TÜRKİYE CUMHURİYET MERKEZ BANKASI

2014

Financial Accounts Report

Statistics Department
Monetary and Financial Data Division

Contents

I. Introduction

The Financial Accounts (FA) are compiled under the coordination of the Central Bank of the Republic of Turkey (CBRT) and in cooperation with the stakeholders as defined in the Official Statistics Program[1]. In 2014, households and non-profit institutions serving households and the rest of the world (foreign creditors) were incorporated into the FA and thus, the FA has for the first time become inclusive of all economic sectors.

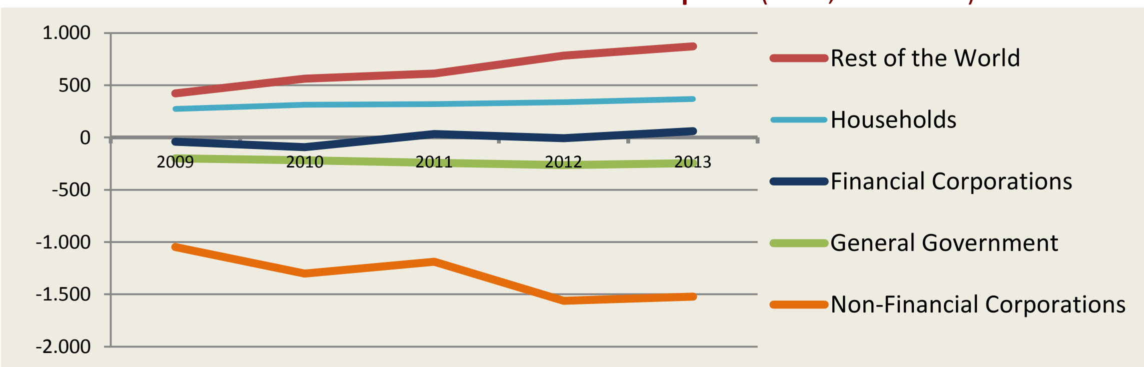
Table 1. Financial Net Worth by Sectors
(2013, billion TRY)

	Non-Financial Corporations	CBRT	Other Monetary Financial Institutions (Other MFI)	Insurance Companies and Pension Funds	Financial Intermediaries and Auxiliaries	Central Government	Local Governments	Social Security Institutions	Households	Non-Profit Institutions Serving Households	Rest of the World
Financial Assets	1339	345	1683	63	123	294	58	132	730	23	1331
Financial Liabilities	2862	337	1651	63	102	661	54	14	362	6	458
Financial Net Worth	-1522	8	31	0	20	-367	3	119	368	17	872

*Other Monetary Financial Institutions' are composed of Banks and B-Type Liquid Funds.
Source: CBRT

An analysis of financial net worth by sectors in 2013 reveals that the non-financial corporations i.e., the corporate sector, was the most indebted sector with a total debt of TRY 1,522 billion followed by the central government with TRY 367 billion. The biggest creditor to the domestic sector was the "rest of the world", in other words, foreign creditors. Meanwhile, households financed other sectors by TRY 368 billion (Table 1).

Chart 1. Financial Deficit and Financial Surplus* (2013, billion TRY)



* The financial net worth of non-profit institutions serving households is not shown as it is close to zero.
Source: CBRT

Between 2009 and 2013, while households and the rest of the world generated a financial surplus, non-financial corporations and the central government had a financial deficit. Financial corporations, which were debtors in 2009 and 2010, remained at balance. The non-financial corporations sector was the most volatile one; having recorded an increasing financial deficit in 2010 and 2011, which later stabilized around TRY 1,500 billion (Chart 1).

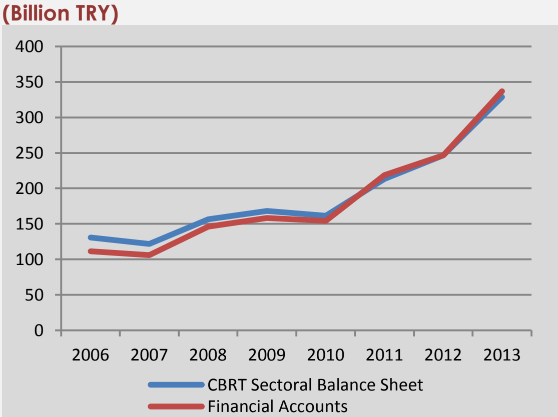
[1] Official Statistics Program 2012-2016

BOX 1 CONSISTENCY BETWEEN FINANCIAL ACCOUNTS AND OTHER STATISTICS

Financial Accounts (FA) are secondary statistics derived from various data sources and statistics. The consistency of financial accounts with other data sets is ensured by international standards for statistics[2] which is accepted as an indicator of quality. This box presents an analysis of the consistency of the related sectors of the FA with the CBRT Sectoral Accounts, Money and Banking Statistics and the International Investment Position. In this framework, (i) CBRT financial accounts are compared with the CBRT Sectoral Accounts; (ii) accounts of other monetary financial institutions are compared with the Money and Banking Statistics; and (iii) financial accounts of the rest of the world are compared with the International Investment Position (IIP) statistics.

