

UNITED KINGDOM OVERSEAS INVESTMENTS 1949 AND 1950

Bank of England, 1952

This paper continues a series of estimates first published by the Bank in October, 1950, in a pamphlet entitled "United Kingdom Overseas Investments, 1938 to 1948"* and continued in respect of the year 1949 in a paper issued in connection with the Bank's Report for the year ended 28th February, 1951. The scope of the investigation, the methods of compilation of the estimates and the composition of the different classes of investments were fully described in the original pamphlet, to which reference should be made. Certain definitions, which have a particular bearing on the interpretation of the figures, are here re-stated in summary form.

The estimates cover the investments of residents of the United Kingdom through the medium of securities quoted on, or otherwise known to, the London Stock Exchange; they include U.S. and Canadian dollar market securities formerly registered with the Bank under Exchange Control regulations.

Capital values are nominal, which gives little indication of the actual value of the investment but is a convenient basis for investigating changes in ownership. The conversion into sterling of the nominal amounts of securities denominated in other currencies has been made at the rates of exchange current at the end of each year.

Government and municipal loans are classified by debtor country, not by currency, and overseas-registered companies are classified by country of operation, not by country of registration.

The selection of U.K.-registered companies is limited to those operating entirely, or almost entirely, abroad and excludes those whose activities are divided between home and abroad. Among those excluded are all insurance and shipping companies.

The amounts of interest and dividends are gross of U.K. tax. In the case of U.K.-registered companies entitled to Double Taxation Relief, gross dividends as declared

* Copies of this pamphlet may be obtained from the Secretary, Bank of England, price 2/- a copy, post free.

include some overseas taxation. For this reason, and because the investigation neither covers the whole field of U.K. overseas investment nor takes account of undistributed profits, the figures of interest and dividends are not comparable with figures of investment income contained in official studies of the national Balance of Payments. This problem was discussed in detail in Appendix II of "United Kingdom Overseas Investments, 1938 to 1948".

The information contributed voluntarily to assist this investigation by registrars of all kinds—banks, issuing houses and public companies—is again gratefully acknowledged.

A summary of the nominal capital values of the investments at end-1949 and end-1950 follows, with the previously published figures for 1938 for comparison; although in this connection it will be remembered that the composition of the Commonwealth was somewhat different in the pre-war year.

<i>£ millions</i>				
END OF YEAR		1938	1949	1950
Government and Municipal Loans	...	1,521	795	785
U.K. Companies: Share Capital	...	817	590	587
„ „ : Loan Capital	...	367	106	106
Overseas Companies: Share Capital	...	473	373	374
„ „ : Loan Capital	...	368	174	168
In Commonwealth Countries	... ..	1,998	1,133	1,134
In Foreign Countries	... ..	1,422	775	751
Not classifiable by Area	... ..	126	131	134
TOTAL	... ..	<u>3,545</u>	<u>2,038</u>	<u>2,020</u>

During 1950 the nominal value of U.K. investments decreased by over £18 million. Net capital repayment, of which particulars are given in Table I and which represents identified repatriation by the debtor countries, came to £4 million nominal. On a cash basis, however, instead of a repayment there was a net new investment abroad of £7 million. The residual decrease of £14 million nominal, representing net sales through the market to unidentified non-residents and including errors and omissions, is estimated to have had a cash value of £12 million. Thus the net effect of the various transactions causing the disinvestment of £18 million nominal was a receipt of £5 million cash.

Gross repayment, which comprises redemptions and sales identified as being to residents of the debtor country, and includes capital written off but excludes conversions, amounted to £65 million nominal, and the corresponding cash receipt to £56 million. There were substantial redemptions of Australian and Brazilian Government loans. Mexican railway loans were reduced, under a plan first proposed in 1946 and declared operative in March, 1950, partly by writing down and partly by repayment. Realisation of investments in Canada continued, the proceeds being mostly absorbed in the amortisation of the Government interest-free loan. Gross new investment—new issues, purchases from identified non-residents and capital written up—came to £61 million nominal or £63 million cash. Africa was the principal field for new investment, mainly Commonwealth government loans and shares and loans of South African gold mining companies. Among non-Commonwealth countries there was new investment in government and municipal loans of the Irish Republic and, as in 1949, U.S. domestic securities were acquired on a considerable scale from the

proceeds of sales of non-domestic U.S. dollar securities, one constituent of the £14 million nominal sales through the market mentioned above.

