

12-1-1967

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Recommended Citation

Research Department. (1967). Private foreign investment in 1965. CBN Economic and Financial Review, 5(2), 1-7.

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PRIVATE FOREIGN INVESTMENT IN 1965

This report is the fourth in the series on private foreign investment in Nigeria, and is based on the latest data obtained from the survey of such investment in 1965. As in the previous surveys, the enquiry for 1965 was confined to companies which were wholly or partly owned by foreign persons. The survey covered 594 establishments, and produced fifty-seven per cent response, on the basis of which estimates were made. Presented in this report are estimates of foreign private capital flows, and aggregate investments, analysed by country of origin and economic sector. It has not been possible to report on profit resulting from investments because of

accounting and other difficulties which attend the returned questionnaires.

Flow of Private Foreign Capital

Estimated gross inflow of foreign private capital increased by £12.0 million or 13.2 per cent to £103.0 million in 1965. Capital outflows are estimated to have risen by £19.8 million or 70.7 per cent to £47.8 million in the same year. These movements resulted in net private capital receipts of £55.2 million in 1965—about £7.8 million or 12.4 per cent decline from the 1964 level. (See Table 1).

TABLE 1
FLOW OF FOREIGN PRIVATE CAPITAL BY ORIGIN
(£'s million)

										Inflow	Outflow	Net Flow (inflow = +; outflow = -)
United Kingdom												
1961	..	..	..	..	..	..	..	..	..	16.4	2.6	+ 13.8
1962	..	..	..	..	..	..	..	..	..	8.4	5.5	+ 2.9
1963	..	..	..	..	..	..	..	..	..	22.9	5.9	+ 17.0
1964	..	..	..	..	..	..	..	..	..	49.7	21.7	+ 28.0
1965	..	..	..	..	..	..	..	..	..	52.8	31.8	+ 21.0
United States												
1961	..	..	..	..	..	..	..	..	..	7.2	1.3	+ 5.9
1962	..	..	..	..	..	..	..	..	..	4.5	0.5	+ 4.0
1963	..	..	..	..	..	..	..	..	..	6.7	1.3	+ 5.4
1964	..	..	..	..	..	..	..	..	..	16.4	1.4	+ 15.0
1965	..	..	..	..	..	..	..	..	..	19.8	1.1	+ 18.7
Western Europe (excluding U.K.)												
1961	..	..	..	..	..	..	..	..	..	6.8	0.9	+ 5.9
1962	..	..	..	..	..	..	..	..	..	7.6	0.7	+ 6.9
1963	..	..	..	..	..	..	..	..	..	14.4	1.0	+ 13.4
1964	..	..	..	..	..	..	..	..	..	18.1	2.8	+ 15.3
1965	..	..	..	..	..	..	..	..	..	23.9	13.1	+ 10.8
Others												
1961	..	..	..	..	..	..	..	..	..	1.7	—	+ 1.7
1962	..	..	..	..	..	..	..	..	..	4.4	0.5	+ 3.9
1963	..	..	..	..	..	..	..	..	..	2.2	0.1	+ 2.1
1964	..	..	..	..	..	..	..	..	..	6.8	2.1	+ 4.7
1965	..	..	..	..	..	..	..	..	..	6.5	1.8	+ 4.7
Total												
1961	..	..	..	..	..	..	..	..	..	32.1	4.8	+ 27.3
1962	..	..	..	..	..	..	..	..	..	24.9	7.2	+ 17.7
1963	..	..	..	..	..	..	..	..	..	46.2	8.3	+ 37.9
1964	..	..	..	..	..	..	..	..	..	91.0	28.0	+ 63.0
1965	..	..	..	..	..	..	..	..	..	103.0	47.8	+ 55.2

The United Kingdom continued as the source of the largest private foreign investment in Nigeria in 1965. New capital inflow from the United Kingdom increased by 6.2 per cent while outflows to the country increased by 46.5 per cent, compared with 1964. The resulting net private capital inflow of £21.0 million in 1965 consisted largely of unremitted profits. Both capital receipts from and payments to other Western European countries increased in 1965

compared with 1964; receipts increased by £5.8 million while payments increased by £10.3 million. There was thus an increase of £4.9 million in capital outflow to Western Europe in 1965 compared with 1964.

