

UNITED KINGDOM OVERSEAS INVESTMENTS 1950 AND 1951

Bank of England, 1953

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 subsequent years in papers issued in connection with the Bank's Annual Report.* 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 is a convenient basis for investigating changes in ownership, although it gives little indication of the realisable value of investments from time to time. 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 predominantly, abroad and excludes a number whose activities are divided between home and abroad. Among those excluded are all insurance and shipping companies. In consequence, an important part of U.K. direct, or controlled, investments overseas is omitted from the estimates. It should, however, be clear that nearly all the U.K.-registered companies that are included, as well as some overseas-registered companies, fall into the category of direct investments.

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 include some overseas taxation. For this reason, and because the investigation neither covers

* Copies of the original pamphlet may be obtained from the Secretary, Bank of England, price 2/- a copy, post free, and a limited number of copies of the supplementary papers, issued in 1951 and 1952, are also available.

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-1950 and end-1951 follows, with the previously published figures for 1938 for comparison; although in this connection it will be remembered that Burma, Palestine and the Irish Republic were part of the Commonwealth in the pre-war year and that holdings of U.S. and Canadian dollar securities at end-1938 were converted to sterling at rates of \$4.03 and \$4.45 respectively, for the sake of comparability with later figures.

<i>£ millions</i>	END OF YEAR	1938	1950	1951
Government and Municipal Loans ...		1,521	789	769
U.K. Companies: Share Capital ...		817	583	569
„ „ : Loan Capital ...		367	106	89
Overseas Companies: Share Capital ...		473	376	388
„ „ : Loan Capital ...		368	165	171
In Commonwealth Countries ...		1,998	1,133	1,120
In Foreign Countries ...		1,422	750	718
Not classifiable by Area ...		126	137	147
TOTAL ...		<u>3,545</u>	<u>2,019</u>	<u>1,985</u>

During 1951 the nominal value of U.K. investments decreased by £34 million. Net capital repayment, of which particulars are given in Table I and which represents identified repatriation by the debtor countries, amounted to £13 million nominal and the corresponding cash receipt was about £13 million also. The sterling value of securities denominated in Canadian dollars increased by nearly £2 million owing to a small change in the value of the Canadian dollar. The residual decrease of £23 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 £18 million. Thus the net effect of the various transactions causing the disinvestment of £34 million nominal was a receipt of £31 million cash.

Gross repayment, which comprises redemptions, net market sales identified as being to residents of the debtor country and capital written off but excludes conversions, amounted to £66 million nominal, and the corresponding cash receipt to £57 million. The realisation of investments in Canada, and, on a reduced scale, the redemption of Australian government and municipal loans continued. Companies operating railways in Brazil and Venezuela, represented by an investment of £18 million nominal in 1950, ceased to be included on completion of the payment for the sale of their properties: the corresponding cash receipt was £11 million. Included in the total of nominal gross repayment, but without any cash equivalent, is an amount of £7 million, representing U.K.-registered companies' share and loan capital which, during 1951, has been exchanged into £8.5 million nominal in overseas-registered companies.

Gross new investment in 1951—new issues (of which £8.5 million resulted from the exchanges mentioned above), net market purchases identified as being from residents of the debtor country and capital written up—came to £53 million nominal or £44 million cash. As in 1950, Commonwealth Africa was the principal field for new investment, mainly government and municipal loans of British West, East and Central Africa and shares and loans of commercial and mining companies in South Africa. There was an important new loan to the Kingdom of Norway and another to the International Bank for Reconstruction and Development (the latter being shown under Not Classifiable in Tables I and IV and under Banks & Discount Companies in Table VI). A number of bonus issues amounted to £9 million in all.

The yearly totals of interest and dividends, after falling from about £155 million in 1938 to about £102 million in 1944, have risen steadily in subsequent years and the total for 1951 was £4 million more than that for 1938 and so the highest in this series of estimates. Share dividends in 1951 were almost £54 million, or 69%, higher than in 1938—withstanding a decrease of £333 million, or 26%, in nominal share capital—and more than enough to offset the decrease of about £50 million, or 64%, in loan interest.

Compared with 1950, interest and dividends were in all nearly £16 million higher. Total loan interest was up slightly, a decrease in proportion to the reduction in the nominal capital being rather more than offset by the receipt of about £1 million arrears of interest, mainly from companies operating in Canada and Brazil. The share dividends of U.K.-registered companies rose as a whole by nearly £10 million. The largest increases were in those of copper and tin mines (mainly in British Central Africa and Malaya), of oil companies (mainly in Not Classifiable) and of rubber companies (in Malaya and elsewhere). Dividends paid by overseas-registered companies were over £5 million higher in total, the rise being general in almost all types of company.

