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PRIVATE FOREIGN INVESTMENT IN 1964

In April 1965, the Central Bank of Nigeria again sent out questionnaires to 533 companies believed to be either wholly or partly foreign financed and having an authorized capital of £10,000 or more. The inclusion of commercial banks and insurance companies hitherto omitted, and new companies which came into operation in 1964, resulted in a higher number than the 481 covered in 1964.

The response to this inquiry was 62 per cent of the 533 companies contacted. An estimate and analysis of total private foreign investment based on this response is presented in this paper. Data in previous reports* have also been revised.

Flow of Private Foreign Capital

Table 1A shows estimated total of private foreign capital flows broken down by origin. The United Kingdom, followed by Western Europe and the United States, were the largest contributors to Nigeria's foreign private capital receipt during the period under review. The sharp increase in the inflow of capital in 1964 compared with 1963 reflected the increased activities of petroleum prospecting and refining companies.

As in previous years, capital inflow consisted of unremitted profits, increase in equity holdings and debentures, commercial credits and other short-term loans from overseas parent or affiliate companies. The relative importance of unremitted profits as a source of private capital declined from 44.6 per cent in 1962 to 28.2 per cent in 1964. Foreign equity subscription to capital increased from 27.6 per cent in 1962 to 33.0 per cent in 1964. Similarly, commercial credits and loans from parent and affiliate companies abroad accounted for 5.1 per cent and 29.3 per cent of net inflow of private capital in 1962 and 1964, respectively. (See Table 1B.) Aggregate outpayments in respect of dividends, interest and service charges increased from £4.5 million in 1962 to £11.8 million in 1964. The decline in the importance of retained profits as a proportion of private capital investment, therefore, reflects the increase in the outpay-

ments on account of dividends, interests and service charges.

Foreign private capital of West European origin rose 25.5 per cent over the total in 1963 to £75.7 million in 1964. (See Table 2A.) Private capital investment by the European Economic Community (E.E.C.) advanced from £50.4 million in 1963 to £58.7 million in 1964, and accounted for 83.6 per cent and 77.5 per cent of aggregate private investment by Western Europe in 1963 and 1964, respectively. Within the E.E.C. private investment from the Netherlands remains the largest, followed by those of France, Italy and West Germany, in that order.

In Tables 2B and 3 are shown private foreign investment, at book values, broken down by source and economic activity. The estimated foreign capital investment increased from £258.8 million in 1963 to £321.2 million in 1964. This represents an increase of 27.9 per cent. In 1964, gross investment in fixed assets stood at £280.2 million while fixed assets net of depreciation increased by £50.2 million (or 28.5 per cent) to £226.2 million.

The £63.0 million net inflow* of private capital in 1964 included £10.4 million in respect of banks and insurance companies which were not covered in previous surveys.

The breakdown of foreign capital inflow by economic activity reveals that mining, chiefly petroleum, attracted the largest amount of investment, accounting for 55.8 per cent of the net private capital inflow in 1964. Capital inflow to the manufacturing and processing sector declined from £11.0 million in 1963 to £9.2 million in 1964.

Capital inflow to the trading sector dropped from £11.6 million in 1963 to £4.5 million in 1964. The drop in private capital flow into this sector may be due to the progress made by import substitution industries, and to the restriction on imports of non-essential consumer goods in 1964. A significant capital inflow was recorded under the category 'other activities' which increased from £1.2 million in 1963 to £11.8 million in 1964. This change is explained by the inclusion of banking and insurance business in the 1964 inquiry.

* See *Economic and Financial Review* of June 1964 and July 1965.

* Includes unremitted profits earned in Nigeria (See Table 4).

Investment in the Manufacturing Sector

In Table 4 is shown the breakdown of aggregate foreign capital and fixed investment by type of industry in the manufacturing sector. Aggregate foreign investment in this sector increased from £49.3 million in 1963 to £58.5 million in 1964. The capital inflow in 1964 of £9.2 million consisted of £4.0 million increase in equity interests of foreign nationals and £5.2 million increase in external liabilities of foreign owned firms. Gross investment in fixed assets amounted to £63.5 million while fixed assets

net of depreciation rose by 9.9 per cent to £51.1 million in 1964.

