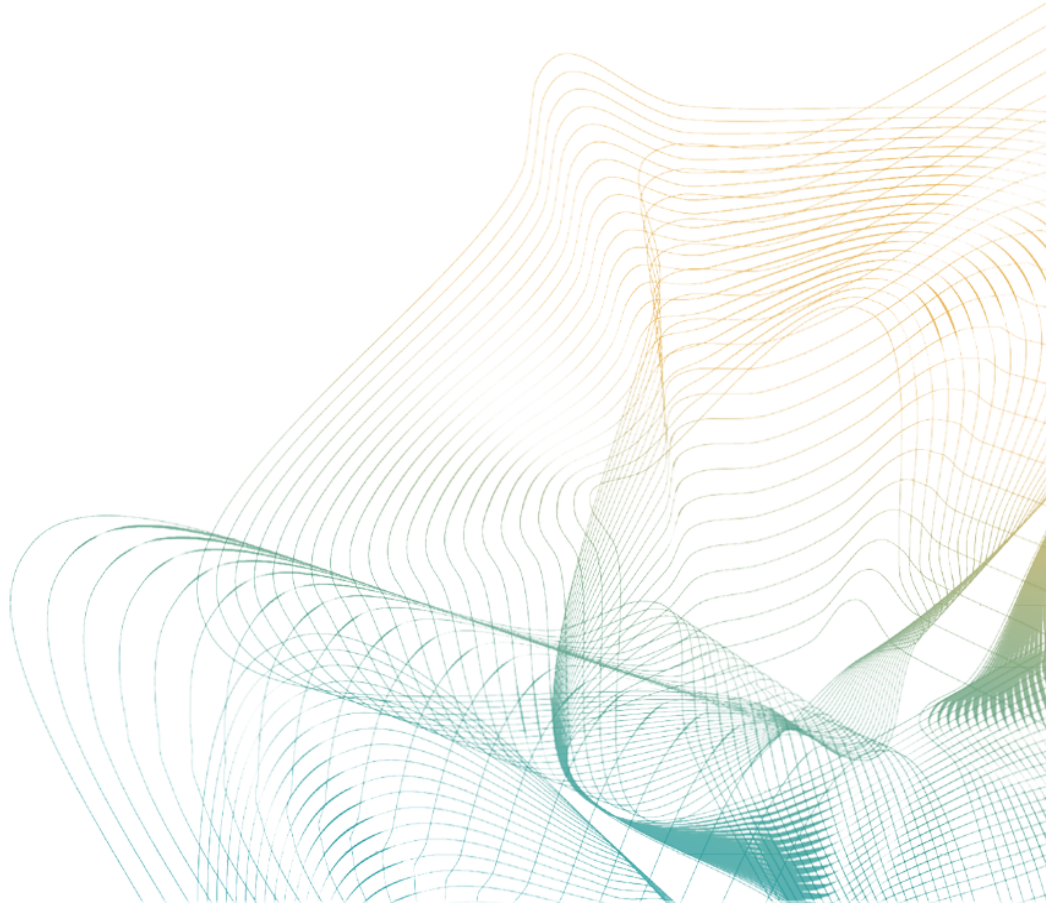


# Financial Accounts Report

## 2019-IV



## Summary

According to sectoral financial balance sheets, the total financial assets of the Turkish economy at the end of 2019Q4 were TRY 15,415 billion, while its liabilities were TRY 17,536 billion. Net liabilities to the rest of the world increased by TRY 128 billion quarter-on-quarter to TRY 2,121 billion.

Financial transactions between 2019Q3 and 2019Q4 reveal that the total economy assumed a net creditor position. Financial flows indicate that net transactions totaled TRY 5 billion of assets, and a fall of TRY 133 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 15% 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.

## Contents

1	EVALUATIONS	3
2	FROM WHOM-TO-WHOM (DEPOSITS AND LOANS)	6
3	HOUSEHOLDS	7
4	NON-FINANCIAL CORPORATIONS	9
5	TOTAL DEBT OF RESIDENT SECTORS	11

# 1. Evaluations

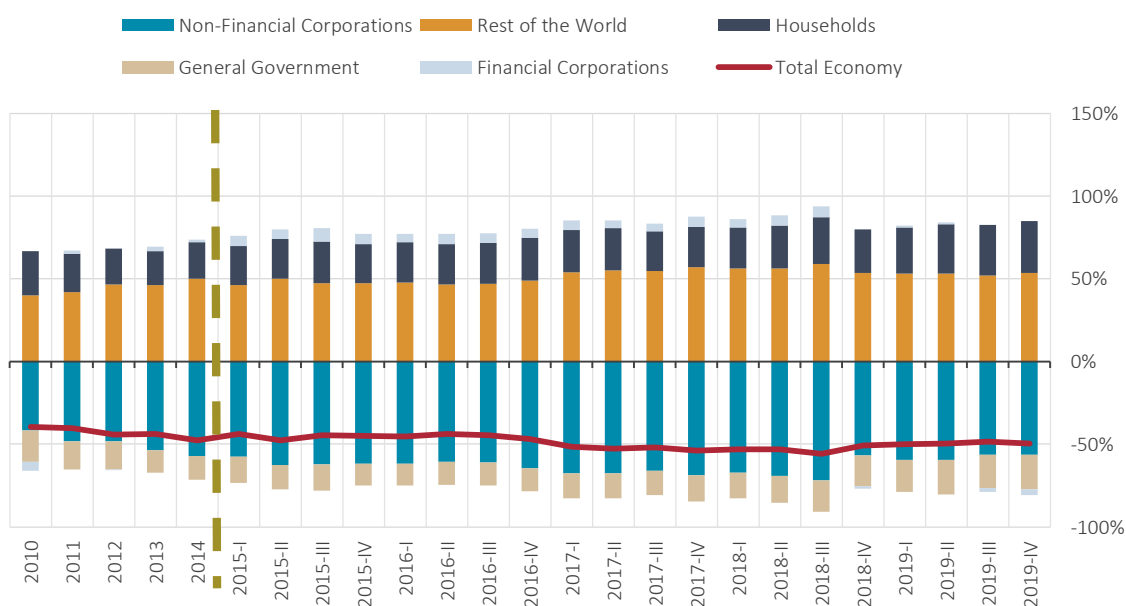
Table 1: Financial Net Worth by Sectors (2019Q4, TRY Billion)<sup>1,2</sup>