Unlike the United Kingdom and other Western European enterprises, which had depended principally on new equity capital subscriptions and unremitted profits for financing their investments, enterprises from the United

TABLE 2
NET FLOW OF FOREIGN CAPITAL BY COUNTRY 1961-65
(£'s million)

	United Kingdom	United States	Western Europe (excluding U.K.)	Others Unspecified	Total
Unremitted profits					
1961	+ 1.8	+ 0.5	+ 0.3	+ 0.1	+ 2.7
1962	+ 7.1	+ 0.2	+ 0.4	+ 0.2	+ 7.9
1963	+ 10.0	+ 0.2	+ 2.6	+ 0.6	+ 13.4
1964	+ 11.6	+ 0.4	+ 4.3	+ 1.5	+ 17.8
1965	+ 25.2	+ 0.4	+ 10.6	+ 1.6	+ 37.8
Changes in foreign share capital					
1961	+ 5.9	+ 0.4	+ 2.4	—	+ 8.7
1962	+ 2.4	+ 1.4	+ 1.1	—	+ 4.9
1963	+ 6.9	+ 0.2	+ 2.4	+ 1.0	+ 10.5
1964	+ 14.4	+ 0.1	+ 5.9	+ 0.4	+ 20.8
1965	+ 1.1	+ 0.4	+ 0.9	—	+ 2.4
Trade and Suppliers' credit (Net)					
1961	+ 1.1	+ 0.6	+ 0.2	+ 0.4	+ 2.3
1962	+ 0.4	+ 0.2	— 0.4	+ 2.1	+ 2.3
1963	+ 0.1	+ 0.3	+ 1.1	+ 0.3	+ 1.8
1964	+ 0.5	+ 2.2	+ 0.8	+ 1.1	+ 4.6
1965	+ 0.4	+ 2.6	+ 1.5	+ 0.3	+ 4.8
Other foreign liabilities (Net)					
1961	—	+ 2.1	+ 0.3	+ 1.0	+ 3.4
1962	+ 0.4	— 1.5	+ 0.1	+ 2.7	+ 1.7
1963	+ 1.1	+ 0.1	+ 0.1	+ 0.1	+ 1.4
1964	— 0.7	+ 0.3	+ 0.7	+ 1.0	+ 1.3
1965	— 1.0	+ 0.5	— 1.3	+ 2.4	+ 0.6
Liabilities to head office					
1961	+ 5.0	+ 2.3	+ 2.7	+ 0.2	+ 10.2
1962	— 7.4	+ 3.7	+ 5.7	— 1.1	+ 0.9
1963	— 1.1	+ 4.6	+ 7.2	+ 0.1	+ 10.8
1964	+ 2.2	+ 12.0	+ 3.6	+ 0.7	+ 18.5
1965	— 4.7	+ 14.8	— 0.9	+ 0.4	+ 9.6
Total					
1961	+ 13.8	+ 5.9	+ 5.9	+ 1.7	+ 27.3
1962	+ 2.9	+ 4.0	+ 6.9	+ 3.9	+ 17.7
1963	+ 17.0	+ 5.4	+ 13.4	+ 2.1	+ 37.9
1964	+ 28.0	+ 15.0	+ 15.3	+ 4.7	+ 63.0
1965	+ 21.0	+ 18.7	+ 10.8	+ 4.7	+ 55.2

Note: The figures relate to companies wholly or largely owned by foreign companies or non-residents but without distribution between residents and non-residents.

States relied largely on trade credits and capital funds from associated or parent companies overseas.

The decline in the proportion of unremitted profits to total private capital inflow noticeable between 1962 and 1964 was interrupted in 1965: this rose from 28.3 per cent in 1964 to 68.5 per cent in 1965. This change reflected, firstly, the fact that by the end of 1965, the high tempo of business activity in the economy, especially the exploration of investment opportunities had reached a hiatus, and secondly, the social instability which prevailed in Western Nigeria, threatening peace all over the country, had created a situation which inspired caution in further commitment of new capital resources in the country. The increased resort to internal financing was, no doubt, by firms already firmly established in the country, and who found it profitable to maintain and even expand their operations where it was advisable to do so. (See Table 2).

Investments

The estimated overall investments of foreign companies increased by £55.9 million—from £321.2 million in 1964 to £377.1 million—in 1965. This increase was composed of £53.8 million in equity interests, and £2.1 million in external liabilities. Fixed assets, at book value, increased by £12.5 million to £292.7 million at the end of the review period.

In Table 3 are shown private capital investments broken down by country of origin with further detailed analyses of investments of European Economic Community in Table 4. Private foreign investment of United Kingdom origin increased by 11.8 per cent from £181.4 million in 1964 to £202.9 million in 1965. Investments in fixed assets, at cost, of United Kingdom enterprises also rose slightly by £1.6 million to £163.8 million in 1965. External indebtedness to parent or affiliate companies declined by £8.8 million to £90.0 million in 1965.

