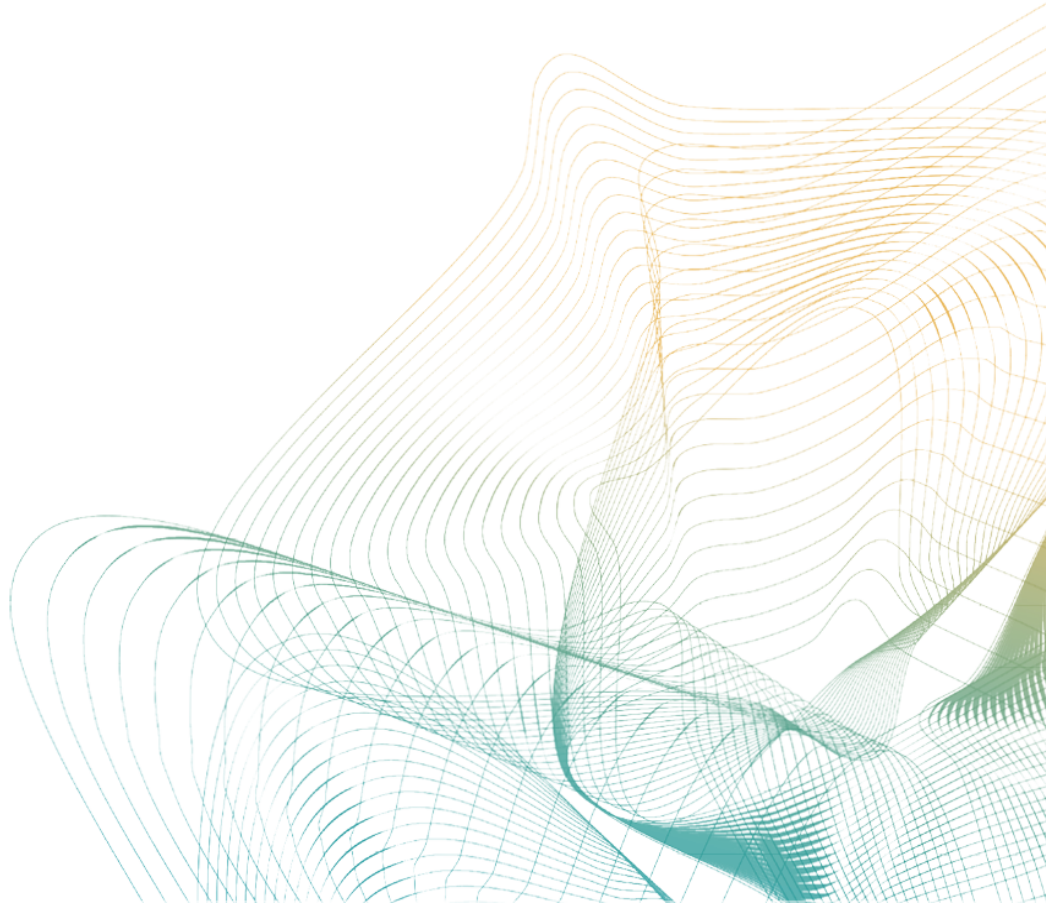


# Financial Accounts Report 2019-I



## Summary

According to sectoral financial balance sheets, total financial assets of the Turkish economy were TRY 13,116 billion, while its liabilities were TRY 15,041 billion in the first quarter of 2019. Net liabilities to the rest of the world increased by TRY 36 billion quarter-on-quarter to TRY 1,925 billion.

Financial flows between 2018Q4 and 2019Q1 reveal that net transactions totaled TRY 43 billion of liabilities, and point to an increase of TRY 8 billion in net worth due to exchange rate and market price changes.

An analysis of the ratio of households' and non-financial corporations' debt to GDP reveals that the indebtedness ratios for households and non-financial corporations stood at 14% and 71%, respectively. A cross-country comparison of these ratios suggests that Turkey maintained its place in countries with low indebtedness levels in this quarter.

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# 1. Evaluations

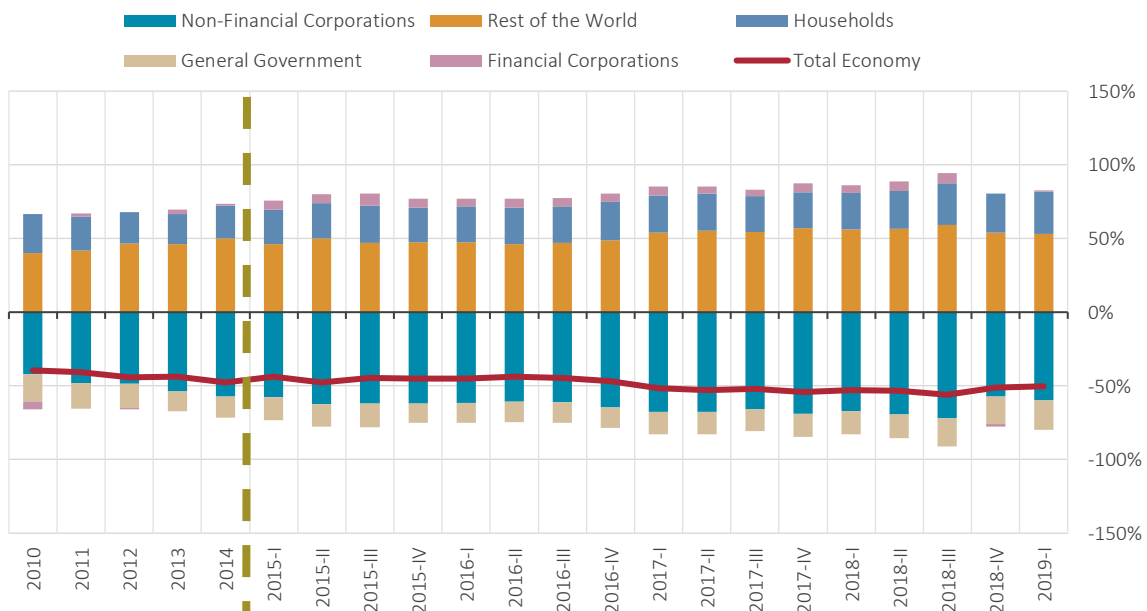
**Table 1: Financial Net Worth by Sectors (2019Q1, TRY Billion)<sup>1,2</sup>**

