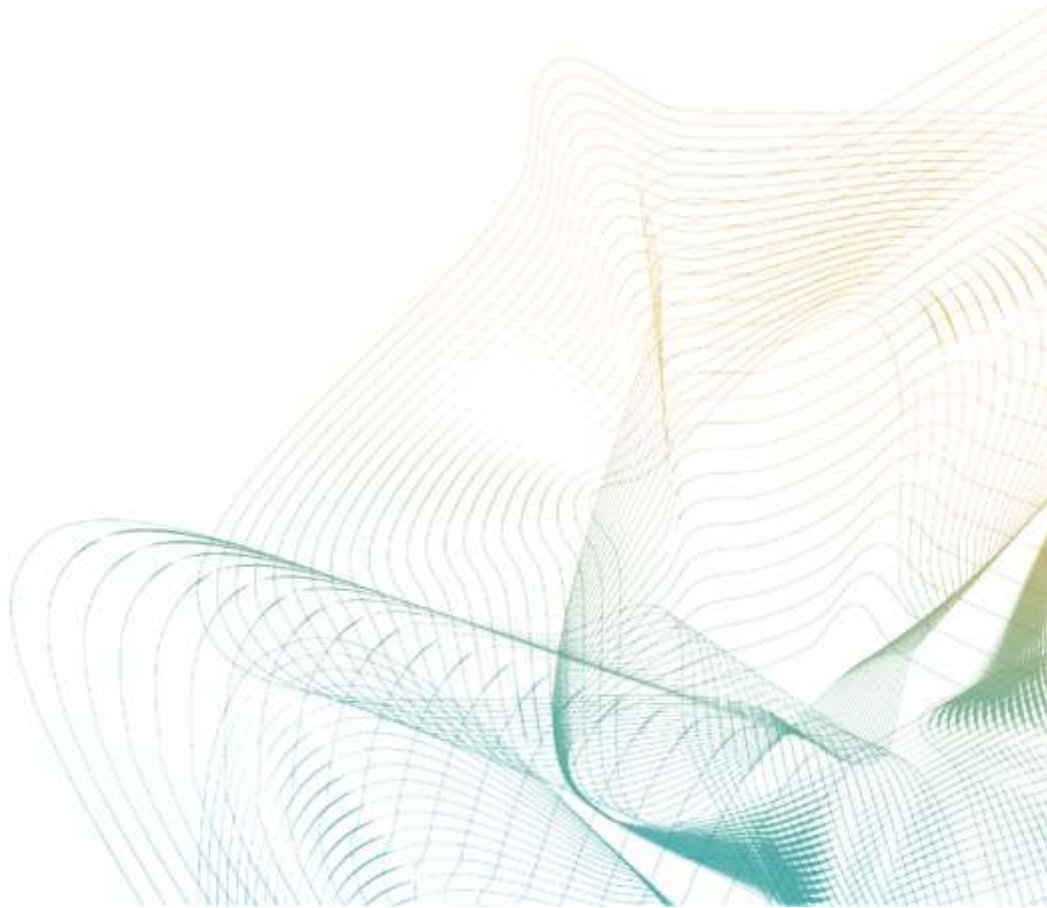


Financial Accounts Report

2020-II



Summary

According to sectoral financial balance sheets, in the second quarter of 2020, sectors' total financial assets and liabilities amounted to TRY 18.2 trillion and TRY 20.7 trillion respectively.

In this period, the ratios of households' and non-financial corporations' debt to GDP came in at 17% and 74%, respectively, preserving Turkey's place among countries with low indebtedness levels in terms of both households and corporations.

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1. Evaluations

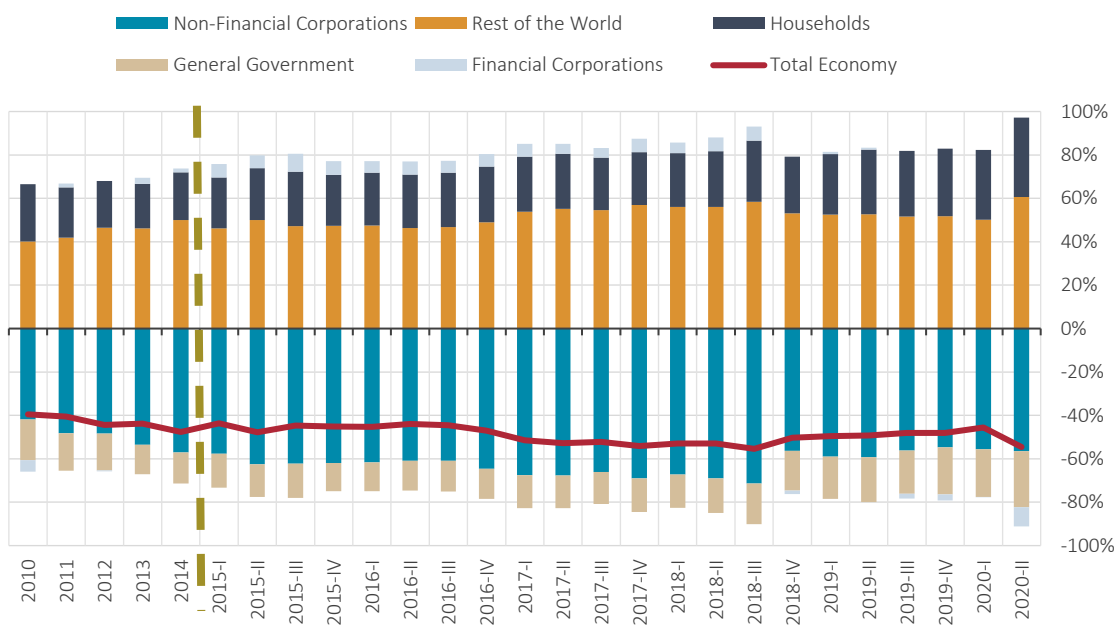
Table 1: Financial Net Worth by Sectors (2020Q2, TRY Billion)^{1,2}

| | Total Economy | Non-Financial Corporations | Financial Corporations | General Government | Households | Rest of the World |
|---------------------|---------------|----------------------------|------------------------|--------------------|------------|-------------------|
| Financial Assets | 18.271 | 7.280 | 7.491 | 1.040 | 2.460 | 1.348 |
| Liabilities | 20.719 | 9.812 | 7.890 | 2.196 | 822 | 4.063 |
| Financial Net Worth | -2.448 | -2.532 | -399 | -1.155 | 1.638 | 2.715 |