TABLE 3
FOREIGN INVESTMENT BY ORIGIN 1962-65
(£'s million)

					<i>Paid up Capital Including Reserves</i>	<i>Other Liabilities</i>	<i>Total</i>	<i>Percent- age Distribu- tion of Total</i>	<i>Invest- ment in Fixed Assets*</i>	<i>Percent- age Distribu- tion of Total</i>
United Kingdom										
1962	..	..	..	..	47.8	87.8	135.6	61.4	104.8	66.9
1963	..	..	..	..	65.8	88.3	154.1	59.4	116.5	66.2
1964	..	..	..	..	82.6	98.8	181.4	56.4	162.2	57.9
1965	..	..	..	..	112.9	90.0	202.9	53.8	163.8	56.0
United States of America										
1962	..	..	..	..	0.2	19.2	19.4	8.8	15.0	9.6
1963	..	..	..	..	0.6	23.4	24.0	9.3	14.3	8.1
1964	..	..	..	..	6.2	32.8	39.0	12.1	32.7	11.7
1965	..	..	..	..	6.9	50.8	57.7	15.3	39.1	13.4
Western Europe (excluding U.K.)										
1962	..	..	..	..	12.0	34.8	46.8	21.2	19.7	12.6
1963	..	..	..	..	15.9	44.4	60.3	23.3	36.6	20.8
1964	..	..	..	..	24.3	51.4	75.7	23.6	63.6	22.7
1965	..	..	..	..	38.5	48.2	86.7	23.0	66.2	22.6
Others (Unspecified)										
1962	..	..	..	..	9.2	9.9	19.1	8.6	17.2	11.0
1963	..	..	..	..	19.8	9.5	20.3	7.9	8.5	4.8
1964	..	..	..	..	12.5	12.6	25.1	7.8	21.7	7.7
1965	..	..	..	..	21.1	8.7	29.8	7.9	23.6	8.1
Total										
1962	..	..	..	..	69.2	151.7	220.9	100.0	156.7	100.0
1963	..	..	..	..	93.1	165.7	258.8	100.0	176.0	100.0
1964	..	..	..	..	125.6	195.6	321.2	100.0	280.2	100.0
1965	..	..	..	..	179.4	197.7	377.1	100.0	292.7	100.0

Note: The figures relate to companies wholly or largely owned by foreign companies or non-residents but without distribution between residents and non-residents.

* Fixed assets net of depreciation allowances in 1962 and 1963.

In 1965, aggregate investments of nationals of the United States of America maintained the upward movement of the preceding three years. Total investments increased by 18.7 to £57.7 million in 1965. Investments in fixed assets at book value, increased by 6.4 to £39.1 million. The sharp rise is explained by increased American petroleum companies' exploration activities.

Business investment of Western European countries excluding United Kingdom rose by

11.0 to £86.7 million. The increase was a combination of £14.2 million rise in equity interests and £3.2 million decline in the external liabilities to associate or parent organizations abroad. Investments in fixed assets, at book value, however, increased by £2.6 million during the period. Investments by members of the European Economic Community (E.E.C.) rose from £58.7 million in 1964 to £68.5 million, largely as a result of increased participation in petroleum

TABLE 4
PRIVATE FOREIGN INVESTMENT OF EUROPEAN ECONOMIC COMMUNITY IN NIGERIA
(£'s million)