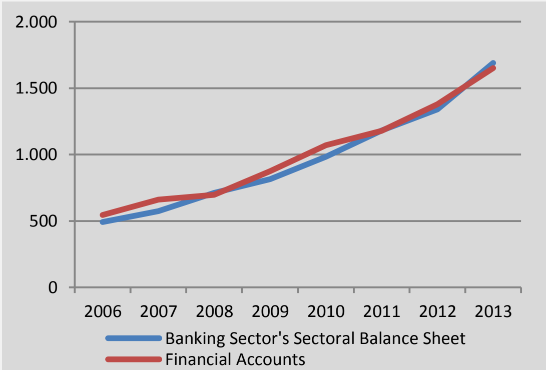
A comparison of the banking sector's (other MFI's) total sectoral balance sheet derived from Money and Banking Statistics with the FA (liabilities) reveals that these two series move in parallel direction. Negligible differences between amounts arise particularly from the valuation difference in shares and the exclusion of provisions and non-financial liabilities from financial accounts (Chart 1 and Chart 2).

Chart 1. CBRT Balance Sheet Total: Financial Accounts and CBRT Sectoral Balance Sheet (Billion TRY)



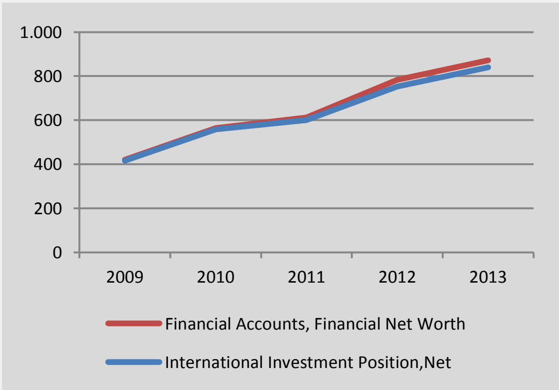
Source: CBRT

Chart 2. Banking Sector's Balance Sheet Total: Financial Accounts and Money and Banking Statistics (Billion TRY)



Source: CBRT

Chart 3. Rest of the World Balance Sheet Total: Financial Accounts and International Investment Position (Billion TRY)



Source: CBRT

[2] The United Nations System of National Accounts (SNA), European System of Accounts (ESA)

Comparison between IIP and FA statistics for the rest of the world sector shows that they are consistent. However, it should be noted that while the FA classifies data based on ownership, IIP classifies data based on residency; therefore, there exists a fundamental difference between the approaches of two data sets. Accordingly, the differences between amounts are believed to stem from how the CBRT accounts are handled. That is to say, the CBRT accounts, which are presented as reserve assets in IIP, are presented under the related instrument in the FA. Meanwhile, the monetary gold and SDR[3], which are presented as reserve assets in IIP, are presented under the CBRT table in the FA.

[3] Special Drawing Rights (SDR)

II. Financial Corporations

Table 2. Financial Corporations Sector -"Who-to-Whom" Table
(2013, billion TRY)

	Creditor Sectors: Assets											
Debtor Sectors: Liabilities	CBRT	Other Monetary Financial Institutions (Other MFI)	Financial Intermediaries and Auxiliaries	Insurance Companies and Pension Funds	**Financial Corporations Total**	Non-Financial Corporations	General Government	Households	Non-Profit Institutions Serving Households	**Domestic Total**	Rest of the World	**TOTAL**
CBRT	0,0	206,6	0,1	1,8	**208,5**	4,3	43,8	63,8	0,5	**321,0**	15,9	**336,8**
Other Monetary Financial Institutions (Other MFI)	50,8	54,3	35,6	30,4	**171,1**	346,8	120,8	554,0	23,6	**1216,3**	435,0	**1651,3**
Financial Intermediaries and Auxiliaries	0,0	28,4	2,2	0,1	**30,7**	11,5	14,2	15,1	0,0	**71,5**	30,8	**102,4**
Insurance Companies and Pension Funds	0,0	0,3	0,5	10,7	**11,6**	9,6	0,4	40,2	0,0	**61,8**	1,4	**63,2**
Financial Corporations Total	**50,8**	**289,6**	**38,4**	**43,0**	**421,9**	**372,2**	**179,3**	**673,1**	**24,1**	**1670,5**	**483,1**	**2153,7**

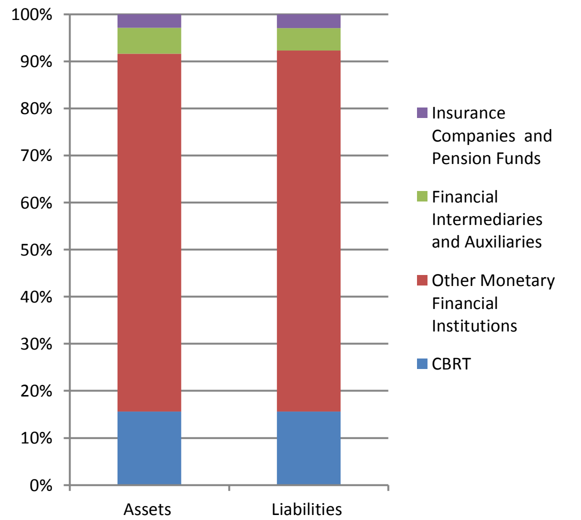
Source: CBRT

The "Who-to-Whom" table brings forward the third dimension of financial accounts. The table makes it possible to track which sector owes another sector or is owed by a particular sector. Table 2 gives the same information by sub-sectors.