Source: CBRT

An analysis of the domestic economy's financial balance sheets by sectors as of 2020Q2 reveals that the total economy is a financial borrower, households and the rest of the world are creditors, and non-financial corporations and the general government are debtors. Meanwhile, due to their financial intermediation activities, financial corporations generated a near-balanced financial net worth (Table 1, Chart 1).

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

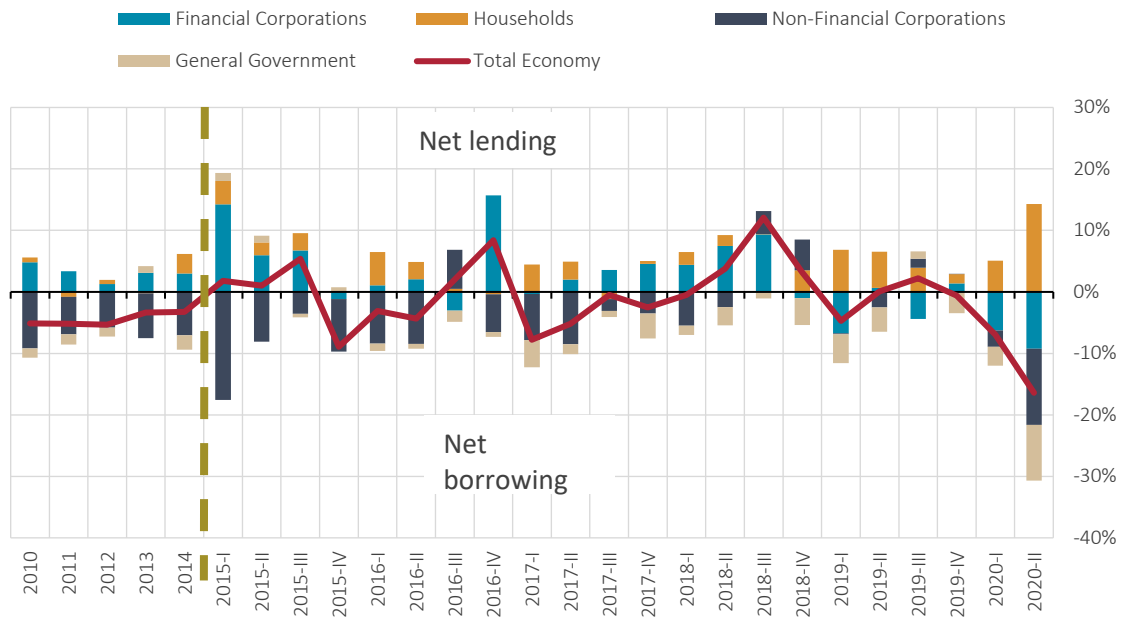


Sources: CBRT, TURKSTAT

¹ 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.

² The households sector also covers non-profit institutions serving households.

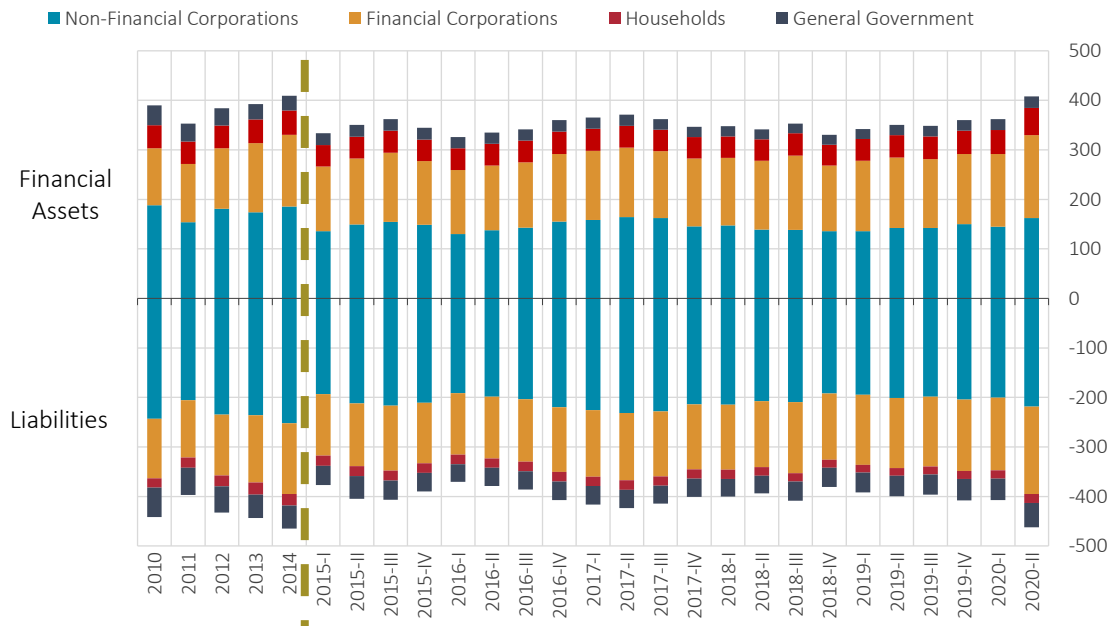
Chart 2: Net Lending/Borrowing (Transaction), Ratio to GDP, by Sectors (%)



Sources: CBRT, TURKSTAT

According to net financial transactions conducted by sectors, the total economy became a net borrower of 16.4% of GDP in the second quarter of 2020, up from 7% of GDP in the previous quarter. In terms of contributions to this ratio, non-financial corporations were the biggest borrower in this quarter, borrowing 12.4% of GDP, followed by financial corporations and the general government with a borrowing of around 9.2% and 9% of GDP, respectively. The households sector, on the other hand, recorded a net lending of 14.3% of GDP (Chart 2).