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

£ millions		1938	1950	1951
Government and Municipal Loan Interest	...	55.1	20.7	20.0
U.K. Companies: Share Dividends	...	48.6	74.3	84.0
" " : Loan Interest	...	11.4	2.7	3.2
Overseas Companies: Share Dividends	...	29.3	41.9	47.4
" " : Loan Interest	...	11.0	4.2	4.7
From Commonwealth Countries	...	102.7	92.1	100.8
From Foreign Countries	...	35.2	32.3	36.4
Not classifiable by Area	...	17.5	19.5	22.3
TOTAL	...	155.4	143.8	159.4

During the compilation of the 1951 estimates those for 1950 have been revised, in the light of the later information available. Increases in investments in shares of South African companies and in Australian and some European government and municipal loans represent newly disclosed U.K. investment. The figure for U.K.-registered companies operating in Central Africa was reduced, although the dividend estimate was increased. Investment in loans of South African companies also was revised downward. The result of all revisions was to reduce the estimate of total nominal capital at end-1950 by £1 million and to increase the total of interest and dividends during 1950 by £2 million.

I—ALL SECURITIES: BY COUNTRIES

£ millions

					NOMINAL CAPITAL		INTEREST & DIVIDENDS		NET CAPITAL REPAYMENT IN 1951 ⁽¹⁾	
					End 1950	End 1951	1950	1951	Nominal	Cash
COMMONWEALTH COUNTRIES										
British West Africa	...	...	...	...	44	45	5.3	5.4	- 3.0	- 2.8
Anglo-Egyptian Sudan	...	...	...	...	11	8	1.0	.4	2.9	5.5
British East Africa	...	...	...	...	24	25	1.4	1.8	- 2.2	- 1.7
British Central Africa	...	...	...	...	90	96	11.2	14.2	- 9.2	- 7.8
South Africa	...	...	...	...	161	162	18.8	21.1	- 4.2	- 7.9
India	...	...	...	...	64	62	8.1	7.2	.9	1.7
Pakistan	...	...	...	...	9	9	1.2	1.0	- .1	.1
Ceylon	...	...	...	...	25	25	3.9	3.2	- .5	.7
Malaya	...	...	...	...	69	69	11.4	15.8	.4	.5
Australia	...	...	...	...	372	362	16.6	16.7	4.0	3.7
New Zealand	...	...	...	...	68	64	2.8	2.6	1.0	1.0
Canada	...	...	...	...	161	156	7.9	8.4	6.1	12.1
British West Indies	...	...	...	...	27	27	1.8	2.1	- .4	- .6
Other	...	...	...	...	8	9	.8	.9	- .8	- .5
					1,133	1,120	92.1	100.8	- 5.1	3.8
FOREIGN COUNTRIES										
Irish Republic	...	...	...	...	24	24	1.0	1.1	- .1	- .1
France	...	...	...	...	8	8	.6	.7	.4	1.1
Germany	...	...	...	...	45	44	*	*	..	..
Austria	...	...	...	...	9	7	.1	.1	1.1	.8
Denmark	...	...	...	...	7	6	.3	.3	.4	.4
Norway	...	...	...	...	3	7	.1	.2	- 4.4	- 4.2
Hungary	...	...	...	...	15	15	—	—	.1	—
Roumania	...	...	...	...	14	14	—	—	—	—
Greece	...	...	...	...	24	24	*	*	—	—
Rest of Europe	...	...	...	...	50	50	2.2	2.9	- 1.5	1.7
Burma	...	...	...	...	10	10	.6	1.0	.1	*
China	...	...	...	...	36	36	.1	.1	*	—
Japan	...	...	...	...	47	46	.1	.1	—	—
Indonesia	...	...	...	...	21	20	.2	.7	.1	*
Egypt	...	...	...	...	10	10	3.1	3.3	.2	.2
U.S.A.	...	...	...	...	125	125	14.9	15.5	.6	- 6.8
Mexico	...	...	...	...	39	38	1.1	1.6	.8	1.1
Cuba	...	...	...	...	24	24	.1	.1	*	*
Argentina	...	...	...	...	40	38	.6	1.2	.9	.9
Brazil	...	...	...	...	64	46	2.2	2.4	18.8	13.1
Chile	...	...	...	...	43	37	1.0	1.0	3.5	2.7
Peru	...	...	...	...	22	22	.5	.5	*	*
Uruguay	...	...	...	...	6	5	.3	.2	- .2	*
Rest of South America	...	...	...	...	32	29	1.4	1.4	2.3	1.8
Other	...	...	...	...	33	33	1.9	2.0	.2	.5
					750	718	32.3	36.4	23.3	13.3
NOT CLASSIFIABLE	...	...	...	...	137	147	19.5	22.3	- 5.2	- 4.4
TOTAL	...	...	...	...	2,019	1,985	143.8	159.4	13.0	12.8

(1) A minus sign indicates Net Capital Investment.