Of the financial liabilities of financial corporations, 78 percent is made up of debt to domestic sectors and the remaining 22 percent is composed of debt to foreign sectors (i.e. rest of the world). The table shows that the overall financial transactions between financial corporations amount to approximately TRY 422 billion. Of this amount, TRY 171 billion originates from transactions of other MFI, of which TRY 54 billion accounts for domestic interbank transactions. Of the financial liabilities of other MFI, TRY 554 billion is owed to households, TRY 435 billion to foreign creditors, TRY 347 billion to non-financial corporations and TRY 121 billion to general government (Table 2).

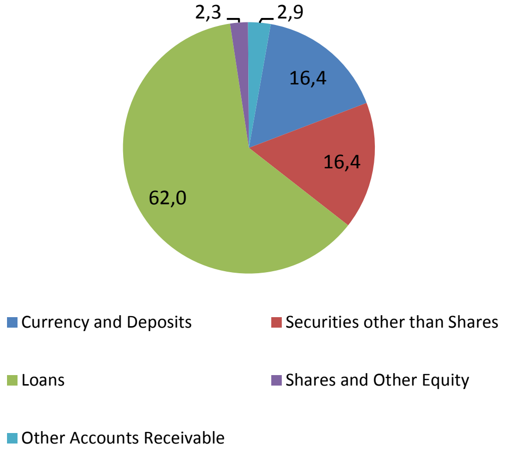
The other MFI sector has a determining role in the financial corporations sector, with a share of 76 percent. The share of the CBRT in the sector stood at 15 percent on both assets and liabilities sides (Chart 2).

Chart 2. Financial Assets and Liabilities of Financial Corporations - Breakdown by Sub-Sectors (2013,percent share)



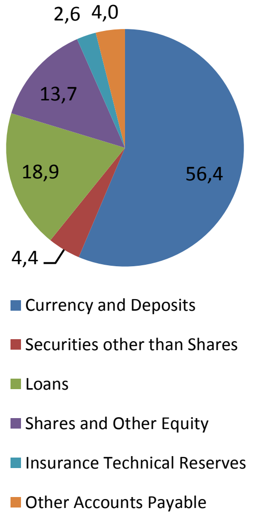
Source: CBRT

Chart 3. Financial Asset Structure of Financial Corporations (2013, percent share)



Source: CBRT

Chart 4. Financial Liability Structure of Financial Corporations (2013, percent share)



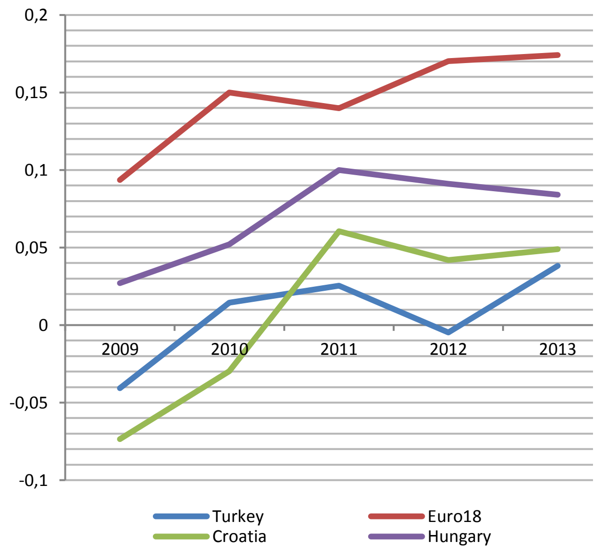
Source: CBRT

Financial assets of financial corporations are largely composed of loans. 'Loans' are followed by the 'currency and deposits' and the 'securities other than shares', with a share of 16 percent each (Chart 3).

Meanwhile, the 'currency and deposits' had a determining role in the liability structure of financial corporations (56 percent). The share of loans was 19 percent and the share of 'shares and other equity' was 14 percent (Chart 4).

When Turkey is compared with other countries, the ratio of financial corporations' financial net worth to GDP was positive in 2010, 2011 and 2013 and it was negative in 2009 and 2012. In euro area countries, this ratio is positive and generally in an uptrend (Chart 5).

Chart 5. Ratio of Financial Corporations' Financial Net Worth to GDP – Comparison



Source: CBRT, ECB

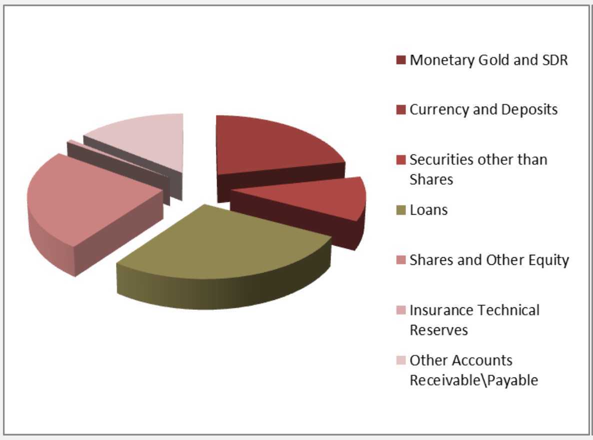
BOX 2 ANALYZING LOANS AS A FINANCIAL INSTRUMENT

Financial Accounts statistics are an important data source in monitoring and analyzing financial stability as they contain comprehensive data with a breakdown by sectors, instruments, maturities and currency type and allow identifying the financial links between sectors. Meanwhile, the “loans” is closely monitored as a financial instrument having a distinctive role in financial transactions and in the debtor-creditor relationship. This box presents an analysis of the indebtedness of non-financial corporations and households based on loan data for 2013 compiled in the scope of the FA.