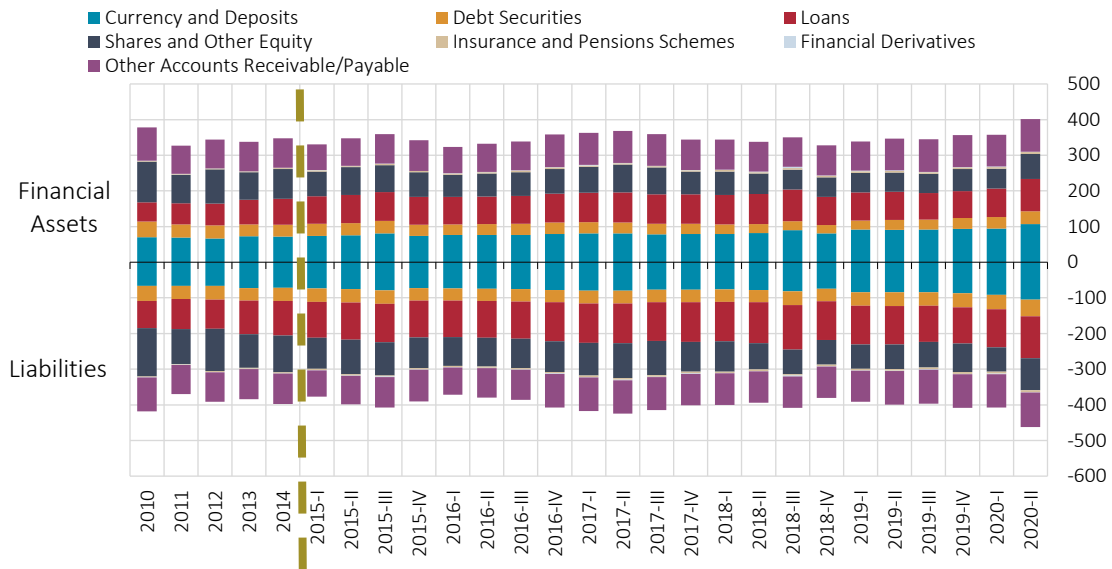
Chart 3: Financial Assets and Liabilities to GDP by Sectors (%)



Sources: CBRT, TURKSTAT.

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

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



Sources: CBRT, TURKSTAT
 (*) Monetary gold and SDR are excluded.

In 2020Q2, the distribution of financial instruments did not change significantly. Currency and deposits, along with other accounts receivable, had the largest weight in assets, while loans and currency and deposits had the largest weight in liabilities (Chart 4).

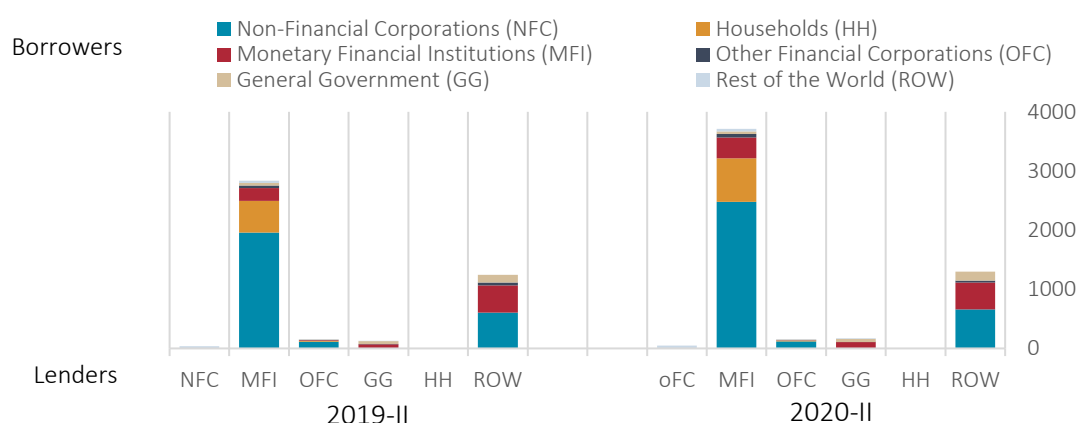
2. From-Whom-to-Whom (Deposits and Loans)

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

From-whom-to-whom matrices of loans indicate no major change in inter-sectoral connections in 2020Q2 compared to the same period of the previous year. The strongest connection occurred between non-financial corporations and monetary and financial institutions. The latter extended a total of TRY 3,710 billion worth of loans, of which TRY 2,480 billion was granted to non-financial corporations and TRY 731 billion to households. Domestic sectors borrowed TRY 1,298 billion from the rest of the world, out of which non-financial corporations received TRY 660 billion, and monetary and financial institutions received TRY 452 billion (Chart 5).