II—GOVERNMENT AND MUNICIPAL LOANS: BY COUNTRIES

£ millions	NOMINAL				NOMINAL				
	CAPITAL		INTEREST		CAPITAL		INTEREST		
	End 1950	End 1951	1950	1951	End 1950	End 1951	1950	1951	
COMMONWEALTH COUNTRIES				FOREIGN COUNTRIES					
British West Africa ...	9.4	10.5	.3	.3	Irish Republic ...	20.1	20.3	.7	.8
British East Africa ...	12.8	13.1	.3	.4	Germany ...	38.8	38.7	—	—
British Central Africa ...	52.6	59.2	1.4	1.6	Austria ...	7.6	6.7	.1	.1
South Africa ...	33.8	33.0	1.0	1.2	Denmark ...	4.8	4.2	.2	.2
India ...	3.7	3.6	.2	.2	Norway ...	2.5	6.5	.1	.2
Ceylon ...	3.0	2.6	.1	.1	Hungary ...	9.9	9.9	—	—
Malaya ...	5.0	4.9	.2	.1	Roumania ...	11.4	11.4	—	—
Australia ...	309.8	300.8	10.8	10.1	Greece ...	20.5	20.3	—	—
New Zealand ...	55.9	52.4	2.0	1.8	Rest of Europe ...	19.0	17.1	.3	.4
Canada ...	18.1	14.1	.7	.5	China ...	33.3	33.3	—	—
British West Indies ...	7.0	7.0	.2	.2	Japan ...	40.9	40.7	—	—
Other ...	7.7	7.4	.3	.3	U.S.A. ...	7.8	4.4	.1	.1
	518.8	508.6	17.4	16.8	Central America ...	1.4	1.2	*	*
					Argentina ...	4.0	2.6	.2	.1
					Brazil ...	15.8	15.1	.7	.4
					Chile ...	19.9	16.5	.4	.4
					Uruguay ...	4.2	3.5	.2	.1
					Rest of S. America ...	3.9	3.8	*	*
FOREIGN COUNTRIES	270.1	260.2	3.3	3.2	Other ...	4.5	4.0	.2	.2
TOTAL ...	788.9	768.8	20.7	20.0		270.1	260.2	3.3	3.2

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

£ millions				NOMINAL SHARE CAPITAL		SHARE DIVIDENDS		NOMINAL LOAN CAPITAL		LOAN INTEREST	
				End 1950	End 1951	1950	1951	End 1950	End 1951	1950	1951
COMMONWEALTH COUNTRIES											
British West Africa	...	...	...	34.4	34.7	5.0	5.1	..	..	..	..
British East Africa	...	...	...	7.5	7.8	.9	1.2	—	—	*	—
British Central Africa	...	...	...	29.5	29.9	9.3	12.2	3.5	3.5	.1	.1
South Africa	...	...	...	26.8	25.9	2.9	2.8	1.6	1.6	.1	.1
India	...	...	...	44.1	44.9	7.1	6.3	12.3	10.5	.6	.5
Pakistan	...	...	...	7.9	8.1	1.2	.9	.7	.6	*	*
Ceylon	...	...	...	21.6	22.2	3.8	3.1	.5	.4	*	*
Malaya	...	...	...	60.5	61.0	10.6	14.4	2.1	1.6	.1	.1
British North Borneo	...	...	...	2.7	2.7	.3	.4	*	*	*	—
Australia	...	...	...	35.5	33.6	4.0	4.3	7.5	6.4	.3	.2
New Zealand	...	...	...	5.9	5.9	.5	.5	2.4	2.1	.1	.1
Canada	...	...	...	8.1	6.5	.5	.5	4.5	1.5	.1	.4
British West Indies	...	...	...	12.1	11.8	1.3	1.7	2.1	2.2	.1	.1
Other	...	...	...	5.8	3.7	1.0	.4	2.8	2.6	.1	.1
				302.5	298.6	48.4	53.8	40.1	33.1	1.7	1.8
FOREIGN COUNTRIES											
Irish Republic	...	...	...	1.3	1.3	.1	.1	—	—	—	—
Rest of Europe	...	...	...	21.6	21.7	1.5	2.1	4.5	4.4	.1	.1
Burma	...	...	...	7.0	7.0	.6	1.0	.3	.2	*	*
China	...	...	...	2.3	2.3	—	—	—	—	—	—
Indonesia	...	...	...	18.7	18.6	.2	.6	1.8	1.7	*	.1
Egypt	...	...	...	2.5	2.5	.3	.3	..	..	..	..
Mexico	...	...	...	2.8	3.5	.5	.8	.5	.5	—	—
Cuba	...	...	...	11.0	11.0	.1	*	..	..	..	..
Central America	...	...	...	2.6	2.7	—	*	1.6	1.6	*	*
Argentina	...	...	...	20.9	20.9	.4	1.0	11.5	11.5	*	*
Brazil	...	...	...	19.9	9.9	.6	.6	9.4	2.9	*	.6
Chile	...	...	...	11.1	9.5	.3	.2	4.4	2.4	.2	.1
Peru	...	...	...	15.2	15.2	.2	.3	..	..	..	..
Uruguay	...	...	...	1.0	1.3	.1	.1	..	..	..	..
Rest of South America	...	...	...	14.2	13.5	1.2	1.2	13.2	11.7	.3	.3
Other	...	...	...	15.4	15.0	1.5	1.5	14.7	14.7	.1	.1
				167.7	156.0	7.6	9.8	61.7	51.4	.8	1.3
NOT CLASSIFIABLE	...	...	...	112.7	114.0	18.3	20.4	4.2	4.1	.2	.2
TOTAL	...	...	...	582.8	568.6	74.3	84.0	106.0	88.6	2.7	3.2

