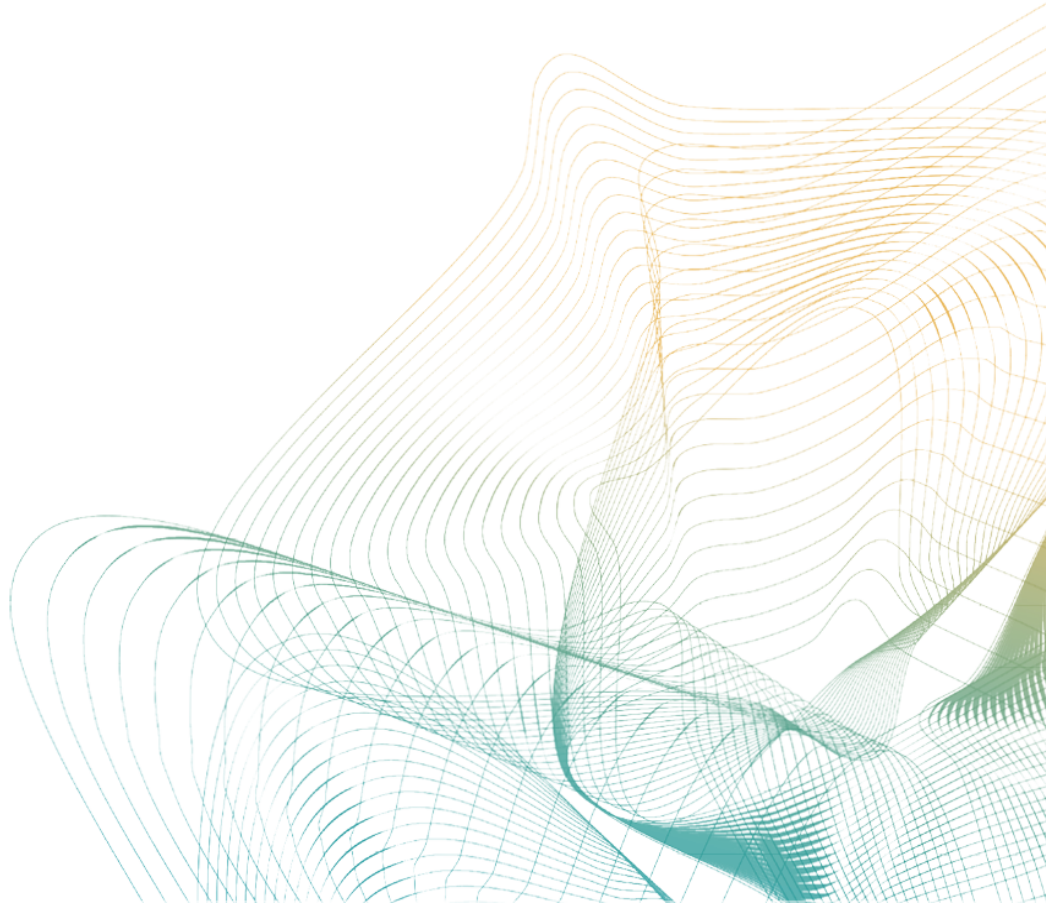


# Financial Accounts Report

## 2018-IV



## Summary

According to sectoral financial balance sheets, total financial assets of the Turkish economy were TRY 12,365 billion, while its liabilities were TRY 14,254 billion in 2018Q4. Net liabilities to the rest of the world have declined by TRY 118 billion to TRY 1,889 billion since the previous quarter.

Financial flows between the third and fourth quarters of 2018 suggest net transactions totaling TRY 32 billion, and an increase in net worth by 85 billion TL stemming from the changes in the exchange rate and the market price.

A cross-country comparison in terms of indebtedness ratios of households and non-financial corporations suggests that Turkey maintained its place in countries with low indebtedness levels in the second quarter as well.

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# 1. Evaluations

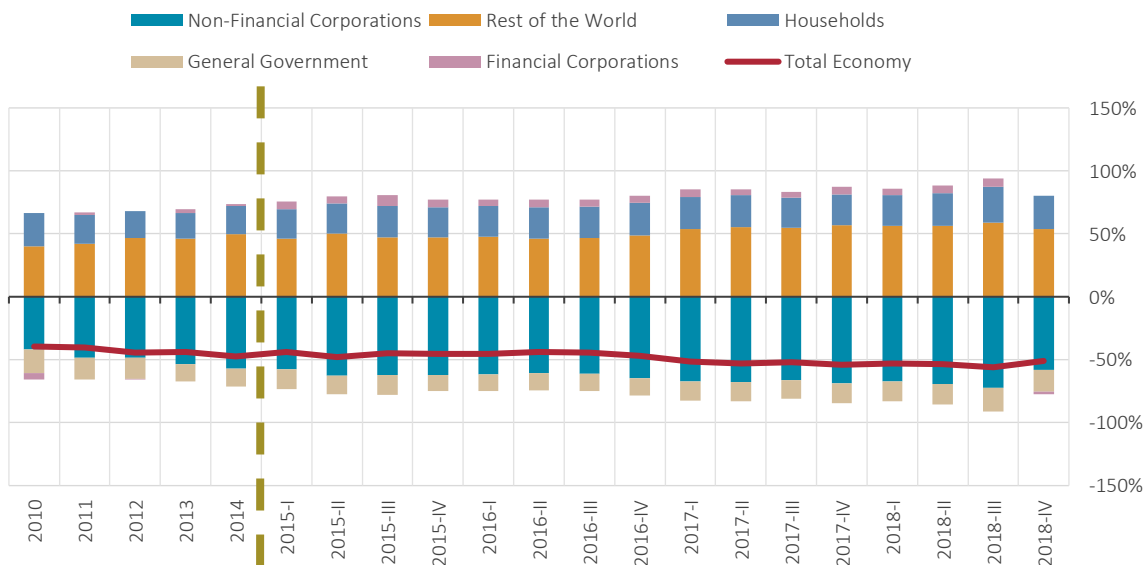
Table 1: Financial Net Worth by Sectors (2018Q4, billion TL)<sup>1,2</sup>

	Total Economy	Non-Financial Corporations	Financial Corporations	General Government	Households	Rest of the World
Financial Assets	12,365	5,095	4,965	713	1,592	1,191
Liabilities	14,254	7,245	5,049	1,346	614	3,187
Financial Net Worth	-1,889	-2,150	-84	-633	978	1,995

Source: CBRT

An analysis of the domestic economy's financial balance sheets by sectors from to 2018Q4 shows that households and the rest of the world generated a financial surplus and assumed a creditor role, whereas non-financial corporations and the general government ran a financial deficit and assumed a debtor role. Meanwhile, due to their financial intermediation activities, financial corporations maintained their balanced position with a financial net worth close to zero (Table 1, Chart 1).

