III. Non-Financial Sector

III.1 Household Developments

Household indebtedness in Türkiye remains below the averages of advanced and emerging economies.

Standing at 11.4% in the first quarter of 2023, the household financial debt/GDP ratio in Türkiye is well below that of peer countries (Chart III.1.1 and Chart III.1.2). The decline in indebtedness in recent years is attributed to the rapid growth in nominal GDP driven by buoyant economic activity and high inflation, as well as macroprudential measures on retail loans. This decline indicates that the risks stemming from household debt are systemically limited.

Chart III.1.1: Household Indebtedness in Türkiye by Year (Debt/GDP, %)

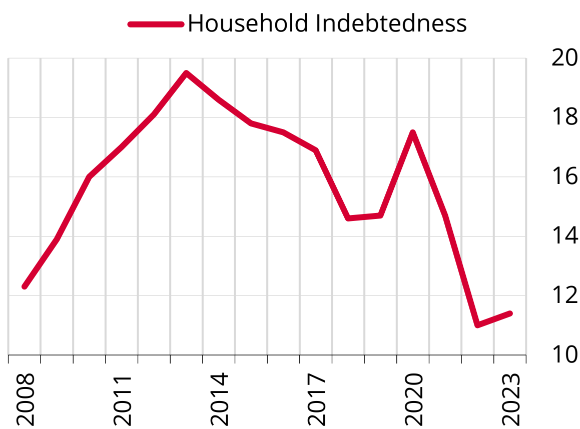
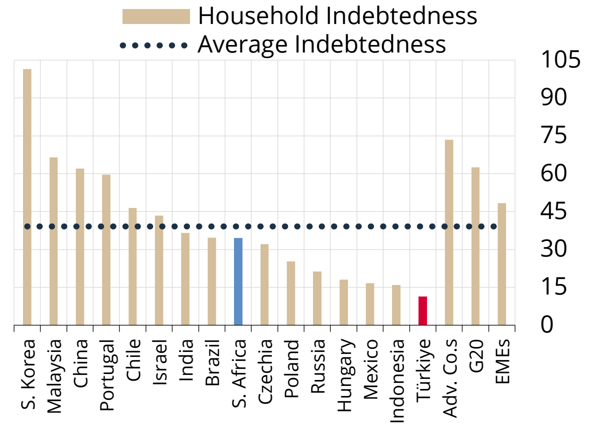


Chart III.1.2: Household Indebtedness in Peer Countries (Debt/GDP, %)



Source: BIS

Last Observation: 2023 Q1

Note: Household indebtedness is calculated as the ratio of the total of debt securities and loans of households and nonprofit institutions serving households to GDP. The country marked in blue has median indebtedness in the sample. The horizontal line shows the average values of selected countries.

Chart III.1.3: Ratio of Housing Loans to GDP (%)

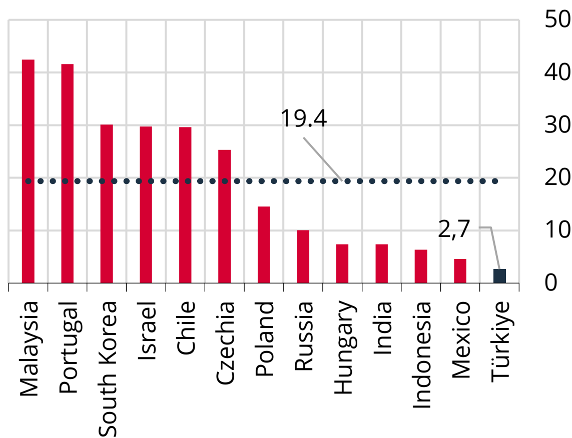
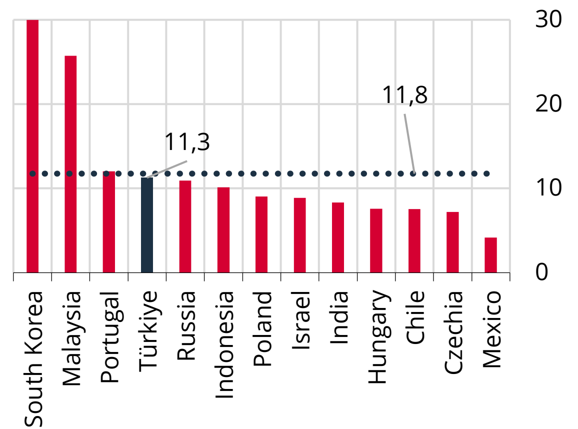


Chart III.1.4: Ratio of Retail Loans Excluding Housing Loans to GDP (%)



Sources: IMF, Global Economy

Last Observation: 06.23

Note: The ratio is calculated as the current total housing loan and retail loans excluding housing loans balance divided by end-2022 GDP. Horizontal lines are average values for selected countries. Retail loan balance excluding housing loans includes all other types of loans extended to households (such as PCC, vehicle loans, and student loans) except housing loans.

A breakdown of indebtedness reveals that the ratio of housing loans to GDP is well below the average of other countries, while the ratio of retail loans excluding housing loans to GDP is close to the average of peer countries. High housing prices in recent years, tighter macroprudential policies on housing loans, and

current levels of interest rates enabling an increase in debt servicing due to long-term maturities in housing loans have decelerated the housing loan growth in Türkiye. Moreover, the fact that housing loans in Türkiye are extended with shorter maturities compared to advanced economies and that principal debt gradually reduces due to the fixed interest rate structure of the debt has led the housing loan/GDP ratio to remain below the averages of other countries (Chart III.1.3). The widespread use of credit cards and the preference for general-purpose loans for the purchase of durable/semi-durable goods and services contribute to the slightly higher ratio of retail loans excluding housing loans to GDP in Türkiye (Chart III.1.4).

Table III.1.1: Household Financial Liabilities

	12.22		06.23		09.23		3-Month Growth (Annualized))
	Billion TL	Ratio to GDP	Billion TL	Ratio to GDP	Billion TL	Ratio to GDP	
Total Liabilities	**1,670**	**11.1**	**2,324**	**12.1**	**2,512**	**11.3**	**36.5**
Housing Loans	413	2.7	497	2.6	508	2.3	9.0
Vehicle Loans	60	0.4	91	0.5	94	0.4	15.4
General-Purpose Loans	701	4.7	894	4.7	929	4.2	16.4
Personal Credit Cards	460	3.1	803	4.2	940	4.2	87.7
AMC Receivables	36	0.2	39	0.2	41	0.2	25.1

Sources: CBRT, BRSA, TOKİ

Note: Liabilities also include NPLs. Estimated values for 2023Q3 GDP. AMC: Asset Management Companies.

The rise in household financial liabilities is driven by card expenditures.

The recent rapid increase in PCC debt is attributed to increases in consumer prices of core goods and services, ease of use owing to digitalization, and the fact that contractual interest rates were lower compared to other types of retail loans until the first half of 2023 (Table III.1.1). On the other hand, housing and general-purpose loans continue to contract relative to GDP at rates below their historical averages (Chart III.1.5). The share of housing loans in retail loans, which was approximately 37% in the 2012-2019 period, fell below 21%. While the share of general-purpose loans remained close to the period average, the share of PCC climbed to 38% (Chart III.1.6).

Chart III.1.5: Ratio of Households' Financial Liabilities to GDP (%)

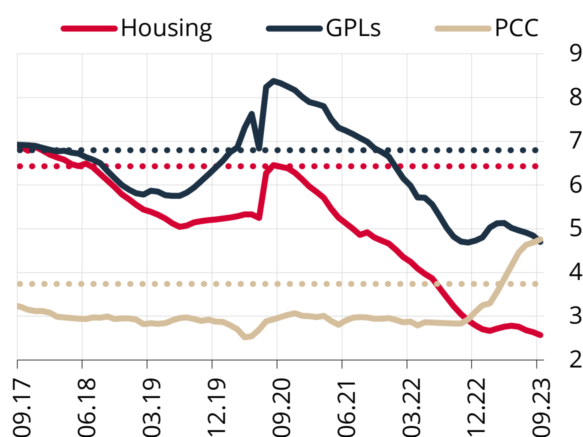
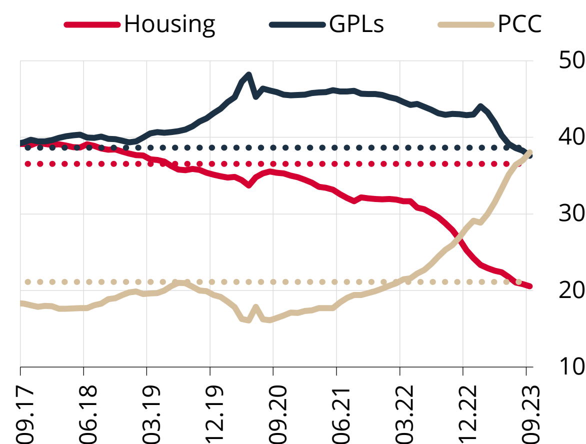