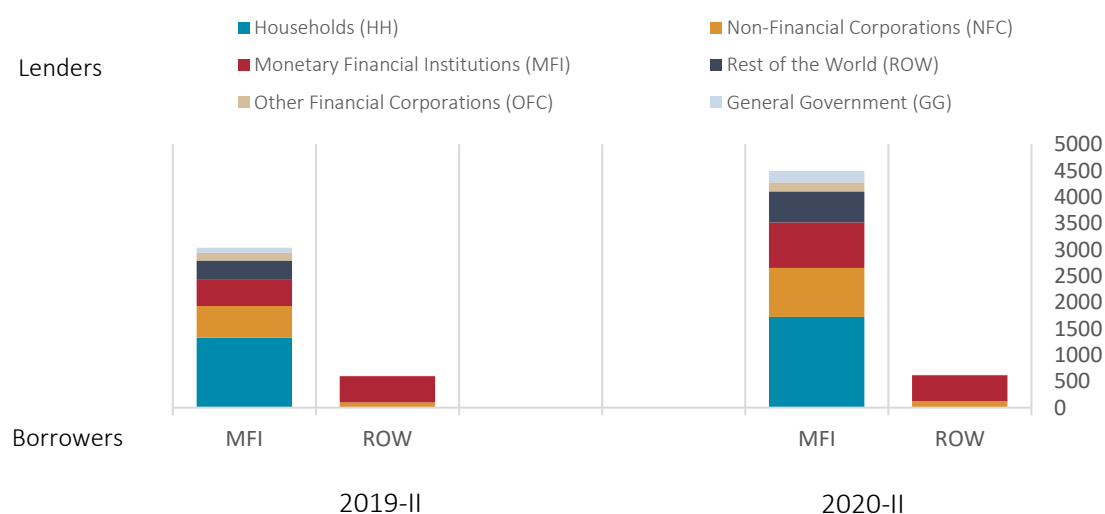
In 2020Q2, of the total TRY 5,108 billion worth of deposits, TRY 4,494 billion were taken by monetary and financial institutions and TRY 614 billion by the rest of the world. A large portion of deposits taken by monetary and financial institutions belongs to households (TRY 1,720 billion) and non-financial corporations (TRY 930 billion). Meanwhile, the majority of deposits taken by the rest of the world (TRY 487 billion) was opened by monetary and financial institutions (Chart 6).

Chart 5: Loans, From-Whom-to-Whom (2020Q2, TRY billion)



Source: CBRT

Chart 6: Deposits, From-Whom-To-Whom (2020Q2, TRY Billion)

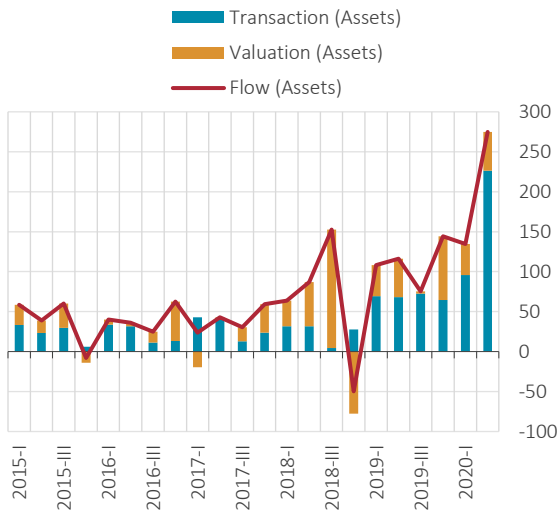


Source: CBRT

3. Households

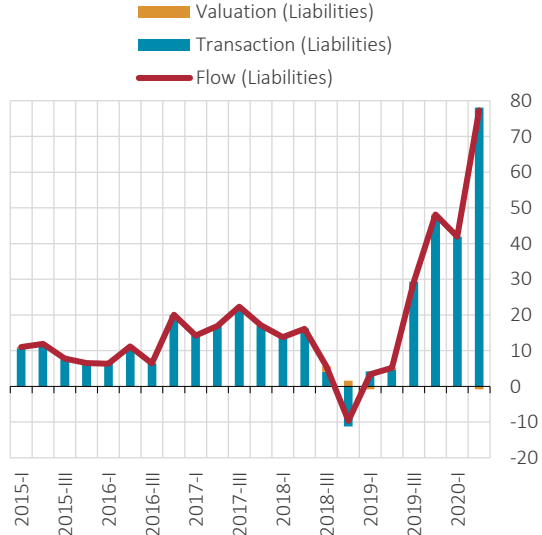
In 2020Q2, household financial assets increased by TRY 274 billion quarter-on-quarter, TRY 48 billion of which was driven by valuation and TRY 226 billion by transactions (Chart 7). Likewise, household financial liabilities recorded a quarter-on-quarter increase of TRY 77 billion, almost all of which resulted from the increase in transactions (Chart 8).

Chart 7: Financial Assets, Flow (TRY Billion)



Source: CBRT

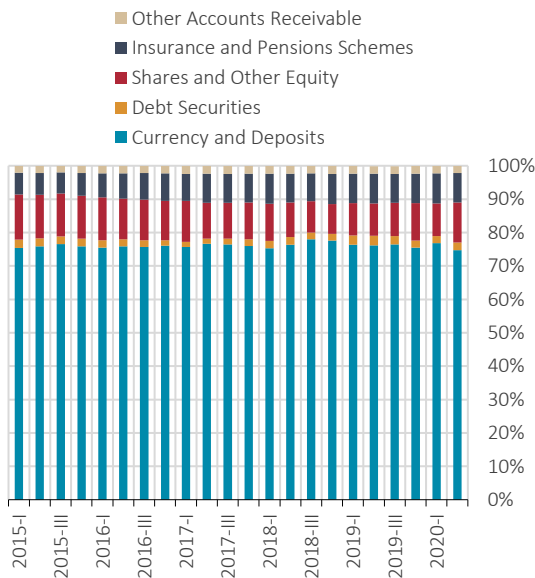
Chart 8: Liabilities, Flow (TRY Billion)