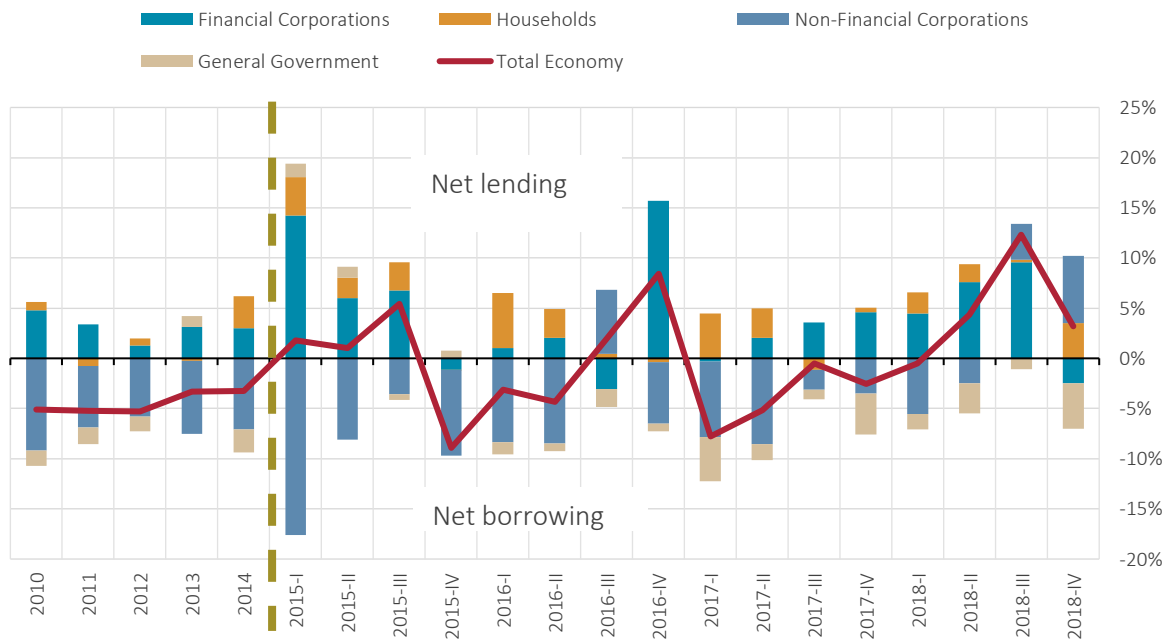
Chart 1. Ratio of Financial Net Worth to (Stock) GDP by Sectors (%)<sup>2</sup>



Source: CBRT, TURKSTAT

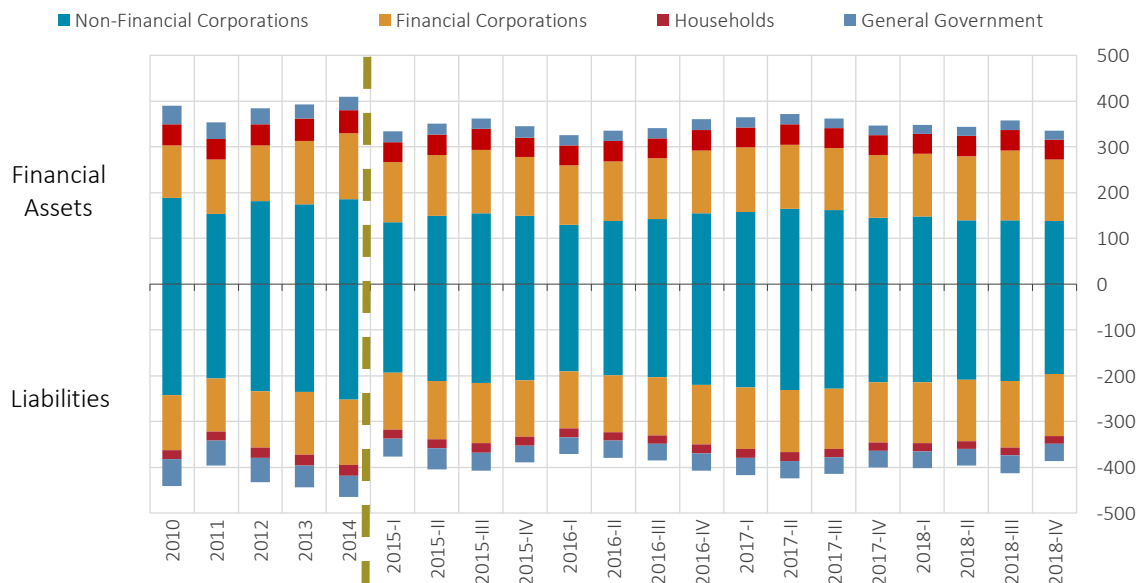
<sup>1</sup> Pursuant to the methodology, there is a difference between the financial net worth of total domestic economy and rest of the world, since there is no counterpart sector for monetary gold. The rest of the world has been reported based on residency, so as to be compatible with the International 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 (%) <sup>2</sup>

Source: CBRT, TURKSTAT

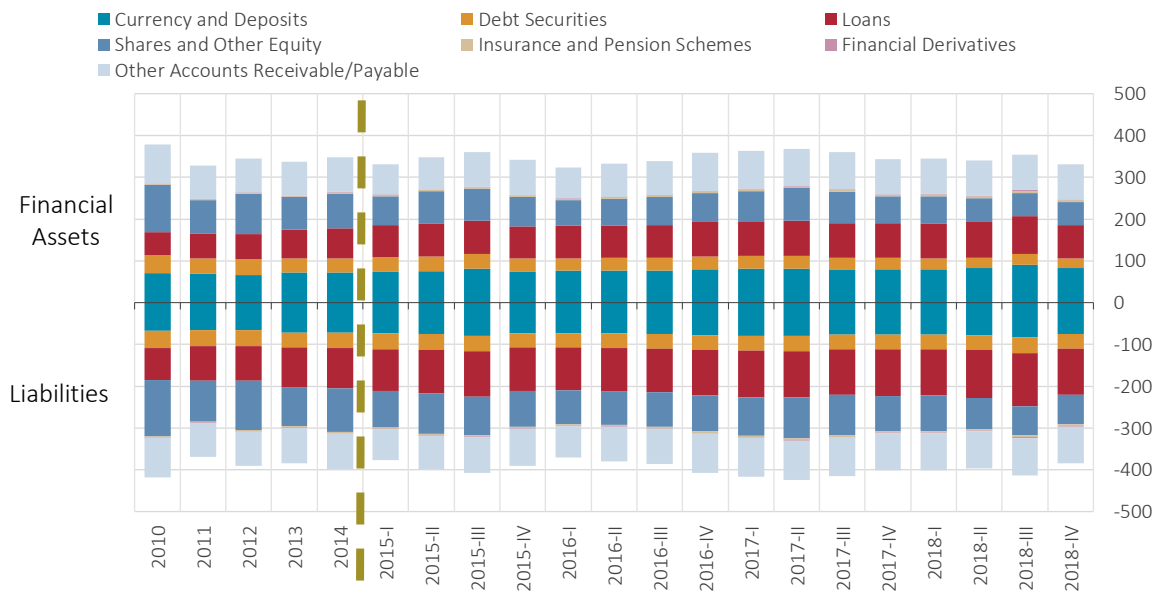
Net financial transactions conducted by sectors suggest that the total economy, which had net borrowing of 2.5% of GDP in the same period of the previous year, shifted to a position of net creditor at 3.2% in this period. Compared with the same period of the previous year, while financial corporations were net creditors of 4.6% of GDP, they became debtors of 2.5% of GDP in 2018Q4. A similar year-on-year analysis suggests that non-financial corporations, which were net debtors, became net creditors of 6.7% of GDP. The household sector on the other hand, remained as creditor at 3.5% of GDP. The general government sector, which had maintained its position as net debtor, has recently become net debtor around 4.5% of GDP (Chart 2).