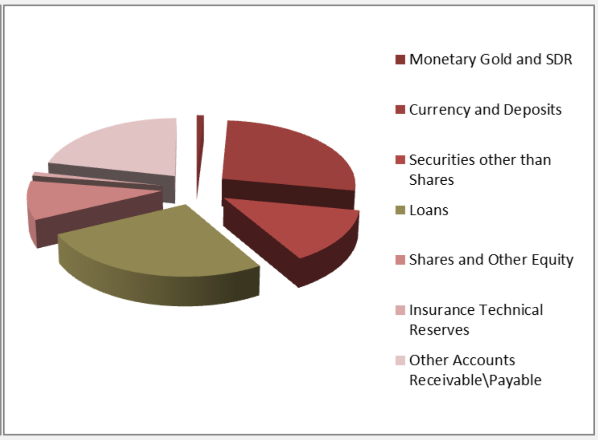
The loans in the FA is defined in a broader scope than the Money and Banking Statistics, in compliance with the European System of Accounts (ESA95) methodology. It covers cash loans, housing loans, past-due loans, receivables from reverse repo transactions, consumer loans and trade credits as well as financial leasing transactions. Accordingly, a breakdown of financial instruments obtained via consolidation of all sectors suggests that the loans, the currency and deposits and the securities other than the shares in total assets are 26 percent, 27 percent and 13 percent, respectively. On the liabilities side, the loans account for approximately 28 percent and the currency and deposits account for 22 percent (Chart 1).

Chart 1. Breakdown of Financial Instruments (2013, Percentage Share)

Assets



Liabilities



Source: CBRT.

The "Who-to-Whom" table, which shows the financial links between sectors, is prepared in the scope of FA statistics. This table enables tracking the debtor-creditor relationship between sectors. A closer look at the Who-to-Whom table for loans for 2013 reveals that almost 60 percent of total loans utilized in Turkey was extended by other monetary financial institutions (MFI) composed predominantly of banks, while 33 percent was obtained from foreign creditors. In terms of creditor-debtor categorization, approximately 2/3rd of loans provided by the other MFI were extended to non-financial corporations and the remaining portion was extended to households. The debtor categorization is also the same for loans received from foreign creditors (Table 1).

Table 1. "Who-to-Whom" Table of Loans by Sectors (2013, Billion TRY)

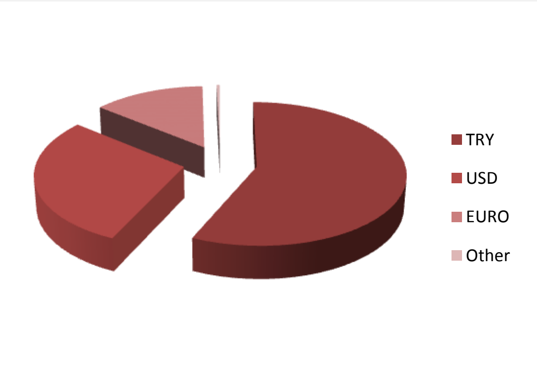
Debtor Sectors: Liabilities	Creditor Sectors: Assets CBRT	Other MFI	Financial Intermediaries and Auxiliaries	Insurance Companies and Pension Funds	General Gov. *	Rest of the World	TOTAL
Non-Financial Corporations	0.0	677.3	54.0	0.0	-	196.9	928.2
Other MFI	52.3	27.8	3.4	1.8	-	187.4	272.7
Financial Intermediaries and Auxiliaries	0.0	16.8	0.2	0.0	-	19.4	36.3
Insurance Companies and Pension Funds	0.0	0.2	0.0	0.0	-	0.0	0.2
General Government	0.0	14.0	0.0	0.0	-	68.6	82.6
Households	0.0	344.3	10.2	0.2	-	0.0	354.7
Rest of the World	3.3	6.9	2.4	0.0	-	0.0	12.6
TOTAL	55.6	1,087.3	70.2	2.0	46.3	472.3	1,733.7

* No counterpart sector.
Source: CBRT

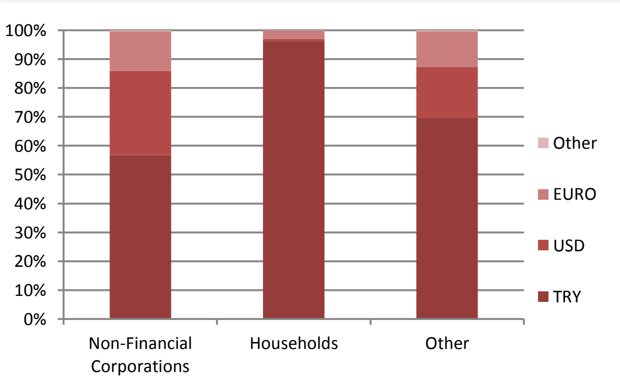
A breakdown of loans by currency suggests that loans are dominated by TRY loans. Of total loans, 73 percent was TRY-denominated, 17 percent was USD-denominated and 9 percent was euro-denominated. According to an evaluation of sector-based detailed data, 57 percent of the loans used by non-financial corporations was TRY-denominated, 29 percent was USD-denominated and 13 percent was euro-denominated (Chart 2).

