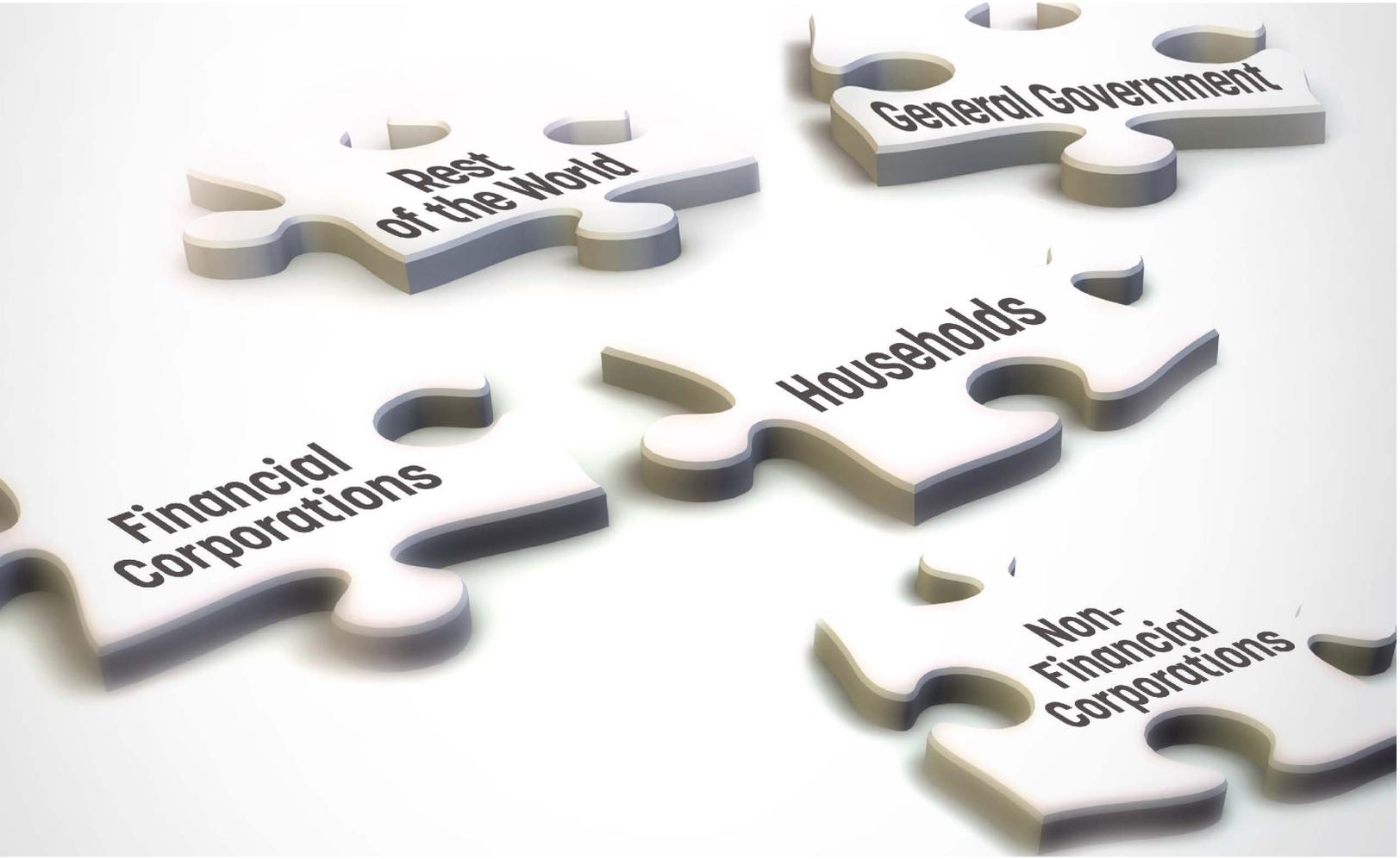




**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**



# 2015

## Financial Accounts Report

**Statistics Department**  
Monetary and Financial Data Division

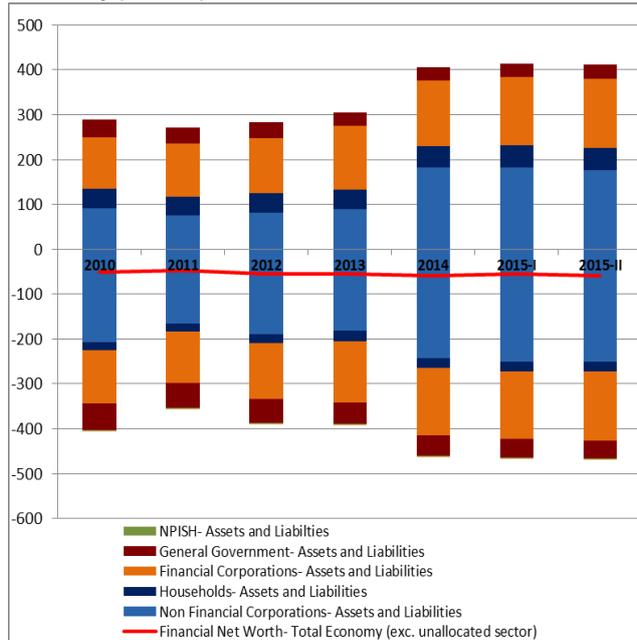
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## I. Introduction

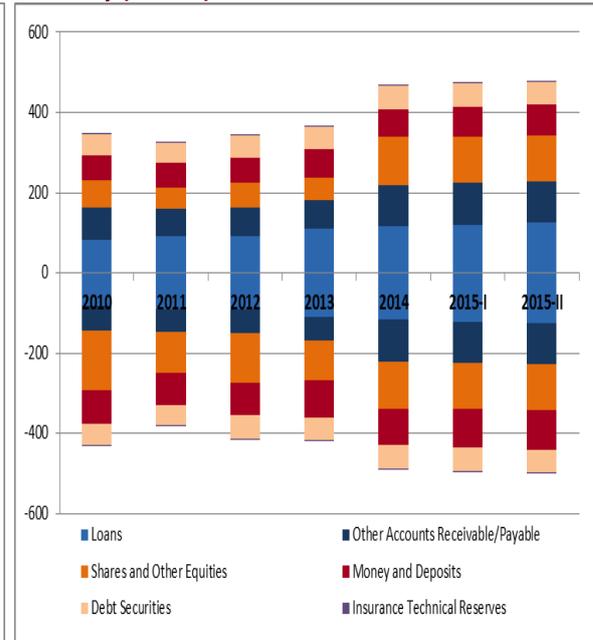
The Financial Accounts (FA) statistics of Turkey have been published annually since 2013 and compiled in line with the definitions, scope and principles of the United Nations System of National Accounts 1993 (SNA 93) and the European System of Accounts 1995 (ESA 95). As of 2015, the stock and flow accounts of all economic sectors have been published based on consolidated and non-consolidated items and by quarters.<sup>1</sup> This report presents FA data in annual terms for 2010-2014 and in quarterly terms for the first half of 2015.

**Graph 1: Financial Assets and Liabilities by Sectors-Total Economy (% GDP)**



Source: CBRT

**Graph 2: Breakdown of Financial Instruments-Total Economy (% GDP)**



Source: CBRT

The financial assets of the overall economy, which was TRY 3,196 billion in 2010, was approximately three times the GDP (291 percent), while total liabilities in the same period was TRY 4,453 billion, equal to four times the GDP (405 percent). In the second quarter of 2015, while the financial assets of the overall economy were TRY 7,573 billion, four times the GDP (413 percent), the financial liabilities were 8,591 billion, equaling five times the GDP (468 percent).

The net financial worth produced by domestic sectors, in other words, Turkey's net financial liabilities to the rest of the world, has a stable course in the period analyzed.

An analysis of the distribution of the net financial worth by sectors reveals that non-financial corporations is the leading sector in assets and liabilities, followed by financial corporations and the general government (Graph 1).

The breakdown of financial instruments in the Turkish economy in 2015 – II quarter suggests that 26 percent of financial assets were composed of loans, 24 percent of shares and other equity and 21 percent of other accounts receivable. As for financial liabilities, the instrument with the highest weight is loans with a share of 25 percent. Loans are followed by shares and other equity (23 percent) and currency and deposits (percent 20) items. Meanwhile, debt securities, which are calculated based on their market value, constitute 12 percent of financial assets and 11 percent of financial liabilities. A

<sup>1</sup> The detailed tables [are available](#) here.

comparison of the distribution of financial instruments between 2010 and the second quarter of 2015 reveals that the biggest difference was recorded in the shares and other equity item which decreased by 3.9 percent on the assets side and by 11.5 percent on the liabilities side (Graph 2).

**Table 1. Net Financial Worth by Sectors**

(2014-IV, TRY billion)

	Total Economy (*)	Non Financial Corporations	CBRT	Other Monetary Financial Institutions (**)	Insurance Corporations and Pension Funds	Financial Intermediaries and Auxiliaries	Central Government	Local Government	Social Security Institutions	Households	NPISH	Rest of the World(*)
Financial Assets	7,105	3,196	374	1,935	92	153	316	61	138	813	28	1,519
Financial Liabilities	8,074	4,244	371	1,988	85	163	738	55	12	393	24	500
Financial Net Worth	-968	-1,048	3	-53	6	-10	-422	6	126	420	4	1,019

(2015-II, TRY billion)

	Total Economy (*)	Non Financial Corporations	CBRT	Other Monetary Financial Institutions (**)	Insurance Corporations and Pension Funds	Financial Intermediaries and Auxiliaries	Central Government	Local Government	Social Security Institutions	Households	NPISH	Rest of the World(*)
Financial Assets	7,573	3,229	433	2,144	88	154	349	71	152	928	25	1,660
Financial Liabilities	8,591	4,599	422	2,138	92	150	686	54	16	410	25	588
Financial Net Worth	-1,018	-1,369	11	6	-4	4	-337	17	136	518	0	1,073

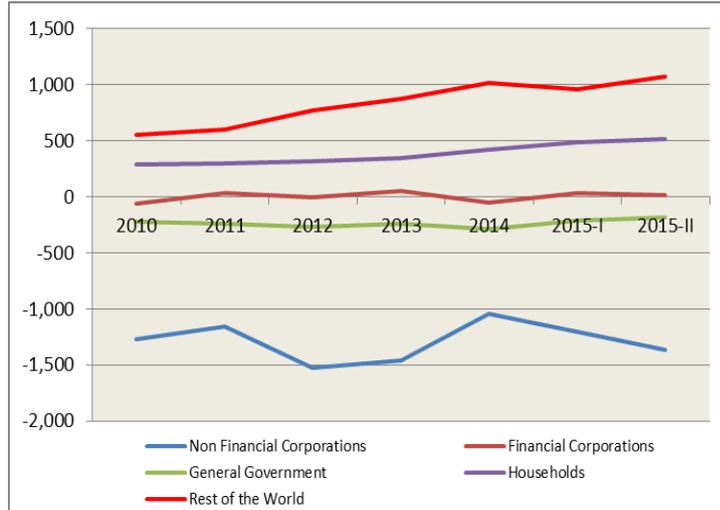
(\*) According to ESA 95, there would be a difference between net financial worth of total domestic economy and rest of the world since there are no counterpart sectors of monetary gold and SDR.