	Total Economy	Non-Financial Corporations	Financial Corporations	General Government	Households	Rest of the World
Financial Assets	13,116	5,285	5,339	790	1,702	1,279
Liabilities	15,041	7,580	5,300	1,542	618	3,320
Financial Net Worth	-1,925	-2,295	39	-752	1,083	2,040

Source: CBRT

An analysis of the domestic economy's financial balance sheets by sectors as of 2019Q1 shows that households and the rest of the world generated a financial surplus and assumed a creditor role, whereas non-financial corporations and the general government ran a financial deficit and assumed a debtor role. Meanwhile, due to their financial intermediation activities, financial corporations maintained their balanced position with a financial net worth close to zero (Table 1, Chart 1).

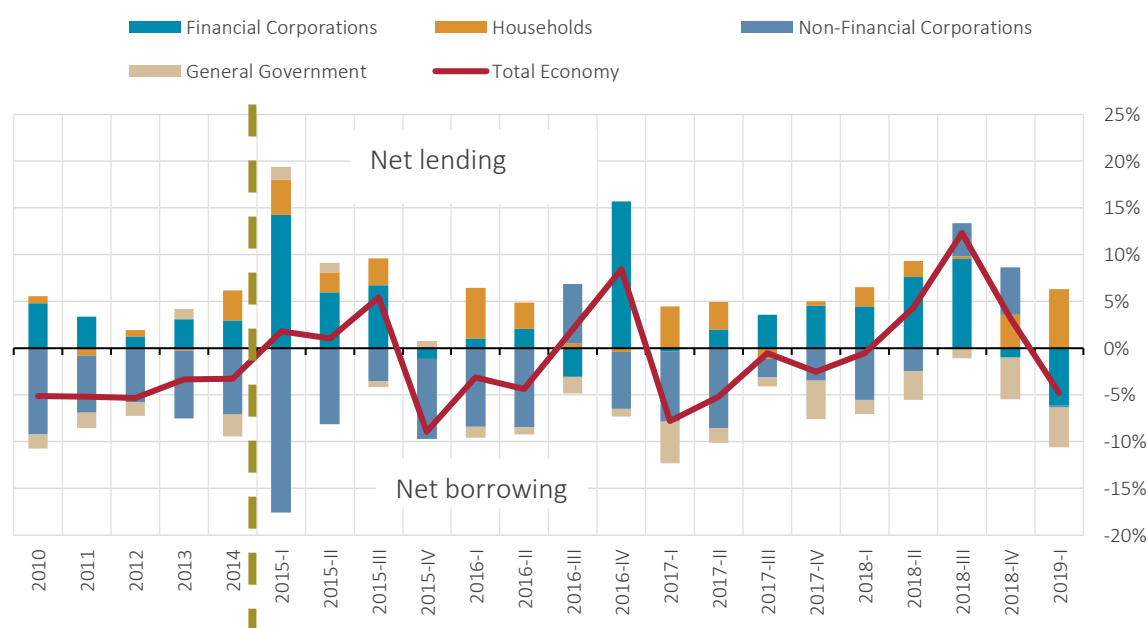
**Chart 1. Ratio of Financial Net Worth to (Stock) GDP by Sectors (%)<sup>2</sup>**



Sources: CBRT, TURKSTAT

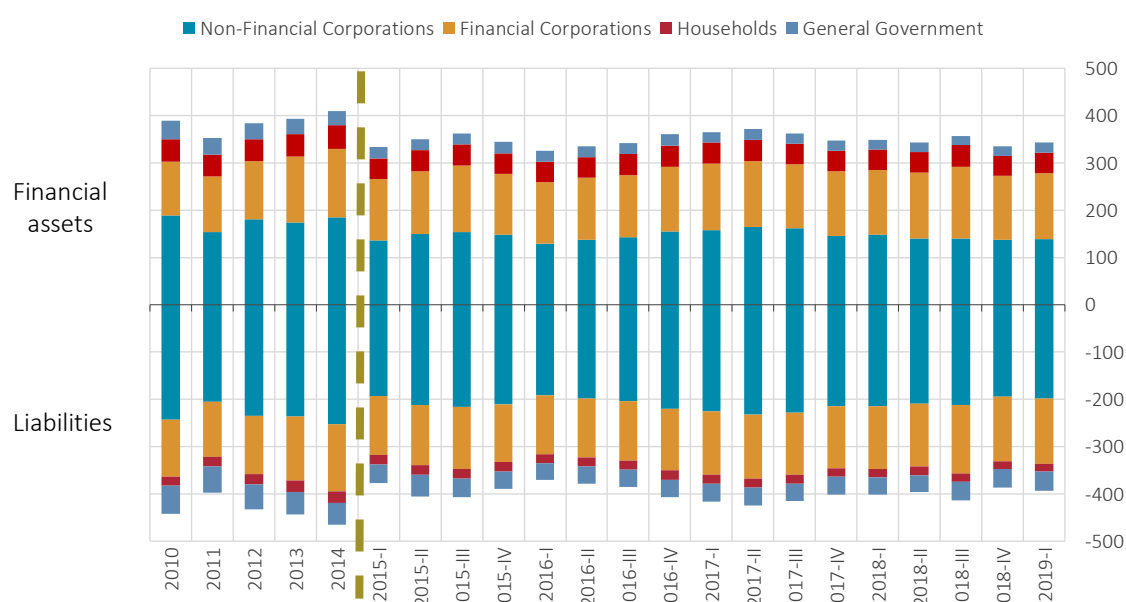
<sup>1</sup> Pursuant to the methodology, there is a difference between the financial net worth of total domestic economy and rest of the world, since there is no counterpart sector for monetary gold. The rest of the world has been reported based on residency, so as to be compatible with the International Investment Position Statistics.

<sup>2</sup> The households sector also covers non-profit institutions serving households.