Chart III.1.6: Breakdown of Households' Financial Liabilities (%)



Sources: CBRT, BRSA, TURKSTAT, Author's Calculations

Last Observation: 09.23

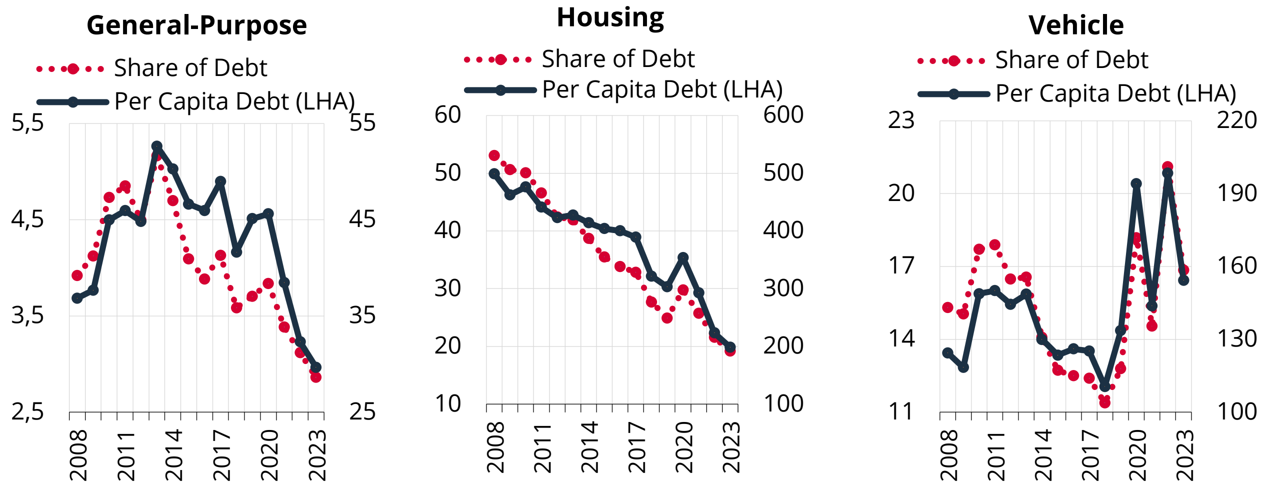
Note: Liabilities also include NPLs. GDP forecasts for 2023Q3 are estimated values. Dashed lines are the average values of the related series for 2012-2019.

Per capita household debt and indebtedness relative to income are receding.

Per capita indebtedness in general-purpose and housing loans, which account for a significant portion of household indebtedness, has been on a downward trend in real terms since 2013, with the trend remaining in place in 2023 (Chart III.1.7). Per capita housing loan debt relative to per capita disposable income obtained from the Household Consumer Tendency Survey is also on a declining trend. Per capita indebtedness in vehicle loans has been fluctuating since 2018 due to vehicle price developments. However,

vehicle loans have a limited share in household liabilities. The fact that individuals have a borrowing tendency that is proportionate to their income is a factor that limits the risks to household solvency. Yet, it should be noted that this assessment based on average income may vary depending on the income profile and distribution of borrowers.

Chart III.1.7: Per Capita Debt Balance in Consumer Loans and Its Share in Per Capita Disposable Income (%, TL Thousand in real terms)



Sources: BRSA, TURKSTAT Last observation: 09.23

Note: Dashed lines show the share of debt in per capita disposable income. Per capita debt is calculated by dividing the total loan balance in the relevant item by the number of borrowers on a bank basis. Per capita debt is deflated by the CPI. Real income is assumed to have remained unchanged in 2023. Per capita disposable income is calculated by subtracting inter-household transfers (including alimony/child support) and tax payments from income items such as salaries, wages, rents, etc.

Average maturities of retail loans have been declining due to general-purpose loans, which are subject to macroprudential restrictions.

In the current reporting period, the maturities of total retail loans have been declining due to the amount-maturity restrictions on general-purpose loans and the increased share of personal credit cards (PCCs), which are characterized by short maturities (Chart III.1.8). The average maturity of retail loans, which approached 60 months during the pandemic period due to the long-term general-purpose and housing loans extended to support individuals adversely affected by the pandemic, fell to 33 months in the following period. On the other hand, macroprudential measures in vehicle and general-purpose loans were also effective in the shortened maturities (Chart III.1.9).

Chart III.1.8: Average Maturity of Retail Loans (Month)

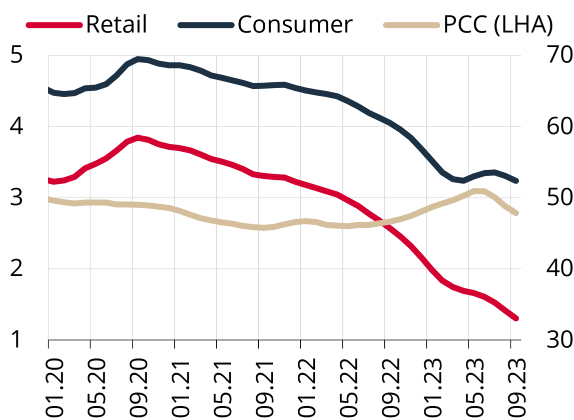
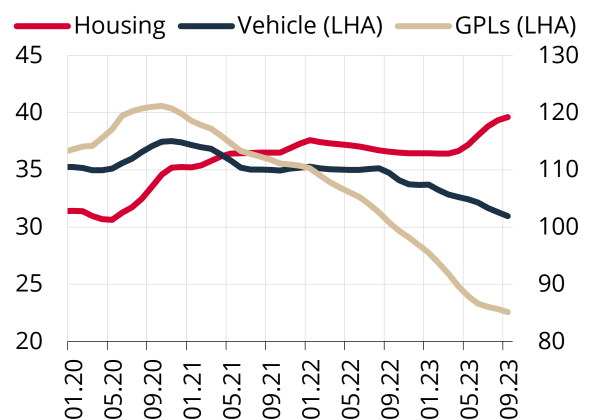


Chart III.1.9: Average Maturity of Consumer Loan Subcategories (Month)



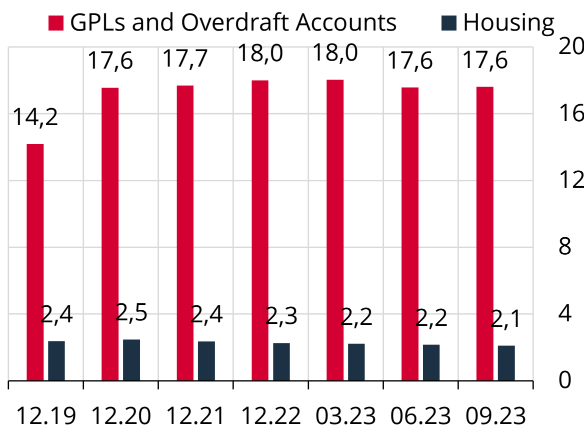
Sources: CBRT, BRSA, TURKSTAT, Author's Calculations Last Observation: 09.23

While the number of people with consumer loan debt has decreased, fixed-income earners account for a significant share in retail loan utilization.

Loan growth slowed down, and the number of people with loan debts declined amid the rise in general-purpose loan interest rates (Chart III.1.10). The interest rate threshold, which is applied at double the reference interest rate for loan disbursements above TR 70,000 as part of the securities maintenance practice, led to a concentration of disbursements in smaller loans and limited loan growth in the first half of the year. Increasing the risk weights in general-purpose loans also pushed up the cost of equity for these loans. On the other hand, in addition to the interest rate hike, the BRSA's decision to reduce the loan-to-value ratio by 75% for second-time home buyers and to increase the risk weight for these loans from 35% to 150% resulted in a decline in the number of people with housing loan debt.