Source: CBRT

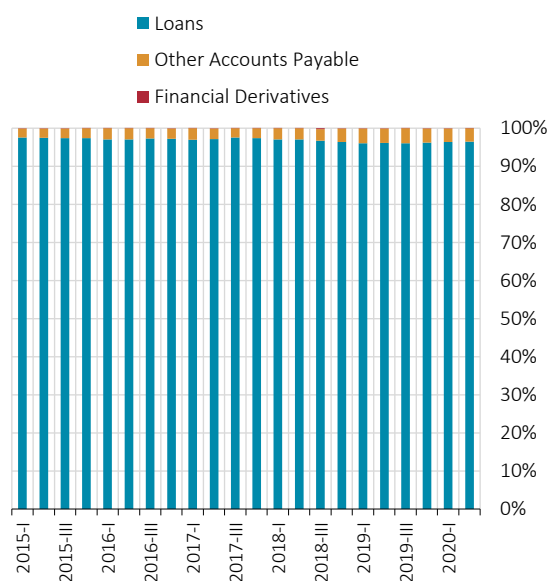
In 2020Q2, the distribution of household financial instruments did not change significantly. The leading instrument in household financial assets was deposits with a share of 75%, followed by shares and other equity (Chart 9). As for household liabilities, almost all of them were composed of loans (Chart 10).

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



Source: CBRT

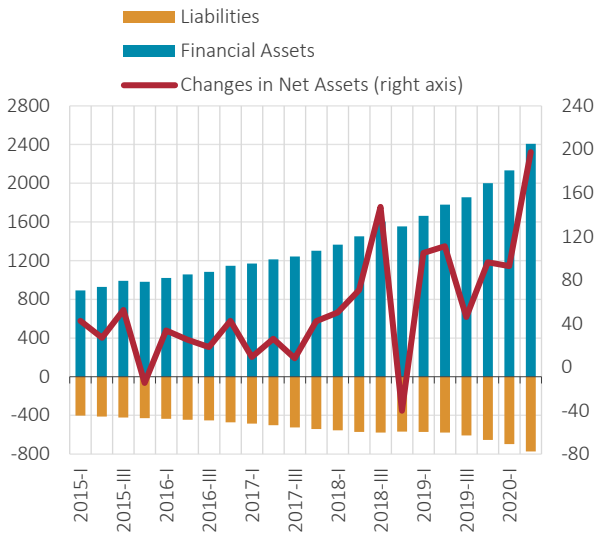
Chart 10: Breakdown of Liabilities by Instruments (%)



Source: CBRT

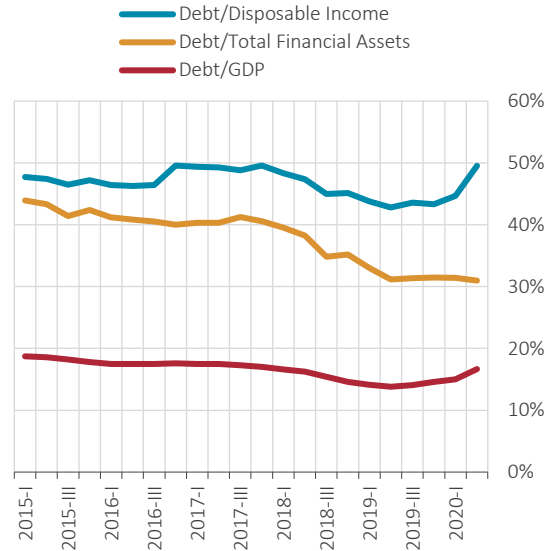
In 2020Q2, household financial net worth increased by TRY 197 billion (Chart 11). Household indebtedness indicators suggest that the ratios of household debt to GDP and to disposable income increased slightly to 16.7% and 49.5%, respectively on a quarterly basis, whereas the ratio of debt to total financial assets remained flat at 31%. (Chart 12).

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



Source: CBRT

Chart 12: Household Debt* (%)

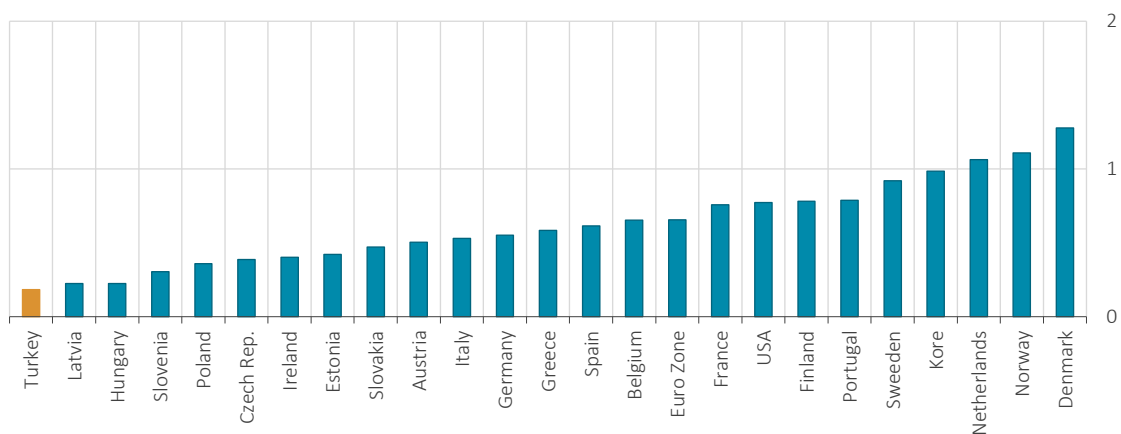


Sources: CBRT, TURKSTAT

*Household debt is composed of loans.

The ratio of household liabilities to GDP indicates that Turkey stood out as the country with the lowest level of indebtedness among the countries compared in 2020Q2 (Chart 13).