Chart 2. Breakdown of Loans by Currency* (2013, Percentage Share)

Total Loans



By Sectors

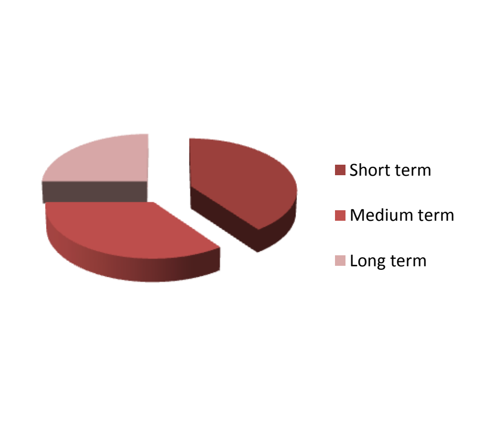


* Loans extended by banks only.
Source: CBRT

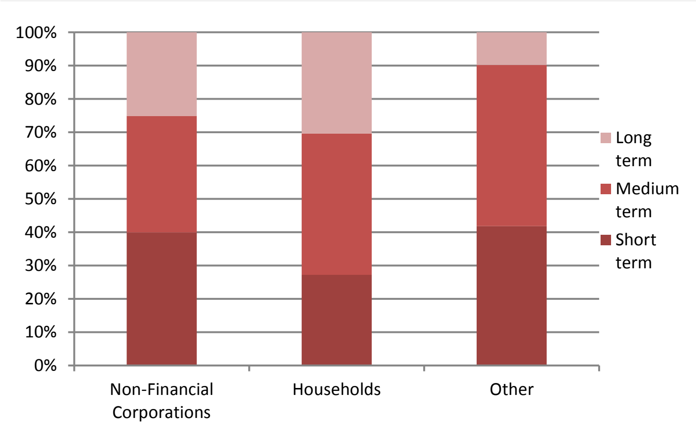
A breakdown of loans by maturities shows that loans with medium and short-term maturities had the largest share. On the other hand, an analysis of data by sectors reveals that the corporate sector met 40 percent of its financing need by short-term loans and 60 percent by medium and long-term loans. Medium-term loans had a dominant share in household borrowing as well (43 percent) (Chart 3).

Chart 3: Breakdown of Loans by Maturity* (2013, Percentage Share)

Total Loans



By Sectors



*Loans extended by banks only.
Source: CBRT

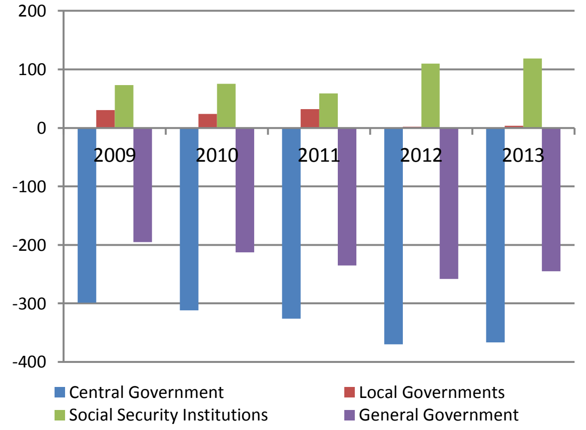
To conclude, an analysis of the Financial Accounts statistics in terms of the loans suggests that loans as a financial instrument have a determining role in the creditor-debtor relations between sectors. According to data broken down by sectors, primary fund flows are from the banking sector to non-financial corporations, followed by households, and borrowing through loans is concentrated on medium-term TRY loans.

III. General Government

In the 2009-2013 period, the general government was a net borrower mainly driven by the financial position of the central government. Meanwhile, local governments and social security institutions[4] remained as net financial lenders in the said period (Chart 6).

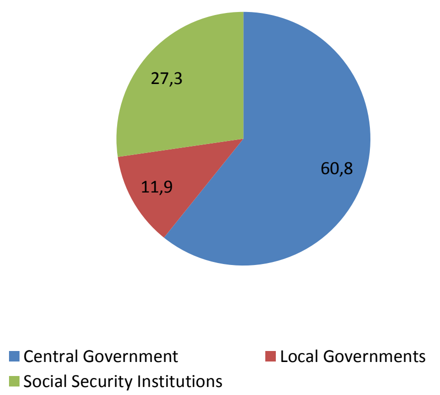
Chart 6. General Government, Financial Net Worth

(billion TRY)



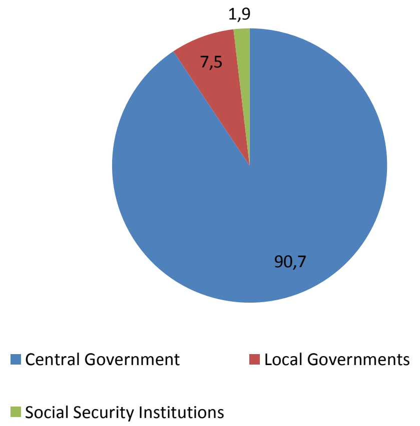
Source: Ministry of Finance

Chart 7. Asset Structure of the General Government
(2013, percent share)



Source: Ministry of Finance

Chart 8. Liability Structure of the General Government
(2013, percent share)



Source: Ministry of Finance

The central government predominates in the assets and liabilities structure of the general government. The shares of the central government, local governments and social security institutions in the overall financial assets of the general government are 61 percent, 12 percent and 27 percent, respectively.