Chart 3: Financial Assets and Liabilities to GDP by Sectors (%) <sup>2</sup>

Source: CBRT, TURKSTAT.

An analysis of financial assets and liabilities by sectors of the recent period suggests that the non-financial corporations sector was the largest sector in terms of liabilities and assets, followed by financial corporations (Chart 3).

**Chart 4: Distribution of Financial Instruments-Total Economy, Ratio to GDP\* (%)**



Source: CBRT, TURKSTAT

(\*) Monetary gold and SDR have been excluded.

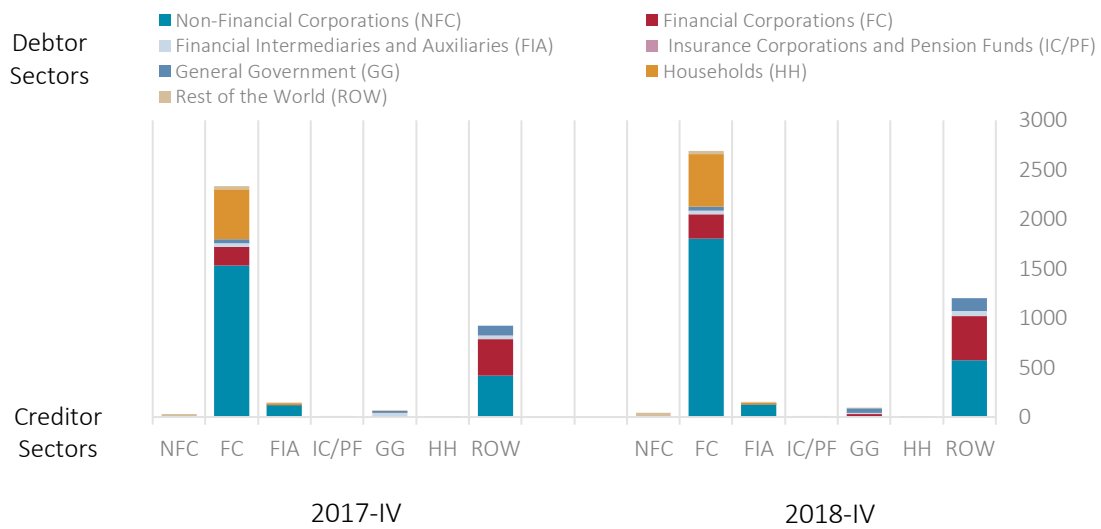
As for the financial instrument distribution in 2018Q4, currency, deposits and loans had the largest weight in assets, while the loans and other accounts payable items had the largest weight in liabilities (Chart 4).

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

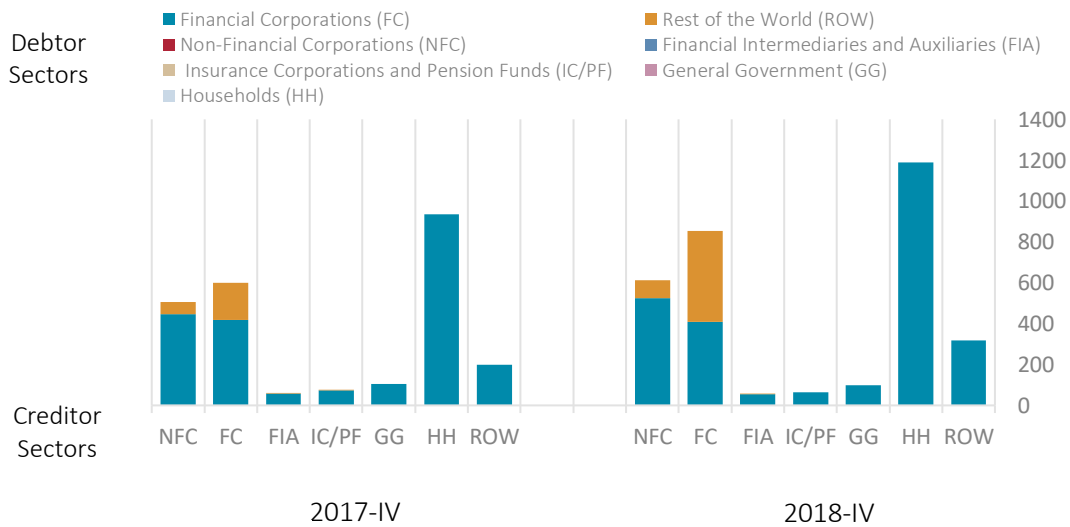
Below is the breakdown of relations among economic sectors compiled as deposits and loans according to from-whom-to-whom matrices.

From-whom-to-whom matrices of loans indicate that the strongest connection in 2018Q4 occurred between non-financial corporations and monetary and financial institutions. Monetary and financial institutions extended a total of TRY 2,691 billion worth of loans, granting TRY 1,806 billion of it to non-financial corporations and TRY 528 billion to households. The rest of the world offered TRY 1,200 billion worth of loans, out of which non-financial corporations received TRY 575 billion; and monetary and financial institutions received TRY 442 billion (Chart 5).

In 2018Q4, of the total TRY 3,191 billion worth of deposits opened by domestic and foreign sectors, TRY 2,659 billion were taken by monetary and financial institutions and TRY 532 billion by the rest of the world. A large portion of deposits taken by monetary and financial institutions belongs to households (TRY 1,187 billion) and non-financial corporations (TRY 525 billion). On the other hand, the majority of deposits taken by the rest of the world (TRY 445 billion) was opened by monetary and financial institutions (Chart 6).