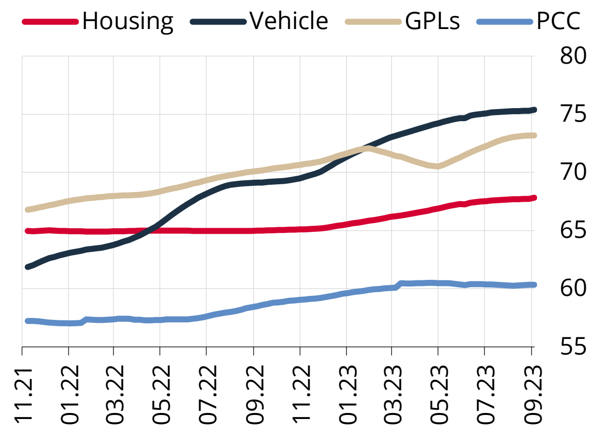
In recent years, wage earners' share in retail loan utilization has increased, and this increase continues in the current reporting period (Chart III.1.11). This development was driven by the revisions made in wages of wage earners, the low income volatility among this segment of society, and banks' gravitation towards this segment from a credit risk management perspective.

Chart III.1.10: Number of People with Consumer Loan Balance (Million People)



Sources: Risk Center, CBRT Last Observation: 09.23
Note: Reports the number of individual general-purpose and housing loan borrowers in the banking sector. General-purpose loans include overdraft accounts (ODA).

Chart III.1.11: Share of Wage Earners in Retail Loan Utilization (%)



Source: BRSA Last Observation: 09.23
Note: Borrowers are divided into wage earners and others. Shows the share of wage earners in stock loans.

Throughout 2023, the number of general-purpose loan borrowers significantly dropped, while per capita indebtedness remained flat.

Due to the regulations introducing maturity caps and a security maintenance obligation for general-purpose loans, general-purpose loan indebtedness remained on a controlled track prior to the interest rate hikes. Compared to end-2022, the number of general-purpose loan borrowers fell by approximately 400 thousand (Chart III.1.12). In 2023, the increase in the per capita amount of general-purpose loan debt mostly stemmed from borrowings over TR 100,000, yet these borrowings include a limited number of borrowers (Chart III.1.13).

Chart III.1.12: Number of General-Purpose Loan Borrowers by Amount (Million People)

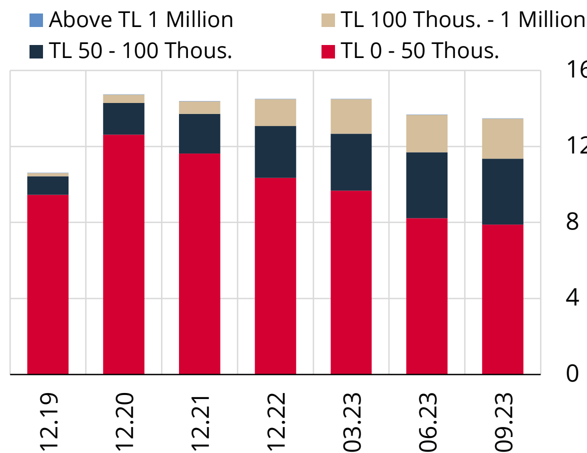
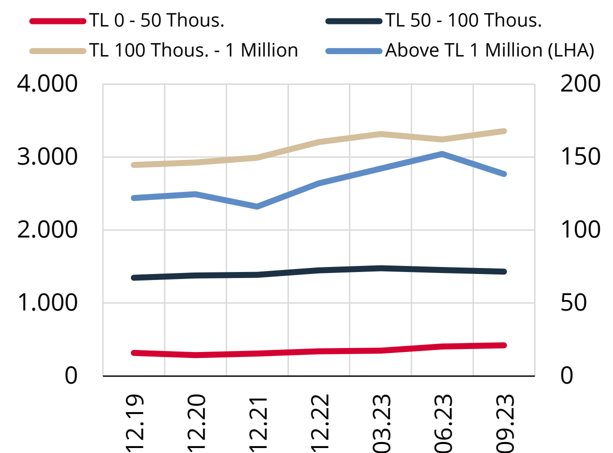


Chart III.1.13: General-Purpose Loan Per Capita Debt by Amount (TL Thousand)

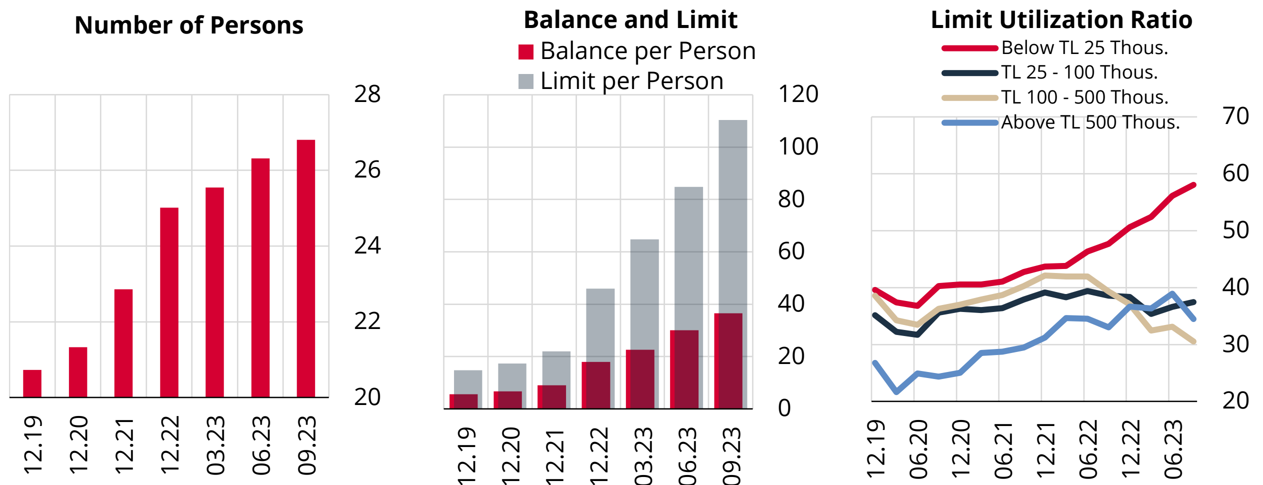


Sources: Risk Center, CBRT
Last Observation: 09.23
Note: Amount brackets show the outstanding general-purpose loan debt amounts per person at all banks. The number of people is the total number of people in the relevant bracket. ODA and general-purpose loans classified as NPLs are excluded.

Despite the ongoing increase in personal credit card debt per capita, the pace of the increase slowed down after June. Limit utilization rates have been rising for low-limit cards.

The number of active users of personal credit cards and debt per capita continue to increase. Households have tended to use credit cards following the rise in interest rates of general-purpose loans. However, limit revisions made after increases in incomes affect credit card utilization levels. While high-limit cards recorded a decline in limit utilization, there was a slight increase in the credit utilization ratio of credit cards with limits between TL 25,000 and 100,000. The limit utilization ratio for credit cards with limits of TL 25,000 and below continues to rise (Chart III.1.14).

Chart III.1.14: Number of Persons Actively Using PCC, Card Balance and Limit Per Customer, Card Limit Utilization Ratio (Million People, TL Thousand, %)



Sources: Risk Center, CBRT
Last Observation: 09.23
Note: Chart excludes people with zero credit card balance.

Despite the increase in the unpaid debt on credit cards, the ratio of unpaid debts to total card balances remains below historical averages.

The ratio of unpaid debt to total card balance is 12.6% on credit cards for which a payment of the minimum payment amount or more has been made, and the same ratio is 8.1% on credit cards for which less than the minimum payment amount is paid (Charts III.1.15 and III.1.16). Despite the increase in recent months, the ratio of unpaid debts to total PCC balance hovers around 20%, and remains below its historical average.

Chart III.1.15: Personal Credit Cards with Unpaid Balances (Billion TL, %, 3-Month MA)

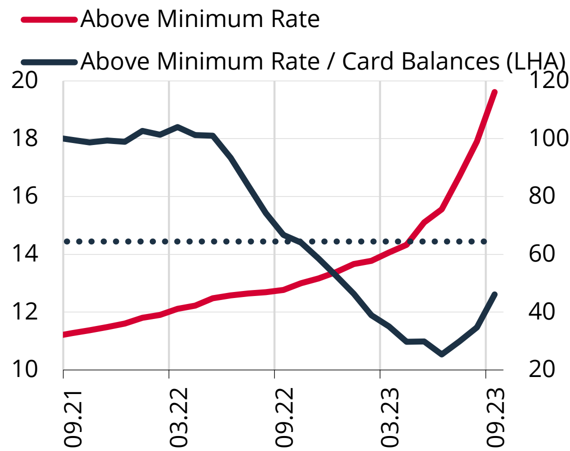
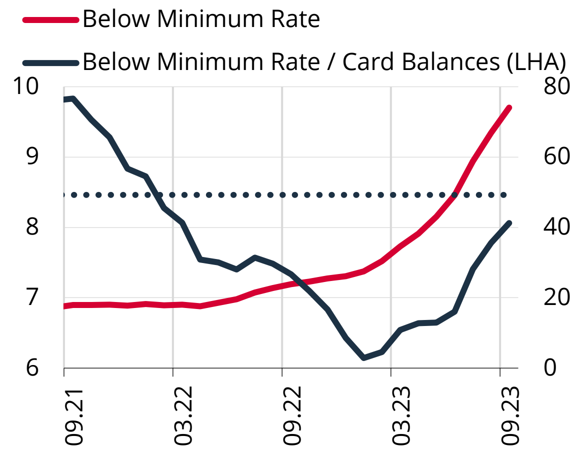


