

UNITED KINGDOM OVERSEAS PORTFOLIO INVESTMENTS 1960 TO 1962

This note continues the statistics published in the June 1962 issue of this *Bulletin*. Revised figures are given for 1960 and 1961, and first estimates for 1962. The information contributed voluntarily by registrars and paying agents is again gratefully acknowledged.

The note falls into three parts, the first of which explains the scope of the estimates. The second part contains figures of capital movements, at cash value, resulting from changes in U.K. portfolio holdings of overseas securities (Table I). These figures are the prime source of the estimates of United Kingdom overseas portfolio investment in the capital account of the U.K. balance of payments. The third part of this note contains estimates of income received by U.K. residents on their holdings of portfolio investments (Table II). These estimates are not used for the corresponding item in the balance of payments accounts, but they serve to confirm and elucidate the estimates prepared by the Inland Revenue which are the prime source; for instance, they provide some additional detail by country.

Scope of the estimates "United Kingdom overseas portfolio investments" comprise the holdings of U.K. residents in overseas government and municipal loans and in securities of companies registered abroad, but not direct investments by U.K. companies in their overseas subsidiaries or associates.

So far as possible, all overseas securities dealt in on the London Stock Exchange are covered, together with U.S. and Canadian dollar securities quoted abroad, on which information

is available through the operation of U.K. Exchange Control. Other securities quoted abroad are not covered, unless they have a registrar or paying agent in the United Kingdom.^(a) Some measure of this omission is provided by the fact that the estimates of interest and dividend receipts in Table II are, on average, about 25% lower than the balance of payments estimates of total income on all portfolio investments which are derived from Inland Revenue sources.

Following the normal practice in balance of payments accounts, overseas government and municipal loans are classified by debtor country, without regard to the currency in which loans are denominated. Securities of overseas companies are classified by the country of registration of the company concerned.

Capital transactions "Net new investment" in Table I consists of transactions identified as taking place 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. securities. "Other capital transactions" consist almost wholly of U.K. purchases and sales through the market. These transactions do not necessarily take place with residents of the country in which the investment is situated and it is not possible to identify the individual overseas countries concerned. The division shown in Table I between overseas sterling countries and non-sterling countries is therefore to some extent conjectural.

^(a) For instance, no allowance has been made here for U.K. purchases of Australian local issues without registrars or paying agents in this country, although they must be considerable.

Table I: Capital transactions

£ millions

	Total			Overseas sterling countries			Non-sterling countries		
	1960	1961	1962	1960	1961	1962	1960	1961	1962
Gross new investment abroad ...	48	39	36	35	32	15	13	7	21
Gross repayment from abroad ...	25	17	15	15	12	9	10	5	6
Net new investment (—) ...	—23	—22	—21	—20	—20	—6	—3	—2	—15
Other capital transactions ...	+60	+73	+73	+34	+32	+21	+26	+41	+52
Net capital inflow to U.K. (+) ...	+37	+51	+52	+14	+12	+15	+23	+39	+37

Note: The signs conform to those normally used in balance of payments accounts, an increase in U.K. assets being shown — and a decrease +.

“Net new investment” by U.K. residents in overseas sterling countries dropped in 1962 to £6 million. It consisted almost entirely of subscriptions to, less repayments of, government and municipal loans (which in 1961 exceeded £17 million out of a total of £20 million). Investment in a new loan issued in London by the New Zealand Government amounted to £7 million, and in Irish loans issued in Dublin to £2 million. On balance, other overseas sterling countries repaid debt to U.K. residents. “Net new investment” of £15 million by U.K. residents in non-sterling countries arose mainly from net acquisitions of U.S. securities amounting to £18 million (compared with £5 million in 1961). There was offsetting net repayment of roughly £4 million by other countries, mainly of government and municipal loans (Japan, £3 million).

“Other capital transactions” with all countries comprised net sales by U.K. residents of government and municipal loans amounting to £16 million (1961, £15 million) and of company securities totalling £57 million (1961, £58 million). The net sales of government and municipal securities were mainly of those issued by overseas sterling countries which amounted to £14 million (New Zealand securities, £7 million; Australian, £3 million; Rhodesian and other African, £3 million), compared with £11

million in 1961. The figure for company securities during 1962 includes net sales of South African securities amounting to £4 million in the second half of the year, after South African institutions had been given permits by their Government to buy South African securities on the London market. This compares with net sales of £16 million in the first half of 1961, before restrictions were imposed on the movement of capital from South Africa. Among transactions during 1962 in securities of companies registered in non-sterling countries, net sales of Canadian securities again predominated (£39 million, compared with £34 million in 1961 and £17 million in 1960). Following the introduction in May 1962 of new U.K. Exchange Control arrangements governing the use of “security dollars”, a substantial amount of direct investment by U.K. companies in enterprises outside the sterling area was financed out of the proceeds of net sales abroad of portfolio investments in non-sterling countries.

Income

Table II gives estimates of interest and dividends received by U.K. residents on the overseas portfolio investments covered by the Bank’s survey. The amounts are shown net of overseas tax but before deduction of U.K. income tax.

Table II: Interest and dividends

£ millions

	Total			Overseas sterling countries			Non-sterling countries		
	1960	1961	1962	1960	1961	1962	1960	1961	1962
Government and municipal loans	26.3	26.7	26.7	22.3	22.8	22.7	4.0	3.9	4.0
Companies: Loan interest ...	5.9	6.1	5.9	1.4	1.6	1.7	4.5	4.5	4.2
Share dividends ...	68.8	69.4	67.8	28.8	29.5	29.2	40.0	39.9	38.6
Total ...	74.7	75.5	73.7	30.2	31.1	30.9	44.5	44.4	42.8
Total ...	<u>101.0</u>	<u>102.2</u>	<u>100.4</u>	<u>52.5</u>	<u>53.9</u>	<u>53.6</u>	<u>48.5</u>	<u>48.3</u>	<u>46.8</u>

In 1962 interest on holdings of overseas sterling countries' government and municipal loans included £10.2 million from Australia, £3.8 million from New Zealand and £3.3 million from Rhodesia and Nyasaland. Dividends from overseas sterling countries were little changed in total. With some reductions in dividend rates, receipts from Rhodesian copper and coal mining companies were down at £8.2 million (1961, £9 million; 1960, £8.9 million); but income from South African companies rose, as the result of higher dividends on gold and

diamond mining shares, to reach £17.4 million, compared with revised figures of just over £16 million for 1960 and 1961. Income from companies in non-sterling countries fell a little. Receipts from Canadian company securities dropped to £11.9 million (1961, £14.3 million). This was the result of recent heavy disinvestment, which outweighed the effect of higher dividend rates. On the other hand, higher rates of distribution by U.S. companies caused such income to rise to £25.9 million, compared with £25.1 million in 1961.