(\*\*) Other Monetary Financial Institutions consist of Banks and Money Market Funds.

Source: CBRT

The net financial worth has been improving since 2014 across all sectors. The most indebted sector is the non-financial corporations sector followed by the central government. In the second quarter of 2015, non-financial corporations borrowed net TRY 321 billion compared to end-2014 and reached a negative financial net worth of TRY 1,018 billion, while the net indebtedness level of the central government decreased by TRY 85 billion to TRY 337 billion. The biggest creditor of the domestic sectors is the rest of the world; in other words, foreign sectors. The foreign sector was a net creditor against domestic sectors in the amount of TRY 1,019 billion at the of 2014; this amount did not change significantly in 2015 and stood at TRY 1,073 billion in 2015Q2. The second biggest creditor of the domestic sector after foreign sectors was households with an amount of TRY 518 billion (Table 1).

**Graph 3. Net Financial Worth by Sectors**  
(TRY billion)



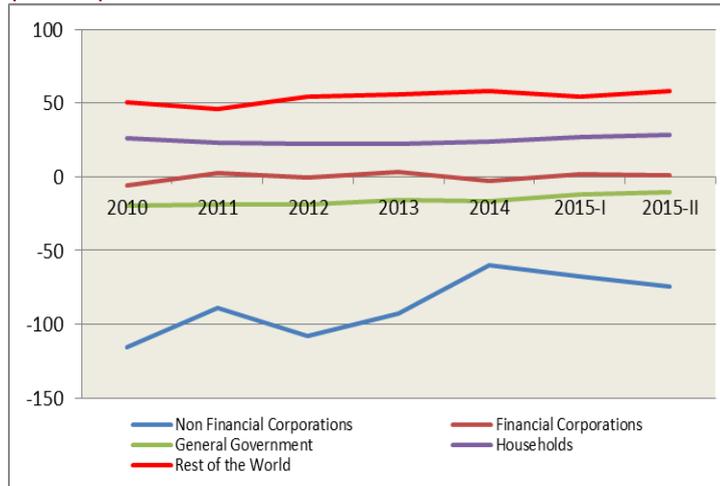
(\*) Non Profit Institutions Serving Households are not included because net financial worth is close to zero.

Source: CBRT

Between 2010 and the second quarter of 2015, while households and the rest of the world generated a financial surplus, non-financial corporations and the central government had a financial deficit. Meanwhile, financial corporations remained flat with a financial worth of almost zero due to the financial intermediation role they assumed (Graph 3).

The financial deficit of non-financial corporations reached the highest level in 2012 with TRY 1,524 billion, then assumed a downtrend and stood at TRY 1,369 billion in 2015Q2 (Graph 3). The improvement is more easily observed when the ratio of the non-financial corporations' net financial worth to the

**Graph 4. Net Financial Worth by Sectors (\*)**  
(% GDP)



(\*) Non Profit Institutions Serving Households are not included because net financial worth is close to zero.

Source: CBRT

GDP is analyzed. This ratio, which was 116 percent in 2010, decreased to 75 percent in 2015Q2 (Graph 4).

The net financial worth of the general government is also negative and remained flat in this period. The net financial debt of the general government decreased from TRY 218 billion in 2010 to TRY 184 billion in 2015Q2. The biggest component of this debt is composed of government debt securities issued by the Treasury that make up 78 percent of total liabilities (Graph 3).

In this period, households' net financial worth increased from TRY 289 billion to TRY 518 billion. The biggest asset item

of households running a financial surplus is deposits (75 percent) (Graph 3).

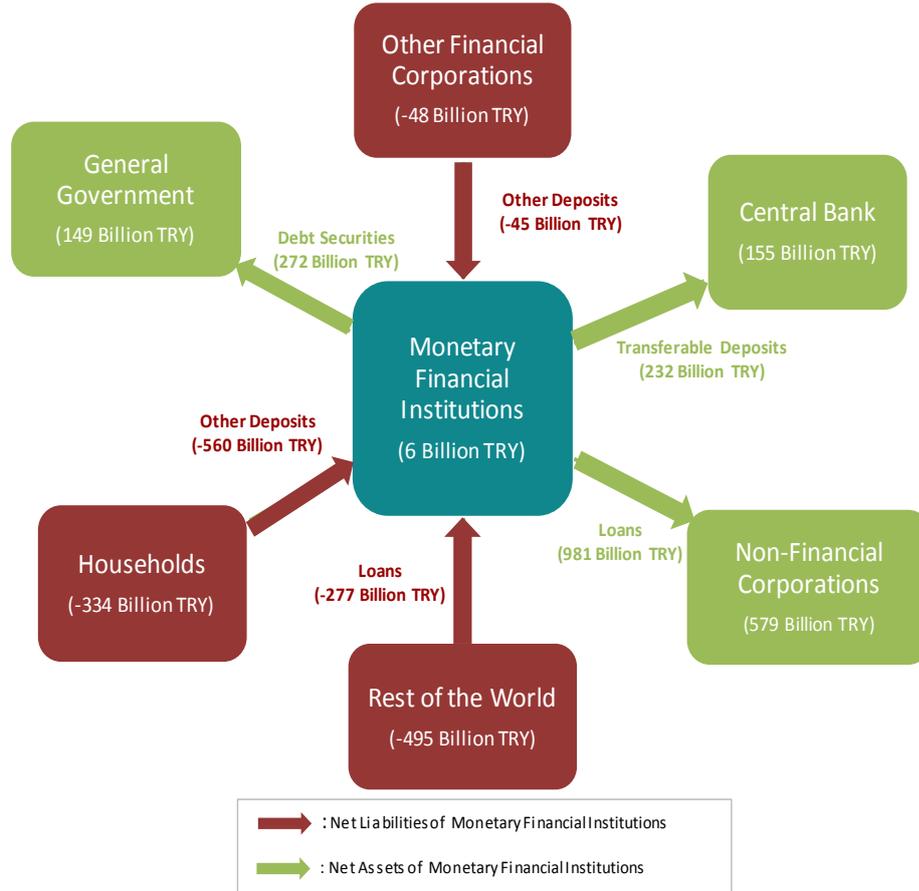
The net financial worth of the rest of the world was up from TRY 553 billion in 2010 to TRY 1,073 billion in 2015Q2. Most of the assets are composed of loans (35 percent) and shares and equity (31 percent) (Graph 3).

While financial corporations were net borrowers in 2010, they have been net financial lenders as of 2013. The net financial worth of financial corporations, which was TRY 63 billion in 2010, was TRY 17 billion in 2015Q2 (Graph 3).

## II. Sector Linkages

The flow of funds, which are analyzed as a sub-data group of the Financial Accounts, are compiled based on “whom-to-whom” approach and show the financial relations among domestic sectors and between domestic sectors and the rest of the world. The data compiled based on this approach is analyzed by sectors in the diagrams below:

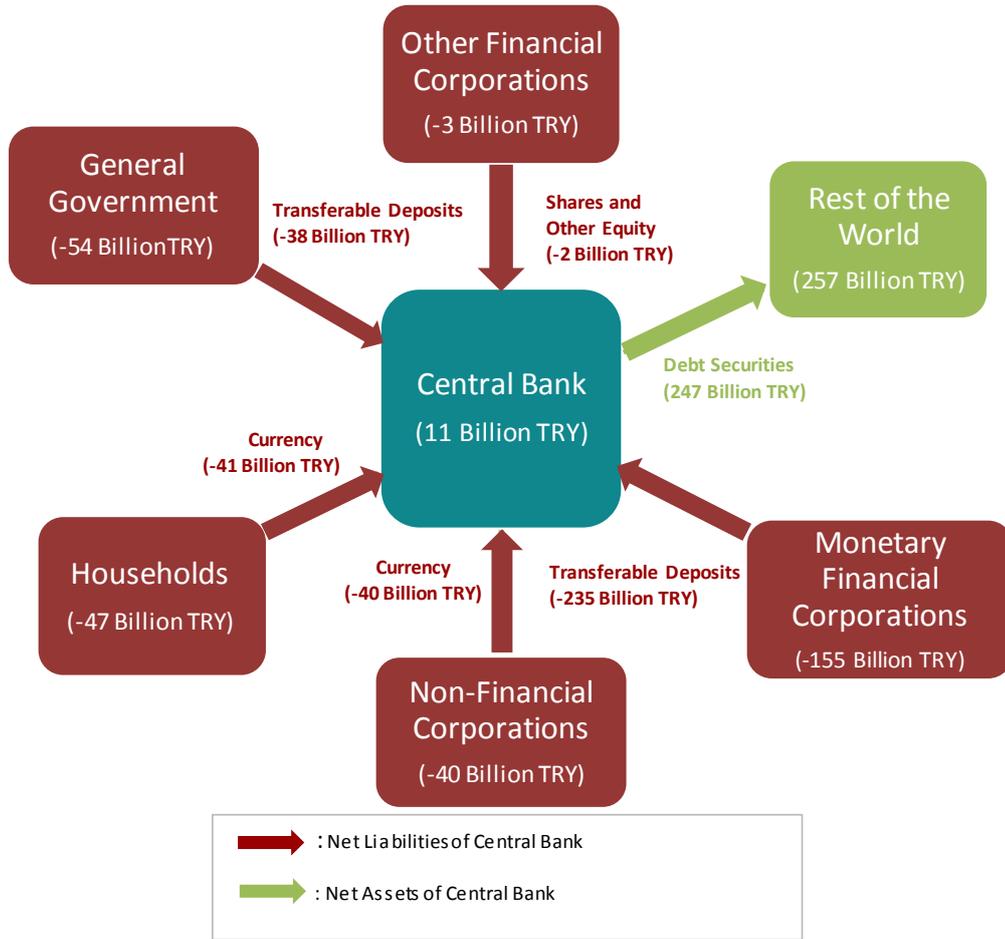
**Scheme 1: Whom-to-Whom: Monetary Financial Institutions (Non-Consolidated, Stock, 2015Q2)**



Source: CBRT

The amount of monetary-financial institutions' financial net assets was TRY 6 billion in 2015Q2. The monetary-financial institutions are in a borrower position against other financial institutions, households and the rest of the world in the amounts of net TRY 48 billion, net TRY 334 billion and net TRY 495 billion, while they are in a creditor position against the CBRT, the general government and the non-financial corporations in the amounts of net TRY 155 billion, net TRY 49 billion and net TRY 579 billion, respectively (Scheme 1).