Chart 2: Net Lending/Borrowing (Transaction), Ratio to GDP, by Sectors (%) <sup>2</sup>

Sources: CBRT, TURKSTAT

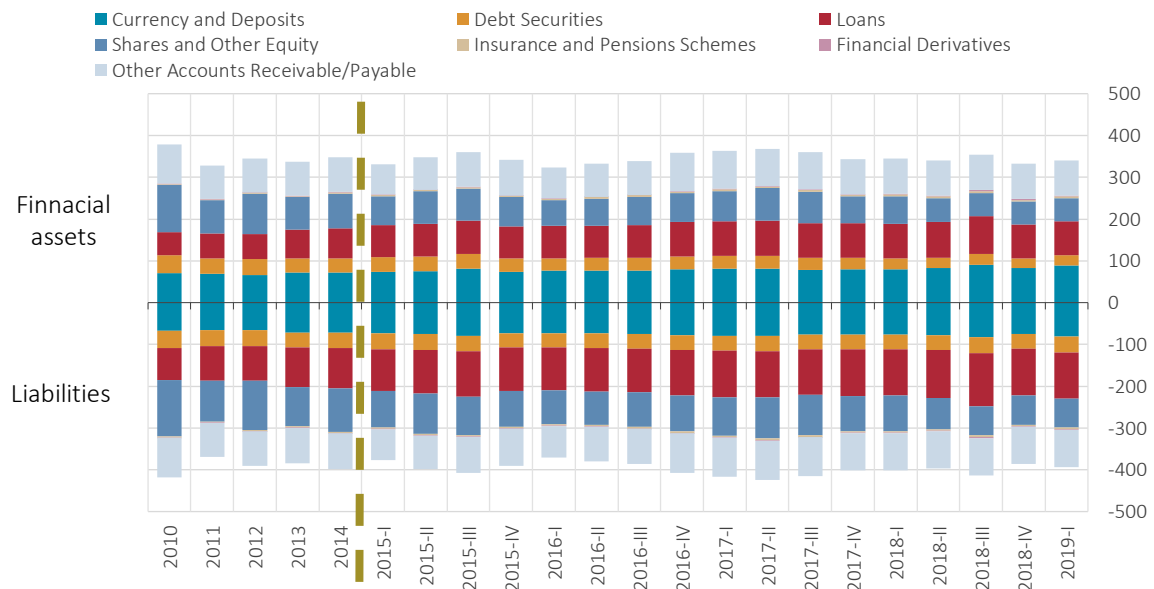
Net financial transactions conducted by sectors suggest that the total economy recorded a net borrowing of 4.8% of GDP in this period, up from 0.5% a year earlier. Compared with the same period of the previous year, when financial corporations were net creditors of 4.4% of GDP, they became debtors of 6.2% of GDP in 2019Q1. A similar year-on-year analysis shows that non-financial corporations remained net debtors with 0.2% of GDP, down from 5.5% of GDP. The household sector also remained as creditor at 6.3% of GDP while the general government sector maintained its position as net debtor at around 4.3% of GDP (Chart 2).

Chart 3: Financial Assets and Liabilities to GDP by Sectors (%) <sup>2</sup>

Sources: CBRT, TURKSTAT.

An analysis of financial assets and liabilities by sectors of the recent period suggests that the non-financial corporations sector was the largest sector in terms of liabilities and assets, followed by financial corporations (Chart 3).

**Chart 4: Distribution of Financial Instruments-Total Economy, Ratio to GDP\* (%)**



Sources: CBRT, TURKSTAT

(\*) Monetary gold and SDR are excluded.

As for the financial instrument distribution in 2019Q1, currency and deposits had the largest weight in assets, while loans and other accounts payable had the largest weight in liabilities (Chart 4).

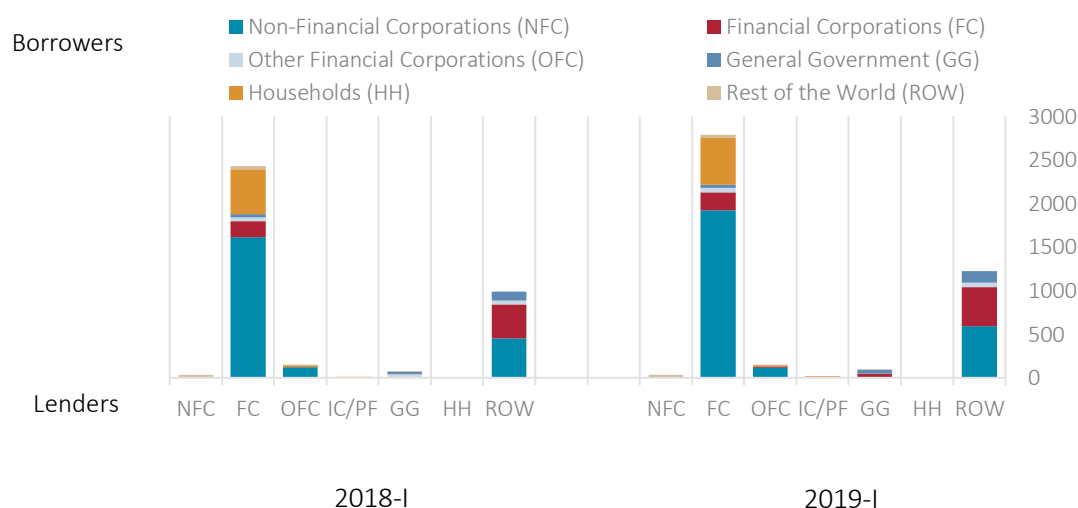
## 2. From-Whom-to-Whom (Deposits and Loans)

Below is the breakdown of relations among economic sectors compiled as deposits and loans according to from-whom-to-whom matrices.

From-whom-to-whom matrices of loans indicate that the strongest connection in 2019Q1 occurred between non-financial corporations and monetary and financial institutions. Monetary and financial institutions extended a total of TRY 2,786 billion worth of loans, granting TRY 1,924 billion of it to non-financial corporations and TRY 531 billion to households. The rest of the world offered TRY 1,225 billion worth of loans, out of which non-financial corporations received TRY 589 billion, and monetary and financial institutions received TRY 452 billion (Chart 5).