Chart 5: Loans, From-Whom-to-Whom (2018Q4, billion TL)<sup>2</sup>

Source: CBRT

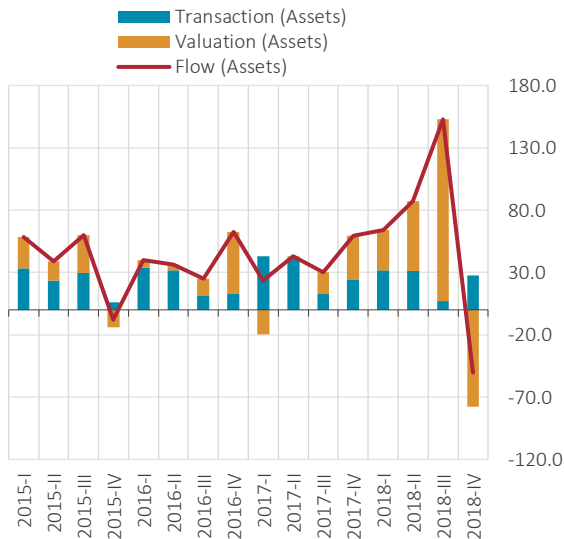
Chart 6: Deposits, From-Whom-to-Whom (2018Q4, billion TL)<sup>2</sup>

Source: CBRT

### 3. Households

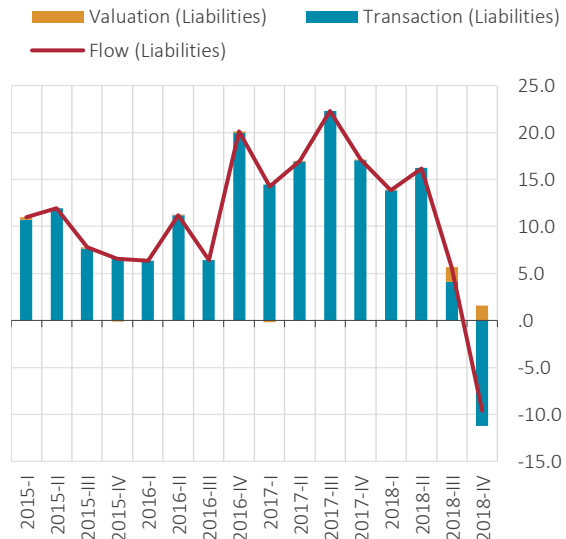
In 2018Q4, household financial assets posted a quarter-on-quarter decline by TRY 50 billion, which was mainly driven by the decline in valuation of TRY 78 billion in the current financial assets. Meanwhile, currency and deposits increased by TRY 34.7 billion, and insurance and pensions schemes rose by TRY 1.8 billion. With a drop of TRY 10.9 billion, shares and other equities proved the item of household assets that posted the most notable decline in this period (Chart 7). In 2018Q4, household liabilities decreased by TRY 9.6 billion on a quarterly basis. Falling by TRY 11.5 billion, loans were the main driver of this decline. Household liabilities in the same period recorded a valuation-driven increase of 1.6 billion TL (Chart 8).

Chart 7: Financial Assets, Flow (TRY Billion)



Source: CBRT

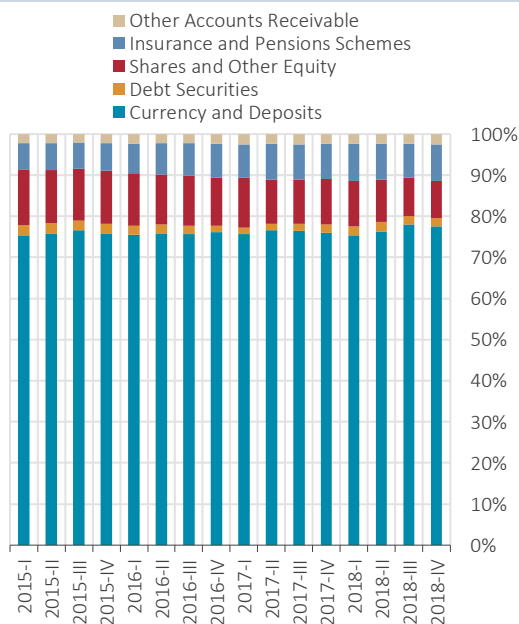
Chart 8: Liabilities, Flow (TRY Billion)



Source: CBRT

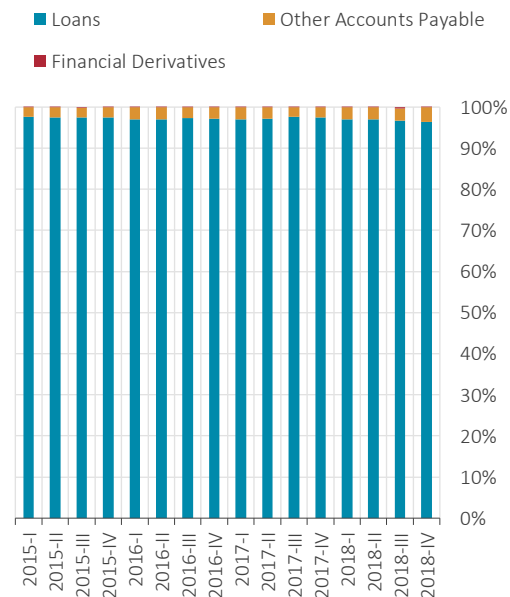
In 2018Q4, the leading instrument in household financial assets was deposits with a share of 78% followed by insurance and pension schemes. During the data period, the share of insurance and pension schemes in total financial investments increased, while that of shares and other equity decreased. Meanwhile, the share of currency and deposits remained flat (Chart 9). As for liabilities, almost all of them were composed of loans (Chart 10).