	Total Economy	Non-Financial Corporations	Financial Corporations	General Government	Households	Rest of the World
Financial Assets	15,415	6,398	6,053	919	2,045	1,393
Liabilities	17,536	8,816	6,207	1,811	702	3,675
Financial Net Worth	-2,121	-2,418	-154	-892	1,343	2,282

Source: CBRT

An analysis of the domestic economy's financial balance sheets by sectors as of 2019Q4 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 had a financial net worth close to balanced (Table 1, Chart 1).

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

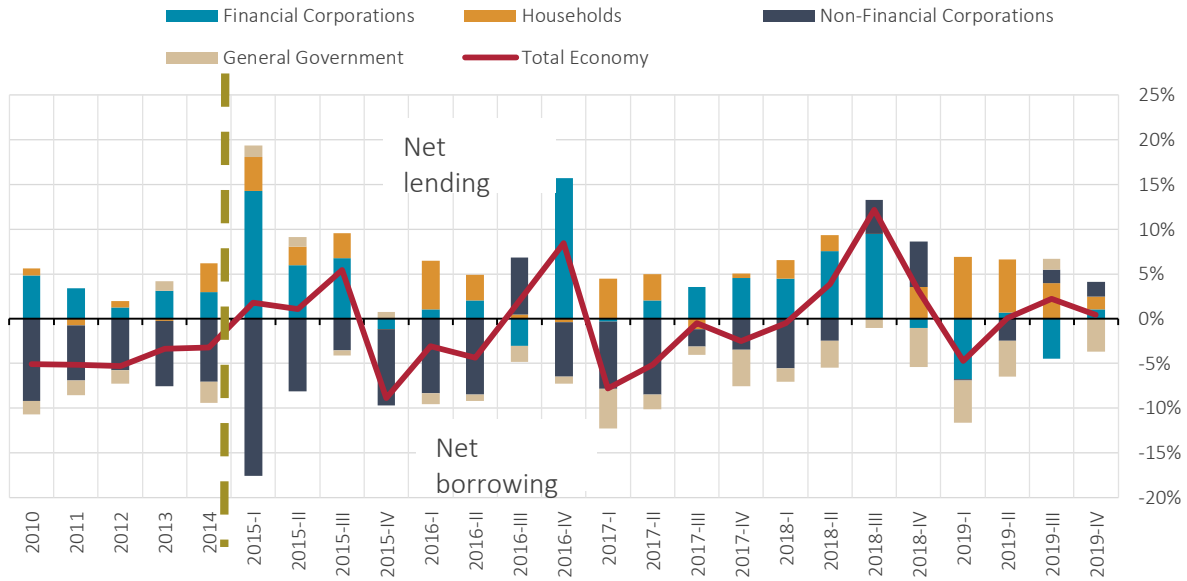


Sources: CBRT, TURKSTAT

<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.

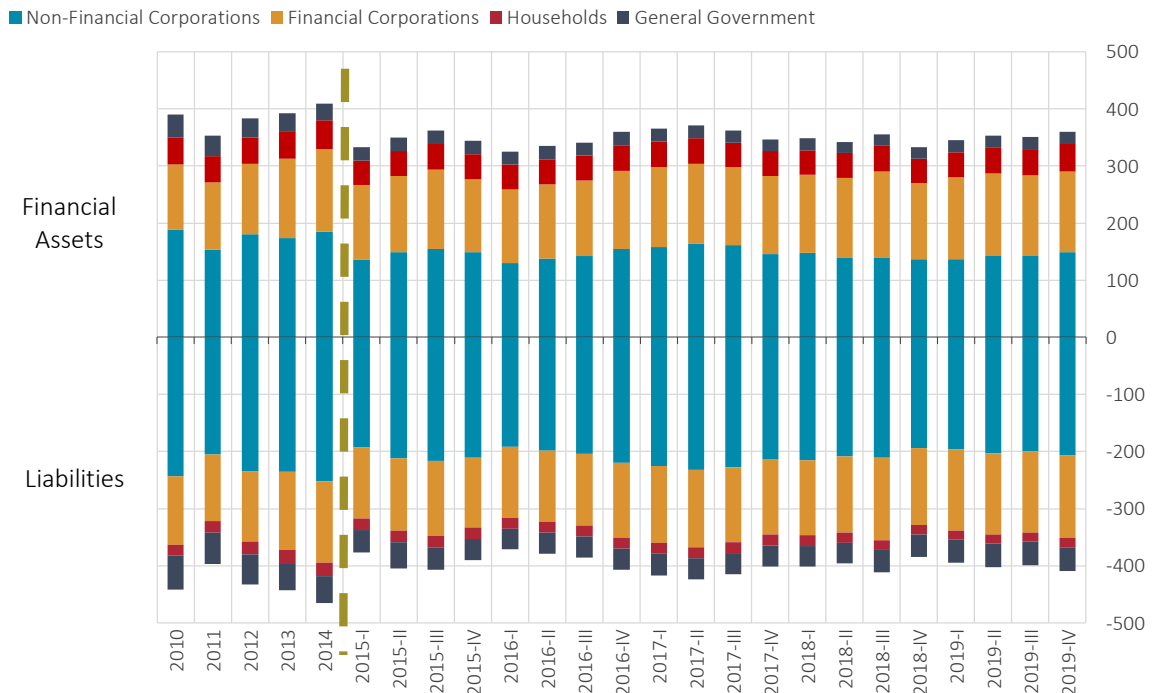
Chart 2: Net Lending/Borrowing (Transaction), Ratio to GDP, by Sectors (%)