IV—COMPANIES REGISTERED ABROAD: BY COUNTRIES

<i>£ millions</i>					NOMINAL SHARE CAPITAL		SHARE DIVIDENDS		NOMINAL LOAN CAPITAL		LOAN INTEREST	
					End 1950	End 1951	1950	1951	End 1950	End 1951	1950	1951
COMMONWEALTH COUNTRIES												
British East Africa	...	...	...	...	3.7	4.2	.2	.2	—	—	—	—
British Central Africa	...	...	...	...	4.1	3.8	.3	.3	—	—	—	—
South Africa	...	...	...	...	92.0	92.5	14.7	16.6	7.2	8.7	.1	.3
India	...	...	...	...	2.3	2.3	.1	.1	..	..	..	..
Malaya	...	...	...	...	1.8	1.8	.4	1.1	—	—	—	—
Australia	...	...	...	...	14.5	16.8	1.4	2.0	4.7	4.7	.2	.2
New Zealand	...	...	...	...	3.4	3.4	.2	.2	—	—	—	—
Canada	...	...	...	...	68.9	70.4	4.1	4.4	61.7	63.6	2.5	2.5
British West Indies	...	...	...	...	4.8	4.9	.1	.1	1.2	1.2	.1	.1
Other	...	...	...	...	.3	.3	.1	.1	1.1	1.0	*	*
					195.8	200.3	21.6	25.2	75.9	79.3	3.0	3.2
FOREIGN COUNTRIES												
Irish Republic	...	...	...	...	1.1	1.1	.1	.1	1.7	1.6	.1	.1
Rest of Europe	...	...	...	...	9.1	10.6	.7	.8	24.4	23.6	.3	.3
Japan	...	...	...	...	.5	.5	.1	.1	5.4	4.8	—	—
Egypt	...	...	...	...	7.2	6.8	2.7	2.9	*	*	*	*
U.S.A.	...	...	...	...	97.0	100.2	14.0	14.5	18.6	18.2	.4	.5
Mexico	...	...	...	...	12.7	11.0	.3	.4	21.4	21.2	.3	.3
Cuba	...	...	...	...	.3	.3	—	*	1.3	1.2	*	*
Argentina	...	...	...	...	1.9	2.0	*	*	1.3	1.3	—	*
Brazil	...	...	...	...	14.9	14.3	.8	.7	4.2	3.5	.1	*
Chile	...	...	...	...	..	..	..	..	7.9	8.3	.1	.1
Rest of South America	...	...	...	...	4.8	5.4	*	.2	3.1	2.8	.1	*
Other	...	...	...	...	11.2	11.2	.5	.7	.2	.2	*	*
					160.8	163.4	19.3	20.6	89.4	86.8	1.2	1.4
NOT CLASSIFIABLE	...	...	...	...	19.5	24.3	1.0	1.6	.2	5.0	*	.1
TOTAL	...	...	...	...	376.0	388.0	41.9	47.4	165.4	171.1	4.2	4.7