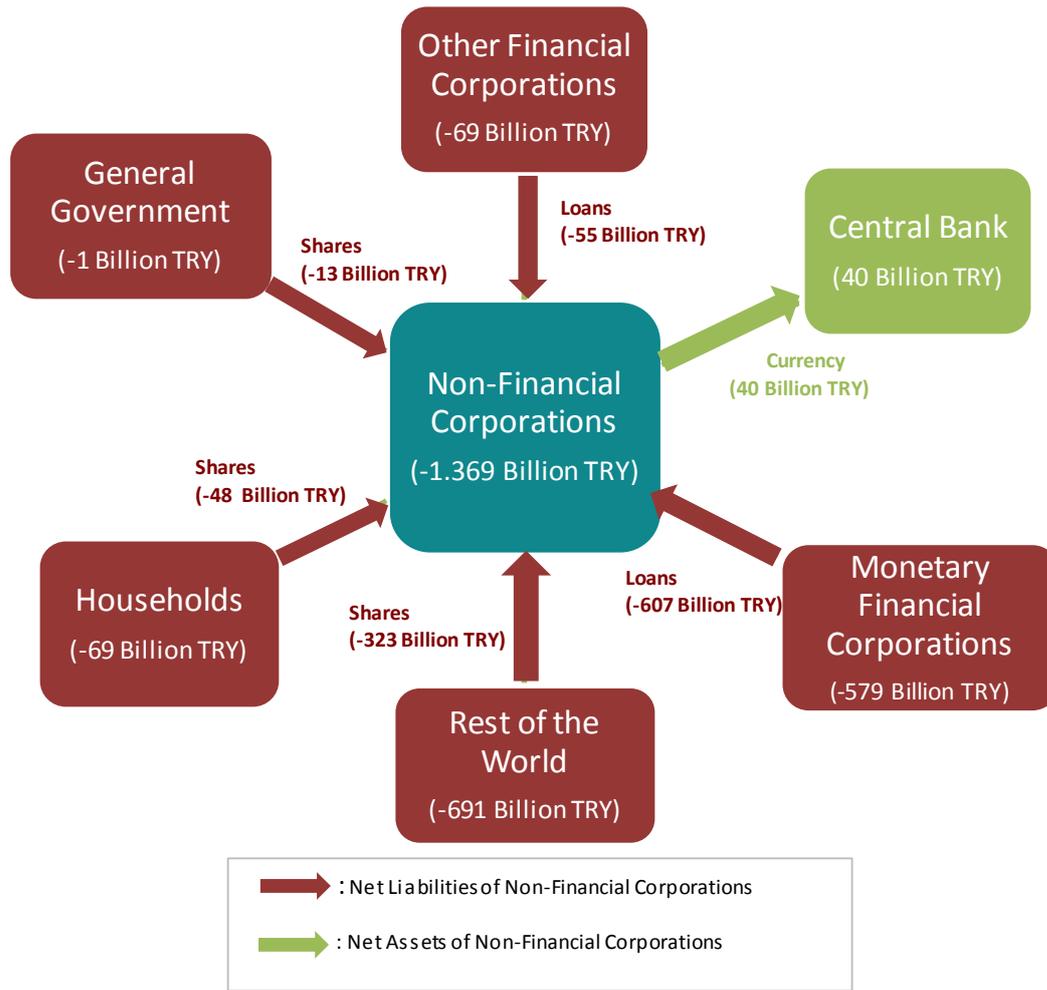
**Scheme 2: Whom-to-Whom: Central Bank (Non-Consolidated, Stock, 2015Q2)**



Note: According to ESA 95, Monetary Gold and SDR which are the assets of Central Bank have no counterpart sectors.  
Source: CBRT

In the second quarter of 2015, the CBRT's financial net assets was TRY 11 billion. The CBRT is in a financial creditor position against only a single sector, the rest of the world, in the amount of TRY 257 billion. TRY 247 billion of these assets are composed of debt securities held by the rest of the world. The CBRT is in a financial borrower position against the following sectors in the following amounts: monetary-financial institutions- TRY 155 billion; the general government- TRY 54 billion; households- TRY 47 billion; non-financial corporations- TRY 40 billion and other financial institutions - TRY 3 billion. The leading financial instruments that are generating financial liabilities are the transferable deposits and the banknotes issued by the Central Bank (Scheme 2).

**Scheme 3: Whom-to-Whom: Non-Financial Corporations (Non-Consolidated, Stock, 2015Q2)**



Source: CBRT

The net financial liabilities of the non-financial corporations stood at TRY 1,369 billion in 2015Q2. Non-financial corporations are in a creditor position only against the CBRT in the amount of TRY 40 billion, while they are in a net borrower position against the monetary-financial institutions, the rest of the world, other financial institutions, households and the general government in the amounts of TRY 579 billion, TRY 691 billion, TRY 69 billion, TRY 69 billion and TRY 1 billion, respectively. Most of these liabilities are composed of securities issued and the loans used (Scheme 3).

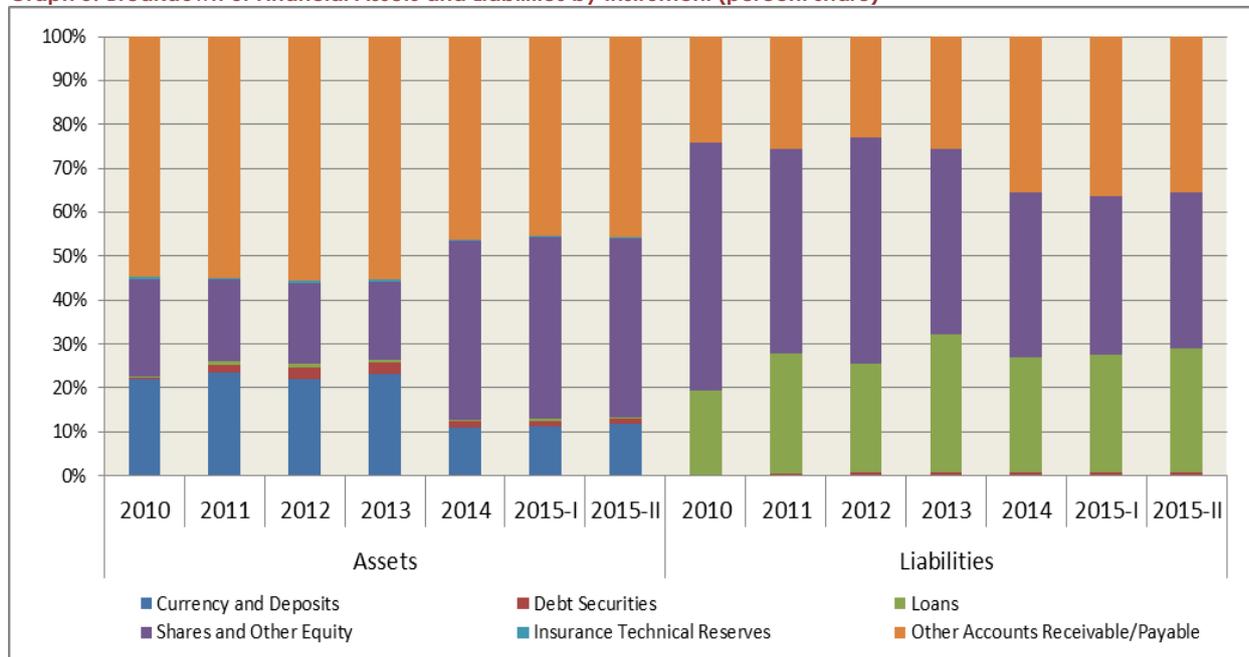
### III. Non-Financial Corporations

**Table 2. Non-Financial Corporations (Non-Consolidated, TRY billion)**

(billion TRY)	2014-IV	Transaction	Valuation	2015-I	Transaction	Valuation	2015-II
<b>Financial Assets</b>	3.196	48	12	3.255	-45	19	3.229
Money and Deposits	352	3	9	364	4	11	379
Debt Securities	40	0	1	41	-1	-1	40
Loans	12	3	-2	13	1	1	14
Shares and Other Equities	1.307	39	1	1.346	-39	5	1.312
Insurance Technical Reserves	10	1	0	11	1	0	11
Other Accounts Receivable	1.476	2	2	1.480	-9	3	1.474
<b>Financial Liabilities</b>	4.244	91	128	4.463	13	123	4.599
Money and Deposits	0	0	0	0	0	0	0
Debt Securities	31	2	1	33	1	2	36
Loans	1.119	51	27	1.197	56	40	1.293
Shares and Other Equities	1.587	38	-18	1.608	-45	73	1.636
Insurance Technical Reserves	0	0	0	0	0	0	0
Other Accounts Payable	1.508	0	118	1.626	0	8	1.634

Compared to end-2014, the financial assets of the non-financial corporations increased by TRY 60 billion in 2015Q2. TRY 48 billion of this rise stemmed from transactions and TRY 12 billion from valuation. In the same period, financial liabilities rose by TRY 218 billion; TRY 206 billion out of this total amount stemmed from transactions while the biggest determinant was the transactions in the other accounts payable item. Between the first quarter of 2015 and the second quarter, financial assets decreased by TRY 26 billion mainly due to the decline in transactions in the shares and other equity item. In the same period, financial liabilities increased by TRY 136 billion, TRY 123 billion of which stemmed from loans, and shares and other equity items (Table 2).

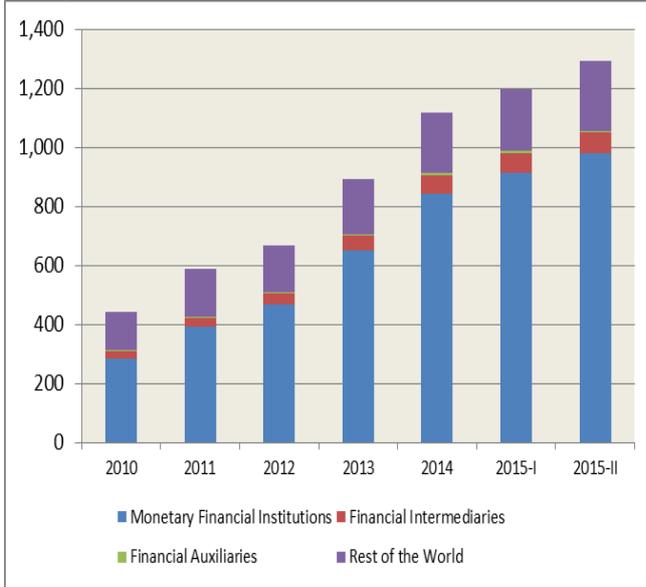
**Graph 5. Breakdown of Financial Assets and Liabilities by Instrument (percent share)**



Source: CBRT

An analysis of the financial asset and financial liability structure of non-financial corporations between 2010 and the second quarter of 2015 reveals that the share of other accounts receivable item accounting for 55 percent of assets decreased to 46 percent; meanwhile, the share of currency and deposits item decreased from 22 percent to 12 percent and the share of shares and other equity increased from 22 percent to 41 percent<sup>2</sup>. On the liabilities side, the share of financing through shares and other equity decreased from 57 percent to 36 percent, while the share of loans used in total liabilities increased from 19 percent to 28 percent. In the same period, the ratio of other accounts payable increased from 24 percent to 36 percent (Graph 5).