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



Source: CBRT

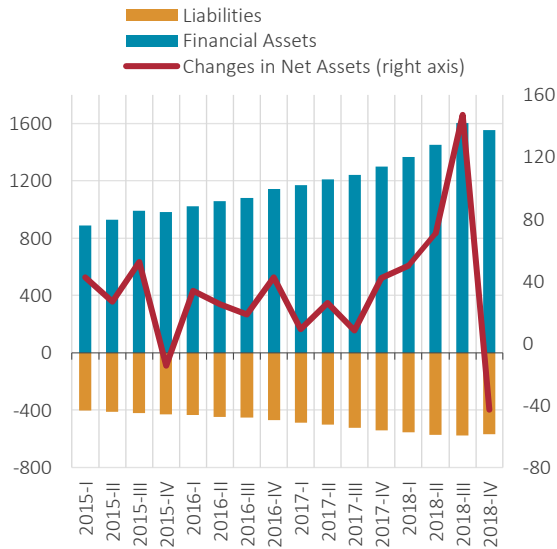
Chart 10: Breakdown of Liabilities by Instruments (%)



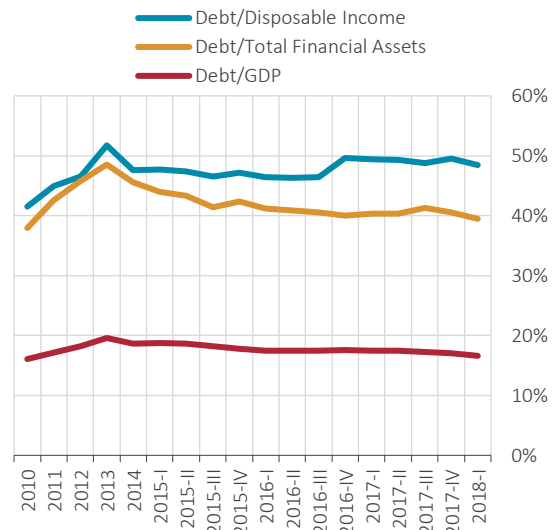
Source: CBRT

Household financial net worth was TRY 1.027 billion in the previous quarter, but it posted a quarterly decline of TRY 40 billion to TRY 987 billion in 2018Q4 (Chart 11). Household indebtedness indicators suggest that the ratio of household debt to GDP posted a slight decline to 14.8 percent. Meanwhile, the ratio of debt to total financial assets rose from 34.8% to 35.2% in the fourth quarter (Chart 12).



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

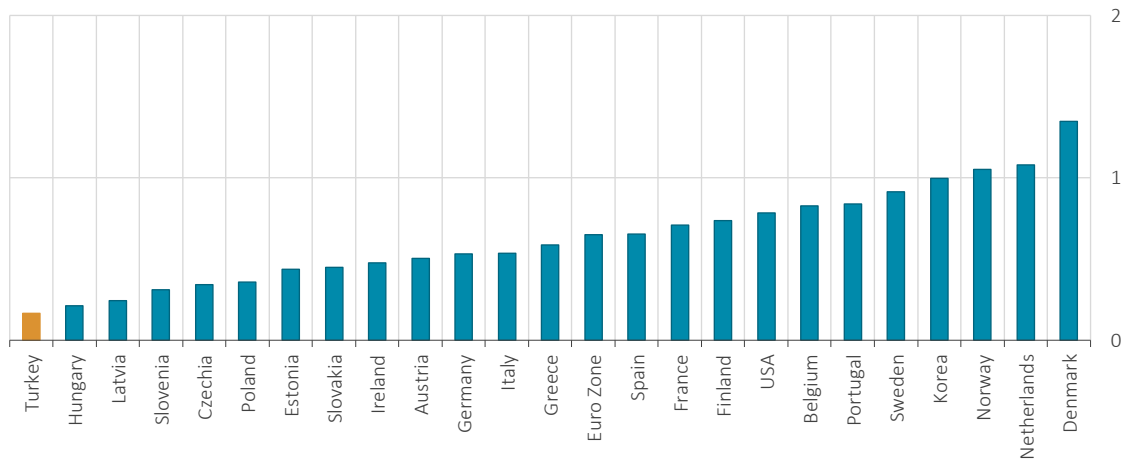
Source: CBRT

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

Source: 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 countries compared in 2018Q4 (Chart 13).

**Chart 13: Household Liabilities/GDP, Comparison\*<sup>2</sup>**

Source: CBRT, TURKSTAT, OECD

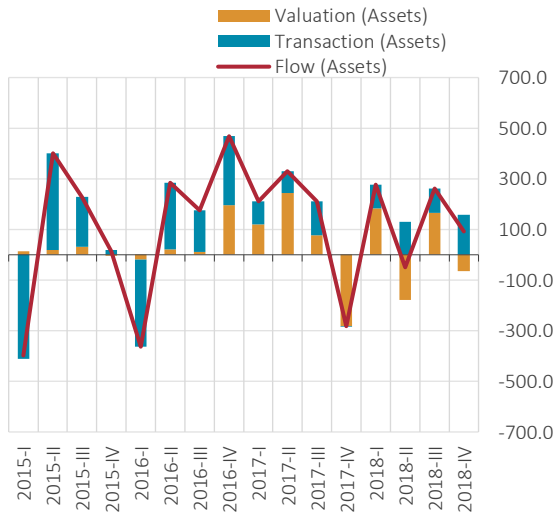
(\*) Other country data is as of 2018Q3.

## 4. Non-Financial Corporations

In 2018Q4, financial assets of non-financial corporations increased by TRY 91 billion on a quarterly basis. Driven by the exchange rate and the market price, the decline in valuation of TRY 65 billion in financial assets had an opposite impact on this increase. A large portion of this change was mainly driven by the rise in other accounts receivable and currency and deposit items by 137 billion TL 18 billion, respectively. In this period, debt securities of non-financial corporations decreased by TRY 2.6 billion (Chart 14). Meanwhile, liabilities of non-financial corporations fell by TRY 343 billion in 2018Q4. This decrease was

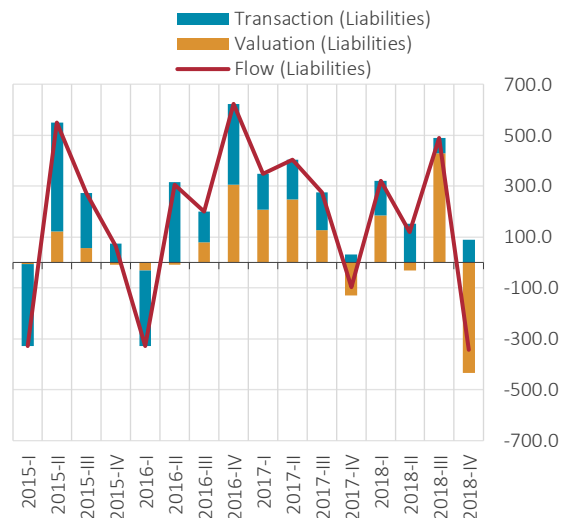
mainly driven by the decline in valuation of TRY 432 billion in financial liabilities due to the exchange rate and market price, while the other accounts receivable was up by TRY 135 billion (Chart 15).