Sources: CBRT, TURKSTAT

Net financial transactions conducted by sectors suggest that the total economy, which had recorded a net lending of 2.2% of GDP in the previous quarter, became a net creditor of 0.4% of GDP in this quarter. Sectors' contributions to this ratio indicate that non-financial corporations became the biggest creditor in this quarter by lending 1.7% of GDP, followed by households and non-financial corporations with lending ratios at approximately 1.4% and 1.1% of GDP, respectively. The general government, on the other hand, received a net debt of 3.7% of GDP (Chart 2).

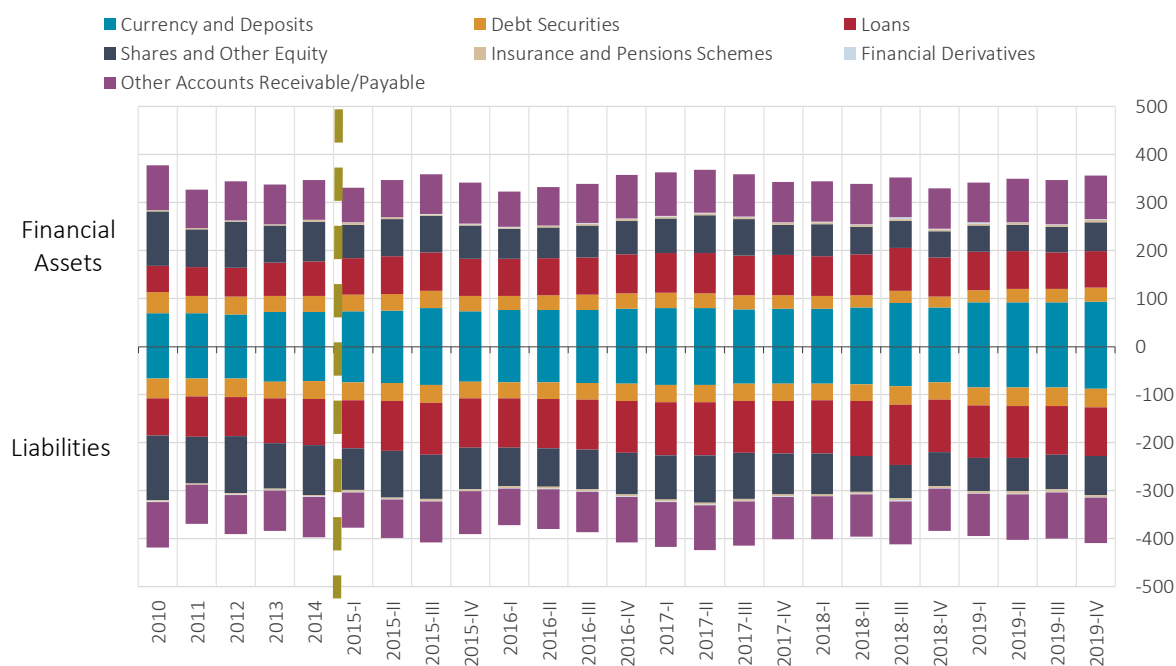
Chart 3: Financial Assets and Liabilities to GDP by Sectors (%)



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.

In 2019Q4, the distribution of financial instruments did not change significantly. 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).

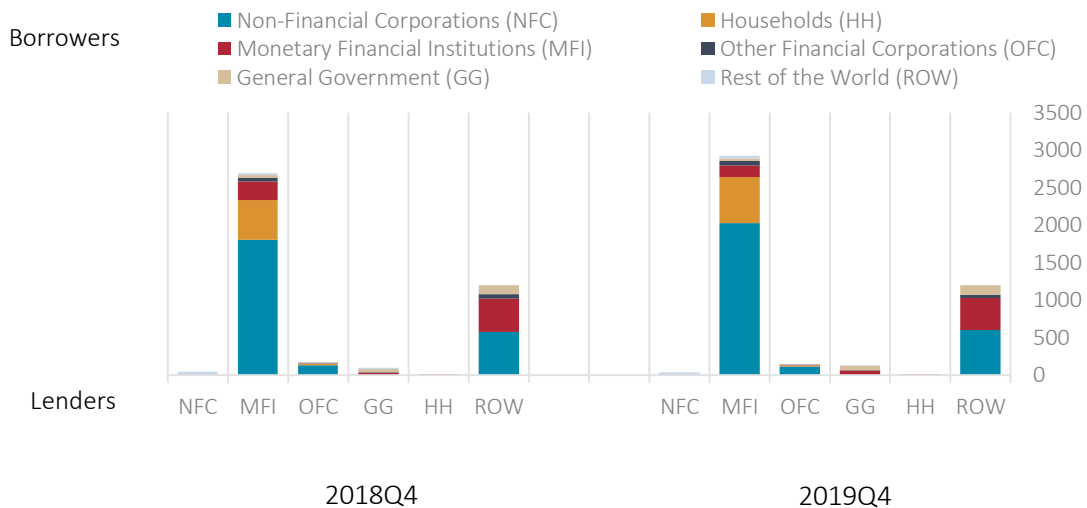
## 2. From-Whom-to-Whom (Deposits and Loans)

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 2019Q4 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 2,924 billion worth of loans, granting TRY 2,020 billion of it to non-financial corporations and TRY 615 billion to households. Domestic sectors borrowed TRY 1,199 billion from the rest of the world, out of which non-financial corporations received TRY 601 billion, and monetary and financial institutions received TRY 426 billion (Chart 5).