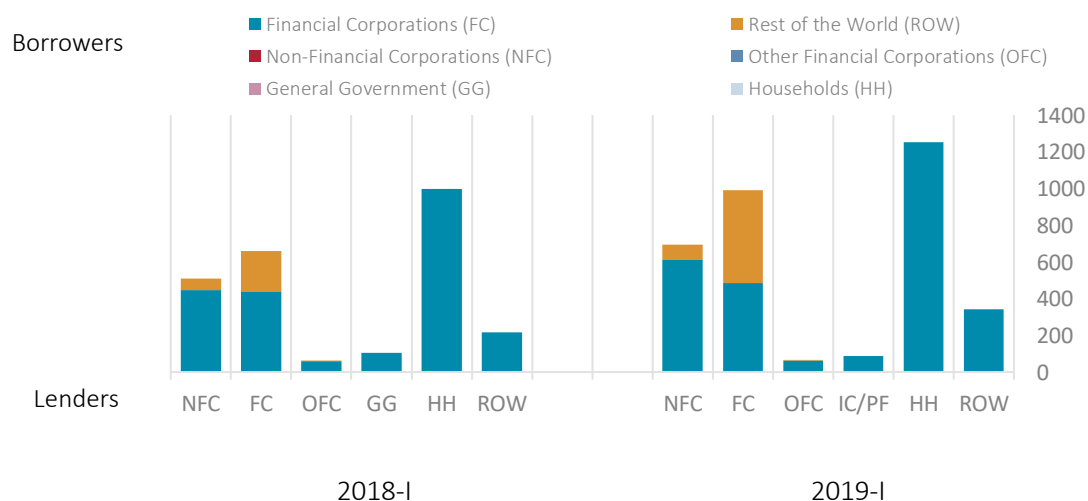
In 2019Q1, of the total TRY 3,554 billion worth of deposits opened by domestic and foreign sectors, TRY 2,962 billion were taken by monetary and financial institutions and TRY 592 billion by the rest of the world. A large portion of deposits taken by monetary and financial institutions belongs to households (TRY 1,253 billion) and non-financial corporations (TRY 611 billion). Meanwhile, the majority of deposits taken by the rest of the world (TRY 506 billion) was opened by monetary and financial institutions (Chart 6).

**Chart 5: Loans, From-Whom-to-Whom (2019Q1, TRY Billion)<sup>2</sup>**



Source: CBRT

**Chart 6: Deposits, From-Whom-to-Whom (2019Q1, TRY Billion)<sup>2</sup>**

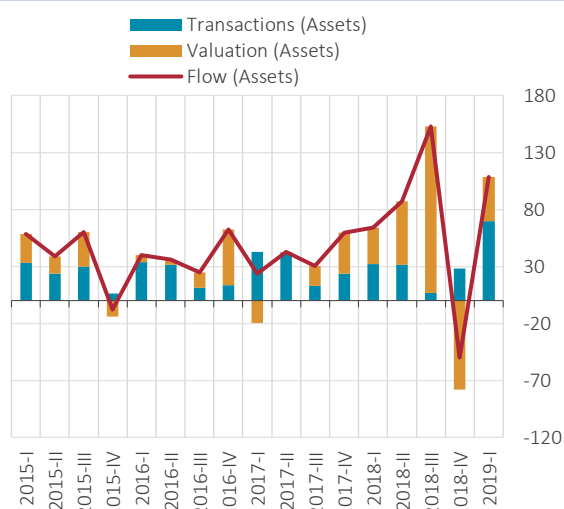


Source: CBRT

### 3. Households

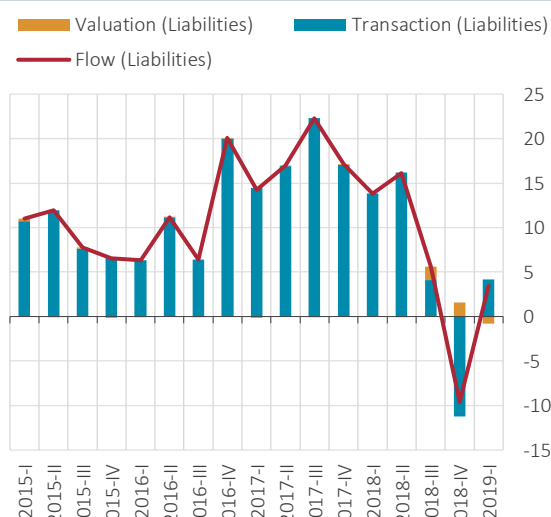
In 2019Q1, household financial assets increased quarter-on-quarter by TRY 109 billion, which was mainly driven by the increase in valuation of TRY 39 billion in the current financial assets due to the exchange rate and market price. Meanwhile, there was a TRY 69-billion surge in transactions, which stemmed largely from the TRY 38.3-billion increase in currency and deposits, and the TRY 14-billion increase in debt securities (Chart 7). In 2019Q1, household liabilities also rose by TRY 3.4 billion on a quarterly basis. The most important driver of this rise was the TRY 2.4 billion worth of increase in the other accounts payable item. Meanwhile, household liabilities recorded a valuation-driven decline of TRY 0.8 billion. (Chart 8).