The total of interest and dividends for 1950 was about £25 million more than in 1949. Total loan interest was down slightly, in proportion to the reduction in the nominal capital. Outstanding increases in dividends were in those declared by rubber and tin companies in Malaya, by gold and other mines in South Africa and British West and Central Africa, by tea companies in India and Ceylon and by oil companies (affecting "Not classifiable"). The sterling value of U.S. dollar dividends also was much higher in 1950—the first full year in which conversion was effected at a rate of \$2.80 to £1.

The above-mentioned increases affected the dividends of certain classes of both U.K.-registered and overseas-registered companies. Dividends of the remaining classes of overseas-registered companies were almost unchanged whereas those of the other U.K.-registered companies showed a moderate rise overall. In this connection it will be remembered that the Finance Act of 1950 granted, in the form of "Unilateral Relief", new or increased relief from U.K. taxation to many U.K.-registered companies whose profits were also subject to overseas taxes. Part of the increase in dividends paid by such companies out of 1950 profits over those paid out of 1949 profits does not therefore represent larger profits but lower U.K. taxation.

A summary of interest and dividends, in a similar form to that given above for nominal capital, is as follows:—

£ millions		1938	1949	1950
Government and Municipal Loan Interest	...	55.1	21.1	20.6
U.K. Companies: Share Dividends	...	48.6	55.0	72.8
" " : Loan Interest	...	11.4	3.1	2.7
Overseas Companies: Share Dividends	...	29.3	33.1	41.5
" " : Loan Interest	...	11.0	4.0	4.2
From Commonwealth Countries	...	102.7	74.1	90.5
From Foreign Countries	...	35.2	26.5	32.1
Not classifiable by Area	...	17.5	15.7	19.3
TOTAL	...	<u>155.4</u>	<u>116.4</u>	<u>141.8</u>

During the compilation of the 1950 estimates those for 1949 have been revised, in the light of the later information available, to ensure comparability between the two sets of nominal capital figures and greater accuracy in the estimates of new investment and repayment. A few revisions, the most considerable being in the estimate for Mexico, represent newly disclosed U.K. investment. Others arise from the policy, which is on the increase among U.K.-registered companies operating abroad, of widening their field of operations; information about these activities is often not available until some time after they are completed. The consequent revisions to the estimates, while affecting the figures for individual countries, do not usually alter the total. Thus some of the investments formerly included under Norway, Burma and Indonesia have been dispersed over a number of areas, including, for example, British East Africa, India and Malaya, and practically the whole of the considerable investment previously shown under Persia has been transferred to "Not classifiable". The net effect of revisions from all causes was to raise the estimate of total nominal capital at end-1949 by £1 million.

