which had been the case since the past few quarters – partially attributed to the increase in minimum wage.
- In contrast, SME Sentiment Index 1H 2023 survey showed majority (62%) expect hiring to increase in the next 6 to 12 months. However, they're looking to hire more of non full-time employees (69%).

Vacancies ('000)



Vacancies by sector in 1Q23 (% share)



Trivial share to total private job vacancies

- Vacancies in the private education sector have been quite low and stable prior to pandemic.
- It spiked up sometime in 2021, could be due to active rehiring upon the reopening of the economy, following considerable layoffs in the beginning stage of the pandemic. The **recovery in the education sector was faster than the overall nationwide vacancies.**
- Nonetheless, its share to total vacancies in the country have been quite small, with the latest data as at 1Q23 at only 1.5%.
- On the public education side, MOE always has the highest operating expenditure (OPEX) and given that emoluments accounted for the largest share of OPEX, it suggests that **employment in the government education sector can be relatively high.**

56% expect economic **growth to be better**
and **75%** foresee their **profit to increase**

69% can only **sustain less than a year,**
financially hence **54%** are looking for
additional financing

100% will focus on **increase**
marketing/ branding for their business

58% agree that **digital transformation is**
impactful to their business performance



SME SENTIMENT INDEX 1H 2023

85% worry about the **impact of inflation**
on their businesses and **92%** foresee
costs of doing business **to increase**

62% want to **hire more**
employees but **mostly** prefer on
contract/ part time basis

54% are neutral about changes in
Government but **majority** are **concern** about
the implementation of **targeted subsidy**

DISCLAIMER

SME BANK has exclusive proprietary rights in the data or information provided herein. This document is the property of SME BANK and is protected by Malaysian and international copyright laws and conventions. The data and information shall only be used for intended purposes and not for any improper or unauthorised purpose. All information contained herein shall not be copied or otherwise reproduced, repackaged, transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner, or by any means or person without SME BANK's prior written consent.

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures or derivatives related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Any opinion, analysis, observation, commentary and/or statement made by SME BANK are solely statements of opinion based on information obtained from sources which SME BANK believes to be reliable and therefore, shall not be taken as a statement of fact under any circumstance. SME BANK does not and is in no position to independently audit or verify the truth and accuracy of the information contained in the document and shall not be responsible for any error or omission or for the loss or damage caused by, resulting from or relating to the use of such information. Analysts based in SME BANK offices produce research on macroeconomics, equities, fixed income, currencies, commodities and portfolio strategy.

SME BANK and its affiliates, subsidiaries and employees shall not be liable for any damage or loss arising from the use of and/or reliance on documents produced by SME BANK or any information contained therein. Anyone using and/or relying on SME BANK document and information contained therein solely assumes the risk in making use of and/or relying on such document and all information contained therein and acknowledges that this disclaimer has been read and understood, and agrees to be bounded by it.



Small Medium Enterprise Development Bank Malaysia Berhad 49572-H

Menara SME Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur

Tel: 03-2615 2020 **Faks:** 03-2698 1748