				<i>Paid-up Capital including Reserves</i>	<i>Other Liabilities</i>	<i>Total</i>	<i>Percent- age Distribu- tion E.E.C.</i>	<i>Invest- ment in Fixed Assets</i>	<i>Percent- age Distribu- tion E.E.C.</i>
France									
1962	..	..	..	2.0	5.8	7.8	21.3	3.0	15.8
1963	..	..	..	2.1	12.4	14.5	28.8	3.5	12.1
1964	..	..	..	2.3	7.2	9.5	16.2	4.2	7.9
1965	..	..	..	2.9	14.2	17.1	25.0	13.2	21.6
Italy									
1962	..	..	..	0.4	3.7	4.1	11.2	0.5	2.6
1963	..	..	..	1.2	6.3	7.5	14.8	1.2	4.2
1964	..	..	..	1.6	7.5	9.1	15.5	3.2	6.0
1965	..	..	..	2.9	6.5	9.4	13.7	4.8	7.9
Netherlands									
1962	..	..	..	5.5	17.9	23.4	63.7	15.3	80.5
1963	..	..	..	6.5	20.0	26.5	52.6	23.6	81.7
1964	..	..	..	17.8	20.1	37.9	64.6	44.1	83.2
1965	..	..	..	22.4	16.9	39.3	57.4	36.5	59.8
Belgium and Luxemburg									
1962	..	..	..	—	—	—	—	—	—
1963	..	..	..	—	—	—	—	—	—
1964	..	..	..	—	—	—	—	—	—
1965	..	..	..	—	—	—	—	—	—
West Germany									
1962	..	..	..	1.0	0.4	1.4	3.8	0.2	1.1
1963	..	..	..	1.2	0.7	1.9	3.8	0.6	2.1
1964	..	..	..	1.4	0.8	2.2	3.7	1.5	2.8
1965	..	..	..	0.8	1.9	2.7	3.9	6.5	10.7
Total E.E.C.									
1962	..	..	..	8.9	27.8	36.7	100	19.0	100
1963	..	..	..	11.0	39.4	50.4	100	28.9	100
1964	..	..	..	23.1	35.6	58.7	100	53.0	100
1965	..	..	..	29.0	39.5	68.5	100	61.0	100
All West Europe (excluding U.K.)									
1962	..	..	..	12.0	34.8	46.8	—	19.7	—
1963	..	..	..	15.9	44.4	60.3	—	36.6	—
1964	..	..	..	24.3	51.4	75.7	—	63.6	—
1965	..	..	..	38.5	48.2	86.7	—	66.2	—

Note: See footnotes to Table 3.

exploration by France, Italy and the Netherlands. Fixed assets increased by 8.0 to £61.0 million in 1965.

In Table 5 is shown estimated foreign private investment analysed by type of economic activity. As in previous years, investment in mining (chiefly petroleum exploration) and quarrying, manufacturing and processing, and building

and construction continued to move upward. Investment in trading and general services, however, recorded a fall of £8.2 million in 1965, due to a shift of investment to real estate and manufacturing, and the liquidation of external liabilities.

As shown in Table 6, investments in manufacturing and processing industries increased by

TABLE 5
FOREIGN INVESTMENT IN NIGERIA
ANALYSED BY TYPE OF ACTIVITY 1962-65
(£'s million)

	<i>Paid-up Capital including Reserves</i>	<i>Other Liabilities</i>	<i>Total</i>	<i>Percent- age Distribu- tion of Total</i>	<i>Investment in Fixed Assets</i>	
					<i>Actual</i>	<i>Percentage of Total</i>
Mining						
1962	15.2	65.8	81.0	36.7	65.0	41.5
1963	23.1	70.3	93.4	36.1	75.6	43.0
1964	43.2	85.5	128.7	40.0	146.2	52.2
1965	16.4	88.4	164.8	41.0	144.1	50.9
Manufacturing and Processing						
1962	20.3	18.0	38.3	17.3	39.0	24.9
1963	24.2	25.1	49.3	19.0	46.5	26.4
1964	28.2	30.3	58.5	18.2	63.5	22.7
1965	44.2	25.3	69.5	16.4	81.9	26.4
Agriculture, Forestry and Fishing						
1962	3.6	0.7	4.3	2.0	6.1	3.9
1963	3.6	1.3	4.9	1.9	5.0	2.8
1964	3.9	1.5	5.4	1.7	5.9	2.1
1965	5.1	0.5	5.6	1.5	5.8	2.1
Transport and Communication						
1962	0.5	1.9	2.4	1.1	1.5	1.0
1963	1.5	1.1	2.6	1.0	2.6	1.5
1964	2.1	1.4	3.5	1.1	3.0	1.1
1965	4.0	1.8	5.8	1.5	5.7	2.1
Building and Construction						
1962	3.7	4.8	8.5	3.8	4.9	3.1
1963	4.9	6.0	10.9	4.2	7.5	4.3
1964	5.2	7.1	12.3	3.8	8.2	2.9
1965	4.4	15.7	20.1	2.7	5.1	1.8
Trading and Services						
1962	24.7	60.2	84.9	38.4	39.7	25.4
1963	35.1	61.4	96.5	37.3	37.0	21.0
1964	40.5	60.5	101.0	31.5	47.5	16.9
1965	39.7	53.1	92.8	22.0	45.4	15.0
Other Activities						
1962	1.2	0.3	1.5	0.7	0.5	0.2
1963	0.7	0.5	1.2	0.5	1.8	1.0
1964	2.5	9.3	11.8	3.7	5.9	2.1
1965	5.6	12.9	18.5	14.9	4.7	1.7
Total						
1962	69.2	151.7	220.9	100.0	156.7	100.0
1963	93.1	165.7	258.8	100.0	176.0	100.0
1964	125.6	195.6	321.2	100.0	280.2	100.0
1965	179.4	197.7	377.1	100.0	292.7	100.0

Note: See footnotes to Table 3 above.