Chart 14: Financial Assets, Flow (TRY Billion)



Source: CBRT

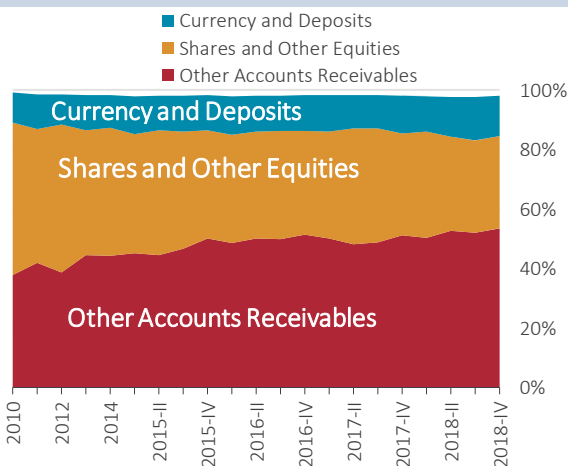
Chart 15: Liabilities, Flow (TRY Billion)



Source: CBRT

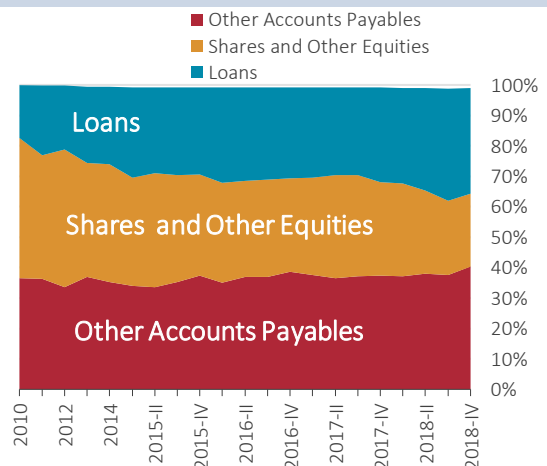
In the fourth quarter of 2018, the most significant item on the assets side of non-financial corporations was the other accounts receivable item (53%) composed of the sum of trade credits and advances, and other items. The share of the shares and other equity item was 31%, and that of currency and deposits was 13.4% (Chart 16). On the liabilities side, the shares of other accounts payable increased from 38% to 40%, while that of the loans utilized inched down to 34.6%. The share of the shares and other equity item was 24% (Chart 17).

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



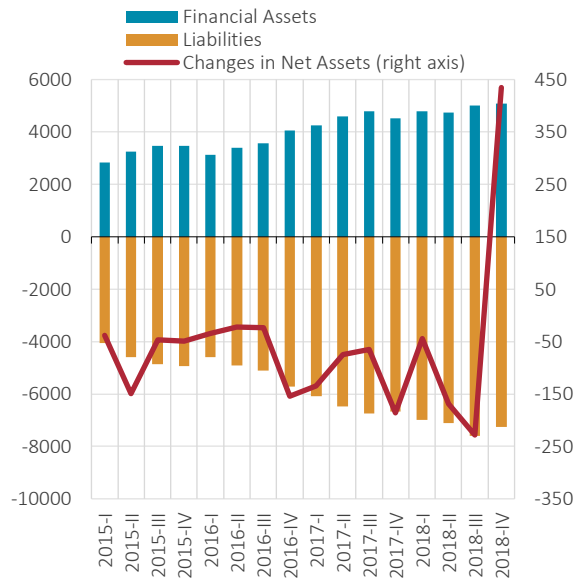
Source: CBRT

Chart 17: Breakdown of Liabilities by Instruments (%)

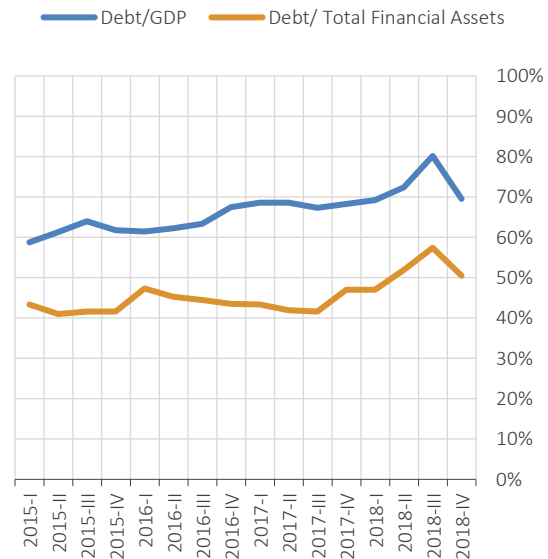


Source: CBRT

Net assets of non-financial corporations stood at TRY-2.585 billion in the previous quarter, and they rose by TRY 435 billion to TRY-2.150 billion in 2018Q4 (Chart 18). The ratio of non-financial corporations' debts to GDP was 80% in 2018Q3, but it decreased to 70% in the fourth quarter. In the same period, the ratio of accounts payable to total financial assets decreased from 57% to 50% (Chart 19).

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

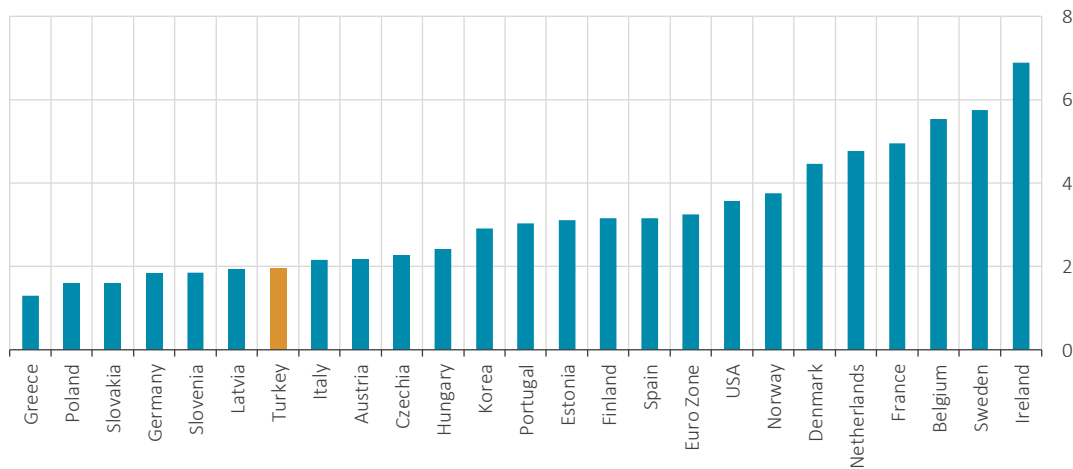
Source: CBRT

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

Source: CBRT, TURKSTAT.

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

A cross-country comparison of the ratios of non-financial corporations' debts to GDP shows that Turkey ranked among the countries with low indebtedness levels in 2018Q4 (Chart 20).