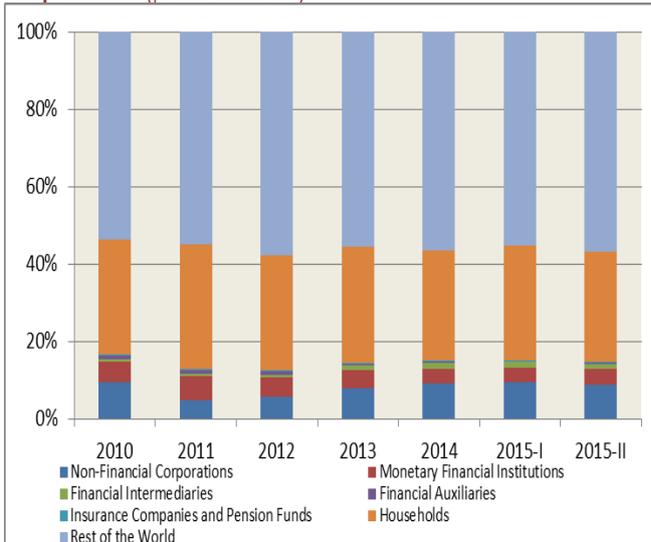
**Graph 6. Non-Financial Corporations-Lender Sectors (TRY billion)**



Source: CBRT

The loans used by the non-financial corporations between 2010 and the second quarter of 2015 continued to increase and 76 percent of loan demand was met by monetary and financial institutions. In the same period, loans obtained from the rest of the world decreased by 11 percent (Graph 6).

**Graph 7. Holder Sectors of Quoted Shares of Non-Financial Corporations (percent share)**

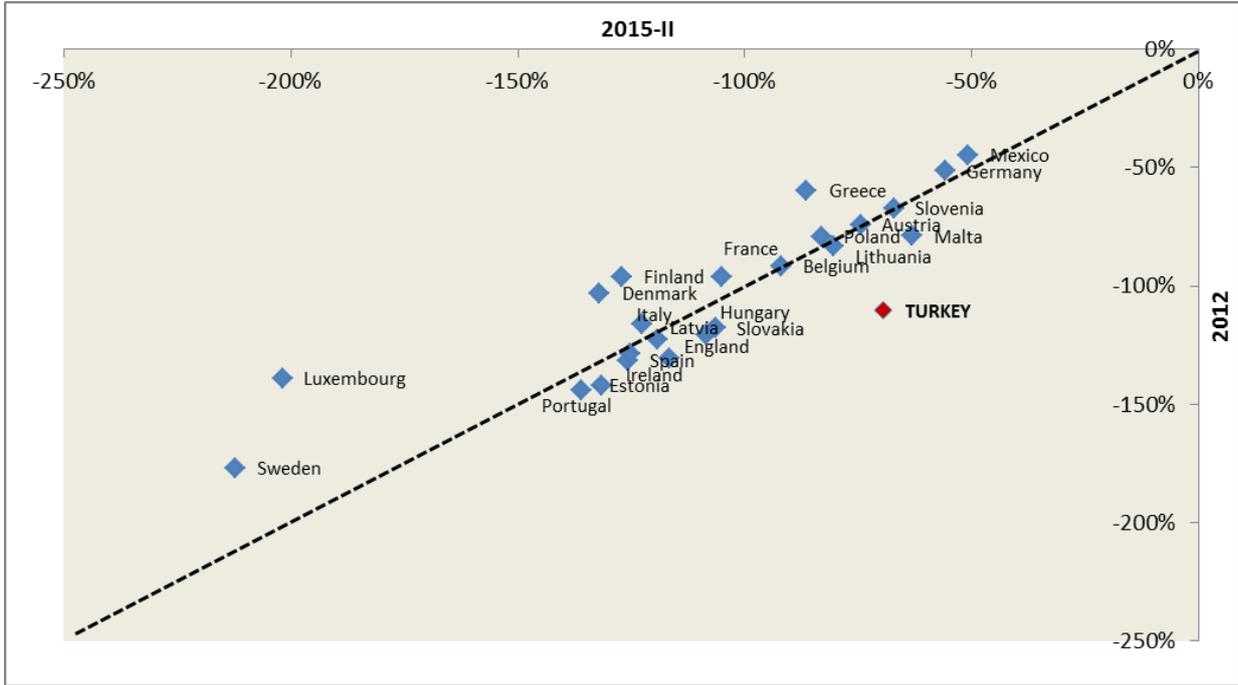


Source: CBRT, MKK

More than half of the quoted shares of non-financial corporations are owned by foreign (rest of the world) sectors; this structure remained unchanged between 2010 and 2015. In the second quarter of 2015, the amount of non-financial corporations' shares quoted on the stock exchange was TRY 169 billion; 57 percent of these shares were owned by foreign (rest of the world) sectors, 28 percent by households and 9 percent by non-financial corporations (Graph 7).

<sup>2</sup> While compiling financial accounts of non-financial corporations, the CBRT sectoral balance sheets were used until 2014 for currency, other accounts receivable, other accounts payable, shares and other equity items and as of 2014 the TURKSTAT's consolidated non-financial company accounts data have been used.

Graph 8. Non-Financial Corporations Ratio of Net Financial Worth to GDP (percent share)- Comparison



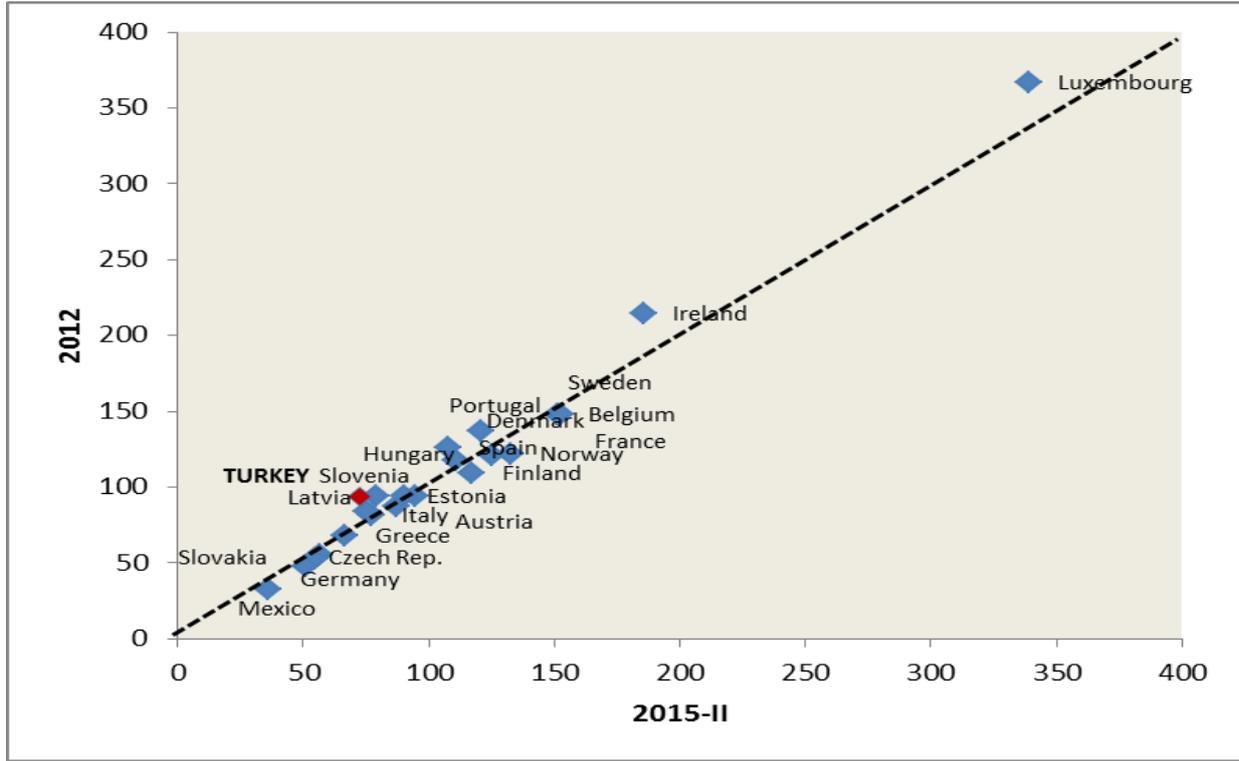
Note: The net financial worth to GDP ratios have improved between two periods for those countries that fall below the 45' slope.

(\*) 2012 and 2013 data were compared in the case of Mexico.

Source: CBRT, ECB, OECD

The ratio of the net financial worth generated by non-financial corporations, which are in a borrower position, to the GDP showed some improvement in 2015Q2 compared to 2012. A comparison between countries with respect to the net financial worth/GDP ratio of non-financial corporations reveals that Turkey's ratio is close to that of the euro area and has an average score; that the most remarkable deterioration was recorded in Sweden and Luxembourg while the biggest improvement was recorded in Germany, Slovenia and Austria (Graph 8).

Graph 9. Non-Financial Corporations Debt(\*) to GDP Ratio- Country Comparison



Note: The debt to GDP ratios have improved between two periods for those countries that fall above the 45' slope.

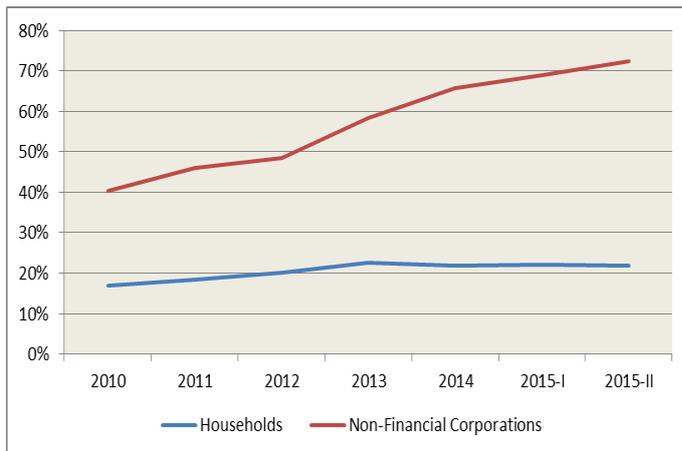
(\*) NFC debt comprises loans and debt securities.