Chart III.1.16: Personal Credit Cards with Unpaid Balances (Billion TL, %, 3-Month MA)



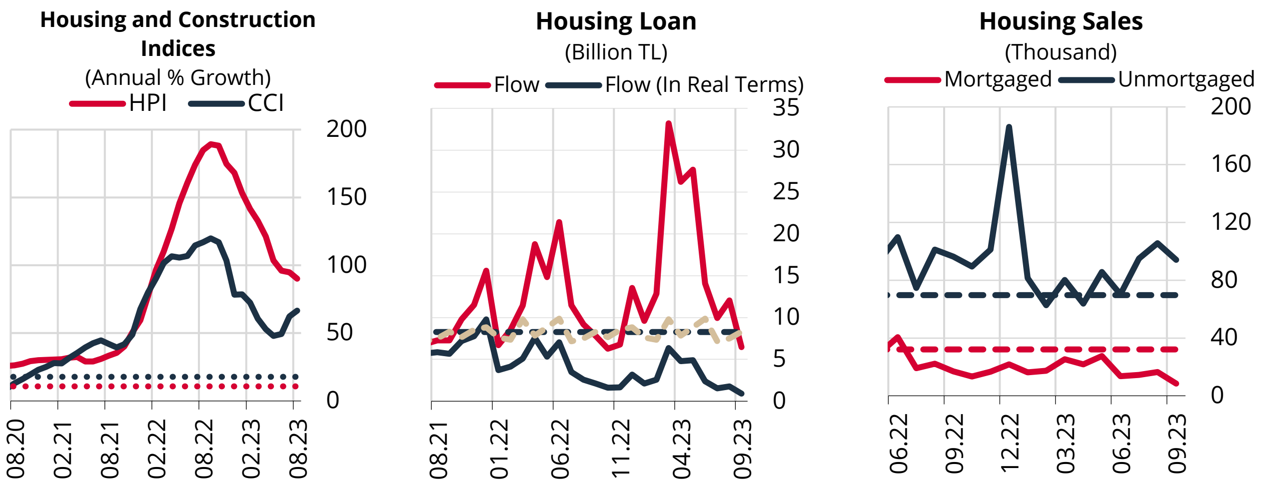
Source: BRSA Last Observation: 09.23

Note: "Above Minimum Rate" refers to the total outstanding debt for PCCs paid at or above the minimum payment rate; "Below Minimum Rate" refers to the total outstanding debt for PCCs for which a payment is made below the minimum payment rate. Dashed lines show the 2016-2023 seasonal averages of the relevant ratios.

Housing loan utilization remains below its historical average, while houses are sold mostly without mortgages.

House prices and construction costs started to diverge in 2022, and as of the last quarter of 2022, they started to converge as the increase in house prices lost momentum. Due to the current level of house prices, the decline in long-term and low-cost loans extended by banks, and the macroprudential measures introduced in June 2022, housing loan utilization remains quite slow. Accordingly, mortgaged house sales have been weak since the second half of 2022 (Chart III.1.17).

Chart III.1.17: Housing Loans, House Sales and House Prices



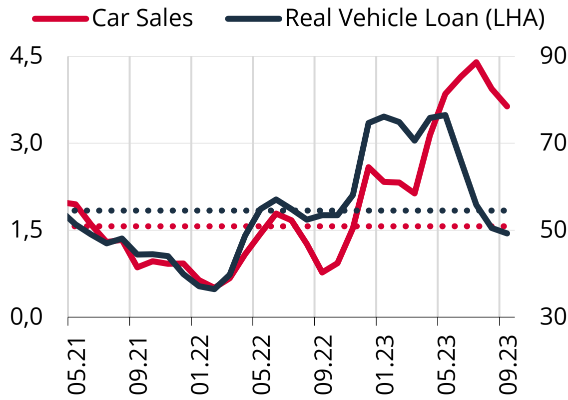
Source: CBRT Last Observation: 09.23

Note: Housing loans are shown in terms of monthly flow disbursements. Dashed straight lines show the average annual index changes in the 2012-2019 period (2016-2019 period for the CCI), real housing loans extended and related housing sales; the dashed and moving line shows the average housing loans in the relevant months of the 2012-2019 period. Data have been deflated by the HPI, and July data for real loans and the indices have been estimated with the CPI.

Vehicle loan utilization and car sales declined in the third quarter of the year.

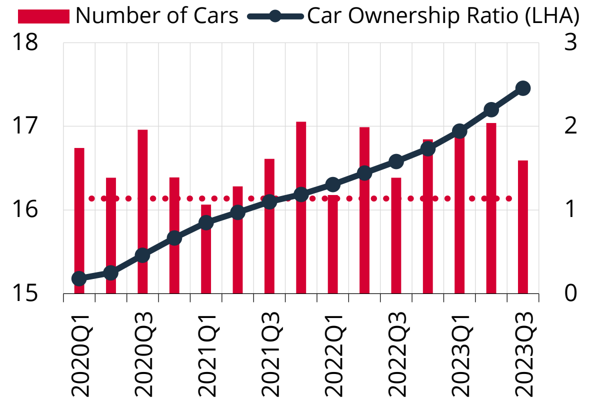
While new car sales are well above their historical average, credit utilization has slowed down (Chart III.1.18). The high demand for new cars stands out as a determinant of the buoyant sales. In contrast, macroprudential measures to restrain the growth in vehicle loans have been effective in the credit utilization slowdown. In the third quarter of 2023, the number of used car sales started to decline, while car ownership continues to increase (Chart III.1.19).

Chart III.1.18: Vehicle Loans and New Car Sales (Thousand Units, Billion TL, 3-Month MA)



Sources: ODD, BRSA Last Observation: 09.23
Note: Data for monthly flow vehicle loans of banks and financing companies, and new car sales have been used. Deflated by the vehicle prices sub-index of the CPI. Dashed lines show the average real vehicle loan disbursements and car sales between 2012 and 2019.

Chart III.1.19: Number of Used Car Sales and Car Ownership Ratio (Million Units, %)



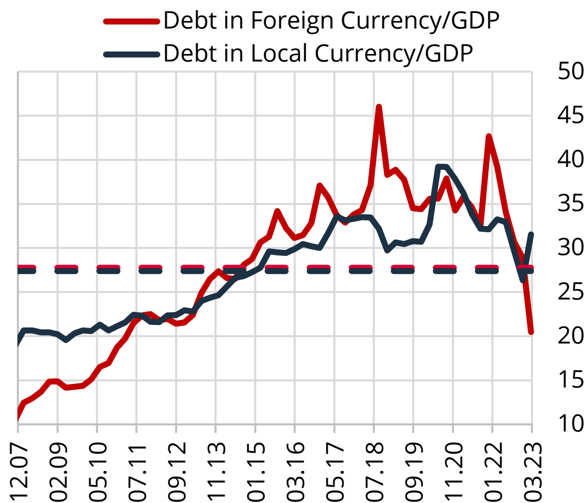
Source: TURKSTAT Last Observation: 2023Q3
Note: Used car sales refer to vehicles whose ownership has changed hands once or more through public notaries. Shows the quarterly sums of the number of vehicles changing hands. Dashed line shows the average number of used car sales amounting to 1.1 million between 2012 and 2019 in quarterly periods. Car ownership ratio is the ratio of cars registered in the traffic to the total population.

III.2 Corporate Sector Developments

Financial indebtedness of corporate sector firms continues to decline on the back of the fall in the FX debt ratio.

The ratio of firms' TL and FX debts to GDP declined further, and indebtedness ratios converged to their historical averages in the first quarter of 2023. Across 2022, the increase in nominal GDP outpaced that in financial debt due to strong economic activity supported by buoyant domestic demand and high inflation, while low financing costs led to a decline in firms' debt burden (Chart III.2.1). Compared to peer countries, Türkiye's corporate sector debt in local and foreign currency has a balanced composition. The ratio of corporate sector indebtedness to GDP hovers below the average of peer countries (Chart III.2.2).