Chart 13: Household Liabilities/GDP, Comparison*



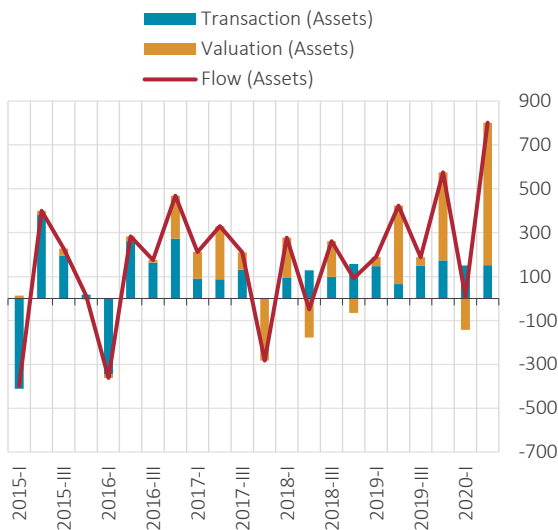
Sources: CBRT, TURKSTAT, OECD

(*) Other country data is as of 2020Q1.

4. Non-Financial Corporations

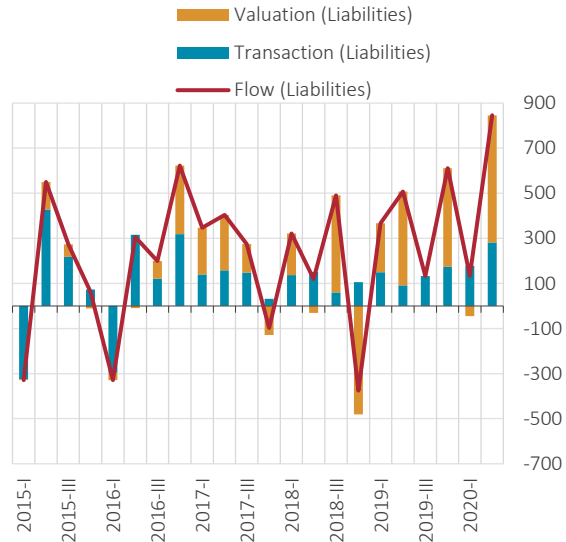
Meanwhile, in the second quarter of 2020, financial assets of non-financial corporations increased by TRY 801 billion quarter-on-quarter. The positive contribution to this rise came from the TRY 649-billion increase in valuation, while transactions increased by TRY 152 billion (Chart 14). Meanwhile, liabilities of non-financial corporations increased by TRY 846 billion, which was driven by TRY 564 billion-rise in valuation stemming from changes in exchange rate and market prices as well as an increase in transactions worth TRY 281 billion (Chart 15).

Chart 14: Financial Assets, Flow (TRY Billion)



Source: CBRT

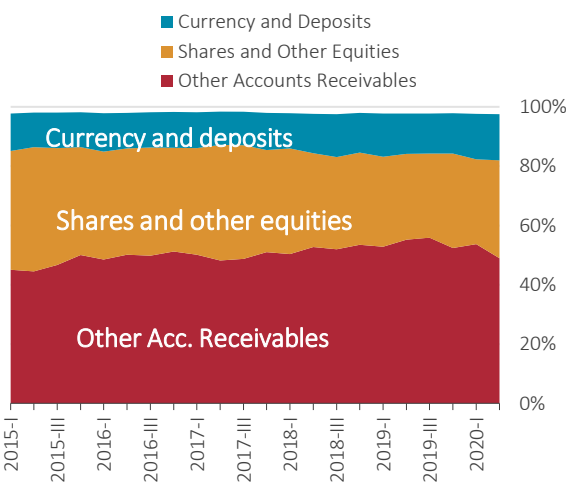
Chart 15: Liabilities, Flow (TRY Billion)



Source: CBRT

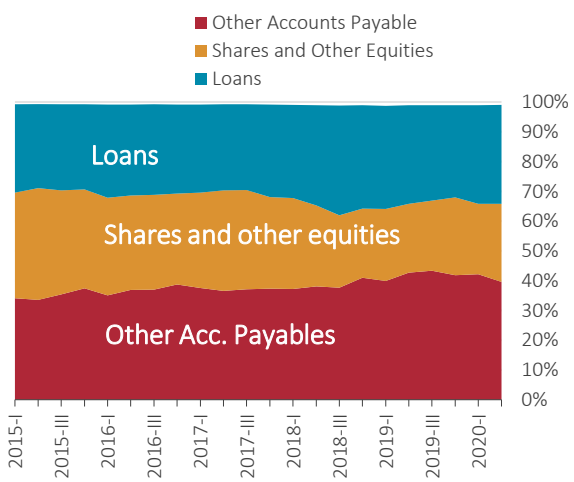
In 2020Q2, no significant change was observed in the distribution of non-financial corporations' financial transactions. The most important item on the assets side was the other accounts receivable item (49%) composed of the sum of trade credits and advances and other items. The share of the shares and other equity item was 33%, and that of currency and deposits was 16% (Chart 16). On the liabilities side, the share of other accounts payable stood at 40% while the share of loans was 33%. The share of financing through the shares and other equity item was 26% (Chart 17).

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



Source: CBRT

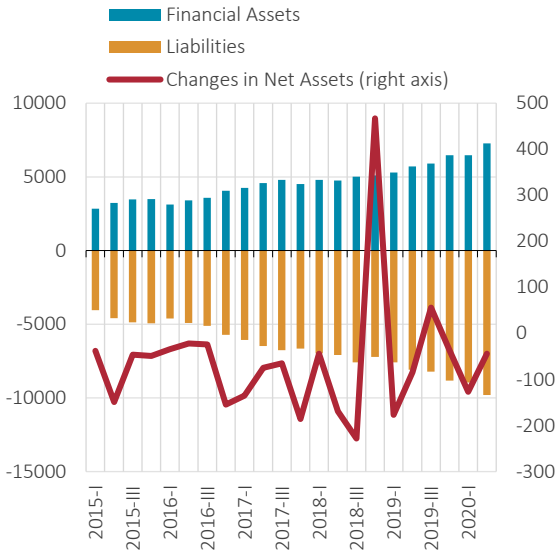
Chart 17: Breakdown of Liabilities by Instruments (%)