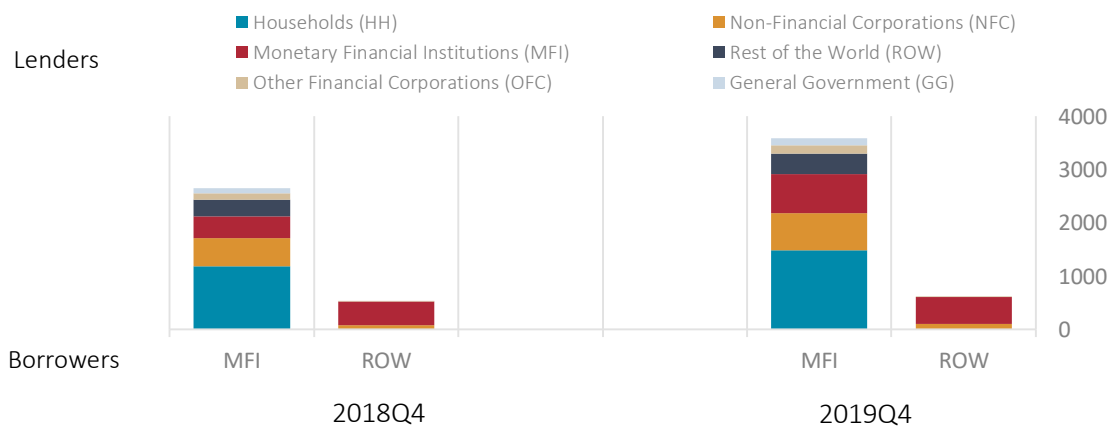
In 2019Q4, of the total TRY 4,200 billion worth of deposits, TRY 3,592 billion were taken by monetary and financial institutions and TRY 608 billion by the rest of the world. A large portion of deposits taken by monetary and financial institutions belongs to households (TRY 1,485 billion) and non-financial corporations (TRY 702 billion). Meanwhile, the majority of deposits taken by the rest of the world (TRY 504 billion) was opened by monetary and financial institutions (Chart 6).

**Chart 5: Loans, From-Whom-to-Whom (2019Q4, TRY Billion)**



Source: CBRT

**Chart 6: Deposits From-Whom-to-Whom (2019Q4, TRY Billion)**

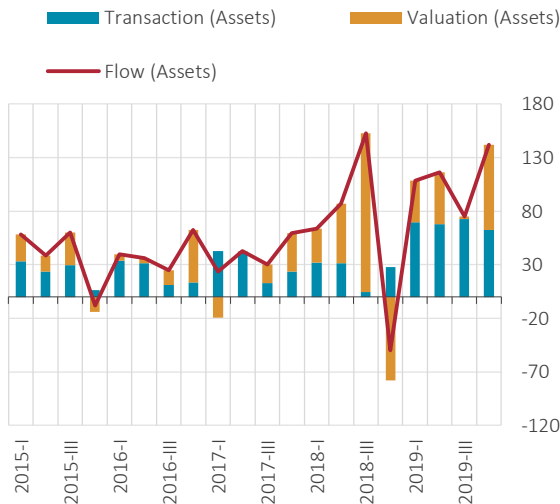


Source: CBRT

### 3. Households

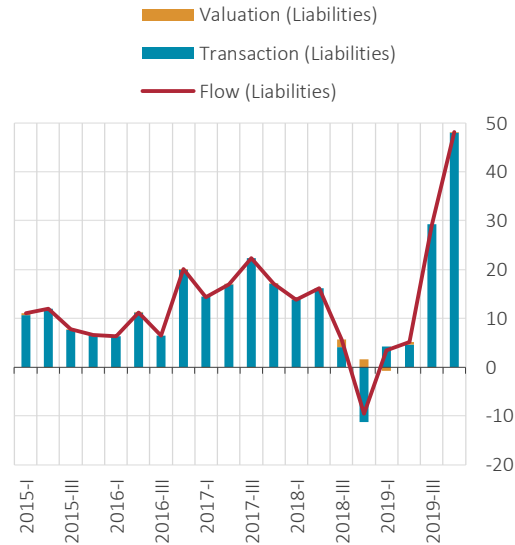
In 2019Q4, household financial assets increased by TRY 142 billion quarter-on-quarter, with a breakdown of TRY 79 billion driven by valuation and TRY 63 billion driven by transactions (Chart 7). Likewise, household financial liabilities increased by TRY 48 billion quarter-on-quarter, due mostly to transactions (Chart 8).

Chart 7: Financial Assets, Flow (TRY Billion)



Source: CBRT

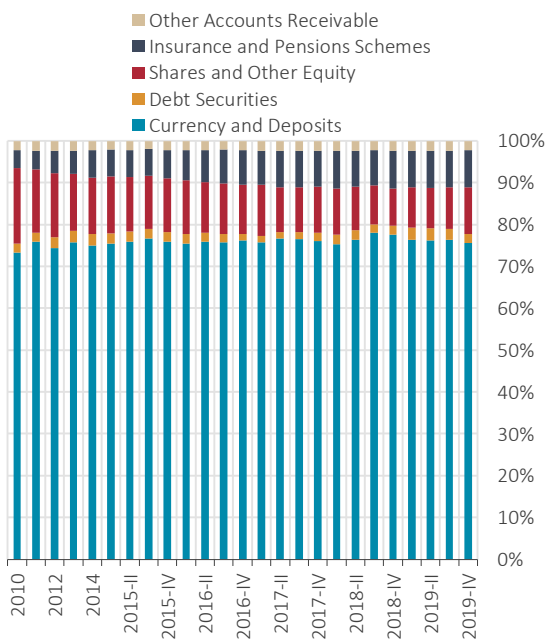
Chart 8: Liabilities, Flow (TRY Billion)