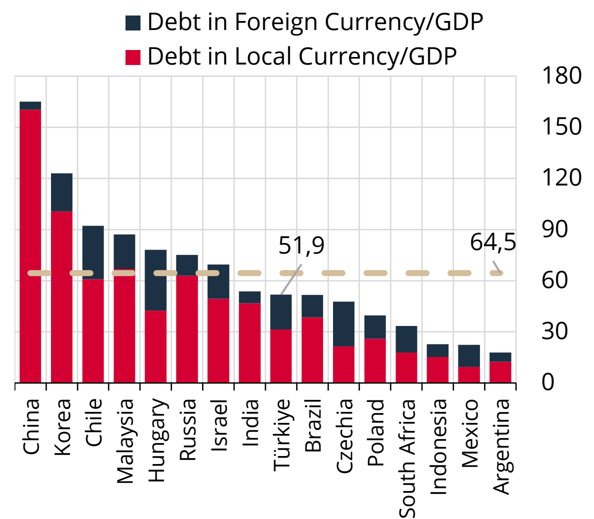
Chart III.2.1: Debt/GDP Ratio of the Corporate Sector (%)



Source: BIS Last Observation: 03.23

Note: Dashed lines denote the historical average of the relevant ratio between 2007Q4 and 2023Q1.

Chart III.2.2: Debt/GDP Ratio of Peer Economies (%)



Source: BIS, IIF Last Observation: 03.23

Note: Calculation is based on distribution of debts in local and foreign currencies. The countries in the chart are ranked from larger to smaller according to Total Debt/GDP ratios for 2023Q1. The dashed line shows the average of peer countries' indebtedness in 2023Q1.

Recently, the share of total financial debt in GDP edged up in the third quarter amid the exchange rate increase. In August, the share of financing provided through domestic financial institutions and issuances in GDP was 35.9%, while the share of FX loans extended by foreign banks within GDP was 13.6%, and the share of financing provided through bond issued abroad in GDP remained limited to 1% (Table III.2.1).

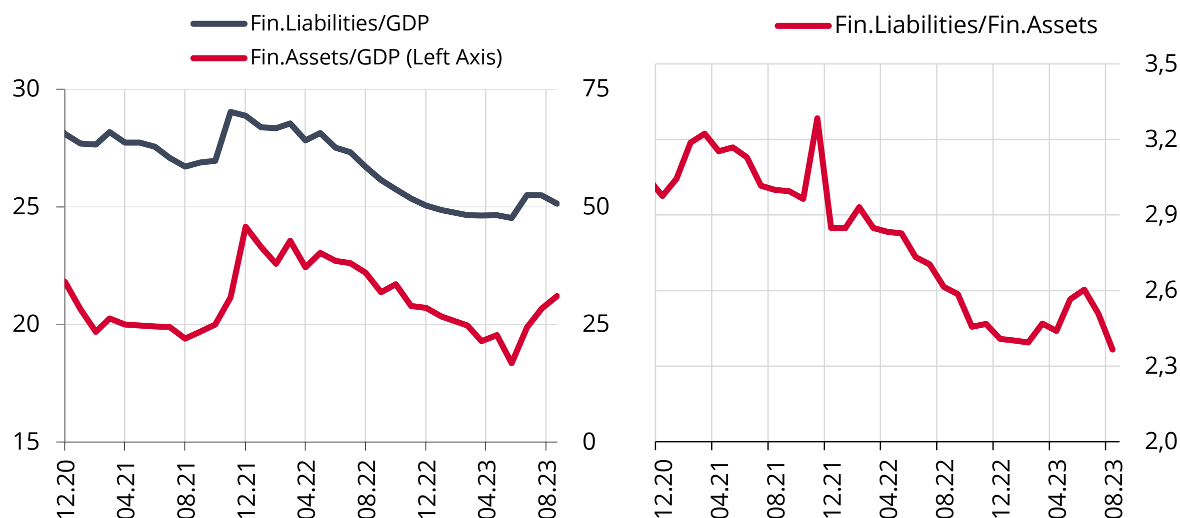
Table III.2.1: Financial Liabilities of the Corporate Sector (Billion TL)

	12.21		06.23		08.23		Growth (Percent)
	Billion TL	Ratio to GDP	Billion TL	Ratio to GDP	Billion TL	Ratio to GDP	
I. Domestic Loans (i+ii)	**3549.2**	**49.0**	**6.938.0**	**37.2**	**7.200.5**	**35.9**	**25.0**
i. TL	1715.2	23.7	4.125.5	22.1	4.336.2	21.6	34.8
A. Bank	1606.8	22.2	3.828.9	20.5	4.023.7	20.1	34.7
B. NBFI	89.0	1.2	227.8	1.2	239.4	1.2	34.8
C. Bonds issued	19.4	0.3	68.8	0.4	73.2	0.4	45.0
ii. FX (FX-indexed loans included)	1834.0	25.3	2.812.5	15.1	2.864.3	14.3	11.6
USD Equivalent (A+B+C)	*137.6*		108.9		*107.4*		*-8.1*
A. Bank	131.5	1.8	103.6	0.6	102.2	0.5	-8.1
B. NBFI	5.4	0.1	4.7	0.0	4.6	0.0	-17.4
C. Past-Due Loans Taken Over by SDIF	0.7	0.0	0.5	0.0	0.5	0.0	-33.4
II. External Loans	**1348.3**	**18.6**	**2.642.1**	**14.2**	**2.721.3**	**13.6**	**19.4**
USD Equivalent	*101.2*		*102.3*		*102.0*		*-1.9*
III. Bonds Issued Abroad	**123.8**	**1.7**	**203.5**	**1.1**	**210.2**	**1.0**	**21.4**
USD Equivalent	*9.3*		*7.9*		*7.9*		*1.3*
Total Financial Debt (I+II+III)	**5021.3**	**69.3**	**9.783.7**	**52.4**	**10.132.0**	**50.6**	**23.4**
For information: Total FX Loans (Billion USD)	*248.0*		*219.1*		*216.3*		*-7.5*

Source: CBRT, BRSA | Last Observation: 08.23

Note: The "ratio" columns show the ratio of the relevant item to GDP. The growth column reflects annualized change between 06.23 and 08.23 using the compound calculation method.

Chart III.2.3: Financial Debts and Assets of the Corporate Sector (%, Ratio)



Source: CBRT | Last Observation: 08.23

Note: Financial liabilities include the corporate sector's domestic and external loans, leasing, factoring debts and bond issuances. Financial assets include TL and FX deposits and securities, but direct capital investments abroad and export receivables are not included. Annual GDP values in monthly frequency are calculated by the CBRT. The latest GDP data is the CBRT's estimate. End-month foreign exchange buying rate is used in calculations.

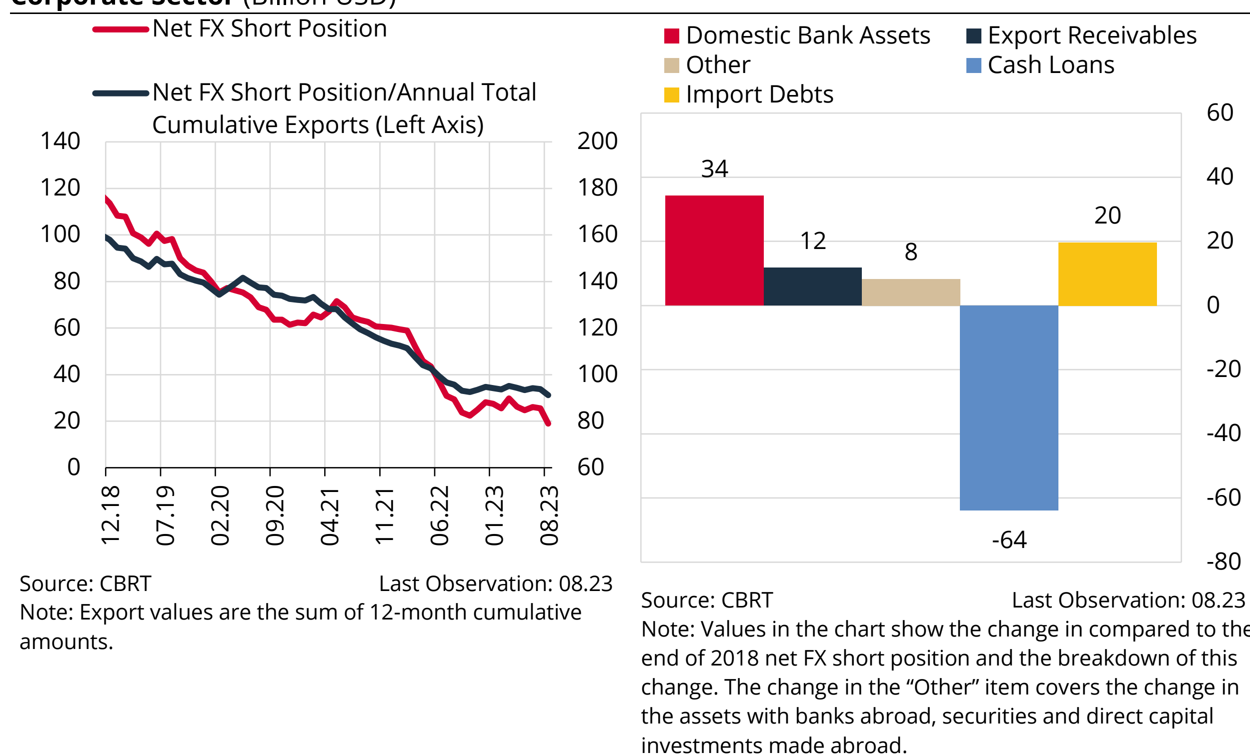
The ratio of corporate sector financial debt to assets hovers at historically low levels.