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

£ millions	NOM. SHARE		SHARE		NOM. LOAN		LOAN	
	CAPITAL		DIVIDENDS		CAPITAL		INTEREST	
	End 1950	End 1951	1950	1951	End 1950	End 1951	1950	1951
Dominion & Colonial Railways	1.3	1.3	—	—	5.1	4.1	.2	.4
Indian Railways ... ..	..	..	..	..	8.6	6.8	.4	.3
Foreign Railways	42.4	31.0	.2	.3	29.7	21.9	.3	.8
Banks & Discount Companies	38.8	39.9	3.8	3.7	—	—	—	—
Breweries & Distilleries ...	7.3	6.6	1.0	.9	.8	.8	*	*
Commercial, Industrial, &c....	62.7	64.6	6.0	6.9	3.9	3.9	.2	.1
Electric Lighting & Power ...	9.7	9.7	.7	.6	4.4	4.3	.2	.2
Financial Trusts, Land, &c. ...	55.4	52.0	4.6	4.4	17.5	15.8	.7	.6
Gas	9.4	9.3	.5	.6	.8	.8	*	*
Mines, Gold	32.3	30.2	3.2	2.7	.3	.3	*	*
Mines, other than Gold ...	62.5	63.8	16.7	22.4	2.9	2.9	.1	.1
Oil	108.1	109.5	21.1	23.6	8.0	7.5	.1	.1
Rubber	74.7	74.7	9.1	12.2	3.5	2.9	.1	.2
Tea & Coffee	39.5	39.6	5.8	4.4	1.4	1.3	.1	.1
Telegraphs & Telephones ...	24.6	24.5	1.2	.9	..	..	..	..
Tramways & Omnibus ...	9.9	8.9	.2	.2	15.7	13.6	.2	.1
Other(1)	4.1	3.1	.3	.2	3.5	1.5	.1	.1
TOTAL	582.8	568.6	74.3	84.0	106.0	88.6	2.7	3.2

VI—COMPANIES REGISTERED ABROAD: BY TYPES OF COMPANY

£ millions	NOM. SHARE		SHARE		NOM. LOAN		LOAN	
	CAPITAL		DIVIDENDS		CAPITAL		INTEREST	
	End 1950	End 1951	1950	1951	End 1950	End 1951	1950	1951
EXCLUSIVE OF U.S.A.								
Dominion & Colonial Railways	37.6	38.4	1.3	1.4	56.7	57.6	2.3	2.3
Foreign Railways	6.5	6.3	*	*	29.5	29.0	.4	.4
Banks & Discount Companies	13.6	14.1	1.3	1.5	8.8	13.1	.2	.2
Canals & Docks	6.4	6.2	2.7	2.9	.8	.8	—	—
Commercial, Industrial, &c.	63.7	64.4	6.3	7.5	11.4	11.1	.2	.2
Electric Lighting & Power ...	14.2	16.6	.5	.7	17.6	17.6	.3	.3
Financial Trusts, Land, &c. ...	5.9	5.8	.6	.6	2.9	4.0	.1	.1
Iron, Coal & Steel	5.3	5.4	.5	.6	1.6	1.6	.1	.1
Mines, Gold	54.0	54.1	8.5	9.3	4.7	5.2	*	.2
Mines, other than Gold ...	19.2	18.8	4.1	5.5	1.4	1.2	.1	.1
Nitrate ... ..	..	..	..	..	7.9	8.3	.1	.1
Oil	31.4	35.1	.9	1.4	..	..	..	..
Tramways & Omnibus ...	13.6	13.0	.9	.7	2.1	2.1	*	*
Other(2)	7.5	9.6	.5	.8	1.5	1.4	.1	.1
	279.0	287.8	27.9	32.9	146.8	152.9	3.8	4.1
U.S.A.								
Railways	10.1	11.7	.2	.3	3.7	3.5	.1	.1
Financial	3.5	3.3	.7	.7	.7	.7	*	*
Utilities	18.8	19.1	1.3	1.4	13.5	13.4	.3	.4
Industrial	64.6	66.1	11.8	12.1	.7	.7	*	*
	97.0	100.2	14.0	14.5	18.6	18.2	.4	.5
TOTAL	376.0	388.0	41.9	47.4	165.4	171.1	4.2	4.7

- (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, Tea & Coffee and Telegraphs & Telephones, shares of Nitrate and loans of Oil.