Source: CBRT

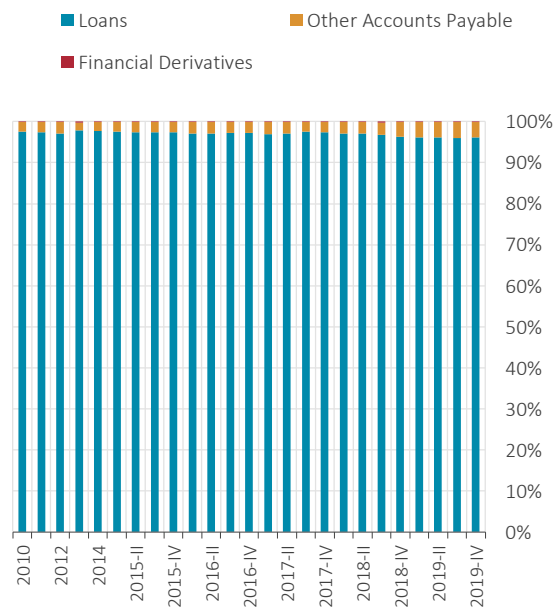
In 2019Q4, the distribution of financial instruments of households did not change significantly. The leading instrument in household financial assets was deposits with a share of 76%, followed by shares and equities (Chart 9). As for household liabilities, almost all of them were composed of loans (Chart 10).

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



Source: CBRT

Chart 10: Breakdown of Liabilities by Instruments (%)

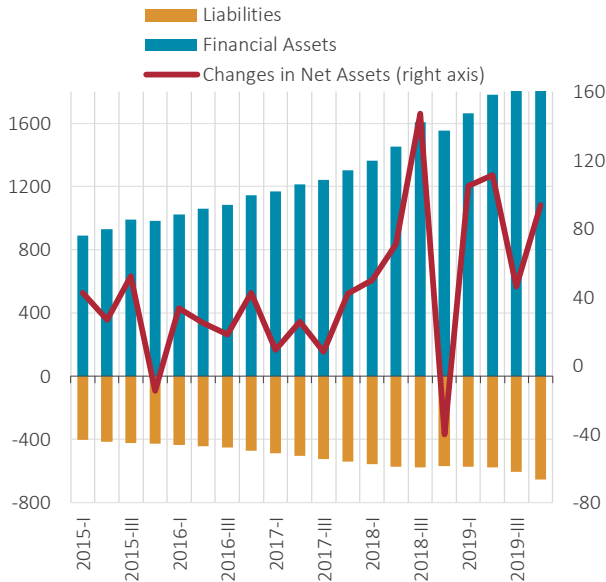


Source: CBRT



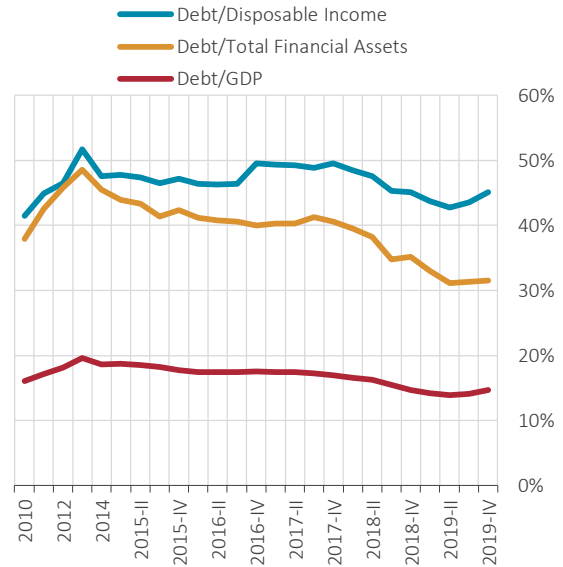
In 2019Q4, household financial net worth increased by TRY 94 billion (Chart 11). Household indebtedness indicators suggest that the ratios of household debt to GDP and to disposable income increased slightly to 15% and 45%, respectively, while its ratio to total financial assets remained flat at 31% (Chart 12).

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



Source: CBRT

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

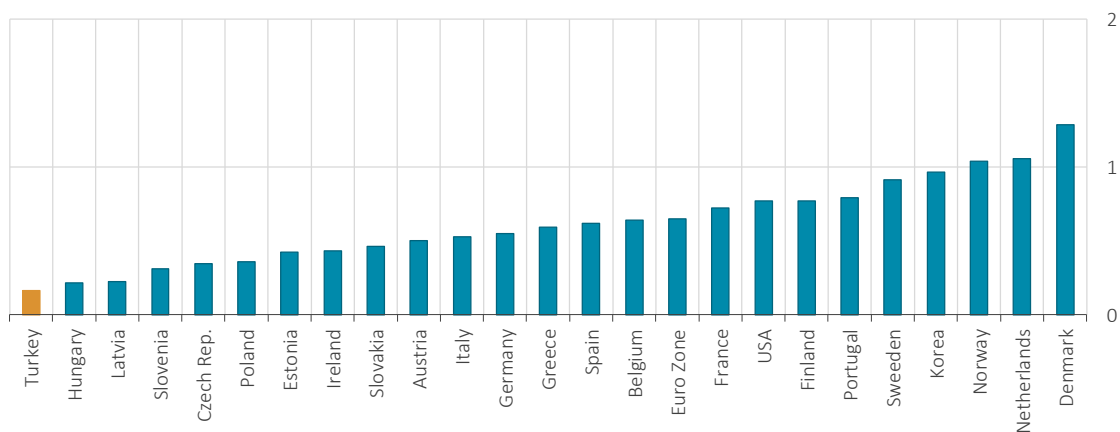


Sources: CBRT, TURKSTAT

\*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 2019Q4 (Chart 13).