Recently, the ratio of corporate sector debt to GDP has decreased, while the ratio of assets to GDP has slightly increased. Thus, the financial leverage ratios of firms have remained low, fostering their resilience against tighter financial conditions (Chart III.2.3).

The corporate sector's FX short position maintains the downtrend.

The corporate sector's net FX short position decreased by 99 billion USD compared to end-2018 and by 45 billion USD compared to end-2021. This trend continued in 2023 and the FX short position dropped to 74 billion USD in August. This decline, which started in end-2018, was mainly driven by the strong increase in domestic bank assets and the decline in FX cash loans (Chart III.2.4). While the ratio of the net FX short position to 12-month exports fell to 30%, the corporate sector's capacity to cover the current short position is strengthening (Chart III.2.4).

Chart III.2.4: Net FX Position and the Decomposition of Change in the Net FX Position of the Corporate Sector (Billion USD)



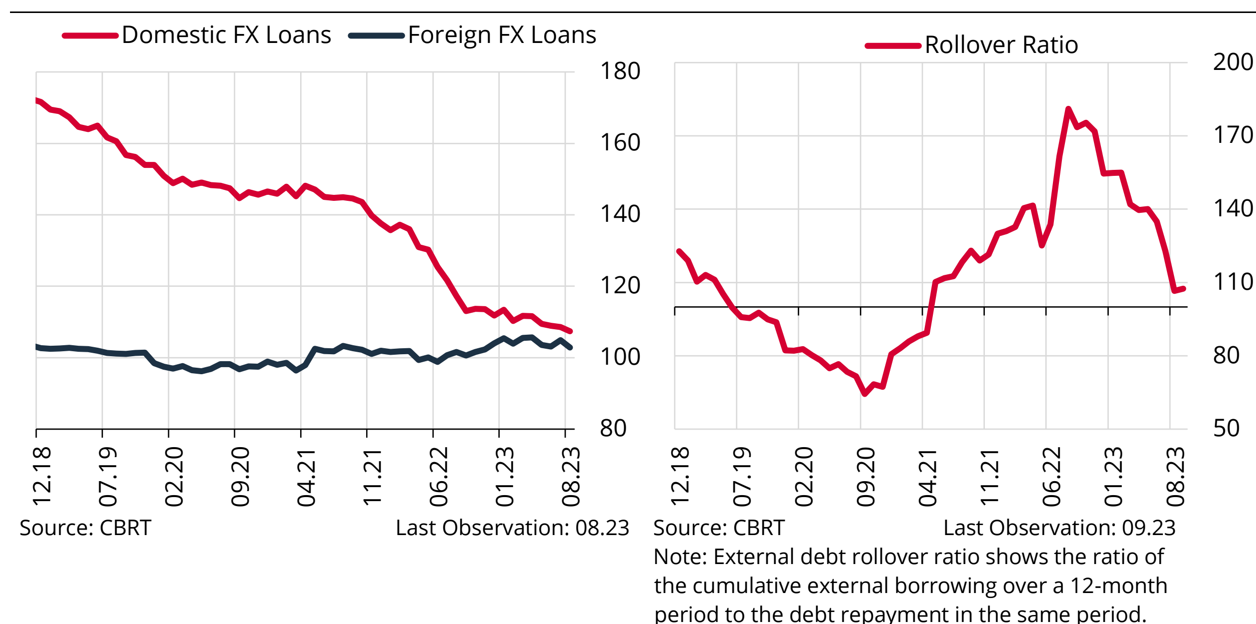
Source: CBRT Last Observation: 08.23
Note: Export values are the sum of 12-month cumulative amounts.

Source: CBRT Last Observation: 08.23
Note: Values in the chart show the change in compared to the end of 2018 net FX short position and the breakdown of this change. The change in the "Other" item covers the change in the assets with banks abroad, securities and direct capital investments made abroad.

While corporate sector firms still utilize external financing facilities, the closing trend in domestic FX loans is losing pace.

Corporate sector firms are able to roll over their external debt by more than 100% (Chart III.2.5). This picture implies that despite tighter global financial conditions, firms still have access to external financing and are able to manage their debts steadily.

Chart III.2.5: Indicators of Corporate Sector's FX Loans and Debt Rollover (Billion USD, %)



Source: CBRT | Last Observation: 08.23

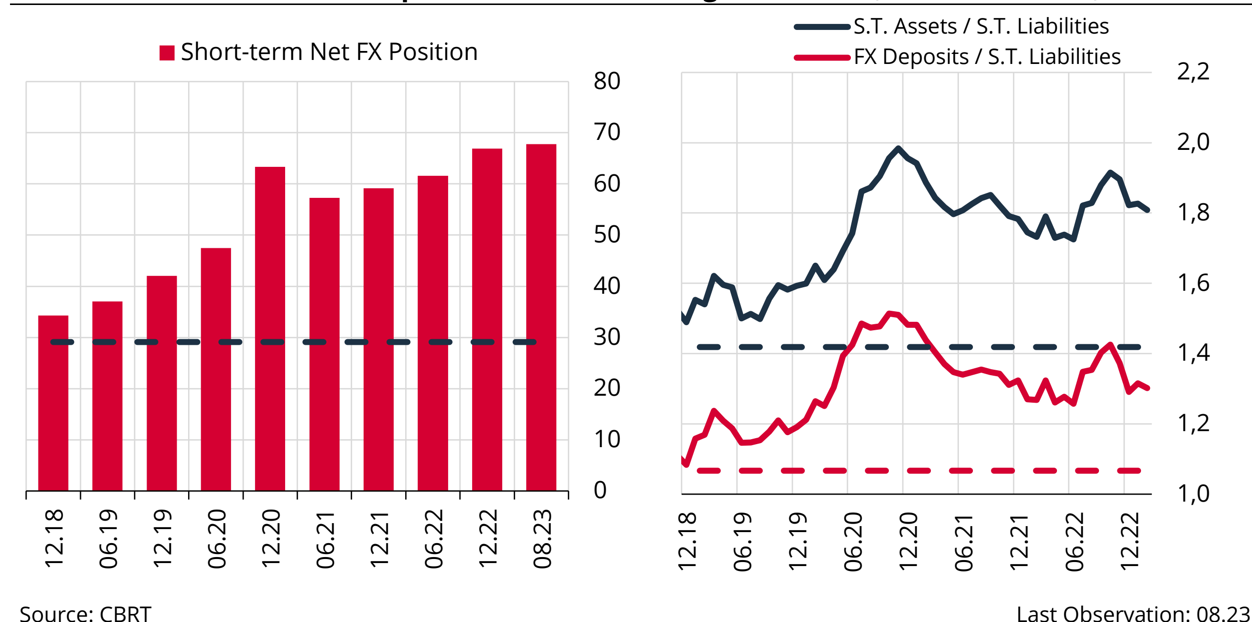
Source: CBRT | Last Observation: 09.23

Note: External debt rollover ratio shows the ratio of the cumulative external borrowing over a 12-month period to the debt repayment in the same period.

Firms have strong FX liquidity and have the capacity to meet short-term FX liabilities.

The short-term net FX position, which had been on an upward trend since 2021, increased further in 2023 and stood at 68 billion USD as of August. The ratio of firms' FX deposits and short-term assets to short-term liabilities, which remains above historical averages, indicates that firms have strong liquidity against exchange rate or external financing shocks (Chart III.2.6).