Chart 7: Financial Assets, Flow (TRY Billion)



Source: CBRT

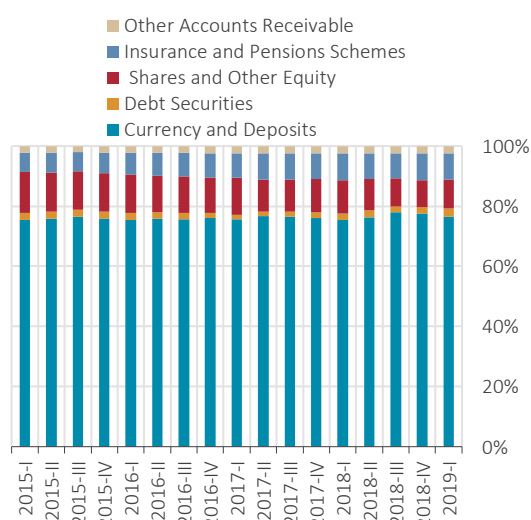
Chart 8: Liabilities, Flow (TRY Billion)



Source: CBRT

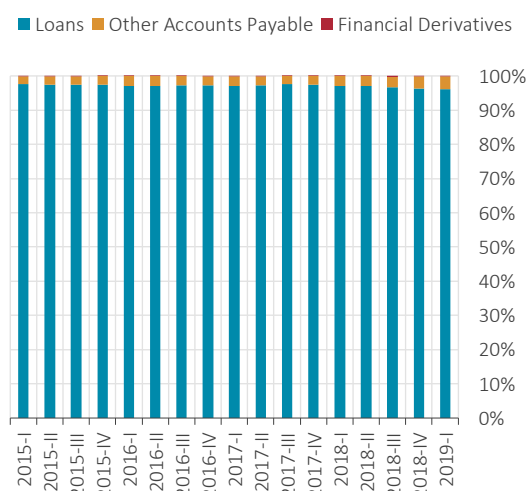
As of 2019Q1, the leading instrument in household financial assets was deposits with a share of 76%, followed by shares and other equity. In this quarter, the share of insurance and pension schemes in total financial investments decreased while that of shares and other equity increased (Chart 9). As for liabilities, almost all of them were composed of loans (Chart 10).

Chart 9: Breakdown of Financial Assets by Instruments (%)



Source: CBRT

Chart 10: Breakdown of Liabilities by Instruments (%)

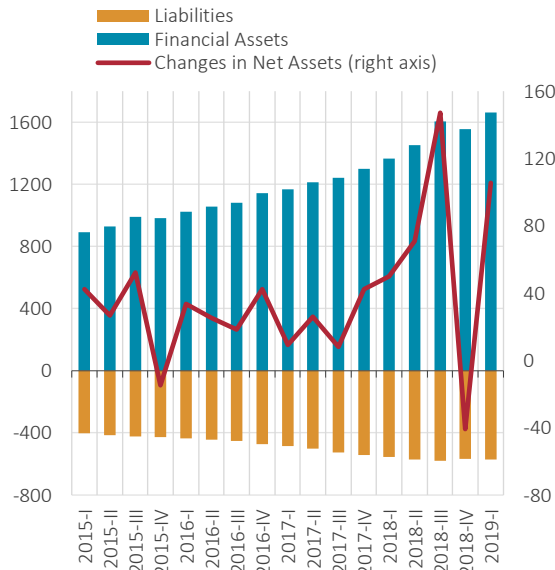


Source: CBRT



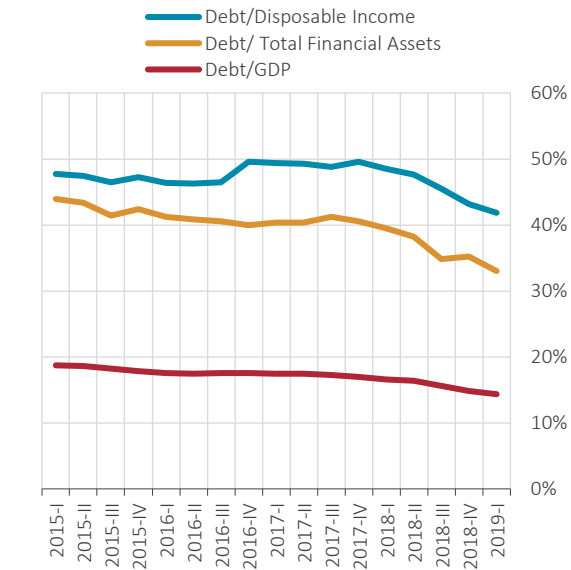
Household financial net worth was TRY 987 billion in the previous quarter but it increased quarter-on-quarter by TRY 105 billion to TRY 1,092 billion in 2019Q1 (Chart 11). Household indebtedness indicators suggest that the ratio of household debt to GDP posted a slight decline to 14.4% while the ratio of debt to total financial assets dropped to 33% from 35.2% in this quarter (Chart 12).

**Chart 11: Change in Net Assets of Households (TRY Billion)**



Source: CBRT

**Chart 12: Household Debt\* (%)**

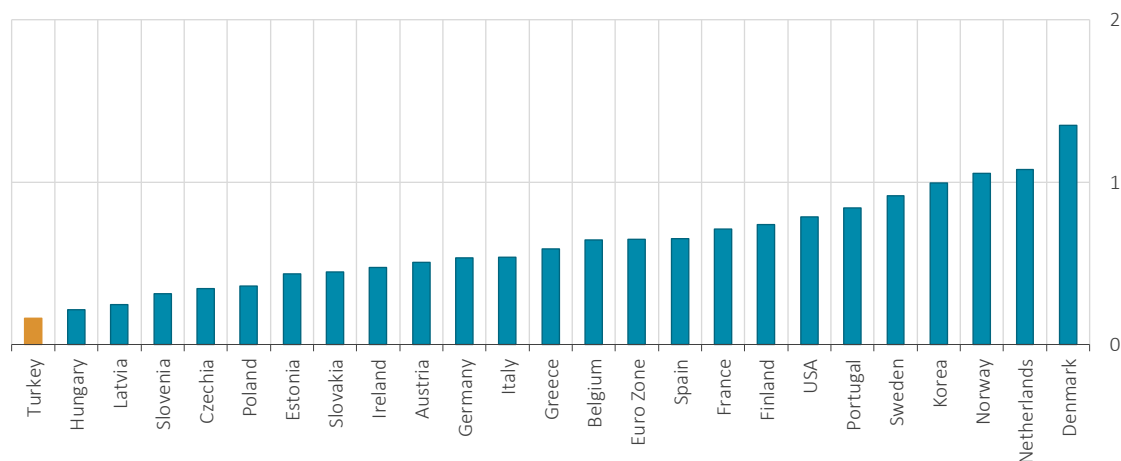


Sources: CBRT, TURKSTAT

\*Household debt is composed of loans.