**Chart 13: Household Liabilities/GDP, Comparison\***



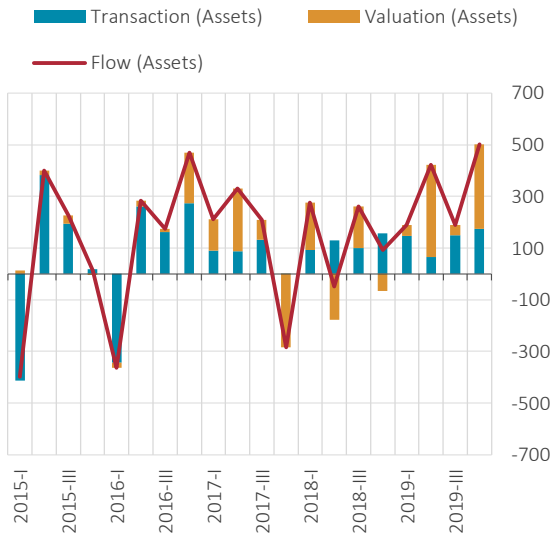
Sources: CBRT, TURKSTAT, OECD

(\*) Other country data indicates 2019Q3.

## 4. Non-Financial Corporations

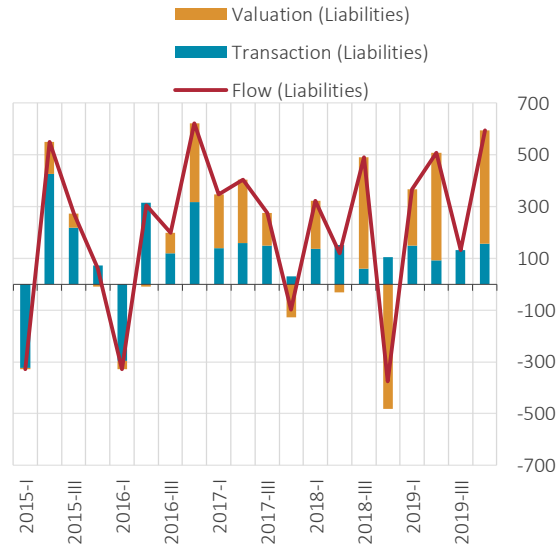
In 2019Q4, financial assets of non-financial corporations rose by TRY 501 billion on a quarterly basis. The TRY 326-billion portion of this rise resulted from the increase in valuation (Chart 14). Likewise, liabilities of non-financial corporations increased by TRY 595 billion, TRY 440 billion of which was driven by the increase in valuation (Chart 15).

Chart 14: Financial Assets, Flow (TRY Billion)



Source: CBRT

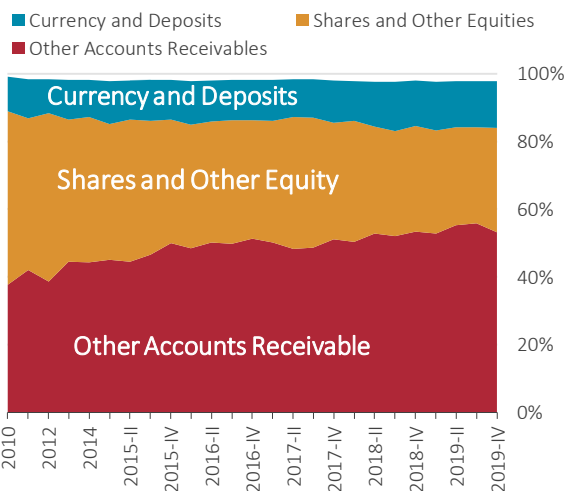
Chart 15: Liabilities, Flow (TRY Billion)



Source: CBRT

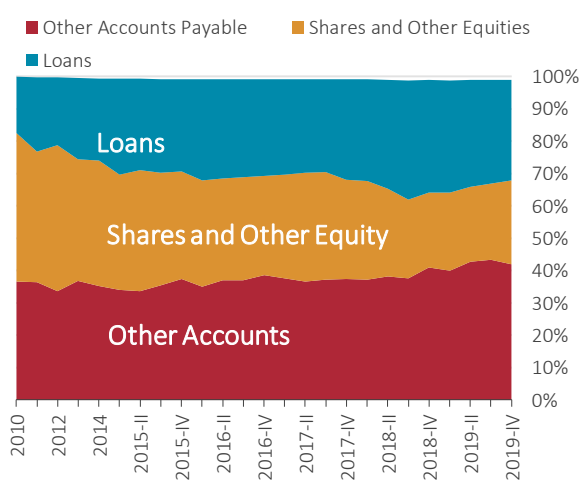
In 2019Q4, the distribution of non-financial corporations' financial transactions did not change significantly. The most important item on the assets side was the other accounts receivable item (53%) composed of the sum of trade credits and advances and other items. The share of the shares and other equity item was 31%, and that of currency and deposits was 14% (Chart 16). On the liabilities side, the share of other accounts payable stood at 42% while the share of loans was 31%. The share of financing through the shares and other equity item was 26% (Chart 17).