On the liabilities side, the central government's share is 91 percent. Meanwhile, financial liabilities of local governments and social security institutions to other sectors are 7 percent and 2 percent, respectively (Chart 7 and Chart 8).

[4] Social Security Institutions include the Social Security Institution, the Turkish Employment Agency and the Unemployment Insurance Fund.

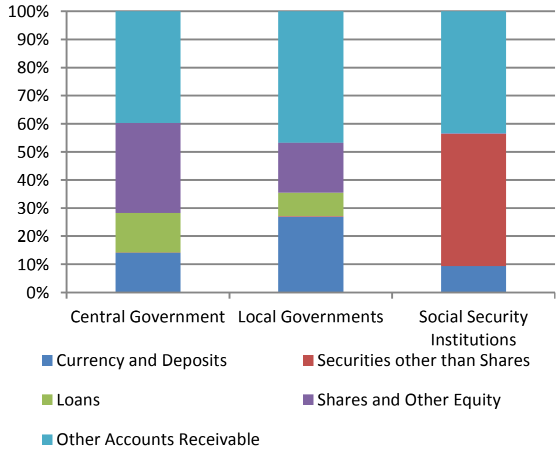
Financial assets of local governments are predominantly composed of other accounts receivable (47 percent) and currency and deposits (27 percent). While 58 percent of local governments' financial liabilities are composed of loans, the remaining part is composed of other accounts payable (Chart 9 and Chart 10).

Of the financial assets of social security institutions, 47 percent is composed of securities other than shares and the other 43 percent is composed of other accounts receivable. Securities other than shares are mostly composed of government securities included in the portfolio of the Unemployment Insurance Fund. Social security institutions' liabilities are composed of other accounts payable (weight 99 percent) (Chart 9 and Chart 10).

The largest portion of the general government's financial assets is composed of other accounts receivable emanating from tax claims while its liabilities are composed of other accounts payable originating from the safekeeping account. Comprising the largest share in the general government, the central government has an asset composition of other accounts receivable, i.e., tax claims, with 40 percent, shares and other equity with 32 percent, extended loans with 14 percent and currency and deposits with 14 percent. A total of 84 percent of the central government's financial liabilities is made up of securities other than shares (i.e. government debt securities) (Chart 9 and Chart 10).

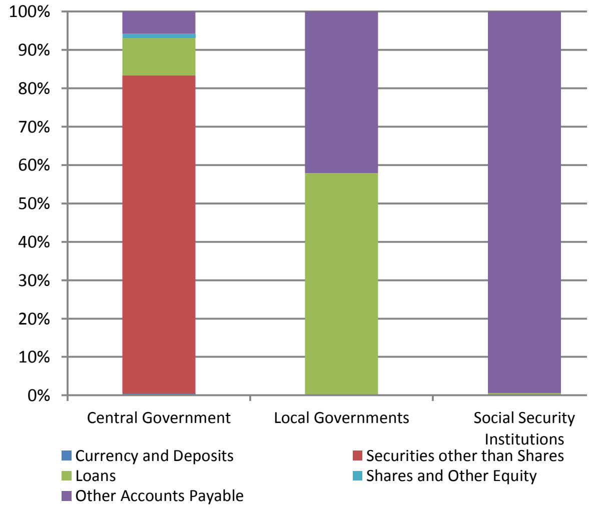
An analysis of countries with respect to the ratio of the general government's financial net worth to GDP reveals that Turkey, the euro area, Croatia and Hungary were net borrowers between 2009 and
2013. In this period, while the ratio of the general government's financial net worth to GDP kept a downtrend in other countries; in Turkey, this ratio was flat between 2009-2012 and was on a upward trend in 2013.

Chart 9. Asset Structure of the General Government, Breakdown by Sub-Sectors and Instruments (2013, percent share)



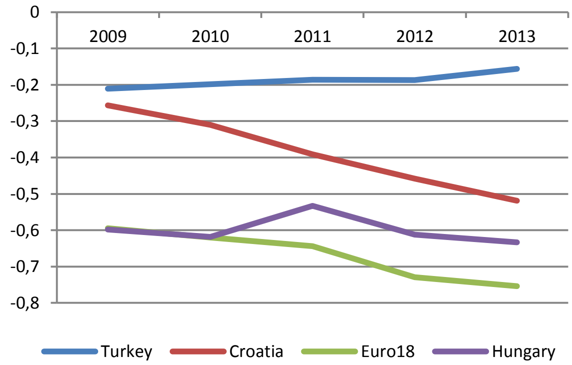
Source: Ministry of Finance

Chart 10. Liability Structure of the General Government, Breakdown by Sub-Sectors and Instruments (2013, percent share)



Source: Ministry of Finance

Chart 11. Ratio of General Government's Financial Net Worth to GDP – Comparison



Source: CBRT, ECB

BOX 3 SECURITIES ISSUED BY THE CENTRAL GOVERNMENT

Bonds, bills and lease certificates issued by the Undersecretariat of Treasury can be found under the securities other than shares (AF.3) instrument belonging to the general government - central government (S.1311) sector in the liabilities section of the Financial Accounts (FA). As of end-2013, these debt instruments constituted approximately 83 percent of the Central Government liabilities and 8 percent of total liabilities. The statistics of those securities, which have a critical role in the analysis of the debt structure of both the central government and the country as a whole, are also compiled and released weekly by the CBRT[5]. This box first presents the link between the securities in the FA[6] and the weekly-compiled securities, followed by an analysis of the securities in the FA, in terms of the market of issue, the currency of debt, the holding sector and the maturity structure by using the weekly-updated securities database..