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

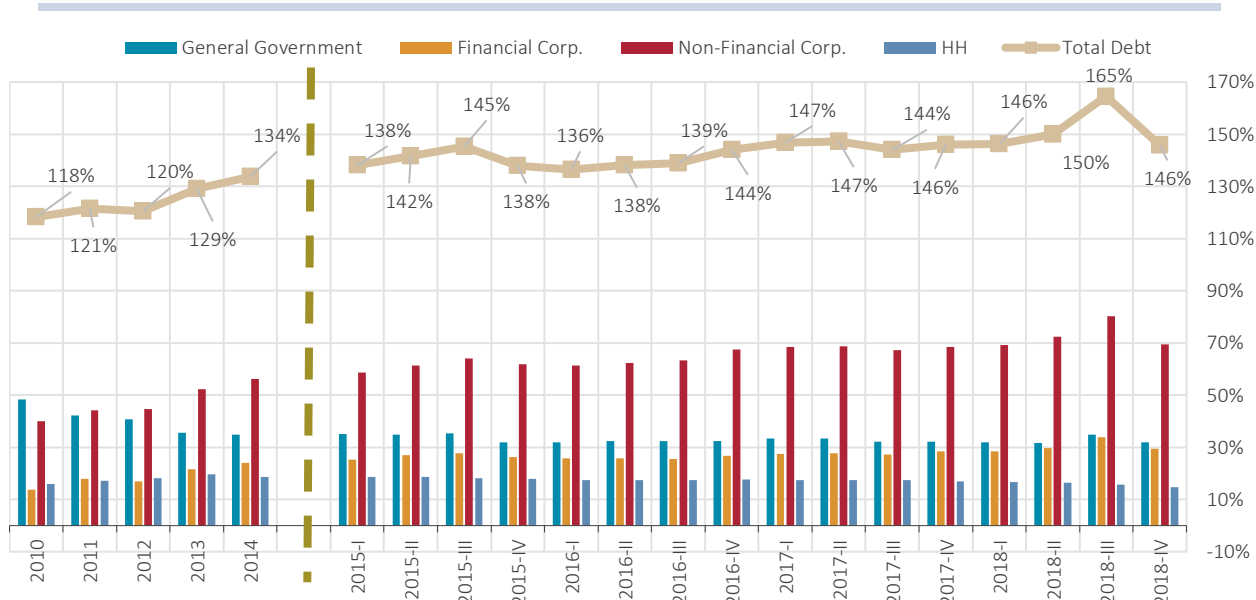
Source: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2018Q3.

## 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 inched down to 146% in the fourth quarter of 2018 (Chart 21).

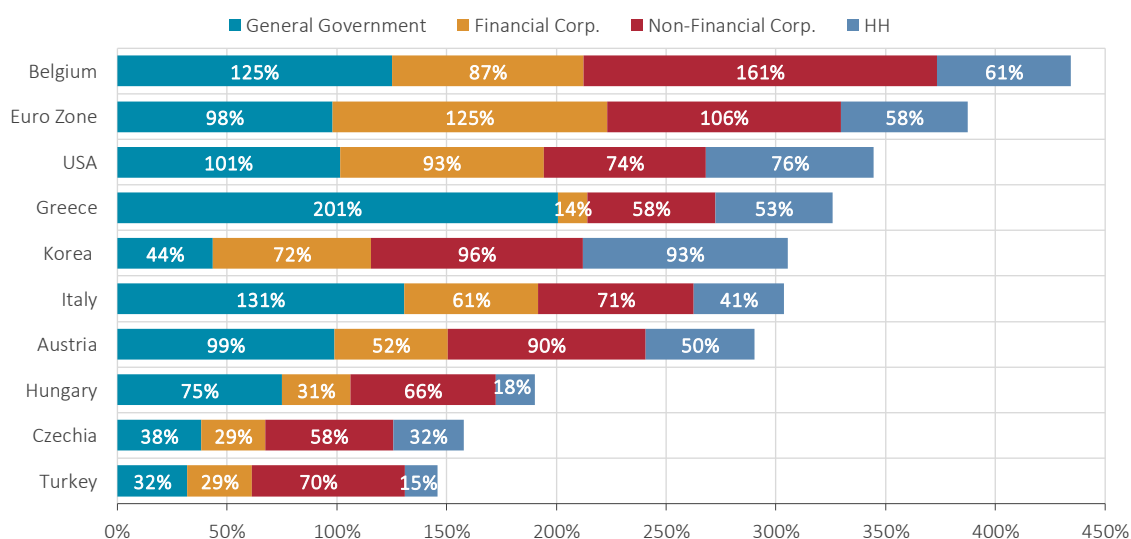
Chart 21: Total Debt of Sectors/GDP, (%) <sup>2\*</sup>



(\*) Debts are composed of loans and government debt securities.  
Source: CBRT, TURKSTAT.

A cross-country comparison of this indebtedness ratio reveals that the total debt of resident sectors in Turkey was low in 2018Q4 (Chart 22).

Chart 22: Cross-Country Comparison of Debt/GDP Ratio by Sectors, (%) (2018Q4)<sup>2\*\*</sup>



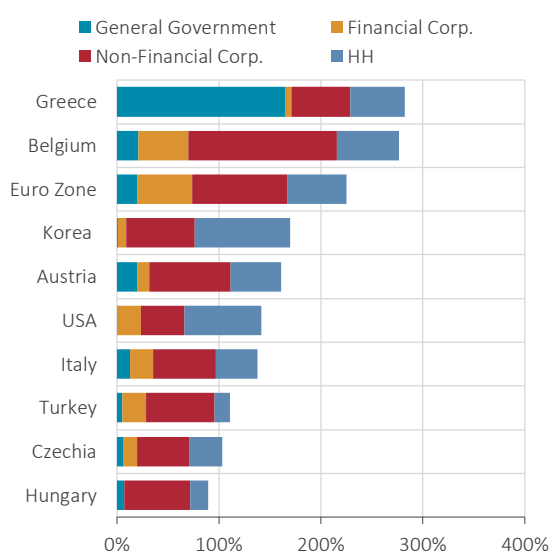
Source: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2018Q3.

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

A cross-country comparison of indebtedness ratios by financial instruments shows that Turkey posted low levels of loan/GDP and debt securities/GDP ratios in 2018Q4. While non-financial corporations constituted the largest sector in terms of loan indebtedness with a ratio of 68% of GDP, the general government stood as the leading sector in debt securities with a ratio of 26% (Charts 23 and 24).

