

INFORMATION NOTE REGARDING
FOREIGN EXCHANGE ASSETS AND LIABILITIES OF
NON-FINANCIAL COMPANIES

By holding foreign exchange (FX) assets against their FX liabilities, companies are able to control their FX short position and hence their exposure to FX related risks. Besides, a high level of foreign exchange revenues provides a natural hedge against risks emanating from high levels of FX liabilities. In addition to these, the use of derivatives to hedge against FX exposure, matching the maturities of their FX assets with those of FX liabilities, and borrowing at longer maturities could also enhance the capability of companies to control their exposure to FX risks. Therefore, the maturity structure of FX liabilities and the methods used to hedge against FX risks should also be taken into account when evaluating the effect of an increase in the FX liabilities of companies on their FX risk exposure.

Transaction records of non-financial companies in Turkey, arising from their operations with resident financial institutions and non-residents, provide indicators of the amount of their FX assets and liabilities, and hence the FX risk they bear. In order to ensure that up-to-date evaluations are made of exchange rate risks borne by companies, given the limitations of the available data from these sources, quarterly data on the FX assets and liabilities of companies arising from their transactions with the domestic financial sector and external sector will be published on the web-site of the Central Bank of the Republic of Turkey in the periodic publication named “Foreign Exchange Assets and Liabilities of Non-Financial Companies”.

In the “Foreign Exchange Assets and Liabilities of Non-Financial Companies” Table, liabilities include FX denominated and FX indexed liabilities of non-financial companies to resident financial institutions and to non-residents which require the payment of the principal and/or interest at pre-determined maturities. Assets include FX denominated and FX indexed assets, which can be utilized to meet these liabilities.

Definitions of the instruments included in the assets and liabilities classified as debtors and creditors are given below:

Assets:

1- Deposits

Deposits with domestic banks: This item includes FX deposits and participation funds and precious stones deposit accounts held by non-financial private companies with resident deposit money banks and participation banks.

Deposits with banks abroad: Deposits of non-bank resident sectors with non-resident banks.

2 - Securities

Government securities: FX denominated and FX indexed bonds securities issued by the Treasury at domestic banks in Turkey and abroad, which are held by non-financial private companies.

Portfolio investments abroad: Shares, bills and bonds issued by non-residents, which are held by non-financial private companies.

3 - Export receivables

Trade credits extended by exporting companies to non-residents.

4 - Direct capital investments abroad

Direct capital investments of non-bank residents abroad.

Liabilities:

1- Loans

Domestic loans: This item includes FX and FX indexed loans extended to non-financial private companies by resident deposit money banks, investment and development banks and participation banks as well as the FX liabilities of non-financial private companies to resident financial leasing and consumer financing companies, and their FX liabilities to resident factoring companies arising from domestic factoring transactions. The past-due loans taken over by the Saving Deposit Insurance Fund included under this item are the protocolized FX loans, which were owed to banks that were taken over by the Saving Deposit Insurance Fund (SDIF). Domestic FX loans can be extended and repaid in YTL equivalent of the FX total.

External loans : These loans include short-term and long-term loans owed to non-residents by non-financial private companies. Short-term loans include the loans with original maturities of one year or less while long-term loans include those with original maturities of more than one year. The breakdown of long-term loans by remaining maturities are also given in the Table.

2- Import payables

Trade credits extended by non-residents to importing companies to be repaid in cash installments.