Source: CBRT

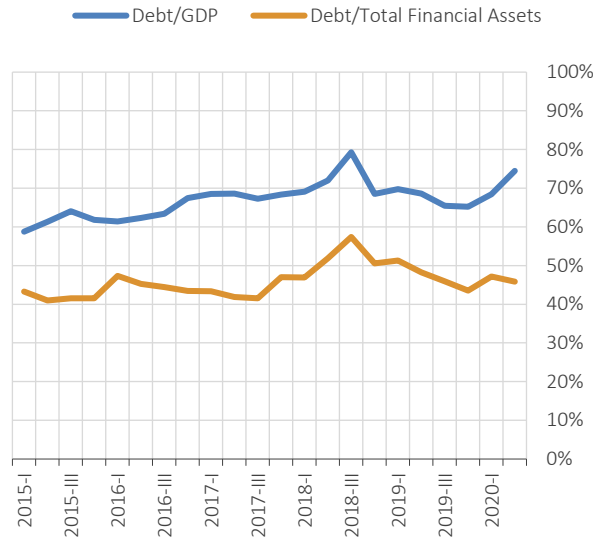
In 2020Q2, the financial net worth of non-financial corporations decreased by TRY 44 billion quarter-on-quarter (Chart 18). Meanwhile, the ratio of non-financial corporations' debt to GDP increased quarter-on-quarter to 74%. In the same quarter, the ratio of non-financial corporations' debt to total financial assets decreased by 2% to 45% (Chart 19).

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



Source: CBRT

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

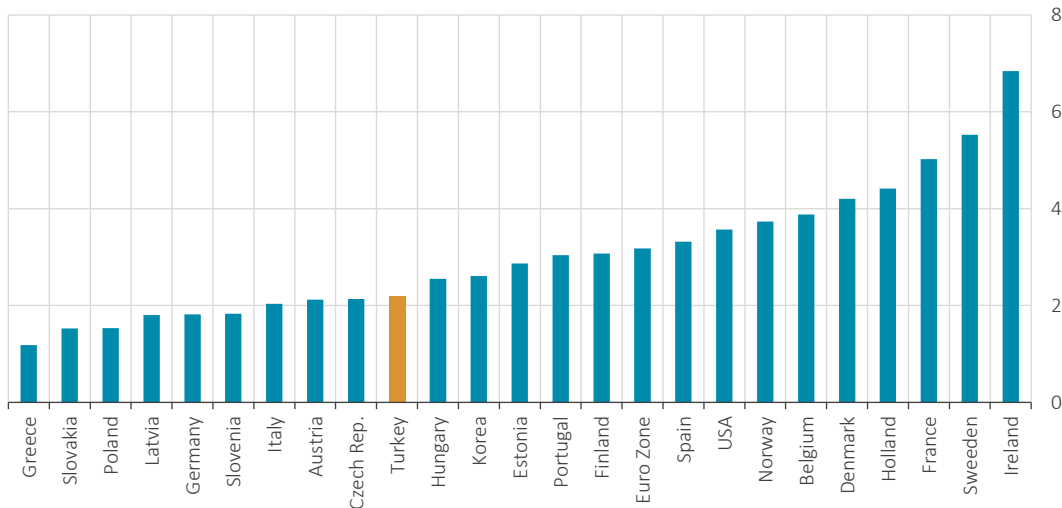


Sources: CBRT, TURKSTAT.

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

A cross-country comparison of non-financial corporations' liabilities to GDP ratios shows that in 2020Q2, Turkey was among the countries with low indebtedness levels (Chart 20).

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



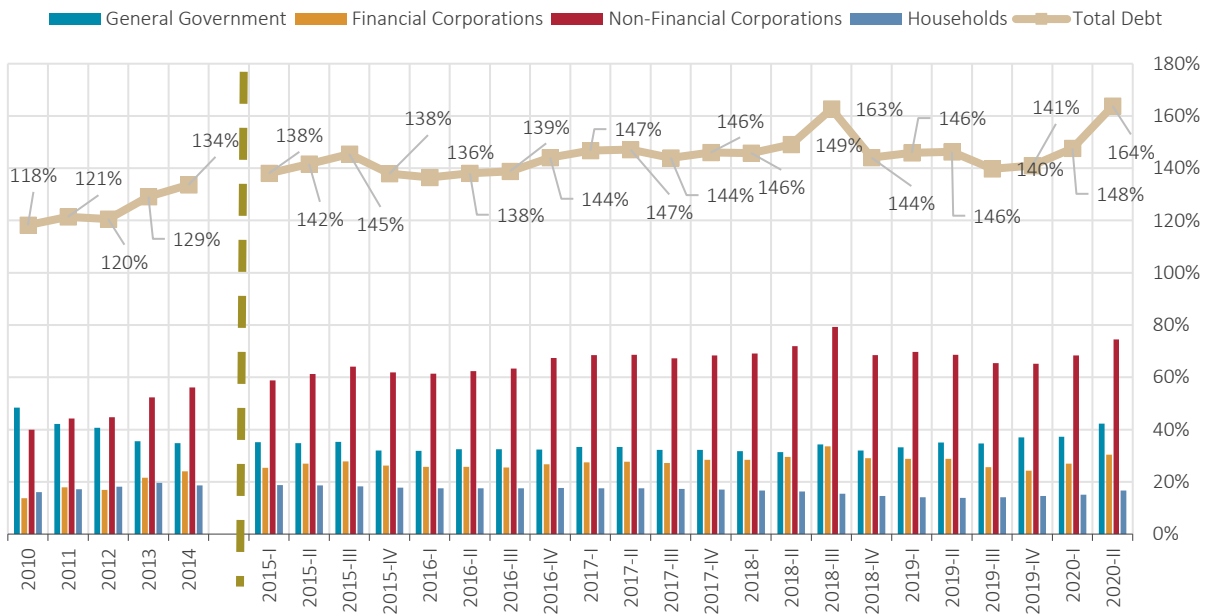
Sources: CBRT, TURKSTAT, OECD.