I—ALL SECURITIES: BY COUNTRIES

£ millions

	NOMINAL CAPITAL		INTEREST & DIVIDENDS		NET CAPITAL REPAYMENT IN 1950 ⁽¹⁾	
	End 1949	End 1950	1949	1950	Nominal	Cash
COMMONWEALTH COUNTRIES						
British West Africa	43	44	3.9	5.3	— .8	— .9
Anglo-Egyptian Sudan	11	11	1.0	1.0	— .1	— .1
British East Africa	19	24	1.4	1.4	— 5.5	— 5.6
British Central Africa	86	92	8.3	10.0	— 7.0	— 7.4
South Africa	149	160	15.9	18.6	— 12.7	— 17.0
India	61	63	6.2	8.1	— 1.9	— 1.6
Pakistan	9	9	.8	1.2	.2	.2
Ceylon	25	25	2.5	3.9	.1	.1
Malaya	69	69	5.3	11.4	.2	*
Australia	385	370	16.5	16.6	13.6	14.1
New Zealand	69	68	2.9	3.0	.4	.5
Canada	172	161	6.9	7.4	10.7	13.3
British West Indies	27	28	1.9	1.9	— 1.6	— 1.9
Other	7	8	.6	.8	— 1.4	— 1.2
	1,133	1,134	74.1	90.5	— 5.8	— 7.5
FOREIGN COUNTRIES						
Irish Republic	21	24	.9	1.0	— 4.0	— 4.0
France	8	8	.4	.6	— .1	.2
Germany	45	45	—	*	—	—
Austria	9	9	.1	.1	.4	.1
Denmark	7	6	.3	.3	.3	.4
Norway	3	3	.1	.1	.3	.2
Hungary	15	15	—	—	.1	—
Roumania	14	14	—	—	—	—
Greece	24	24	.1	*	.5	—
Rest of Europe	50	50	1.9	2.0	— .4	— .9
Burma	10	10	.3	.6	.1	.1
China	36	36	.1	.1	.3	.3
Japan	47	47	.1	.1	—	—
Indonesia	21	21	.3	.3	*	*
Egypt	11	10	2.7	3.1	.2	.2
U.S.A.	115	124	10.0	14.8	— 9.0	— 9.7
Mexico	52	40	.9	1.1	8.9	2.6
Cuba	24	24	.1	.1	—	—
Argentina	40	40	.5	.6	1.2	1.2
Brazil	79	64	2.2	2.2	10.4	10.7
Chile	46	44	1.0	1.0	2.0	1.1
Peru	22	22	.3	.5	.1	.1
Uruguay	8	6	.5	.3	1.8	2.6
Rest of South America	34	33	1.9	1.4	1.1	— .4
Other	33	34	1.6	1.9	— .9	— .4
	775	751	26.5	32.1	13.2	4.3
NOT CLASSIFIABLE	131	134	15.7	19.3	— 3.3	— 3.6
TOTAL	2,038	2,020	116.4	141.8	4.2	— 6.9

(1) A minus sign indicates Net Capital Investment.

II—GOVERNMENT AND MUNICIPAL LOANS: BY COUNTRIES

£ millions	NOMINAL				NOMINAL				
	CAPITAL		INTEREST		CAPITAL		INTEREST		
	End 1949	End 1950	1949	1950	End 1949	End 1950	1949	1950	
COMMONWEALTH COUNTRIES				FOREIGN COUNTRIES					
British West Africa ...	8.7	9.5	.5	.3	Irish Republic ...	16.4	20.1	.7	.7
British East Africa ...	7.2	12.8	.3	.3	Germany ...	39.0	38.8	—	—
British Central Africa	47.7	52.6	1.3	1.4	Austria ...	8.0	7.7	.1	.1
South Africa ...	29.5	33.7	.8	1.0	Denmark ...	5.1	4.4	.2	.2
India ...	3.7	3.7	.2	.2	Norway ...	3.3	2.5	.1	.1
Ceylon ...	3.1	3.0	.1	.1	Hungary ...	9.9	9.9	—	—
Malaya ...	5.6	5.0	.1	.2	Roumania ...	11.4	11.4	—	—
Australia ...	323.5	307.3	11.2	10.7	Greece ...	20.3	20.1	*	—
New Zealand ...	57.1	55.9	2.2	2.0	Rest of Europe ...	18.4	17.8	.2	.3
Canada ...	21.8	18.1	.8	.7	China ...	33.3	33.3	—	—
British West Indies ...	6.0	7.0	.2	.2	Japan ...	40.9	40.9	—	—
Other ...	6.5	7.7	.3	.3	Central America ...	1.8	1.4	*	*
	520.4	516.4	17.9	17.3	Argentina ...	4.6	4.2	.2	.2
					Brazil ...	22.7	15.2	.7	.7
					Chile ...	20.6	19.9	.5	.4
					Uruguay ...	4.3	4.2	.2	.2
					Rest of S. America ...	4.2	3.9	*	*
FOREIGN COUNTRIES	274.5	268.3	3.2	3.3	Other ...	10.4	12.6	.3	.3
TOTAL ...	794.9	784.7	21.1	20.6		274.5	268.3	3.2	3.3

GENERAL NOTES TO THE TABLES

All figures are given correct to the nearest final digit; for this reason the sum of the separate items will sometimes differ from the total as shown.