(\*\*) 2012 and 2013 data were compared in the case of Mexico.

Source: CBRT, OECD

A comparison between countries with respect to the financial debt/ GDP ratio highlights Turkey as one of the countries that have achieved the improvement. While Luxembourg has the highest financial debt ratio, the Mexico has the lowest.

Graph 10. Debt(\*) to GDP Ratio



Source: CBRT

(\*) NFC debt comprises loans and debt securities. Household debt comprises loans only.

An analysis of the financial debt /GDP ratio of households and non-financial corporations reveals that households' ratio climbed from 17 percent to 22 percent. Meanwhile, the financial liability/GDP ratio of non-financial corporations increased from 40 percent to 72 percent. While the debt ratio of households has remained flat since 2013, that of non-financial corporations has been on an uptrend (Graph 10).

## IV. Households

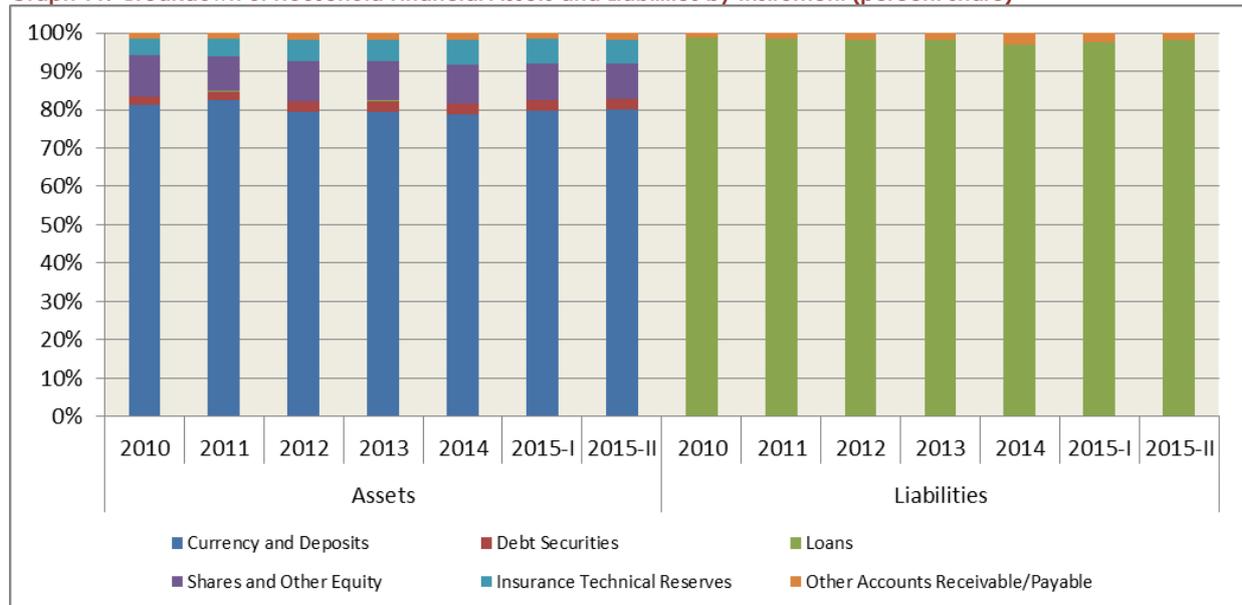
**Table 3. Households (Non-consolidated, TRY billion)**

	2014-IV	Transaction	Valuation	2015-I	Transaction	Valuation	2015-II
<b>Financial Assets</b>	813	27	46	886	26	16	928
Currency and Deposits	640	23	43	707	28	9	744
Securities other than Shares	23	0	1	23	0	1	24
Loans	0	0	0	0	0	0	1
Shares and Other Equity	82	1	2	85	-6	6	85
Insurance Technical Reserves	53	3	0	56	3	0	59
Other Accounts Receivable	14	0	0	15	1	0	15
<b>Financial Liabilities</b>	393	12	-2	403	7	0	410
Currency and Deposits	0	0	0	0	0	0	0
Securities other than Shares	0	0	0	0	0	0	0
Loans	381	12	0	393	9	0	402
Shares and Other Equity	0	0	0	0	0	0	0
Insurance Technical Reserves	0	0	0	0	0	0	0
Other Accounts Payable	12	0	-3	9	-2	0	7

Household financial assets grew in 2015Q1 from end-2014, due to a rise in currency and deposits that stemmed mainly from the increased valuation of this category. On the other hand, the rise in insurance technical reserves in the same period is a result of transactions. The rise in currency and deposits in 2015Q2 is also a result of transactions. Shares and other equity recorded a negative balance on a transaction basis in the said period (Table 3).

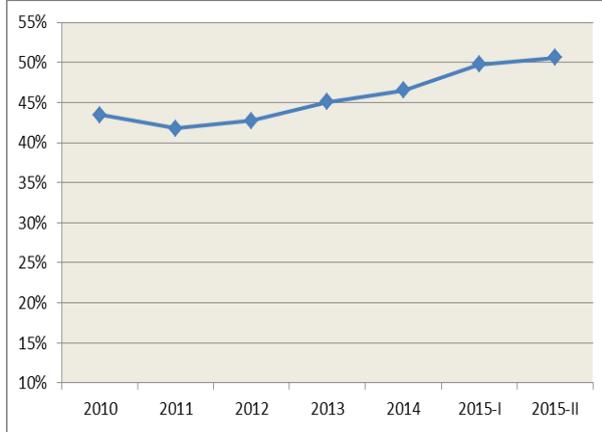
In the second quarter of 2015, the structure of household financial assets and liabilities did not change. 80 percent of assets were comprised of currency and deposits and 9 percent were comprised of shares and other equity. Almost all household liabilities (98 percent) were comprised of loan utilization (Graph 11).

**Graph 11. Breakdown of Household Financial Assets and Liabilities by Instrument (percent share)**



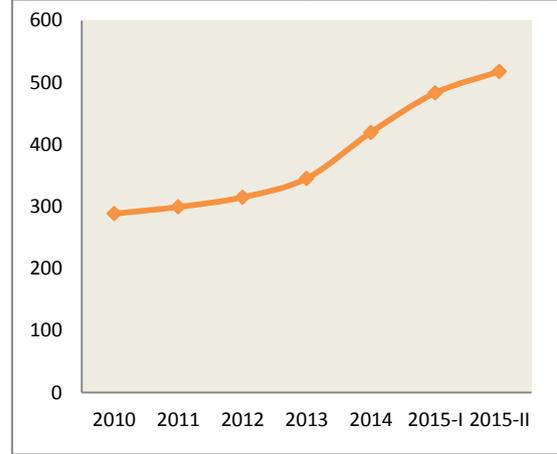
Source: CBRT

**Graph 12. Ratio of Household Financial Assets to GDP**  
(percent share)



Source: CBRT, TurkStat

**Graph 13. Net Financial Worth (Stock, TRY billion)**

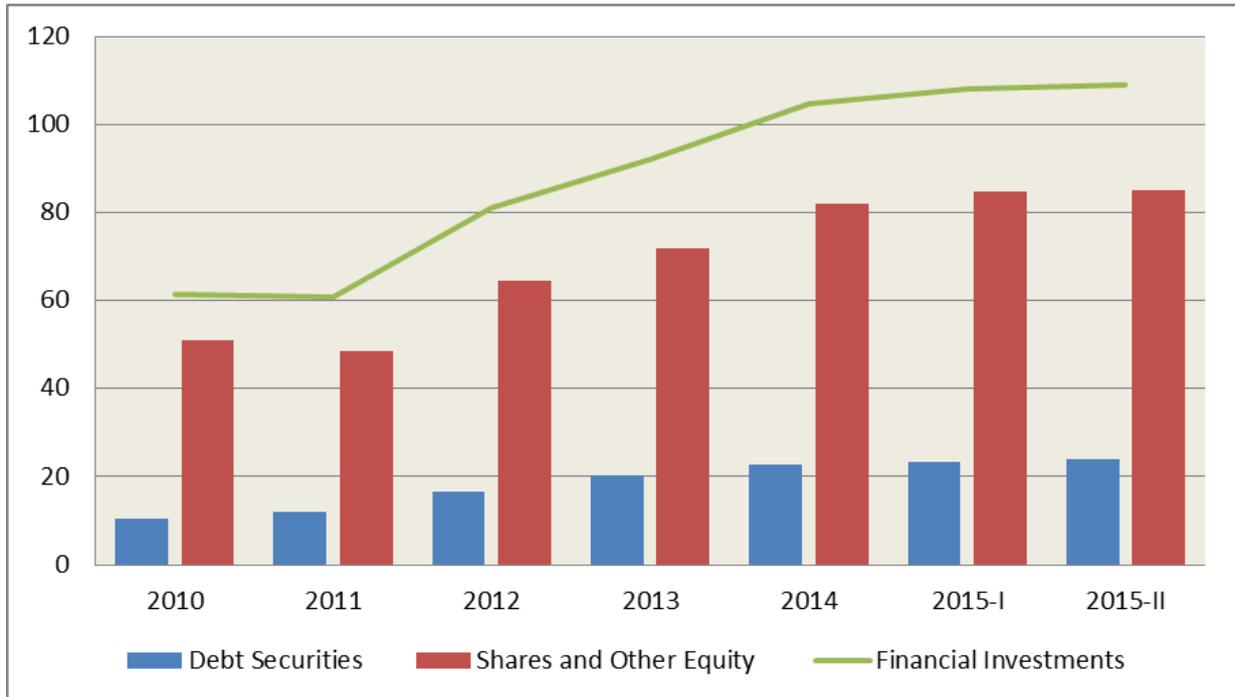


Source: CBRT, TurkStat

The ratio of household financial assets to GDP assumed an upward trend after the decline in 2011. The ratio, which was 43 percent in 2010, reached 50 percent in 2015Q2 (Graph 12).

Household net financial worth, also called household financial wealth, recorded an uptrend in this period. The highest increase was recorded in 2014, with TRY 74 billion. Household financial wealth, which was some TRY 289 billion in 2010, recorded as TRY 483 billion in 2015Q1 and TRY 517 billion in 2015Q2 (Graph 13).