(*) Other country data is as of 2020Q1.

5. Total Debt of Resident Sectors

The ratio of resident sectors' financial accounts-defined total debt, which is the sum of loans they utilize and the debt securities they issue, to GDP increased to 164% in 2020Q2. (Chart 21).

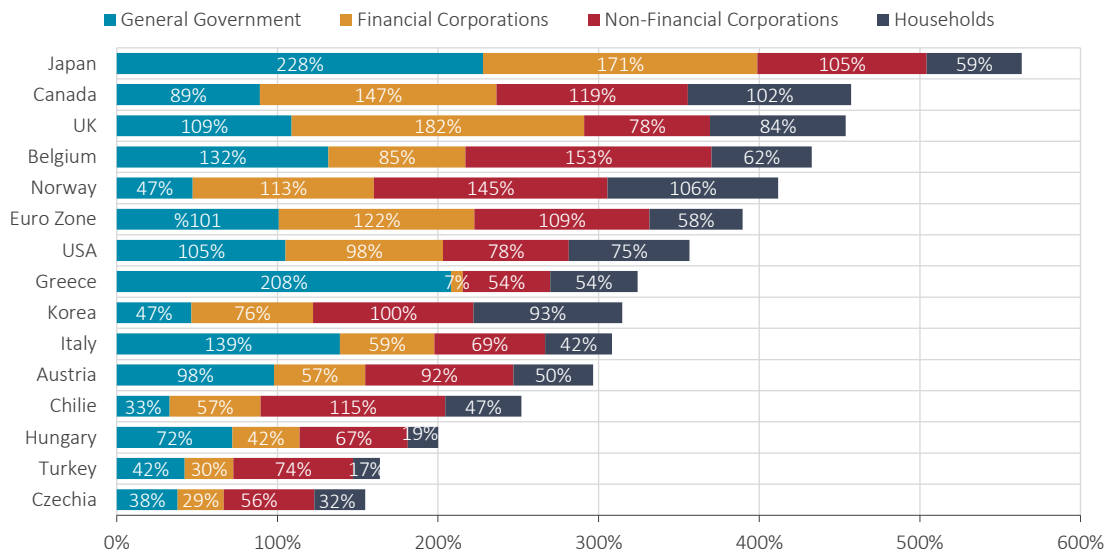
Chart 21: Total Debt of Sectors/GDP, (%) *



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

A cross-country comparison of this indebtedness ratio reveals that the total debt of resident sectors in Turkey was low in 2020Q2 (Chart 22).

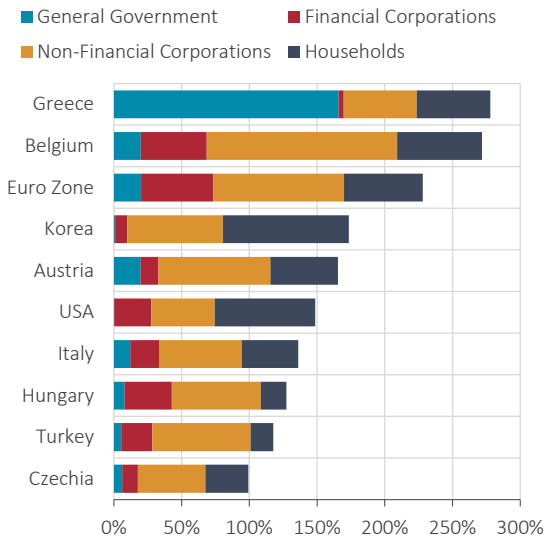
Chart 22: Cross-Country Comparison of Debt/GDP Ratio by Sectors, (%) (2020Q2) **



Sources: CBRT, TURKSTAT, OECD.
(*) Other country data is as of 2020Q1.
(**) Debts are composed of loans and debt securities.

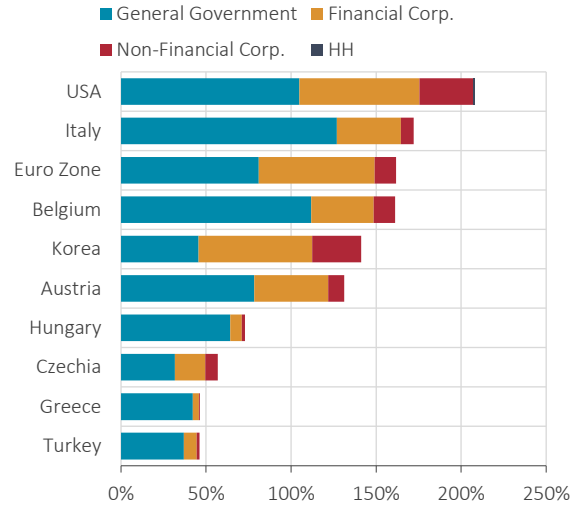
A cross-country comparison of indebtedness ratios by financial instruments shows that Turkey posted relatively low levels of loan/GDP and debt securities/GDP ratios in 2020Q2. While non-financial corporations was the largest sector in terms of loan indebtedness with a ratio of 72% of GDP, the general government stood as the leading sector in debt securities with a ratio of 37% (Charts 23 and 24).

Chart 23: Cross-Country Comparison of Loan/GDP Ratio by Sectors, (%) (2020Q2)



Sources: CBRT, TURKSTAT, OECD.
 (*) Other country data is as of 2020Q1.

Chart 24: Cross-Country Comparison of Debt Sec./GDP Ratio by Sectors, (%) (2020Q2)



Sources: CBRT, TURKSTAT, OECD.
 (*) Other country data is as of 2020Q1.