* indicates a figure less than £50,000.

— indicates nil.

.. indicates not separately specified.

The geographical areas and the types of company were defined in "United Kingdom Overseas Investments, 1938 to 1948".

III—U.K.-REGISTERED COMPANIES: BY COUNTRIES

<i>£ millions</i>				NOMINAL SHARE CAPITAL		SHARE DIVIDENDS		NOMINAL LOAN CAPITAL		LOAN INTEREST	
				End 1949	End 1950	1949	1950	End 1949	End 1950	1949	1950
COMMONWEALTH COUNTRIES											
British West Africa	...	...	...	34.7	34.8	3.4	5.0	..	..	..	..
British East Africa	...	...	...	7.8	7.5	1.0	.9	*	—	*	*
British Central Africa	...	...	...	30.4	32.4	6.6	8.1	3.5	3.5	.1	.1
South Africa	...	...	...	26.3	26.9	3.2	2.7	1.7	1.6	.1	.1
India	...	...	...	43.5	44.0	5.3	7.1	10.8	12.3	.5	.6
Pakistan	...	...	...	8.3	8.2	.7	1.2	.8	.7	*	*
Ceylon	...	...	...	21.8	21.7	2.4	3.8	.5	.5	*	*
Malaya	...	...	...	60.0	60.3	4.8	10.6	2.0	1.8	.1	.1
British North Borneo	...	...	...	2.6	2.6	.1	.3	*	*	*	*
Australia	...	...	...	35.2	35.9	3.1	4.0	7.7	7.5	.3	.3
New Zealand	...	...	...	5.8	5.9	.4	.7	2.4	2.4	.1	.1
Canada	...	...	...	8.2	8.1	.4	.5	4.5	4.5	.1	.1
British West Indies	...	...	...	13.0	12.9	1.4	1.4	2.0	2.1	.2	.1
Other	...	...	...	5.8	5.9	1.0	1.0	2.5	2.8	.2	.1
				303.3	307.0	33.8	47.3	38.4	39.7	1.8	1.7
FOREIGN COUNTRIES											
Irish Republic	...	...	...	1.3	1.3	.1	.1	—	—	—	—
Rest of Europe	...	...	...	22.1	22.3	1.2	1.3	3.6	4.5	.1	.1
Burma	...	...	...	7.0	7.0	.2	.6	.3	.3	*	*
China	...	...	...	2.3	2.3	—	—	..	—	..	—
Indonesia	...	...	...	19.2	19.2	.2	.3	1.8	1.8	*	*
Egypt	...	...	...	2.6	2.5	.4	.3	..	..	..	..
Mexico	...	...	...	2.8	2.8	.5	.5	1.2	.5	—	—
Cuba	...	...	...	11.0	11.0	.1	.1	..	..	..	..
Central America	...	...	...	2.4	2.4	—	—	1.6	1.6	*	*
Argentina	...	...	...	20.9	20.7	.4	.4	11.5	11.5	—	*
Brazil	...	...	...	23.1	20.3	.5	.6	10.4	9.4	*	*
Chile	...	...	...	12.0	11.5	.2	.3	4.7	4.6	.2	.2
Peru	...	...	...	15.1	15.0	.2	.2	4.1	4.1	.1	.2
Uruguay	...	...	...	2.7	1.1	.1	.1	..	..	..	..
Rest of South America	...	...	...	16.2	14.9	1.6	1.2	8.8	9.3	.5	.1
Other	...	...	...	15.1	14.7	1.1	1.4	15.5	15.1	.1	.1
				175.9	169.1	6.8	7.4	63.4	62.5	1.1	.8
NOT CLASSIFIABLE	...	...	...	110.7	110.6	14.4	18.1	4.4	4.2	.2	.2
TOTAL	...	...	...	589.8	586.7	55.0	72.8	106.2	106.5	3.1	2.7