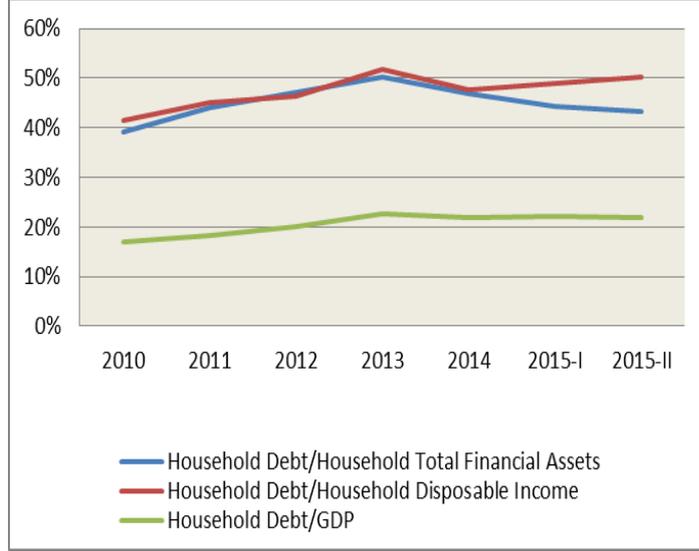
**Graph 14. Households Financial Investments and Instrument Breakdown** (Stock, TRY billion)



Source: CBRT

Household financial investments assumed an uptrend after having receded in 2011. The main driving items were shares and other equity, yet their share declined in time while the share of debt securities increased. Hence, the households may have preferred less risky investment instruments. In numbers, the share of debt securities in financial investments rose to 22 percent in 2015 from 18 percent in 2010. The same figures read as 83 percent and 78 percent respectively for shares and other equity (Graph 14).

Graph 15. Household Debt\* (percent share)

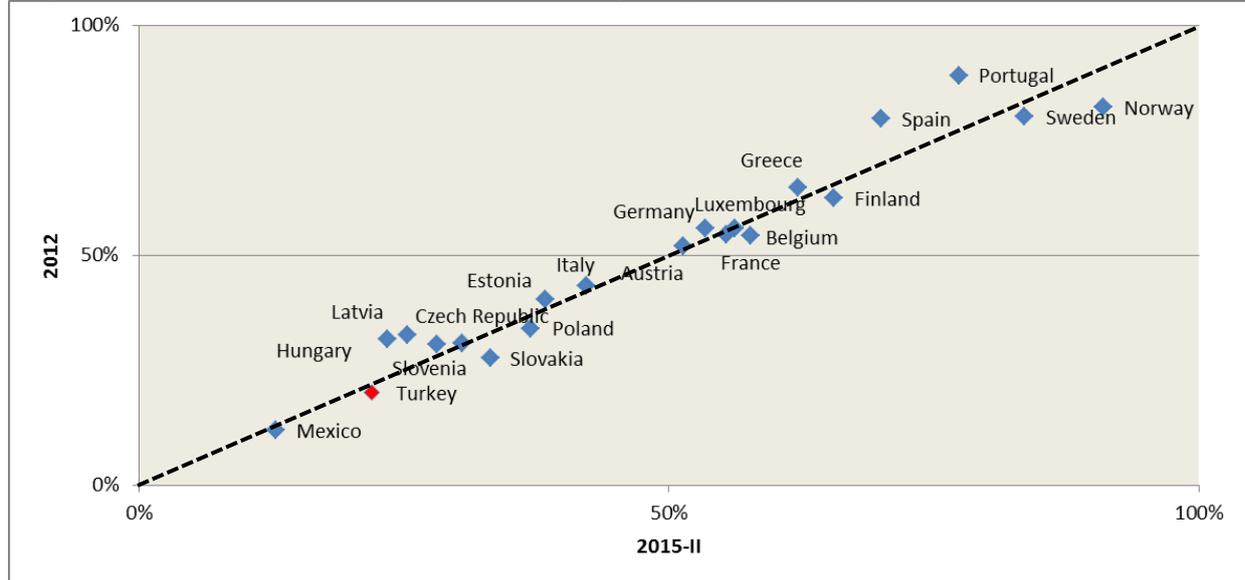


Household indebtedness indicators point to an improvement in the post-2013 period to be followed by a flat course. After this period, while the ratio of household indebtedness to GDP maintained its level around 20 percent, its ratio to disposable income dropped from 52 percent to 50 percent and its ratio to total financial assets dropped from 50 percent to 43 percent (Graph 15).

Source: CBRT, TurkStat

(\*) Household debt comprise of loans

Graph 16. Ratio of Household Debt\* to GDP – Cross-Country Comparison (percent)



Note: The debt to GDP ratios have improved between two periods for those countries that fall above the 45' slope.

(\*) Household debt comprise of loans

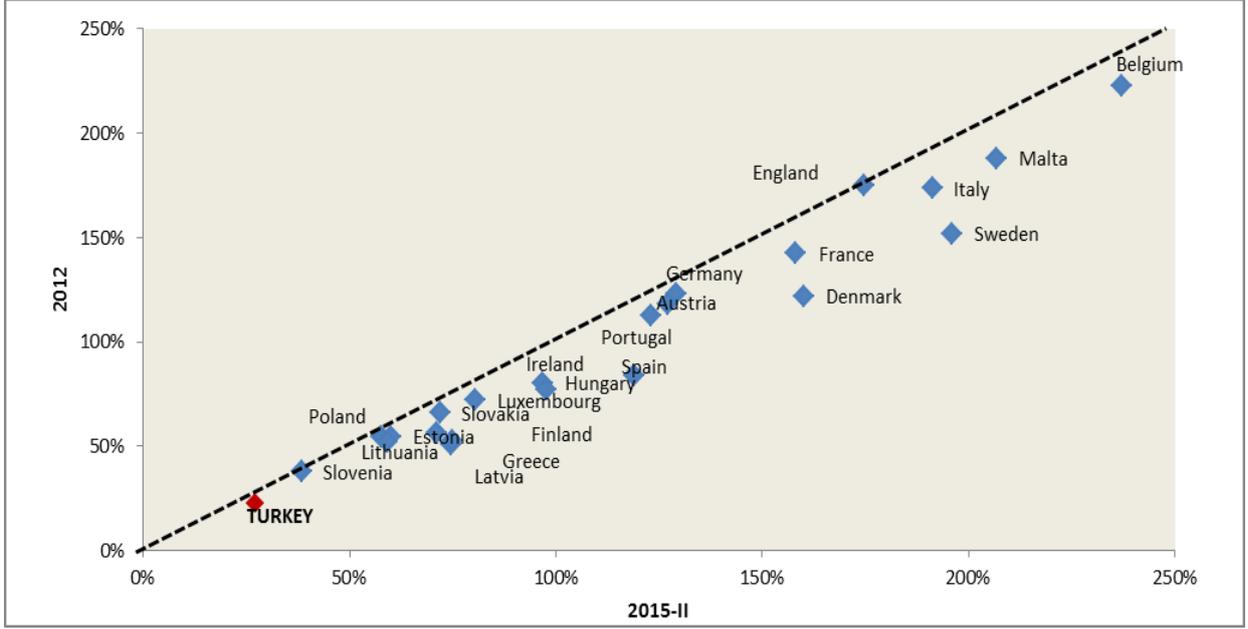
(\*\*) 2012 and 2013 data were compared in the case of Mexico.

Source: CBRT, TurkStat, OECD

A cross-country analysis of the ratio of household indebtedness to GDP reveals that the lowest level is in Turkey, with 20 percent in 2012 and 22 percent in 2015Q2. Data from 20 countries show that, from 2012 to 2015Q2, the ratio declined for 11 countries while it increased for 9 countries<sup>3</sup>. Norway has the highest household indebtedness ratio (Graph 16).

<sup>3</sup> Household indebtedness is in decline in Portugal, Spain, Greece, Germany, Austria, Italy, Estonia, Czech Republic, Slovenia, Letonia and Hungary. Household indebtedness is on the rise in Norway, Sweden, Finland, Belgium, Luxemburg, France, Poland, Slovakia and Mexico.

Graph 17. Ratio of Household Net Financial Worth to GDP – Cross-Country Comparison (percent share)



Note: The net financial worth to GDP ratios have improved between two periods for those countries that fall below the 45' slope.  
Source: CBRT, TurkStat, OECD

The ratio of household net financial worth to GDP rose to 27 percent in 2015Q2 from 23 percent in 2012. The highest ratio belongs to Belgium with 237 percent for 2015Q2 (Graph 17).

**BOX**

**FINANCIAL BALANCE SHEET RISK INDICATORS**

It is possible to make sectoral financial risk analyses by deriving certain indicators from the sectoral balance sheet data compiled in the context of Financial Accounts (FA). This box provides indicators pertaining to the solvency, capital structure mismatch and external riskiness of domestic sectors<sup>4</sup> by 2015Q2, as well as cross-country comparisons<sup>5</sup> for selected countries<sup>6</sup> whose data are obtained from the OECD data base.

The debt level of a sector, the composition of its liabilities, the ratio between its assets and liabilities and its relationship with the rest of the world are deemed to be among the factors affecting the sector's profitability and are taken into account in sectoral financial risk analyses. Within this context, the risk indicators calculated for 2015Q2 are given in Table 1.

**Table 1. Financial Balance Sheets and Financial Balance Sheet Risk Indicators by Sector (2015Q2)**

(billion TRY)		Monetary and Financial Institutions	Other Financial Corporations	Non-Financial Corp.	Households
<b>Financial Assets</b>		2,624	259	3,236	929
<b>External Financial Assets</b>		395	4	167	-
<b>Financial Liabilities</b>		2,551	236	4,511	433
<b>Equity and Investment Funds</b>		282	60	1,679	-
<b>Debt = Financial Liabilities - Equity and Investment Funds</b>		2,269	177	2,832	433
<b>External Financial Liabilities</b>		613	38	764	-
<b>Financial Balance Sheet Risk Indicators</b>					
<b>Solvency Risk</b>	<b>Net Financial Position (billion TRY)</b>	72	23	-1,275	495
	<b>Debt/GDP</b>	1.39	0.13	2.46	0.24
	<b>Liabilities/Assets</b>	0.97	0.91	1.39	0.47
<b>Capital Structure Mismatch</b>	<b>Capital Structure Position (billion TRY)</b>	-1,987	-117	-1,153	
	<b>Debt/Equity</b>	8.04	2.96	1.69	
<b>External Risk</b>	<b>Net External Financial Position (billion TRY)</b>	-218	-33	-597	
	<b>External Liabilities/GDP</b>	0.33	0.02	0.42	
	<b>External Liabilities/ Total Liabilities</b>	0.24	0.16	0.17	

(\*) Monetary and financial institutions sector is comprised of banks, money market funds and the Central Bank of Turkey.

(\*\*) Calculated by deducting debt from shares and other equity.