Table 1. Weekly Securities Statistics and the Distribution of Sectors in the Financial Accounts (Securities issued in the domestic market)

Weekly Securities Statistics Tables 2-5		Financial Accounts Statistics
DOMESTIC CREDITORS		
BANKS	→	S.122 Other Monetary and Financial Corporations
CBRT	→	S.121 Central Bank
NON-BANK SECTORS		
Mutual funds	→	S.122 Other Monetary and Financial Corporations (money market funds) S.123 Financial Intermediaries [Investment funds (excl. money market funds)]
Other financial institutions	→	S.123 Financial Intermediaries S.124 Financial Auxiliaries S.125 Insurance Companies and Pension Funds S.13 General Government
Intermediary Institutions	→	S.123 Financial Intermediaries
Non-financial institutions	→	S.11 Non-financial Corporations
Households	→	S.14 Households
Other	→	S.11 Non-financial Corporations S.123 Financial Intermediaries S.124 Financial Auxiliaries
NON-RESIDENT CREDITORS	→	S.2 Rest of the World

[5] The “Weekly Securities Statistics" are compiled from data obtained from sources within the Central Bank, Istanbul Settlement and Custody Bank Bank Inc.-Takasbank, the Central Registry Agency (MKK), banks, intermediary institutions and commercial data providers and published weekly at http://www.tcmb.gov.tr by the CBRT. For the timetable for data releases, please visit http://www3.tcmb.gov.tr/veriyaytakvim/calendar.php

[6] "Securities" cited in the study refer to securities issued by the Central Government.

Securities in the FA are gathered by employing the same data sources used to gather the Weekly Securities Statistics. Different from weekly statistics, rediscount amounts are added to securities in the FA. On the other hand, with weekly statistics, it is possible to obtain in a faster manner more detailed data such as which sectors hold these securities and when they will be redeemed. What should be noted here is that the distribution of sectors in weekly statistics differs from the distribution of sectors defined in the ESA 95[7] that the FA is grounded on. To clarify this difference, the sectoral breakdown in the weekly statistics corresponding to each sector group in the FA is shown in Table 1 and Table 2.

Table 2. Weekly Securities Statistics and Distribution of Sectors in the Financial Accounts (Securities issued abroad)

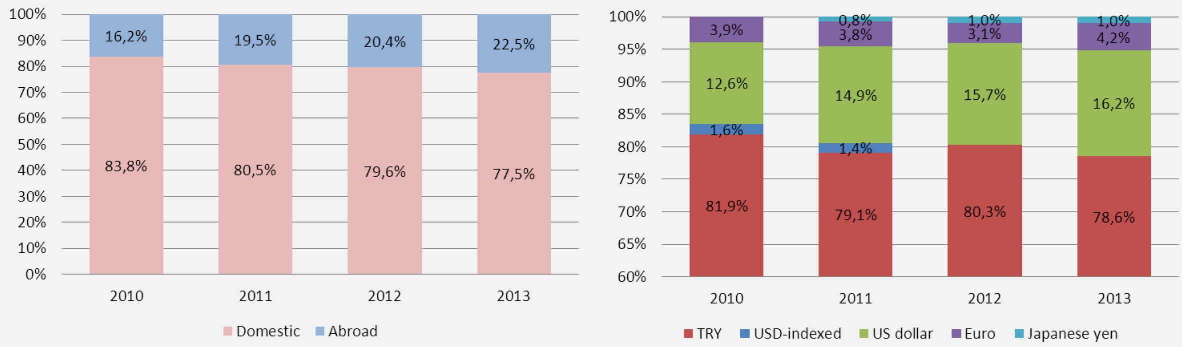
Weekly Securities Statistics Table 6		Financial Accounts Statistics	
DOMESTIC CREDITORS			
BANKS	→	S.122	Other Monetary and Financial Corporations
NON-BANK SECTORS			
Households	→	S.14	Households
Incorporated Companies	→	S.11	Non-financial Corporations
		S.122	Other Monetary and Financial Corporations (Money market funds)
		S.123	Financial Intermediaries
		S.124	Financial Auxiliaries
		S.125	Insurance Companies and Pension Funds
		S.13	General Government
NON-RESIDENT CREDITORS	→	S.2	Rest of the World

In the second part of the study, the main features of the securities issued by the central government are analyzed as of year-ends 2010-2013. Rates in the charts are obtained by using Turkish lira (TRY)-denominated market values, while CBRT foreign exchange buying rates are used in the conversion of foreign currency units to TRY.