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



Source: CBRT

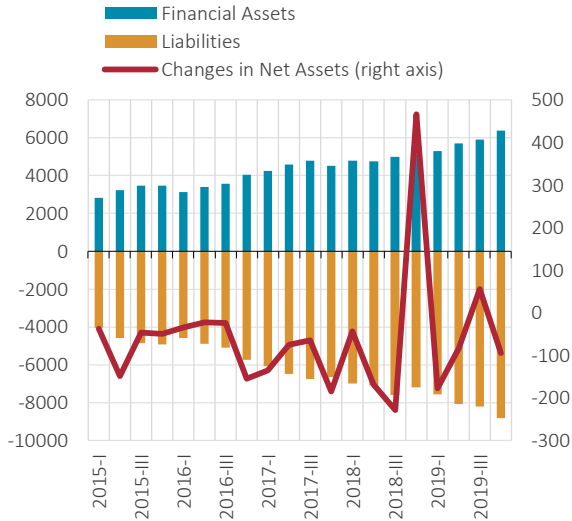
Chart 17: Breakdown of Liabilities by Instruments (%)



Source: CBRT

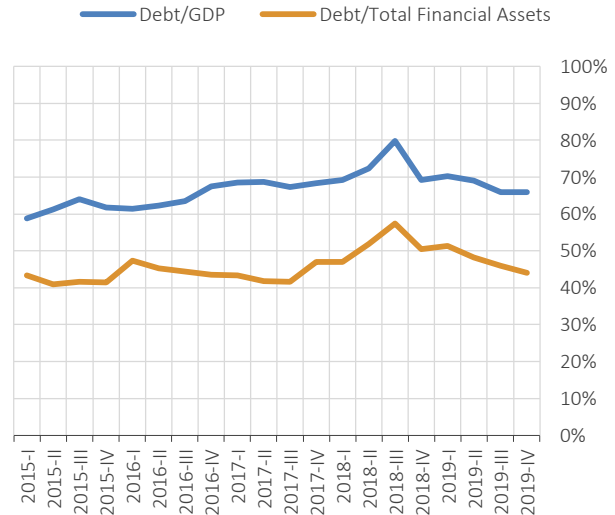
In 2019Q4, financial net worth of non-financial corporations decreased by TRY 94 billion quarter-on-quarter (Chart 18). Meanwhile, the ratio of non-financial corporations' debt to GDP remained flat at 66%. In the same period, the ratio of non-financial corporations' debt to total financial assets declined to 44% (Chart 19).

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



Source: CBRT

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

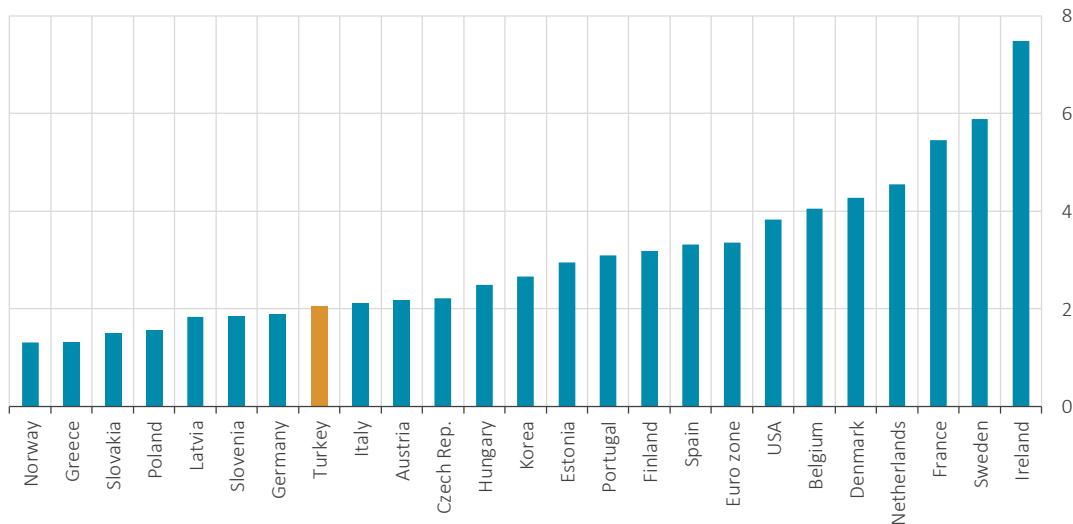


Sources: CBRT, TURKSTAT.

(\*) 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 2019Q4 (Chart 20).

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



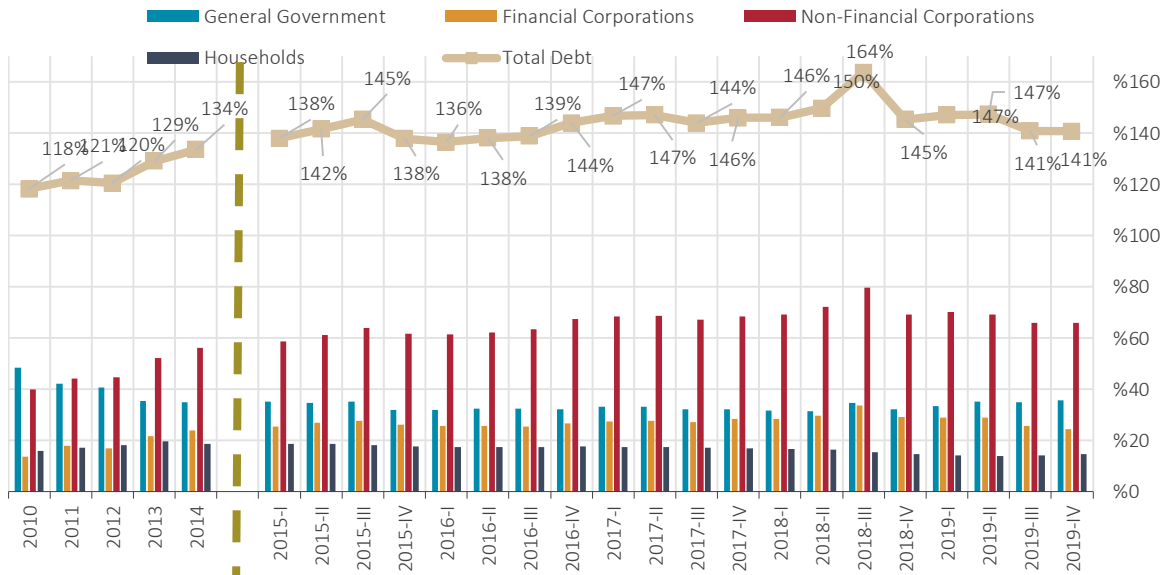
Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data indicates 2019Q3.