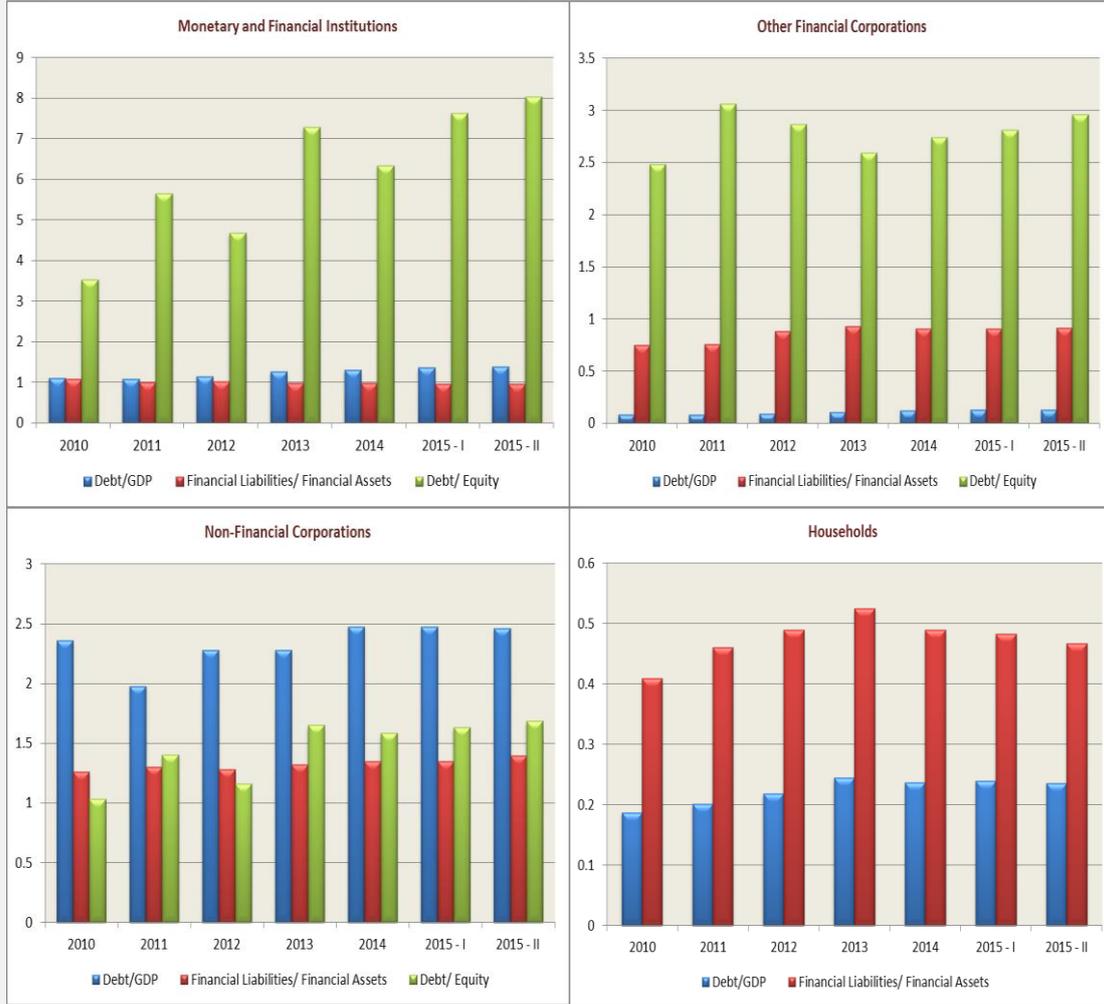
Source: CBRT

<sup>4</sup> The analysis covered domestic sectors (except the general government); non-financial corporations, monetary and financial institutions, other financial institutions and households.

<sup>5</sup> Cross-country analysis does not cover external risk.

<sup>6</sup> Cross-country analysis covers Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Korea, Netherlands, Norway, Poland, Portugal, Spain and the USA.

**Graph 1. Development of Risk Indicators by Sectors**



Source: CBRT, TurkStat

Analysis of the monetary and financial institutions' sector's risk indicators show that the debt/GDP ratio, which represent solvency, increased in time (except 2011); liabilities divided by assets decreased; and both capital structure mismatches and external risk indicators mounted.

The risk indicators pertaining to the solvency of other financial institutions are on the rise. Capital structure mismatches have declined since the increase in 2011 while external risk indicators follow an almost flat course.

The upward trend in the debt/GDP ratio of non-financial corporations' liabilities, except the decline in 2011, divided by financial assets increased throughout the period. Capital structure mismatches have been on the rise while external risk indicators recorded only a limited increase.

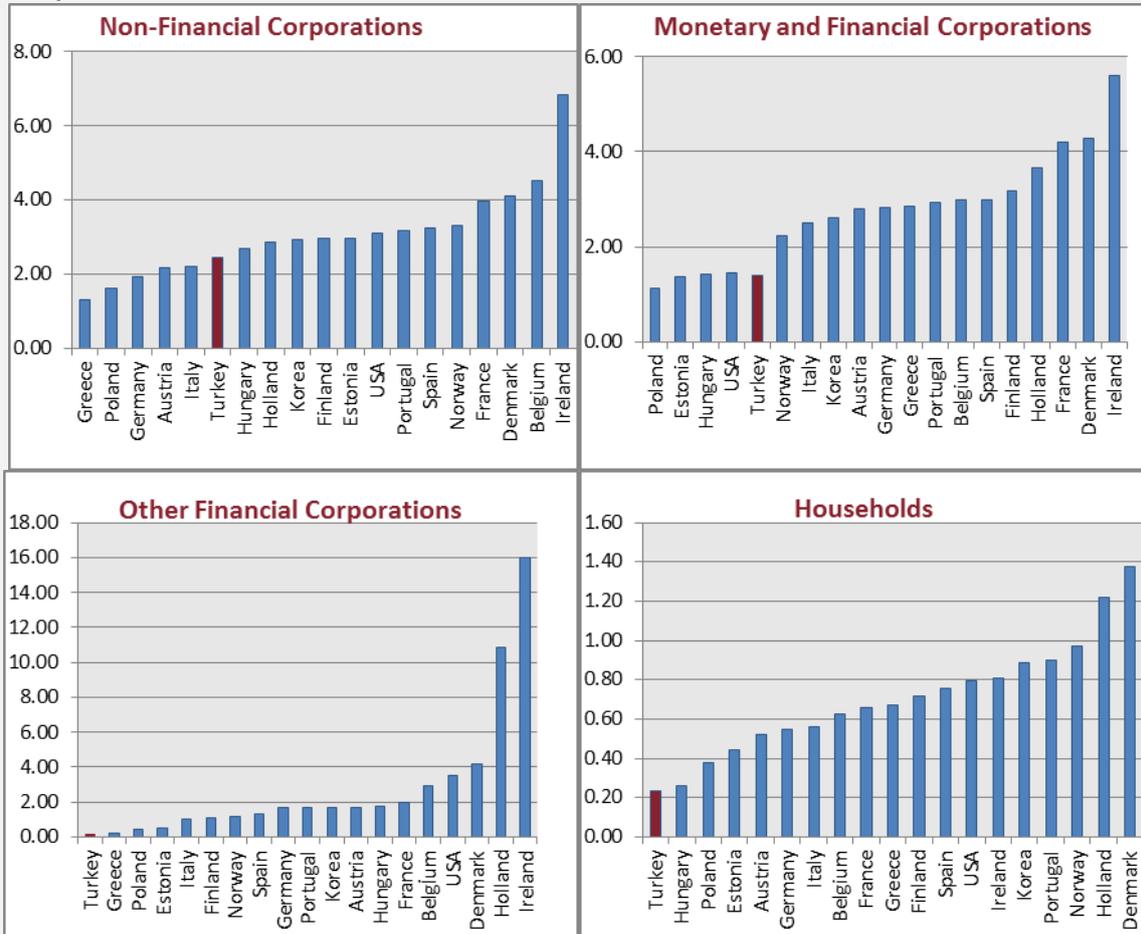
One of the household risk indicators; i.e., household debt/GDP, somewhat increased until 2013, followed by a flat course, while liabilities over assets increased until 2013 and decreased afterwards.

## Cross-Country Analysis

### Solvency

The ratios of financial liabilities to GDP and to financial assets are indicators of the solvency of the sector. An assessment of the financial liabilities-GDP ratio for the financial sector shows the ratio was 1.39 for monetary and financial institutions in 2015Q2 and among the 19 countries analyzed; Turkey had the fifth lowest indebtedness level. The ratio was 0.13 for other financial institutions, rendering Turkey the country with the lowest indebtedness level in this category (Graph 1).

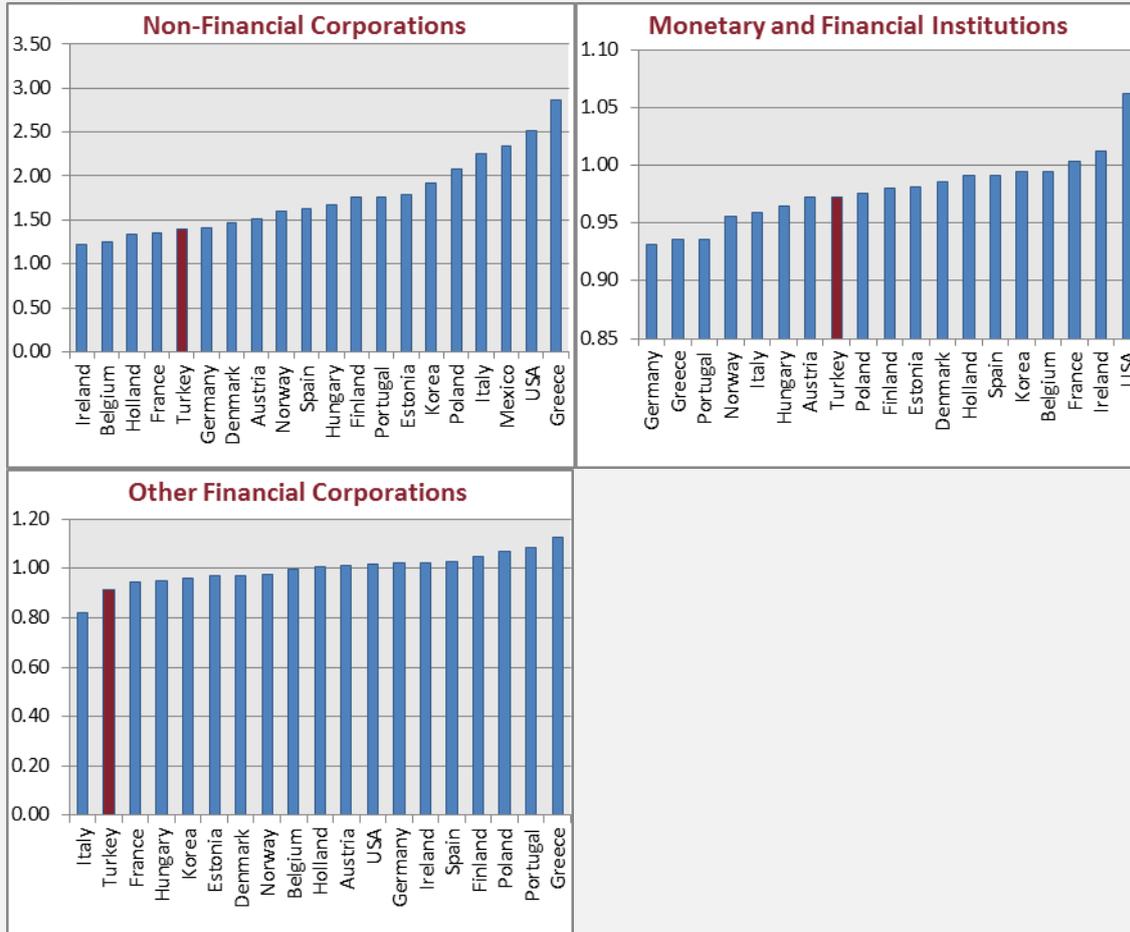
**Graph 2. Financial Liabilities/GDP**



Source: CBRT, TurkStat, OECD

The ratio of financial liabilities to GDP was 2.46 for non-financial corporations, Turkey being the country with the fifth lowest indebtedness level. The ratio was 0.24 for the households sector; Turkey had the lowest indebtedness level in this category. The ratio of financial liabilities to financial assets realized at 0.97 for monetary and financial institutions and at 0.91 for other financial institutions, Turkey having the eighth and second lowest leverage ratio, respectively (Graph 2).