IV—COMPANIES REGISTERED ABROAD: BY COUNTRIES

<i>£ millions</i>					NOMINAL SHARE CAPITAL		SHARE DIVIDENDS		NOMINAL LOAN CAPITAL		LOAN INTEREST	
					End 1949	End 1950	1949	1950	End 1949	End 1950	1949	1950
COMMONWEALTH COUNTRIES												
British East Africa	...	...	...	...	3.9	3.7	.1	.2	—	—	—	—
British Central Africa	...	...	...	...	4.3	3.9	.3	.3	—	—	—	—
South Africa	...	...	...	...	88.7	89.9	11.7	14.7	3.0	8.3	.1	.1
India	...	...	...	...	2.3	2.3	.2	.1	1.1	1.1	*	*
Malaya	...	...	...	...	1.7	1.8	.3	.4	—	—	—	—
Australia	...	...	...	...	14.1	14.9	1.7	1.5	4.9	4.7	.2	.2
New Zealand	...	...	...	...	3.4	3.4	.3	.2	—	—	—	—
Canada	...	...	...	...	74.0	68.9	3.1	3.6	63.5	61.7	2.5	2.5
British West Indies	...	...	...	...	4.4	4.8	.1	.1	1.2	1.2	*	.1
Other	...	...	...	...	.3	.3	.1	.1	—	—	—	—
					197.2	194.2	17.8	21.2	73.7	77.0	2.9	3.0
FOREIGN COUNTRIES												
Irish Republic	...	...	...	...	1.5	1.1	.1	.1	1.4	1.7	.1	.1
Rest of Europe	...	...	...	...	9.4	9.1	.6	.7	26.0	24.0	.4	.3
Japan	...	...	...	...	.5	.5	.1	.1	5.5	5.4	—	—
Egypt	...	...	...	...	7.3	7.2	2.3	2.7	*	*	*	*
U.S.A.	...	...	...	...	92.9	97.0	9.5	14.0	16.2	18.6	.3	.4
Mexico	...	...	...	...	13.9	12.7	.2	.3	32.0	22.6	.1	.3
Cuba	...	...	...	...	.3	.3	—	—	1.3	1.3	*	*
Argentina	...	...	...	...	1.8	1.9	—	*	1.3	1.3	*	—
Brazil	...	...	...	...	18.0	14.9	1.0	.8	4.6	4.3	.1	.1
Chile	...	...	...	...	—	—	—	—	8.5	7.9	.1	.1
Rest of South America	...	...	...	...	4.4	4.7	*	*	3.6	3.3	.1	.1
Other	...	...	...	...	10.2	11.2	.5	.5	.2	.2	*	*
					160.3	160.6	14.2	19.3	100.5	90.6	1.1	1.2
NOT CLASSIFIABLE	...	...	...	...	15.6	19.2	1.1	1.0	.2	.2	*	*
TOTAL	...	...	...	...	373.1	374.0	33.1	41.5	174.4	167.8	4.0	4.2

