

## UNITED KINGDOM OVERSEAS PORTFOLIO INVESTMENTS,

1958 to 1960

A supplement to the Bank's Report for the year ended 29th February 1960 which was entitled "United Kingdom Overseas Portfolio Investments, 1958" introduced a new set of estimates on that subject. The present note, after repeating in summary form various explanations necessary for interpreting the figures, gives the estimates now available for the years 1959 and 1960. Those for 1960 are provisional. Figures for 1958, which have been revised in the light of information received since they were previously published and as a result of improvements in the method of compilation, are included in the tables below for comparison.

The United Kingdom's overseas portfolio investments comprise, by definition, holdings of U.K. residents in overseas government and municipal loans and in securities of overseas-registered companies apart from direct investments by U.K. companies in their overseas subsidiary and associated companies.

The Bank's investigation is concerned with U.K. holdings of overseas portfolio securities in so far as they give rise to transactions which find a place in the balance of payments accounts. These are the net cash outflow from, or inflow to, the United Kingdom resulting from changes in such holdings; and the amounts of interest and dividends received by the United Kingdom on overseas portfolio investments, net of overseas tax but gross of U.K. income tax. Following the normal practice in balance of payments accounts, the geographical classification of overseas government and municipal loans is based on the debtor country without regard to the currency in which loans are expressed; and that of securities

of overseas companies on the country of registration.

The securities included in the Bank's compilation are those dealt in on the London Stock Exchange together with U.S. and Canadian dollar securities quoted abroad, on which information is available through the operation of U.K. Exchange Control. Consequently the estimates shown in the tables below, in so far as they relate to overseas countries other than the United States and Canada, do not cover a large part of U.K. holdings of the securities of companies without registrars or paying agents in the United Kingdom. It is possible to give a measure of this omission by reference to approximate estimates of total U.K. receipts of interest and dividends on overseas portfolio investments, whether distributed by U.K. paying agents or from abroad, which are based on Inland Revenue sources. These estimates, as published as global aggregates in "United Kingdom Balance of Payments 1958 to 1960" (Cmd. 1329), amount to £115 million in 1958, £121 million in 1959 and £126 million in 1960. Thus the figures of interest and dividends given below in Table II are understated in each year by an amount of the order of £25 million which relates to portfolio holdings in overseas companies other than U.S. and Canadian companies. No measure is possible of the extent to which particular countries are affected by this shortfall: and no estimate is available regarding capital transactions in U.K. holdings of overseas portfolio securities not included in the Bank's compilation.

The information contributed voluntarily to assist the Bank's investigation by registrars and paying agents is again gratefully acknowledged.

£ millions

**Table I: Capital Transactions**

	Total			Overseas Sterling Countries			Non-Sterling Countries		
	1958	1959	1960	1958	1959	1960	1958	1959	1960
Gross New Investment ...	71	54	53	52	41	33	19	13	20
Gross Repayment ...	21	34	29	13	16	15	8	18	14
Net New Investment (+) or Repayment (-) ...	+50	+20	+24	+39	+25	+18	+11	-5	+6
Other Capital Transactions	-19	-54	-61	-17	-22	-33	-2	-32	-28
Total Net Outflow from U.K. (+) or Inflow to U.K. (-)	+31	-34	-37	+22	+3	-15	+9	-37	-22

The above table analyses the net cash outflow from the United Kingdom totalling £31 million in 1958 and the net cash inflow to the United Kingdom totalling £34 million in 1959 and £37 million in 1960 which resulted from changes during the three years in U.K. holdings of overseas portfolio securities within the Bank's compilation. These estimates are divided into "Net New Investment or Repayment" and "Other Capital Transactions". "Net New Investment or Repayment" consists of transactions which it is possible to identify as between residents of the United Kingdom and residents of the particular country in which the investment is made. It comprises mainly new issues and redemptions, but includes also some market purchases and sales, notably those of U.S. domestic dollar securities. "Other Capital Transactions" consist almost wholly of U.K. purchases and sales through the market. Although it is not possible to identify the individual overseas country with which these transactions take place, the above table shows a conjectural breakdown between residents of Overseas Sterling Countries and of Non-Sterling Countries.

"Net New Investment" in Overseas Sterling Countries of £25 million in 1959 and £18 million in 1960 comprised subscriptions

to, less repayments of, government and municipal loans totalling £22 million in the two years combined—of which Australia accounted for £17 million—and transactions affecting company securities which totalled £21 million. The main features of "Net Repayment" by Non-Sterling Countries of £5 million in 1959 and "Net New Investment" in Non-Sterling Countries of £6 million in 1960 were sales and redemptions, less acquisitions, of U.S. securities amounting to £8 million in 1959 followed by acquisitions, less sales and redemptions, of U.S. securities amounting to £5 million in 1960; and subscriptions, paid partly in 1959 and partly in 1960, to a sterling issue of £10 million by the International Bank for Reconstruction and Development. "Other Capital Transactions", which in total resulted in a net cash inflow to the United Kingdom estimated at £54 million in 1959 and £61 million in 1960, were composed almost entirely of sales, less purchases, of government and municipal loans (£18 million in 1959 and £19 million in 1960); of South African company securities (£15 million and £22 million respectively); of shares in Netherlands companies (£20 million and £5 million respectively); and of Canadian company securities (£14 million in 1960).

£ millions

**Table II: Interest and Dividends**

	Total			Overseas Sterling Countries			Non-Sterling Countries		
	1958	1959	1960	1958	1959	1960	1958	1959	1960
Government and Municipal Loans ...	24.0	25.6	26.3	19.6	21.8	22.3	4.4	3.8	4.0
Companies:									
Loan Interest ...	6.1	6.4	5.9	1.5	1.7	1.4	4.6	4.7	4.5
Share Dividends ...	60.0	62.8	70.3	23.4	24.0	30.6	36.6	38.8	39.7
Total ...	66.1	69.2	76.2	24.9	25.7	32.0	41.2	43.5	44.2
Total ...	90.1	94.8	102.5	44.5	47.5	54.3	45.6	47.3	48.2

The totals shown in the above table for interest received by the United Kingdom on overseas government and municipal loans include £8.5 million in 1958, £9.3 million in 1959 and £9.7 million in 1960 from Australia; £3.2 million, £3.5 million and £3.6 million respectively from Rhodesia and Nyasaland; and £2.7 million, £3.4 million and £3.3 million respectively from New Zealand. The estimates of interest and dividends received on overseas company securities increased substantially between 1958 and 1960, largely as a consequence of rising rates of dividend paid by South African and Rhodesian mining companies. Within the totals of £66.1 million in 1958, £69.2

million in 1959 and £76.2 million in 1960, the main sources were South Africa (£16.4 million in both 1958 and 1959 and £18.5 million in 1960); Rhodesia and Nyasaland (£4 million, £5.3 million and £8.4 million respectively); the United States (£23.6 million, £24.9 million and £25.1 million respectively); and Canada (£14.1 million, £14.8 million and £14.5 million respectively). But it should be noted, as mentioned earlier, that the amounts contained in Table II in respect of overseas companies registered in countries other than the United States and Canada are limited to income received on securities dealt in on the London Stock Exchange.