**Graph 3. Financial Liabilities/Financial Assets: Financial Sectors**



Source: CBRT, TurkStat, OECD

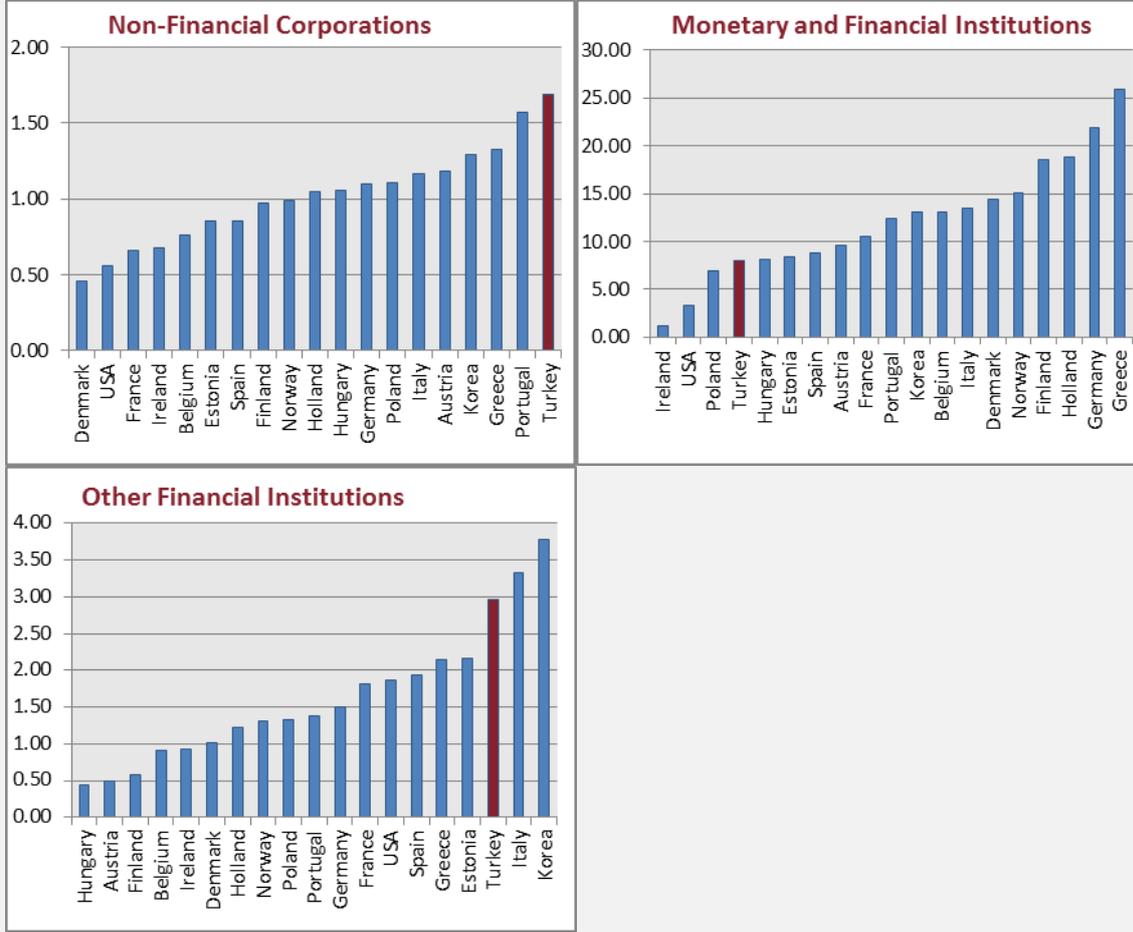
The ratio of financial liabilities to financial assets is calculated as 1.39 for non-financial corporations. Among the 19 countries analyzed, Turkey has the lowest ratio in this sector (Graph 3).

### Capital Structure Mismatch

In sectoral risk analyses, the composition of the liabilities, i.e. the relative shares of debt and other equity in liabilities, are just as significant as the size of sectoral financial liabilities. This section gives the cross-country comparison of sectoral debt/other equity ratios for 18 selected countries.

The 2015Q2 data suggest that Turkey, with 8.07, is the fourth lowest debt to other equity ratio in monetary and financial institutions among 19 countries. The ratio is 2.96 for other financial institutions and Turkey has the third highest debt to other equity ratio (Graph 4). In other words, the capital structure of Turkey's banking sector displays a quite robust outlook; the same cannot be said for the non-bank financial sector.

**Graph 4. Debt/Other Equity**



Source: CBRT, TurkStat, OECD

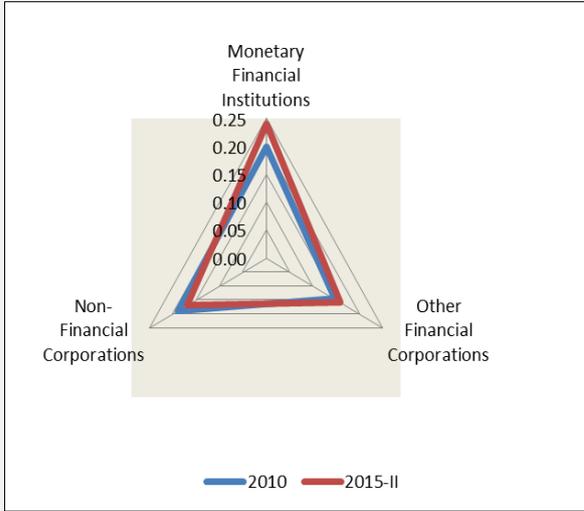
In the non-financial institutions sector, debt is 1.67 fold of other equity. Among the countries analyzed, Turkey has the highest debt/other equity ratio for this sector (Graph 4).

### External Risk

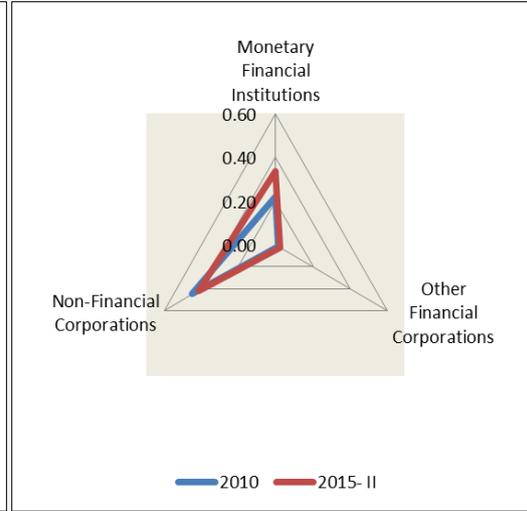
In this study, external risk is assessed over both the ratio of external financial liabilities covered by external financial assets and the ratio of external financial liabilities to GDP and to total financial liabilities (share in balance sheet).

The monetary and financial institutions sector, which has TRY 43 billion net external financial worth, has the ratio of external liabilities to GDP of 0.34 and to total liabilities of 0.21. The ratios read as 0.02 and 0.16 respectively, for the other financial institutions sector. Although this sector lagged behind the banking sector, it recorded TRY 33 billion external financial deficit. The external financial worth of the non-financial corporations sector realized as TRY -597 billion. At 0.42, the sector has the highest ratio of external financial liabilities to GDP; nevertheless, the sector's 0.17 ratio of external liabilities to total liabilities lags behind that of the banking sector (Table 1, Graph 5).

**Graph 5. External Risk: Sectoral Breakdown**  
**External Liabilities/Total Liabilities**



**External Liabilities/GDP**



Source: CBRT, TurkStat

A sectoral breakdown of the share of external liabilities in total liabilities shows that the greatest change was recorded in the monetary financial institutions sector. While this share was 20 percent in 2010, it went up to 24 percent in 2015Q2. The ratio was 19 percent and 17 percent for non-financial corporations in these periods, respectively (Graph 5).

## V. Conclusion

Turkey's Financial Accounts show financial assets and liabilities belonging to all sectors of the domestic economy as well as to foreign sectors and offer an analysis of the net financial worth produced in each sector. Accordingly, in 2015Q2, domestic sectors ran a financial deficit of TRY 1,018 billion in total, whereas foreign sectors had TRY 1,073 billion financial surplus.<sup>7</sup> As well as the domestic sectors' financial deficit, financed by foreign sectors, it has a stable course.

Among domestic sectors, households had the highest financial surplus, while non-financial corporations were the most indebted sector. The financial surplus of households stood at around TRY 518 billion in 2015Q2, whereas non-financial corporations had a deficit of TRY 1,369 billion. Financial corporations have had a balanced outlook since 2010 and began having a certain amount of surplus after 2013, while the general government borrowed TRY 337 billion.

An analysis of inter-sectoral linkages for 2015Q2 shows that the monetary financial institutions are the net debtor mostly of the rest of the world (foreign sectors) and are the net creditor to mainly the non-financial corporations. The CBRT is the net creditor to only the rest of the world, the major net debtor of monetary financial institutions. The non-financial corporations are net debtors mainly to the rest of the world and net creditors only to the CBRT.

The net financial worth of the structurally most indebted sector of the economy; i.e. the non-financial corporations, showed an improvement over time and caught a trend similar to that of the Eurozone.

Despite rising household indebtedness ratios, the net financial worth of the sector is also on the rise. Yet, a cross-country analysis of net financial worth reveals that Turkey is one of the countries with the lowest levels.

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<sup>7</sup> Excluding monetary gold and SDR.