Chart III.2.6: Indicators of Corporate Sector's Exchange Rate Risk (Billion USD, Ratio)



Source: CBRT | Last Observation: 08.23

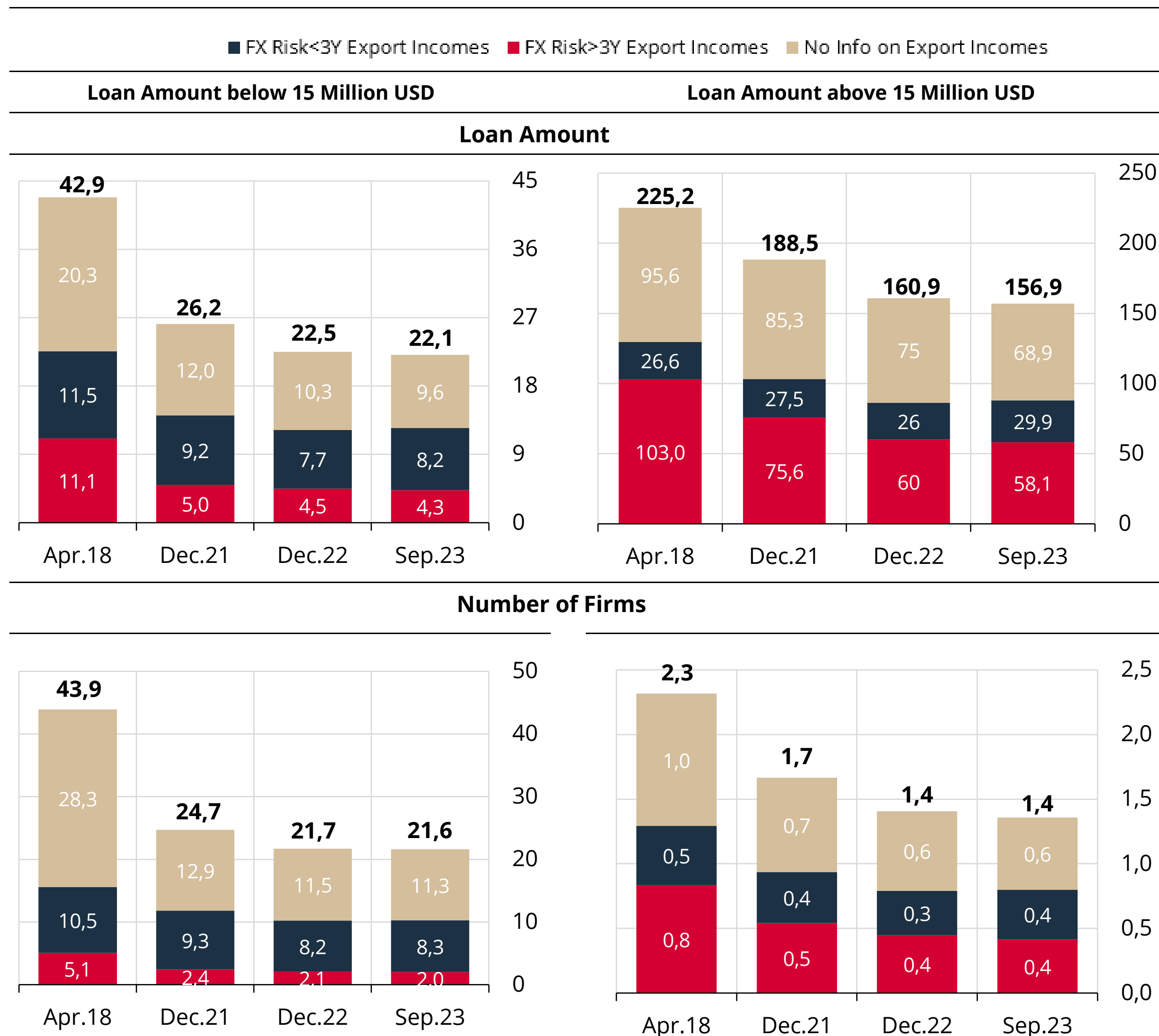
Note: FX deposits are the total amount of FX deposits held by resident corporate sector firms in domestic and foreign financial institutions. Net FX position calculations include FX-protected deposits. Dashed lines show the historical average of the relevant data between 01.12 and 12.21. The abbreviation ST stands for "short-term".

In addition to the decline in FX loan balances, the number of firms with FX debt has also decreased.

The regulation linking FX credit utilization of firms with an FX risk of less than 15 million USD to their export revenues for the last three years contributed to making firms' FX indebtedness manageable. In September 2023, the credit balance of firms with an FX risk below 15 million USD fell to 22.1 billion USD, while the credit balance of firms with an FX risk of above 15 million USD decreased to 156.9 billion USD. Among firms

with accessible export data, the share of those with FX debt exceeding three years of export revenues continued to decline. Firms with no restrictions imposed by the regulation recorded stronger coverage of FX debts by export revenues (Chart III.2.7).

Chart III.2.7: FX Loan Balances of Firms Based on Their Exports and the Number of Firms (Billion USD, Thousand)



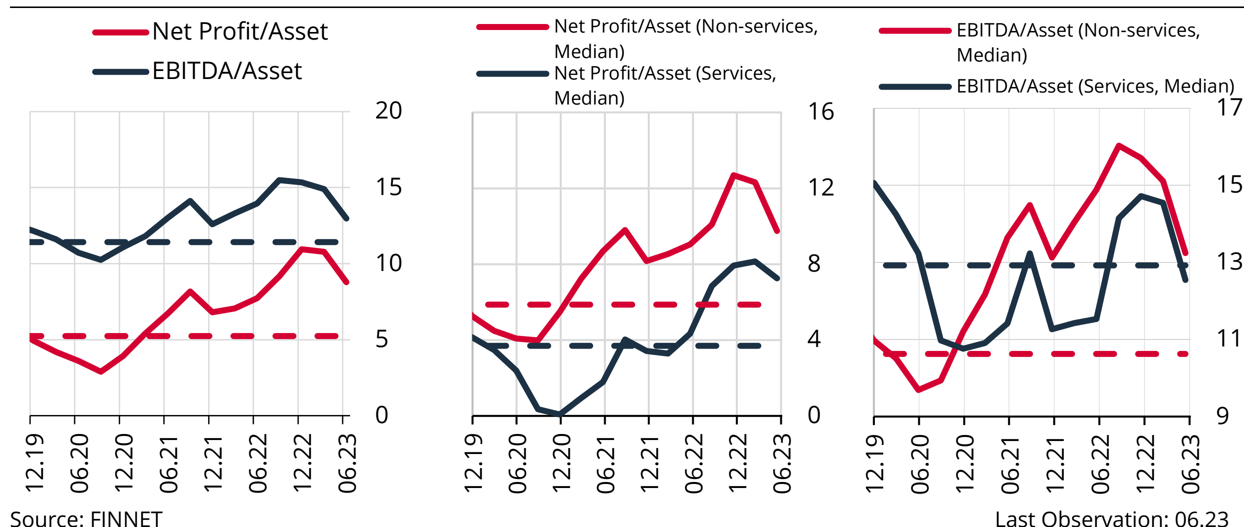
Source: Risk Center, CBRT, TURKSTAT Last Observation: 09.23

Note: Export revenues are the sum of the firm's year-end revenues from exports of goods over the last three years as of the relevant date. Firms with no export revenue data show firms that do not have export revenue records in the database, although these firms are likely to have revenues from exports of goods or FX-indexed income. FX loan debt includes loans extended from abroad via domestic banks. Direct loans used from abroad are not included.

Although profitability indicators of publicly traded firms edged down in the second quarter, the strong outlook for profitability still hovers above historical averages.

Firms' profit margins edged down in the first half of the year due to the base effect. On the other hand, profitability indicators display a quite strong outlook compared to past data. Firms operating in non-service sectors have a higher profit performance compared to firms in the services sector. In the second quarter of 2023, the net profit/asset ratios of the non-services and services sectors reached 9.7% and 7.3%, respectively. In the same period, the EBITDA/assets ratios of the non-services and services sectors were approximately 13% and 12.5%, respectively (Chart III.2.8).

Chart III.2.8: Profitability Indicators and Profitability Spread of BIST Firms (%)

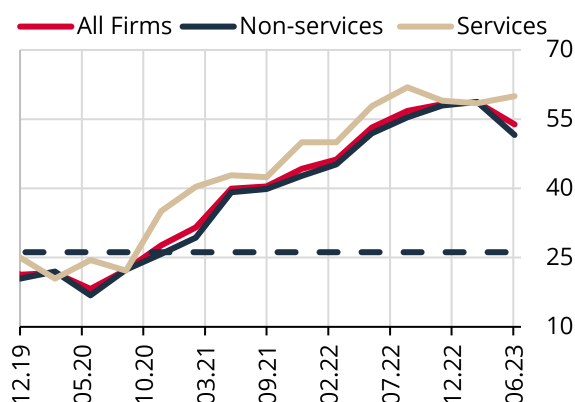


Source: FINNET Last Observation: 06.23

Note: 296 corporate sector firms are included in the analysis. EBITDA is the sum of Net Profit + Financing + Tax + Depreciation + Amortization expenses. Long-term EBITDA/Asset and Net Profit Margin/Asset averages are shown in dashed lines. Long-term EBITDA/Asset and Net Profit Margin/Asset averages are calculated for the 2012 Q1 - 2021 Q4 period.