The ratio of household liabilities to GDP indicates that Turkey stood out as the country with the lowest level of indebtedness among the countries compared in 2019Q1 (Chart 13).

**Chart 13: Household Liabilities/GDP, Comparison\*<sup>2</sup>**



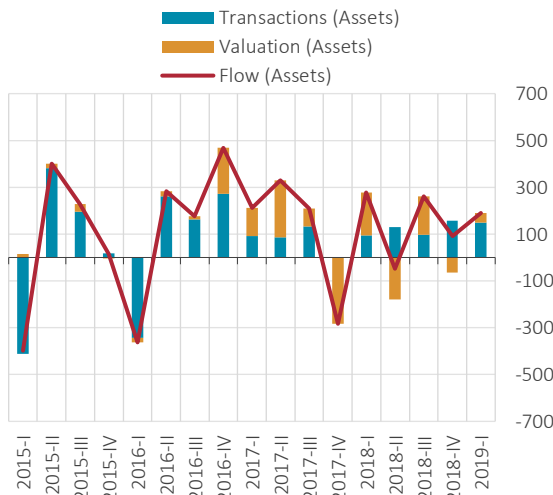
Sources: CBRT, TURKSTAT, OECD

(\*) Other country data is as of 2018Q4.

## 4. Non-Financial Corporations

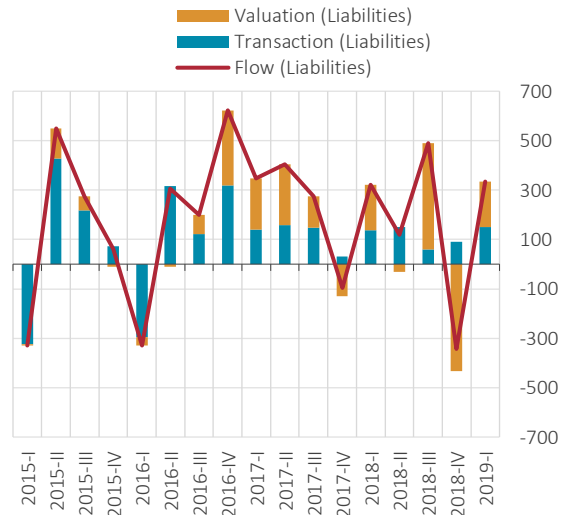
In 2019Q1, financial assets of non-financial corporations rose by TRY 190 billion on a quarterly basis. Driven by the exchange rate, the increase in valuation of TRY 42 billion in financial assets had a positive impact on this rise. A large portion of the change in transactions stemmed from the hikes in currency and deposits and other accounts receivable items by TRY 68 billion and TRY 57 billion, respectively (Chart 14). Meanwhile, liabilities of non-financial corporations increased by TRY 367 billion in 2019Q1. This increase was mainly driven by the increase in valuation of TRY 217 billion in financial liabilities due to the exchange rate and market price, while the loans item was up by TRY 72 billion (Chart 15).

Chart 14: Financial Assets, Flow (TRY Billion)



Source: CBRT

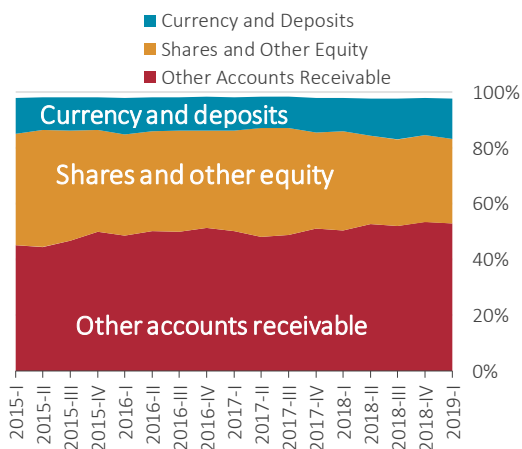
Chart 15: Liabilities, Flow (TRY Billion)



Source: CBRT

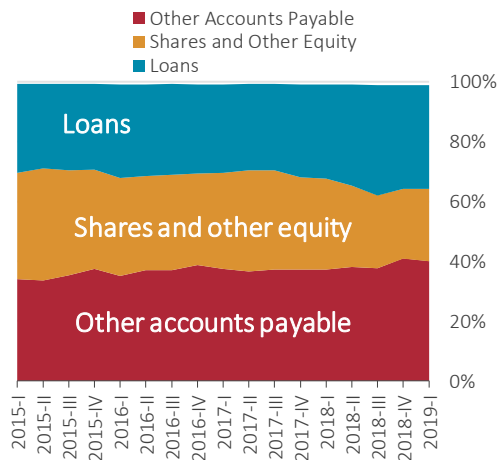
In 2019Q1, the most significant item on the assets side of non-financial corporations was the other accounts receivable item (53%) composed of the sum of trade credits and advances, and other items. The share of the shares and other equity item was 30%, and that of currency and deposits was 14.5% (Chart 16). On the liabilities side, the share of other accounts payable stood at 40% while that of the loans remained unchanged at 34.6%. The share of financing through the shares and other equity item was 24% (Chart 17).