Foreign private investment in food, beverages, tobacco, textiles and rubber industries together accounted for 50.6 per cent and 43.6 per cent of aggregate investment in 1963 and 1964, respectively. Foreign investment in the chemical, non-metallic mineral products, basic metal (iron and steel) and metal products (non-ferrous) industries declined from 32.3 per cent in 1963 to 31.7 per cent of total foreign investment in manufacturing in 1964. (See Table 4.)

TABLE 1.a.
FLOW OF FOREIGN PRIVATE CAPITAL BY ORIGIN
(£'s millions)

							<i>Inflow</i>	<i>Outflow</i>	<i>Net flow</i>
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
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
WESTERN EUROPE									
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
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
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

TABLE 1.b.
NET FLOW OF FOREIGN CAPITAL BY COUNTRY
1961-64
(£'s millions)

	<i>United Kingdom</i>	<i>United States</i>	<i>Western Europe</i>	<i>Others Unspecified</i>	<i>Total</i>
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
Changes in foreign share and loan 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
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
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
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
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

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

TABLE 2.a.
PRIVATE FOREIGN INVESTMENT OF EUROPEAN ECONOMIC COMMUNITY IN NIGERIA
 (£'s millions)

					<i>Paid up Capital Including Reserves</i>	<i>Other Liabilities</i>	<i>Total</i>	<i>Percentage Distribution E.E.C.</i>	<i>Investment In Fixed Assets</i>	<i>Percentage Distribution E.E.C.</i>
FRANCE										
1962	..	..	..	..	2.0	5.8	7.8	21.3	3.0	17.6
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
ITALY										
1962	..	..	..	..	0.4	3.7	4.1	11.2	0.5	2.9
1963	..	..	..	..	1.2	6.3	7.5	14.8	1.2	4.2
1964	..	..	..	..	1.6	7.5	9.1	15.5	3.2	6.1
NETHERLANDS										
1962	..	..	..	..	5.5	17.9	23.4	63.7	15.3	78.3
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
BELGIUM & LUXEMBURG										
1962	..	..	..	..	—	—	—	—	—	—
1963	..	..	..	..	—	—	—	—	—	—
1964	..	..	..	..	—	—	—	—	—	—
WEST GERMANY										
1962	..	..	..	..	1.0	0.4	1.4	3.8	0.2	1.2
1963	..	..	..	..	1.2	0.7	1.9	3.8	0.6	2.0
1964	..	..	..	..	1.4	0.8	2.2	3.7	1.5	2.8
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
ALL W. EUROPE										
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	—

Note: See footnotes on Table 2.b.

TABLE 2.b.
FOREIGN INVESTMENT BY ORIGIN
1962-64
(£'s millions)

	<i>Paid Up Capital Including Reserves</i>	<i>Other Liabilities</i>	<i>Total</i>	<i>Percentage Distribution of Total</i>	<i>Investment In Fixed Assets*</i>	<i>Percentage Distribution 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	59.5	116.5	66.2
1964	82.6	98.8	181.4	56.5	162.2	57.9
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
WESTERN EUROPE						
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
OTHERS (UNSPECIFIED)						
1962	9.2	9.9	19.1	8.6	17.2	11.0
1963	10.8	9.5	20.3	7.9	8.5	4.8
1964	12.5	12.6	25.1	7.8	21.7	7.7
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

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 are net of depreciation allowances in 1962 and 1963.

TABLE 3
FOREIGN INVESTMENT IN NIGERIA
ANALYSED BY TYPE OF ACTIVITY—1962-64
 (£'s millions)

	<i>Paid Up Capital Including Reserves</i>	<i>Other Liabilities</i>	<i>Total</i>	<i>Percentage Distribution of Total</i>	<i>Investment in Fixed Assets</i>	
					<i>Actual</i>	<i>As 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
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
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
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
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
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
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
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

Note: See footnotes on Table 2.b. above.

TABLE 4
FOREIGN INVESTMENT IN THE MANUFACTURING SECTOR
ANALYSED BY TYPE OF INDUSTRY
 (£'s thousands)

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

Note: See footnotes on Table 2.b. above.