The share of publicly traded firms with Net Profit/Asset and EBITDA/Asset ratios above 10%, which hovers above 50%, indicates that strong profitability is seen across all firms (Charts III.2.9 and III.2.10). While the share of non-services firms with an EBITDA/Asset ratio above 10% stands at around 60%, the share of services firms meeting this criterion remains at around 54%. This indicates that firms operating in services and non-services sectors maintain their high profitability in general (Chart III.2.10).

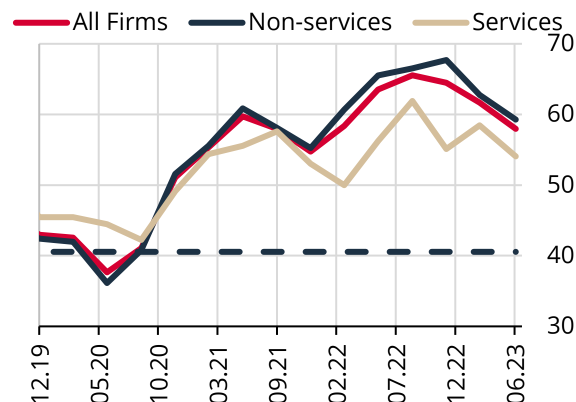
Chart III.2.9: Share of Firms with a Net Profit/Asset Ratio Above 10% (%)



Source: FINNET Last Observation: 06.23

Note: The analysis includes 296 corporate sector firms. The shares of services and non-services firms are calculated using the number of firms in these sectors. The dashed line indicates the historical ratio average of firms. Historical averages are calculated considering the 2012 Q1-2021 Q4 period.

Chart III.2.10: Share of Firms with an EBITDA/Asset Ratio Above 10% (%)



Source: FINNET Last Observation: 06.23

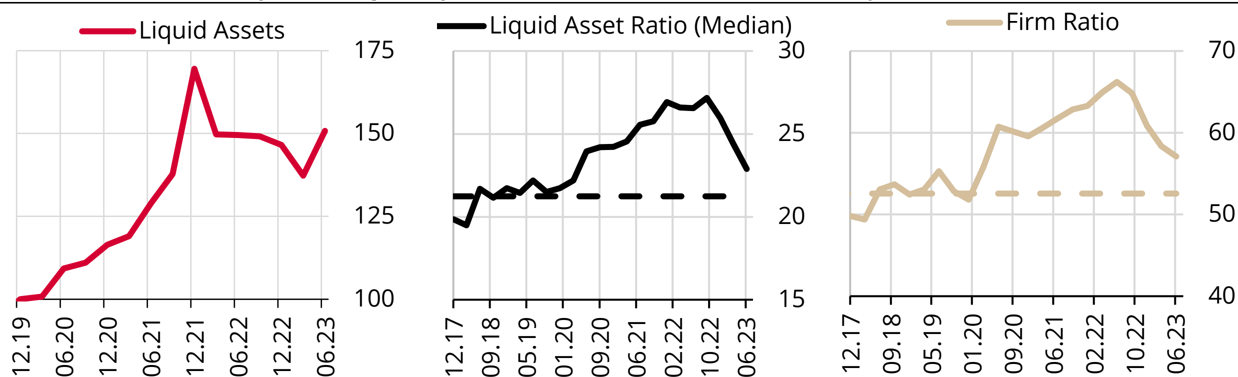
Note: The analysis includes 296 corporate sector firms. The shares of services and non-services firms are calculated using the number of firms in these sectors. The dashed line indicates the historical ratio average of firms. Historical averages are calculated considering the 2012 Q1-2021Q4 period.

Corporate sector balance sheets exhibit resilience against possible shocks thanks to their strong liquidity structure.

Liquid assets increased briefly due to the exchange rate-driven appreciation of FX assets at the end of 2021, but followed a flat course in real terms in 2022 and the first half of 2023. The median liquid asset ratio still hovers above the historical average and the high shares of cash and inventories in assets indicate that firms have strong liquidity and can meet the short-term debts and working capital needs of the corporate sector. Although the ratio of firms with a liquid asset ratio above 20% to the total number of firms has been

trending downwards since the second quarter of 2022, this ratio remained above the historical average in the current Report period. The overall strong liquidity position across firms indicates that firms remain prepared for a tightening in financial conditions (Chart III.2.11).

Chart III.2.11: Activity and Liquidity Indicators of Firms (Inflation-adjusted, Billion TL, %)



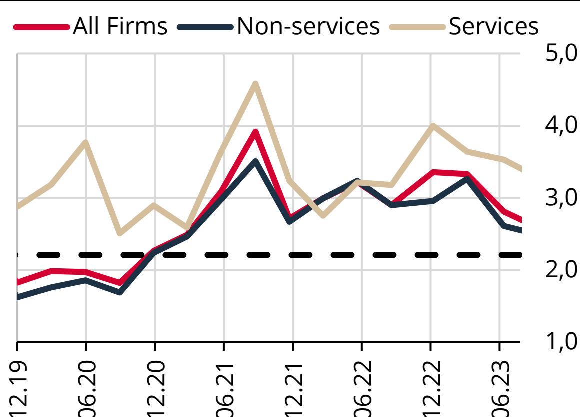
Source: FINNET Last Observation: 06.23

Note: Based on the latest data, 296 corporate sector firms were included in the analysis. Cash is the sum of liquid assets and stocks for all firms. The cash ratio is calculated as the ratio of the sum of liquid assets and stocks to assets for all firms. Median is the median value of the cash ratios calculated for all firms. The firm ratio gives the ratio of firms with a cash ratio above 20% to the total number of firms. Liquid assets are indexed to 100 for end-2019. Dashed lines show the historical average of the relevant data. Historical averages are calculated for the 2012Q1-2021Q4 period.

Prospects for firms' debt repayment ability remain strong.

Due to the stable exchange rate and low financing costs, the financing expenses coverage ratio (FECR) of firms quoted on the BIST remained quite strong throughout 2022 and this trend was maintained in the first half of the year (Chart III.2.12). In the current Report period, firms' operating profits can meet financing costs for 2.8 years. In the second quarter of 2023, operating profits of firms operating in services and non-services sectors were equal to 3.5 and 2.6 years of financing costs, respectively. In the current Report period, firms with an FECR above the threshold level of 1.5 have a share of 66% among all firms. A majority of firms in the industrial and services sectors have an FECR above the threshold level of 1.5, implying that risks are limited in terms of firms' debt repayment ability and banks' asset quality (Chart III.2.13).

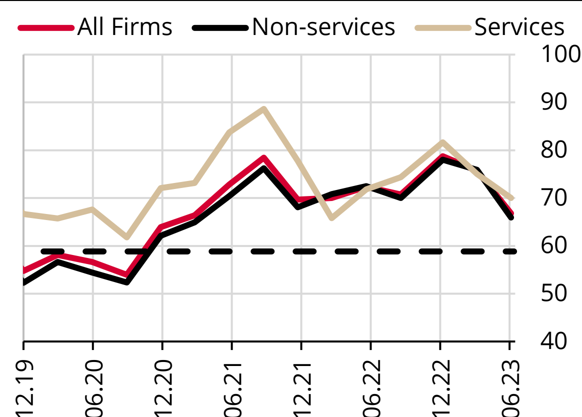
Chart III.2.12: BIST Firms' Financial Expenses Coverage Ratio (Median, Ratio)



Source: FINNET Last Observation: 06.23

Note: Financial Expenses Coverage Ratio (FECR)= EBITDA/Financial Expenses. The analysis includes 296 corporate sector firms. The dashed line shows the historical average of the financial expenses coverage ratio of all firms. Historical averages are calculated for the 2012Q1-2021Q4 period.

Chart III.2.13: Share of Firms with Financial Expenses Coverage Ratio above 1.5 (%)



Source: FINNET Last Observation: 06.23

Note: The firm ratio shows the ratio of firms with a financial expenses coverage ratio above 1.5 to the total number of firms. The analysis includes 296 corporate sector firms. The dashed line shows the historical average of the firm ratio of all firms for the 2012Q1-2021Q4 period.