Chart 16: Breakdown of Financial Assets by Instruments (%)



Source: CBRT

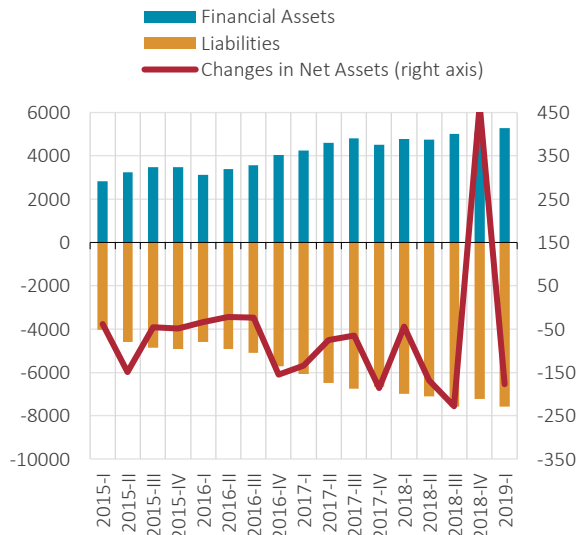
Chart 17: Breakdown of Liabilities by Instruments (%)



Source: CBRT

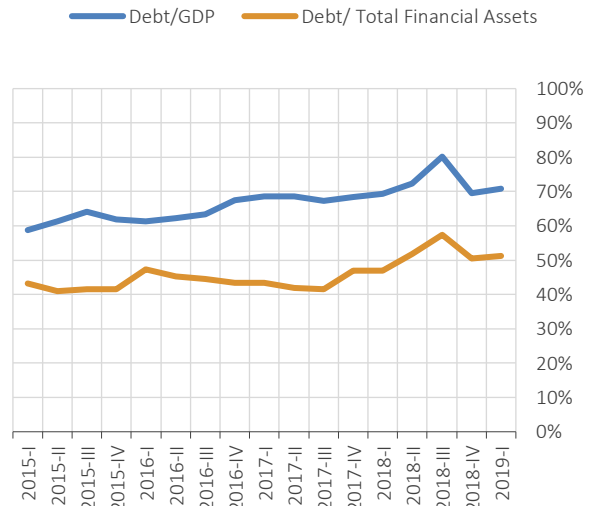
In 2019Q1, net assets of non-financial corporations declined quarter-on-quarter by TRY 177 billion (Chart 18). Meanwhile, the ratio of non-financial corporations' debt to GDP increased by 1 percentage point to 71%. In the same period, the ratio of non-financial corporations' debt to total financial assets remained the same at 51% (Chart 19).

**Chart 18: Change in Net Assets of Non-Financial Corporations (TRY Billion)**



Source: CBRT

**Chart 19: Non-Financial Corporations' Debt \* (%)**

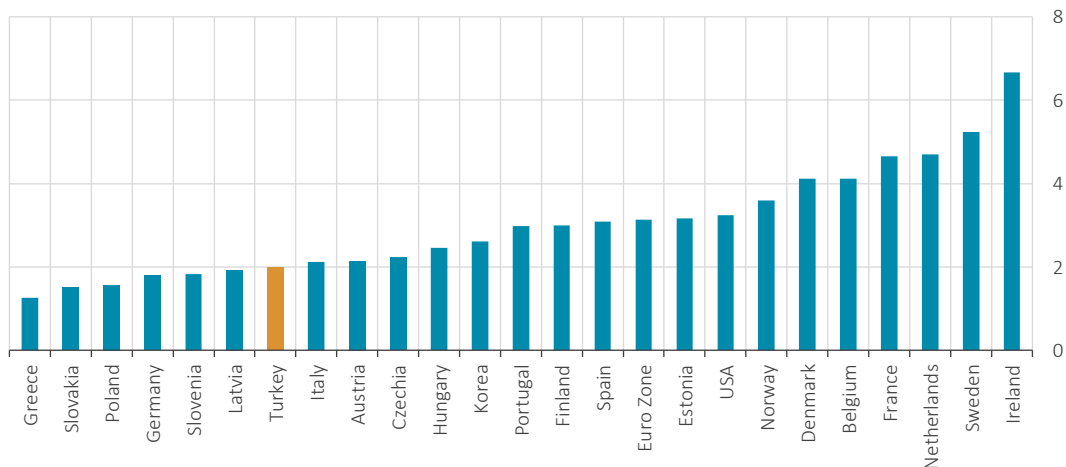


Sources: CBRT, TURKSTAT.

(\*) Debts are composed of loans and debt securities.

A cross-country comparison of the ratios of non-financial corporations' liabilities to GDP shows that Turkey ranked among the countries with low indebtedness levels in 2019Q1 (Chart 20).

**Chart 20: Non-Financial Corporations' Liabilities / GDP, Comparison \***



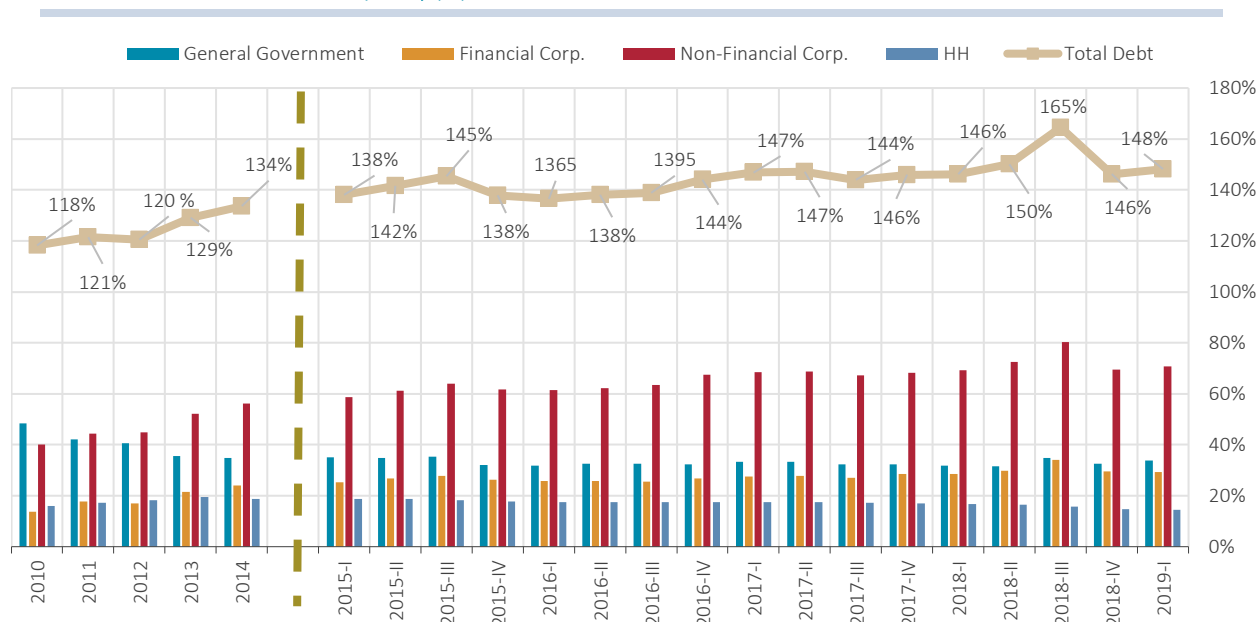
Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2018Q4.

