Summary

According to sectoral financial balance sheets, total financial assets of the Turkish economy were TRY 14,420 billion, while its liabilities were TRY 16,413 billion in 2019Q3. Net liabilities to the rest of the world increased by TRY 11 billion quarter-on-quarter to TRY 1,993 billion.

Financial transactions between 2019Q2 and 2019Q3 reveal that the total economy assumes a net creditor position. Financial flows indicate that net transactions totaled TRY 25.4 billion of assets, and a fall of TRY 36 billion in net valuation occurred 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 66%, 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 (2019Q3, TRY Billion)\(^1,2\)

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<th>Sector</th>
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<td>Financial Assets</td>
<td>14,420</td>
<td>5,897</td>
<td>5,747</td>
<td>878</td>
<td>1,898</td>
<td>1,304</td>
</tr>
<tr>
<td>Liabilities</td>
<td>16,413</td>
<td>8,220</td>
<td>5,839</td>
<td>1,702</td>
<td>652</td>
<td>3,443</td>
</tr>
<tr>
<td>Financial Net Worth</td>
<td>-1,993</td>
<td>-2,324</td>
<td>-92</td>
<td>-824</td>
<td>1,246</td>
<td>2,139</td>
</tr>
</tbody>
</table>

Source: CBRT

An analysis of the domestic economy’s financial balance sheets by sectors as of 2019Q3 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 (%)\(^2\)

\(^1\) 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.

\(^2\) The households sector also covers non-profit institutions serving households.
Net financial transactions conducted by sectors suggest that the total economy, which had recorded a net lending of 0.1% of GDP in the previous quarter, became a net creditor of 2.2% of GDP in this quarter. Sectors’ contributions to this ratio indicate that the households sector became the biggest creditor in this quarter by lending 4% of the GDP, followed by financial corporations with a lending ratio at 4.5% of the GDP. The general government and non-financial corporations received net debts of approximately 1.2% and 1.5%, respectively (Chart 2).

Sources: CBRT, TURKSTAT.

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

Source: CBRT, TURKSTAT.

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Chart 3: Financial Assets and Liabilities to GDP by Sectors (%)

Source: 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.

In 2019Q3, the distribution of financial instruments did not change significantly. As for the financial instrument distribution, currency and deposits, along with other accounts receivable 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 no major change in inter-sectoral connections in 2019Q3 compared to the same period last year. The strongest connection occurred between non-financial corporations and monetary and financial institutions. The latter extended a total of TRY 2,801 billion worth of loans, granting TRY 1,934 billion of it to non-financial corporations and TRY 567 billion to households. Domestic sectors borrowed TRY 1,178 billion from the rest of the world, out of which non-financial corporations received TRY 589 billion, and monetary and financial institutions received TRY 423 billion (Chart 5).

In 2019Q3, of the total TRY 3,924 billion worth of deposits, TRY 3,319 billion were taken by monetary and financial institutions and TRY 605 billion by the rest of the world. A large portion of deposits taken by monetary and financial institutions belongs to households (TRY 1,389 billion) and non-financial corporations (TRY 620 billion). Meanwhile, the majority of deposits taken by the rest of the world (TRY 500 billion) was opened by monetary and financial institutions (Chart 6).

![Chart 5: Loans, From-Whom-to-Whom (2019Q3, Billion TL)](chart5)

![Chart 6: Deposits, From-Whom-to-Whom (2019Q3, TRY Billion)](chart6)
3. Households

In 2019Q3, household financial assets increased quarter-on-quarter by TRY 75 billion due mostly to transactions. Likewise, household financial liabilities increased quarter-on-quarter by TRY 29 billion due mostly to transactions.

In 2019Q3, the distribution of financial instruments of households did not change significantly. The leading instrument in household financial assets was deposits with a share of 76%, followed by shares and equities (Chart 9). As for household liabilities, almost all of them were composed of loans (Chart 10).
In 2019Q3, household financial net worth increased by TRY 46 billion (Chart 11). Household indebtedness indicators suggest that the ratio of household debt to GDP stood at 14% and its ratio to total financial assets remained flat at 31% while its ratio to disposable income slightly rose to 44% quarter-on-quarter (Chart 12).

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 2019Q3 (Chart 13).

Sources: CBRT, TURKSTAT, OECD

(*) Other country data indicates 2019Q2.
4. Non-Financial Corporations

In 2019Q3, financial assets of non-financial corporations rose by TRY 188 billion on a quarterly basis. The TRY 150-billion portion of this rise resulted from the increase in net transactions (Chart 14). Likewise, liabilities of non-financial corporations increased by TRY 133 billion mostly due to net transactions (Chart 15).

In 2019Q3, the distribution of non-financial corporations’ financial transactions did not change significantly. The most important item on the assets side was the other accounts receivable item (56%) composed of the sum of trade credits and advances and other items. The share of the shares and other equity item was 28%, and that of currency and deposits was 14% (Chart 16). On the liabilities side, the share of other accounts payable stood at 43% while the share of loans was 32%. The share of financing through the shares and other equity item was 24% (Chart 17).

In 2019Q3, financial net worth of non-financial corporations increased by TRY 56 billion quarter-on-quarter (Chart 18). Meanwhile, the ratio of non-financial corporations' debt to GDP decreased by 3

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**Chart 14: Financial Assets, Flow (TRY Billion)**

**Chart 15: Liabilities, Flow (TRY Billion)**

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

**Chart 17: Breakdown of Liabilities by Instruments (%)**

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Source: CBRT
percentage points to 66%. In the same period, the ratio of non-financial corporations’ debt to total financial assets declined to 46% (Chart 19).

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 2019Q3 (Chart 20).

Sources: CBRT, TURKSTAT.

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

(*) Other country data indicates 2019Q2.
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 fell to 141%. (Chart 21).

Chart 21: Total Debt of Sectors/GDP, (%) *

A cross-country comparison of this indebtedness ratio reveals that the total debt of resident sectors in Turkey was low in 2019Q3 (Chart 22).

Chart 22: Cross-Country Comparison of Debt/GDP Ratio by Sectors, (%) (2019Q3) **

A cross-country comparison of indebtedness ratios by financial instruments shows that Turkey posted relatively low levels of loan/GDP and debt securities/GDP ratios in 2019Q3. While non-financial
corporations constituted the largest sector in terms of loan indebtedness with a ratio of 66% of GDP, the general government stood as the leading sector in debt securities with a ratio of 30% (Charts 23 and 24).

Sources: CBRT, TURKSTAT, OECD.
(*) Other country data indicates 2019Q2.

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