TABLE 6
FOREIGN INVESTMENT IN THE MANUFACTURING SECTOR
ANALYSIS BY TYPE OF INDUSTRY

£'s thousands

	1962			1963			1964			1965			FIXED ASSETS			
	Paid up Capital	Other Liabil- ities	Total	Paid up Capital	Other Liabil- ities	Total	Paid up Capital	Other Liabil- ities	Total	Paid up Capital	Other Liabil- ities	Total	1962	1963	1964	1965
1. Food	1,088	3,217	4,305	3,122	5,319	8,441	3,767	6,252	10,019	4,101	4,936	9,037	5,983	7,902	9,138	11,878
2. Beverages .. .	1,428	4,340	5,768	2,053	686	2,739	2,424	276	2,700	4,724	2,253	6,977	6,636	6,838	7,521	6,694
3. Tobacco .. .	6,714	125	6,839	5,669	55	5,724	5,578	314	5,892	6,910	82	6,992	3,910	3,748	5,268	5,099
4. Textiles .. .	1,720	1,947	3,667	1,669	2,291	3,960	1,638	2,370	4,008	3,503	2,693	6,196	3,944	3,514	5,026	9,091
5. Footwear and wearing apparels of textiles	101	237	338	123	217	340	84	75	159	159	76	235	282	301	472	792
6. Wood and cork ..	—	—	—	152	130	282	129	226	355	150	84	234	—	125	116	115
7. Furniture and fixtures	39	226	265	217	397	614	207	457	664	258	92	350	73	505	481	754
8. Paper and paper products .. .	148	145	293	153	137	290	615	175	790	723	278	1,001	285	245	3,133	3,100
9. Printing and publish- ing .. .	456	210	666	759	70	829	608	91	699	818	201	1,019	953	846	1,234	1,103
10. Leather and leather products .. .	—	—	—	30	21	51	26	26	52	45	110	155	—	35	40	49
11. Rubber products ..	1,118	915	2,033	1,047	3,080	4,127	1,369	1,539	2,908	2,368	1,838	4,206	2,688	3,142	3,898	4,903
12. Chemicals .. .	1,563	2,321	3,884	1,711	4,280	5,991	2,025	3,973	5,998	2,664	3,081	5,745	2,794	3,566	4,649	4,686
13. Products of petroleum and coal .. .	1	863	864	607	2,104	2,711	2,903	4,396	7,299	5,439	1,323	6,762	641	2,958	6,607	9,391
14. Non-metallic mineral products .. .	2,513	880	3,393	3,325	1,670	4,995	2,953	723	3,676	5,005	2,222	7,227	6,094	8,019	9,195	16,451
15. Basic metal (iron and steel) .. .	10	90	100	10	150	160	181	152	333	1,137	481	1,618	31	23	566	2,129
16. Metal products ..	2,328	1,076	3,404	2,379	2,428	4,807	2,579	5,970	8,549	4,191	3,389	7,580	3,426	3,474	4,581	4,517
17. Machinery (except electrical) .. .	51	95	146	51	129	180	46	330	376	64	65	129	52	48	51	48
18. Electrical machinery	20	214	234	88	454	542	164	443	607	398	288	686	37	118	181	200
19. Transport equipment	701	982	1,683	719	1,161	1,880	615	2,277	2,892	915	1,161	2,076	539	514	695	443
20. Miscellaneous ..	299	154	453	322	349	671	292	215	507	672	615	1,287	634	579	678	513
	20,298	18,037	38,335	24,206	25,128	49,334	28,203	30,280	58,483	44,244	25,268	69,512	39,002	46,500	63,530	81,956

Note: See footnotes to Table 3 above.

11.0 to £69.5 million in 1965. The increase in equity interests, including capital reserves, from £28.2 million in 1964 to £44.2 million in 1965, more than offset the overall reduction of £5.0 million in external liabilities to foreign parent or affiliate organizations. Gross fixed investment at book value rose by 18.4 to £81.9 million, com-

pared with £63.5 million at the end of 1964. A sizeable proportion of this increase was in food, textiles, footwear, furniture and fixtures, products of petroleum and coal, non-metallic mineral (especially cement) and basic metal (iron and steel) industries.