## 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 remained flat at 141%. (Chart 21).

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

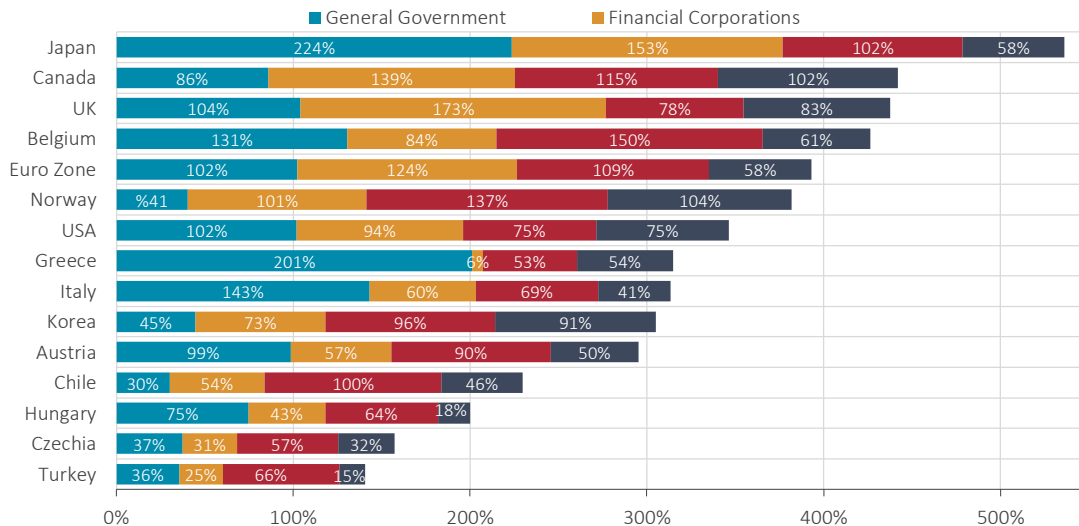


(\*) Debts are composed of loans and debt securities.

Sources: CBRT, TURKSTAT.

A cross-country comparison of this indebtedness ratio reveals that the total debt of resident sectors in Turkey was low in 2019Q4 (Chart 22).

Chart 22: Cross-Country Comparison of Debt/GDP Ratio by Sectors, (%) (2019Q4) \*\*



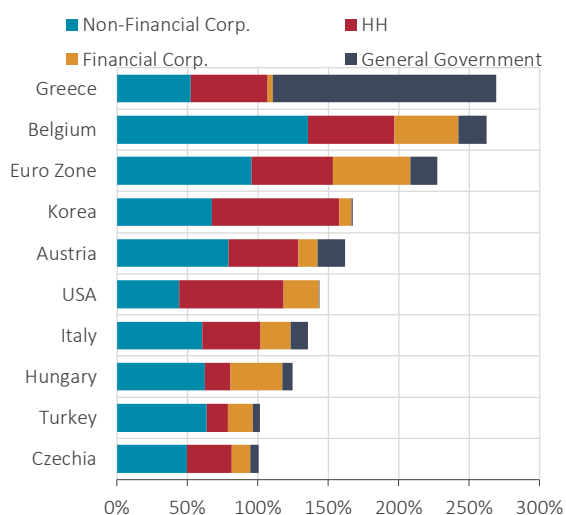
Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data indicates 2019Q3.

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

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 2019Q4. While non-financial corporations constituted the largest sector in terms of loan indebtedness with a ratio of 64% of GDP, the general government stood as the leading sector in debt securities with a ratio of 30% (Charts 23 and 24).

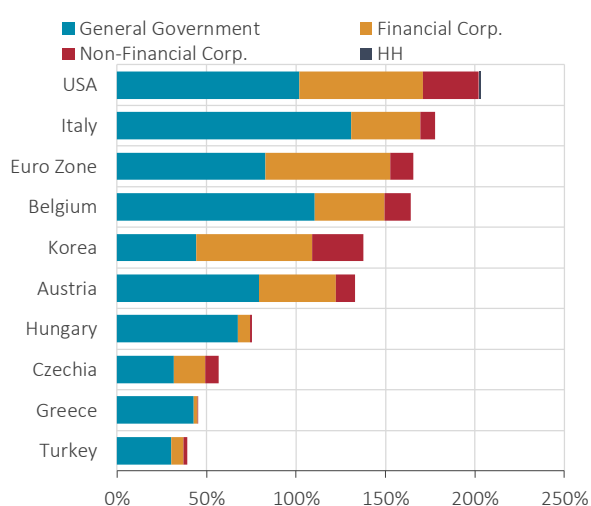
**Chart 23: Cross-Country Comparison of Debt/GDP Ratio by Sectors (%) (2019Q4)**



Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data indicates 2019Q3.

**Chart 24: Cross-Country Comparison of Debt Sec./GDP Ratio by Sectors, (%) (2019Q4)**



Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data indicates 2019Q3.