V—U.K.-REGISTERED COMPANIES: BY TYPES OF COMPANY

£ millions	NOM. SHARE		SHARE		NOM. LOAN		LOAN	
	CAPITAL		DIVIDENDS		CAPITAL		INTEREST	
	End 1949	End 1950	1949	1950	End 1949	End 1950	1949	1950
Dominion & Colonial Railways	1.3	1.3	—	—	5.3	5.1	.2	.2
Indian Railways ... ..	..	..	..	..	10.4	8.6	.5	.4
Foreign Railways	45.5	42.8	.2	.2	32.4	30.4	.5	.3
Banks & Discount Companies	38.9	38.7	3.6	4.0	—	—	—	—
Breweries & Distilleries ...	7.1	7.3	1.1	.8	.8	.8	*	*
Commercial, Industrial, &c....	61.6	62.4	5.2	5.9	4.3	3.9	.3	.2
Electric Lighting & Power ...	9.6	9.6	.7	.7	.9	4.4	*	.2
Financial Trusts, Land, &c. ...	56.1	55.4	3.9	4.6	17.9	17.5	.5	.7
Gas	9.4	9.4	.5	.5	.4	.8	*	*
Mines, Gold	34.7	33.3	2.7	3.2	.1	.3	*	*
Mines, other than Gold ...	62.9	65.9	11.4	15.3	2.9	2.9	.1	.1
Oil	109.0	108.1	16.9	21.1	7.6	8.0	.3	.1
Rubber	74.4	74.6	3.4	9.0	3.3	3.2	.1	.1
Tea & Coffee	39.5	39.5	4.2	5.8	1.1	1.4	.1	.1
Telegraphs & Telephones ...	24.2	24.6	1.0	1.2	..	..	..	..
Tramways & Omnibus ...	10.1	9.9	.2	.2	15.7	15.7	.2	.2
Other(1)	5.6	4.0	.2	.3	3.1	3.5	.2	.1
TOTAL	589.8	586.7	55.0	72.8	106.2	106.5	3.1	2.7

VI—COMPANIES REGISTERED ABROAD: BY TYPES OF COMPANY

£ millions	NOM. SHARE		SHARE		NOM. LOAN		LOAN	
	CAPITAL		DIVIDENDS		CAPITAL		INTEREST	
	End 1949	End 1950	1949	1950	End 1949	End 1950	1949	1950
EXCLUSIVE OF U.S.A.								
Dominion & Colonial Railways	39.4	37.6	.8	.8	57.6	56.7	2.3	2.3
Foreign Railways	7.1	6.5	*	*	39.1	30.2	.3	.4
Banks & Discount Companies	12.8	13.6	1.2	1.3	9.5	8.7	.3	.2
Canals & Docks	6.7	6.4	2.2	2.7	1.1	1.1	—	—
Commercial, Industrial, &c.	66.7	62.9	6.3	6.4	11.8	11.3	.2	.2
Electric Lighting & Power ...	13.4	14.2	.4	.5	19.6	17.6	.3	.3
Financial Trusts, Land, &c. ...	6.5	5.9	.5	.6	3.1	2.9	.2	.1
Iron, Coal & Steel	5.3	5.3	.5	.5	2.0	1.6	.1	.1
Mines, Gold	50.6	53.5	5.6	8.5	..	..	..	..
Mines, other than Gold ...	19.7	18.9	3.9	4.1	1.3	1.3	.1	.1
Nitrate	—	—	—	—	8.5	7.9	.1	.1
Oil	28.4	31.1	.8	.9	..	..	..	..
Tramways & Omnibus ...	16.5	13.6	1.0	.9	2.2	2.1	*	*
Other(2)	7.3	7.4	.4	.5	2.3	7.8	*	.1
	280.2	276.9	23.6	27.5	158.2	149.2	3.8	3.8
U.S.A.								
Railways	10.3	10.1	.2	.2	4.0	3.7	.1	.1
Financial	3.5	3.5	.4	.7	.7	.7	*	*
Utilities	17.7	18.8	1.0	1.3	10.8	13.5	.2	.3
Industrial	61.4	64.6	7.9	11.8	.7	.7	*	*
	92.9	97.0	9.5	14.0	16.2	18.6	.3	.4
TOTAL	373.1	374.0	33.1	41.5	174.4	167.8	4.0	4.2

- (1) Iron, Coal & Steel, Nitrate and Water Works, shares of Indian Railways and loans of Telegraphs & Telephones.
 (2) Indian Railways, Breweries & Distilleries, Gas, Rubber, Shipping and Telegraphs & Telephones and loans of Gold Mines and Oil.