

duction, magnetic separation and agglomeration yields more satisfactory results. Sufficient information has now been obtained to enable engineers to design the appropriate plant. A number of similar other developments are also in hand.

U K's Investments Abroad

Our London Correspondent writes:

THE fate of the British economy is so closely linked with the balance of payments position that special interest attaches to the recent figures published by the Board of Trade of British investments overseas. This is because investments overseas exercise a significant influence on the balance of payments.

Britain's foreign exchange income from profits and interest earned abroad has risen slightly faster than her payments and the surplus now amounts to nearly £350 million.

What are the significant features revealed by the report? Overseas investment by U K companies in 1963 were higher than in the year before, but not quite up to the 1961 figure. (At the same time there was an increase in the rate of foreign investment in the U K in 1963; the total at £150 million was £20 million higher than in the year before). Secondly, there has been a significant change in the pattern of investment, with a sharp increase in new investments in Western Europe and a steady decline in the funds going into Northern America—particularly Canada.

The Board of Trade estimate values the overseas investments of U K companies at £3,600 million. These figures exclude oil, insurance and banking. It should, however, be pointed out that it is extremely difficult to establish a reliable basis for valuing assets. For example, a large proportion of the U K's overseas assets have been written down and are invested in sectors which are less profitable than manufacturing industry. The Board of Trade estimate given above is based on net assets at book value and is, therefore, likely to be on the conservative side.

The following figures show the value of overseas investment by U K companies in the last three years:

Year	Value (£ million)
1961	226
1962	209
1963	223

In 1963, unremitted profits were £105 million compared with £95 million in 1962; net acquisition of share and loan capital rose from £64 million in 1962

to £65 million in 1963.

It has to be admitted that the statistics available on U K overseas investment are far from satisfactory since, until 1963, it had not been thought wise to publish separately figures of direct investment in either oil or insurance which account for an important percentage of investments. However, in 1963 it was decided to publish figures of overseas investment in insurance; even then oil has been excluded. But there is evidence now of some change in the strict secrecy about the value of British oil investments overseas. With the assistance of the oil companies, the Bank of England has recently published estimates of the value of the foreign assets of the oil companies which have been placed at £1,100 million.

Eyes on Europe

The following figures on the geographical distribution of U K capital abroad refer to 1962.

The Overseas Sterling Area: This area remains by far and away the most important recipient of U K capital, its share rising from 55 per cent of the total in 1961 to 59 per cent in 1962. In this year, the value of U K investment amounted to £113 million. Australia was the most favoured country in this area—40 per cent of total U K investments in the Sterling Area, amounting to £44.9 million, went to Australia in 1962. In 1961, Australia's share of total U K investment in the Sterling Area amounted to 28 per cent

Western Europe: One of the most significant facts of U K's overseas investment has been the spectacular rise of investment in Western Europe. Despite, or perhaps even because of the Brussels debacle, there was a sharp increase in new investment in Western Europe as the figures below show:

Year	Value (£ million)	Percent of Total
1959	20	---
1960	25	10
1961	38	18
1962	46	24

The most popular outlet in Western Europe was Western Germany, which received net U K investments of £13.2 million. Switzerland was the next most important recipient with a total of £12.7 million.

North America: A striking feature of U K investment has been the steady decline of funds flowing into North America. As the *Hoard of Trade Journal* article says, "the amount and percentage of U K investment going into North America have declined steadily since 1959 and in 1962 form-

ed 9 per cent of the total. The reduction has been concentrated particularly on Canada".

During 1963, some 57 per cent of U K investment abroad went into manufacturing industry, and a large proportion of earnings were derived from this source.

In 1963, earnings of U K capital employed overseas rose to £312 million. The figures for 1963 include, for the first time, an estimate of insurance earnings.

Taking the figures given by the Board of Trade, the 1963 earnings of U K capital overseas represents 8.7 per cent of the book value of investments at the beginning of the year.

It has already been pointed out how difficult it is, given the type of statistics available, to work out an accurate estimate of what the rate of profitability really is; for example in 1963 (when for the first time figures on insurance are included) earnings on insurance may be of the order of £20 million. This seems a small figure if it is known that overseas assets of the insurance industry in the U S alone amounted to about £350 million, but not when it is remembered that overseas insurance earning is what is left after meeting underwriting losses.

The Board of Trade has estimated the total of foreign-owned direct investment in the U K (excluding oil, insurance and banking) at £1,500 million at the end of 1962. In 1963 there was an increase in the rate of foreign investment. Compared with £130 million in 1962, it rose to £150 million. The USA, as in the previous years, was by far and away the most important source, accounting for £89.5 million of the total.

Three-quarters of the U K earnings of foreign-owned undertakings came from manufacture, and a further 11 per cent from distribution. In 1963, earnings of U K subsidiaries of foreign companies was £158 million.

Taking the figures provided by the Board of Trade, foreign capital employed in the U K earned 10 per cent. It appears, therefore, that the U K does not earn as much on its investments as the U S—the principal investor in the U K.

Year	Earnings of U K Companies Overseas	Earnings of Overseas Companies in U K
1959	238	136
1962	276	134
1963	312	158