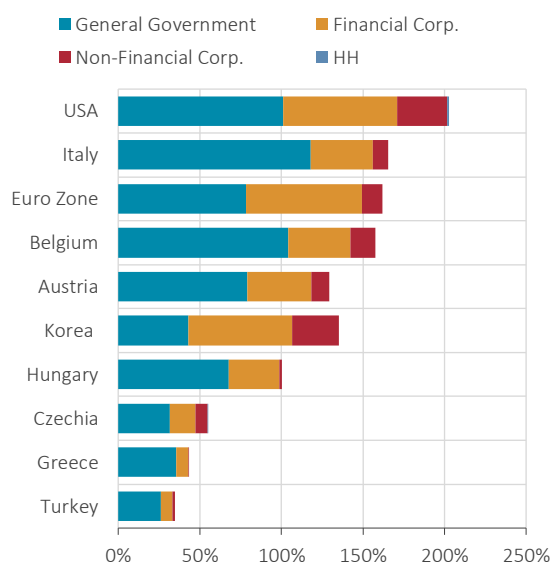
**Chart 23: Cross-Country Comparison of Loan/GDP Ratio by Sectors, (%) (2018Q4)<sup>2</sup>**



Source: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2018Q3.

**Chart 24: Cross-Country Comparison of Debt Sec./GDP Ratio by Sectors, (%) (2018Q4)<sup>2</sup>**



Source: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2018Q3.

## Kutu: Integrated Accounts and the Turkish Practice

### Introduction

The System of National Accounts (SNA 2008)<sup>1</sup>, which devises rules for common concepts, definitions, classifications and accounting principles for international comparison purposes, sets out a framework that enables the recording of all relevant elements of an economy's production, income, final consumption, accumulation of assets and liabilities, and its wealth. Economic flows and stocks are recorded as per institutional sectors and sub-sectors in line with certain accounting rules. The national accounts do not only present an overall balance sheet of the economy, but also classify a number of accounts that consolidate flows of a particular kind such as production as well as generation and distribution of income.

The framework outlined in the SNA 2008 provides a sequence of interconnected accounts representing different types of economic activity taking place within a given period of time, along with balance sheets that record the values of the stocks of assets and liabilities held by each sector at the beginning and end of the period. These statistics, which present non-financial and financial accounts together in an integrated manner and with a breakdown by sectors, thereby analyzing economic welfare as a whole, are named "Institutional Sector Accounts" or "Integrated Accounts". This box presents methodologically the Integrated Accounts – a broad and integrated set of statistics to define a country's economy – and gives information on the Turkish practice as well as the on-going studies.

### Sequence of National Accounts

The sequence of national accounts is broken down into current and accumulation accounts. The current accounts provide information on production, income generated by production, the subsequent distribution and the use of income for consumption and saving purposes. The accumulation accounts, on the other hand, record flows that affect the balance sheets and consist of the capital and financial accounts. In a sequence of accounts starting with production, any deficit or surplus that is transferred to the capital account after the distribution of income generated in current accounts is financed by transactions in financial assets and liabilities in the financial accounts. The following figure outlines the sequence of national accounts (Figure 1).

Figure 1: Sequence of National Accounts



Accumulation accounts are composed of non-financial accounts (indicated “above the line”) and financial accounts (indicated “below the line”). These accounts represent those pertaining to non-financial corporations, financial corporations, general government, households and non-profit institutions serving households and the rest of the world (abroad), classified in compliance with international standards. Non-financial sectors accounts indicated above the line provide information on the uses and resources of current account, production account, generation of income, the primary and secondary distribution of income, use of income, changes in the net value arising from savings and capital transfers and acquisition of non-financial assets within the context of national economies. By contrast, financial accounts indicated below the line represent those that cover financial transactions by sectors, analyze borrowing and financial relationships and those that indicate who finances whom with which tools within an economy. Financial assets of one sector become a liability of another, and reveal the way in which any deficit or surplus in the capital account is financed by financial assets and liabilities, based on resident sectors’ financial transactions carried out with one another and with non-resident ones (Figure 2)

4)

Figure 2: Non-Financial and Financial Accounts within the System of National Accounts

Transactions			Uses							Resources						
			G5	S1	S11	S12	S13	S14-S15	S2	G5	S1	S11	S12	S13	S14-S15	S2
			Goods and Services	Total Economy	Non-Financial Corporations	Financial Corporations	General Government	Households and NPISH	Rest of the World	Goods and Services	Total Economy	Non-Financial Corporations	Financial Corporations	General Government	Households and NPISH	Rest of the World
Non-Financial Accounts	B1G	Gross value added /GDP														
	D1	Compensation of employees														
	D21-D31	Taxes less subsidies on products														
	D29-D39	Other taxes less subsidies on products														
	D4	Property income														
	D5	Current taxes on income, wealth														
	D61	Social contributions														
	D62	Social benefits other than social transfers in kind														
	D7	Other current transfers														
	D8	Adjustment for the change in pension entitlements														
	D9	Net capital transfers														
	K1	Consumption of fixed capital														
	K2	Acquisition of non-financial assets														
	P3	Final consumption expenditure														
	P5	Gross capital formation														
	P6	Exports of goods and services														
	P7	Imports of goods and services														
Financial Accounts	B9	Net lending/ Net borrowing														
	B9F	Net lending/ Net borrowing														
	F1	SDR and monetary gold														
	F2-4	Currency, deposits, loans														
	F3	Debt securities														
	F5	Equity and investment fund shares														
	F6	Insurance, pension and standardized guarantee schemes														
	F7	Financial derivatives and employee stock options														
	F8	Other accounts receivable/payable														

Concerning sector accounts as outlined in Figure 2, the balancing item (net lending/net borrowing (B9f)) of financial accounts is, in theory, envisaged to be equal to the balancing item (net lending/ net borrowing (B9)) of non-financial accounts. A sector's position as a net lender denotes an increase – assuming that there is no change in its valuation as well as asset and liability volume - or net borrower a decrease in its net value, respectively.



### Integrated Accounts in Turkey

In Turkey, the non-financial accounts part of the integrated accounts is compiled and issued by the Turkish Statistical Institute (TURKSTAT) on an annual basis, while the financial accounts part of the same is compiled and issued by the CBRT quarterly. The non-financial accounts were first issued by TURKSTAT in 2016 and the financial accounts by the CBRT in 2012 (issued on an annual basis between 2010 and 2014, and quarterly in 2015 and after).

In order to ensure consistency between non-financial and financial accounts generated by these two institutions, an Integrated Accounts Working Group was set up in 2017 under the coordination of the CBRT. Consisting of authorities and experts from TURKSTAT, the Ministry of Treasury and Finance and the CBRT, the Working Group conducts regular studies relevant to the subject. The aim of these studies is to combine the non-financial and financial accounts, currently issued separately by the TURKSTAT and the CBRT, in a single report called “Turkish Integrated Accounts”.

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