## 5. Total Debt of Resident Sectors

The ratio of resident sectors' financial accounts-defined total debt, which is the sum of the loans they utilize and the debt securities they issue, to GDP slightly increased to 148% in the first quarter of 2019 (Chart 21).

Chart 21: Total Debt of Sectors/GDP, (%) <sup>2 \*</sup>

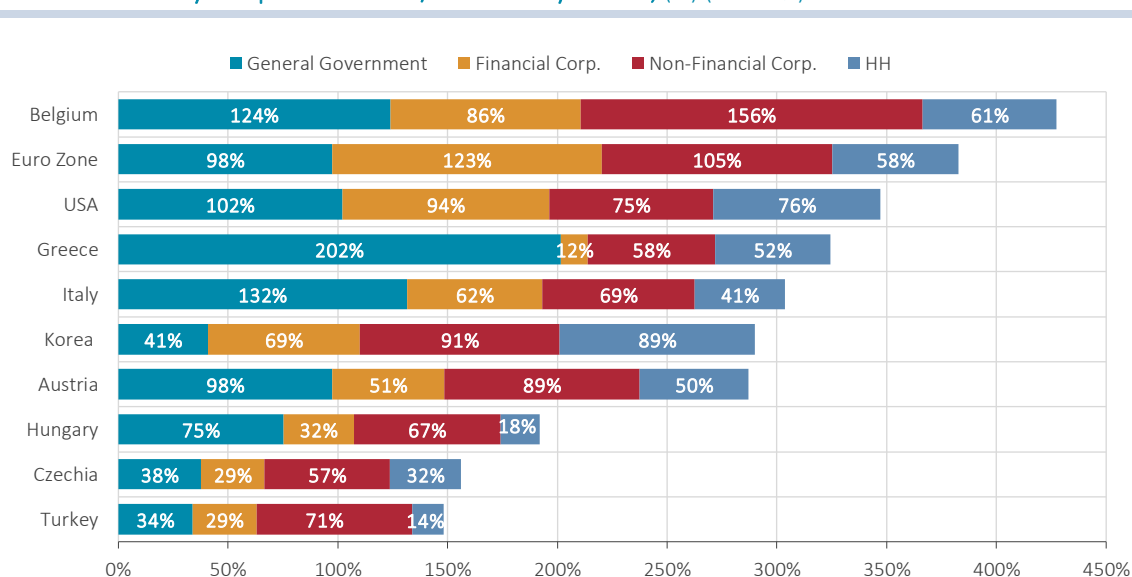


(\*) Debts are composed of loans and debt securities.

Sources: CBRT, TURKSTAT.

A cross-country comparison of this indebtedness ratio reveals that the total debt of resident sectors in Turkey was low in 2019Q1 (Chart 22).

Chart 22: Cross-Country Comparison of Debt/GDP Ratio by Sectors, (%) (2019Q1) <sup>2 \*\*</sup>



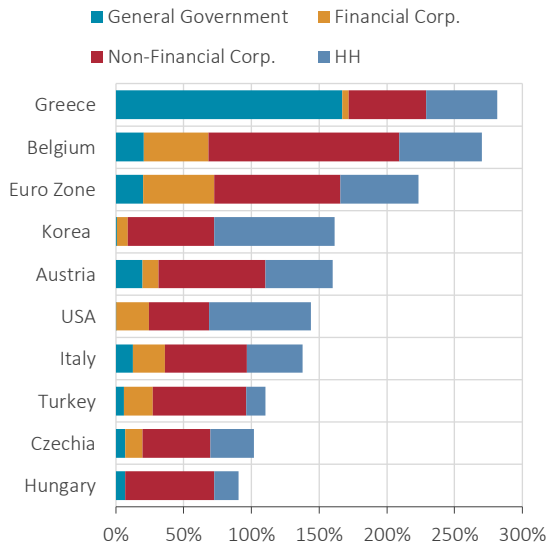
Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2018Q4.

(\*\*) Debts are composed of loans and debt securities.

A cross-country comparison of indebtedness ratios by financial instruments shows that Turkey posted low levels of loan/GDP and debt securities/GDP ratios in 2019Q1. While non-financial corporations constituted the largest sector in terms of loan indebtedness with a ratio of 68.7% of GDP, the general government stood as the leading sector in debt securities with a ratio of 28% (Charts 23 and 24).

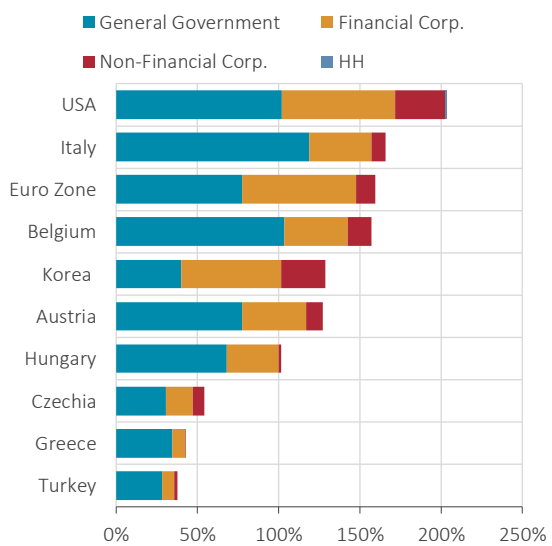
**Chart 23: Cross-Country Comparison of Loan/GDP Ratio by Sectors, (%) (2019Q1)<sup>2</sup>**



Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2018Q4.

**Chart 24: Cross-Country Comparison of Debt Sec./GDP Ratio by Sectors, (%) (2019Q1)<sup>2</sup>**



Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2018Q4.