The breakdown of the securities issued by the central government by the market of issue is shown in Chart 1. Accordingly, a large portion of the central government borrowing takes place in the domestic market; however, from 2010 to 2013, the share of issues abroad in total issues increases gradually. In terms of the currency of issue, the TRY-denominated issues takes the lead, followed by the US dollar. From end-2010 to 2013, the share of TRY-denominated issues drops from approximately 82 percent to 79 percent, whereas the share of USD-denominated issues increases to 16 percent from approximately 13 percent. Of the other currencies used in issues, the share of the euro hovers around 4 percent and the share of the Japanese yen, which was first used in issues in 2011, is around 1 percent. Meanwhile, the USD-indexed securities having approximately 2 percent share of the total between the 2010-2011 period are redeemed in 2012.

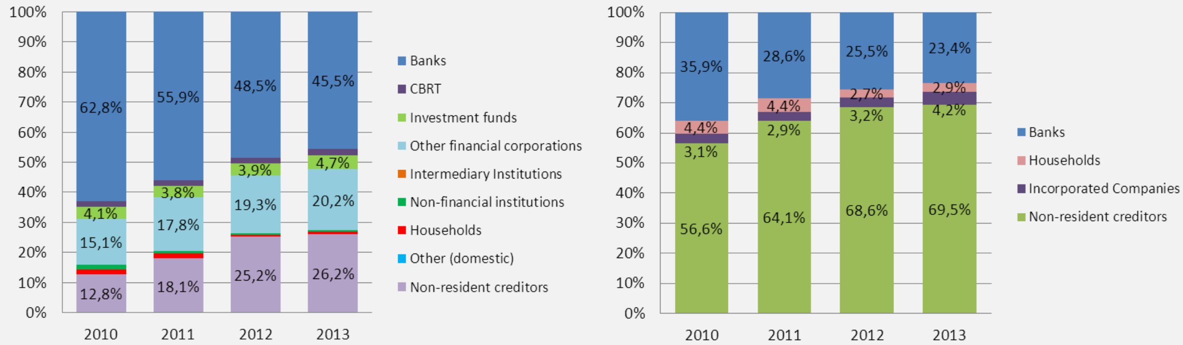
[7] European System of Accounts, 1995

Chart 1. Breakdown by the market of issue and currency (percentage share)



Source: CBRT, Undersecretariat of Treasury

Chart 2. Breakdown by the holding sectors (percentage share)
(Issued in the domestic market) (Issued abroad)



Source: CBRT

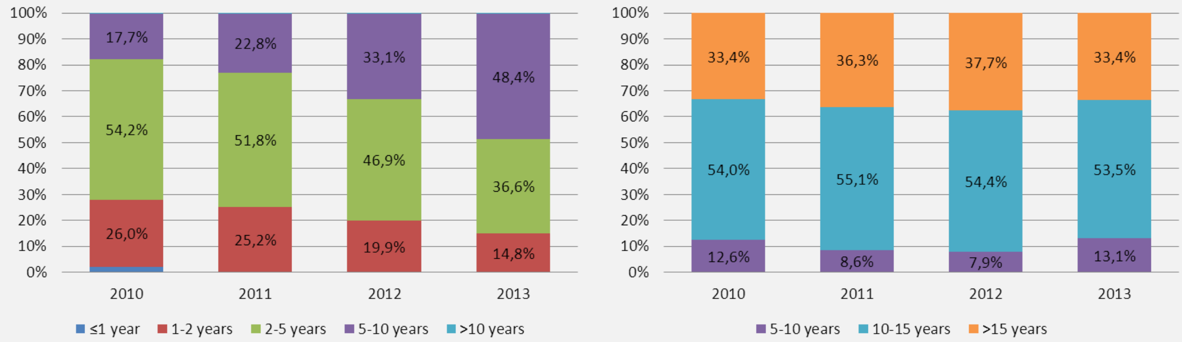
The breakdown of the holding sectors the securities is displayed in Chart 2 in two sections: securities issued in the domestic market and securities issued abroad. Accordingly, the share of banks, which had the highest amount of domestically issued securities with 63 percent in 2010, drops in the subsequent years and stands at 45 percent as of end-2013. Conversely, the share of other financial institutions and foreign creditors grew notably. The share of the other financial institutions sector, which is composed of financial institutions other than the CBRT, banks, intermediary institutions and mutual funds, such as insurance corporations, portfolio management companies and investment trusts surge by approximately 5 percent from end-2010 to 2013. The share of foreign creditors, in the same period, shows a significant jump from 13 percent to 26 percent. In addition, the uptrend in the share of foreign creditors is also visible in securities issued abroad. The share of foreign creditors increases from approximately 57 percent as of end-2010 to approximately 70 percent at end-2013. Likewise, the downtrend in the banks' share in domestic issues is also noticeable in issues abroad. The share of banks recedes from around 36 percent at end-2010 to approximately 23 percent at end-2013.

Chart 3 shows the breakdown of securities by original maturities calculated based on the total maturities of securities from issuance to redemption. Accordingly, an analysis of the original maturities of domestic securities reveals that while securities with a maturity of 2 to 5 years had the greatest share with approximately 54 percent in 2010, this share declines in the subsequent years and stands at around 37 percent as of end-2013. On the other hand, the share of securities with a maturity of 5 to 10 years escalates from approximately 18 percent in 2010 to approximately

48 percent as of 2013. In light of these developments, it is possible to conclude that the maturity structure of the domestic financing of the Central Government has improved.

An analysis of borrowing from foreign creditors suggests that as shown in Chart 3, it is feasible for the central government to borrow in foreign currency from foreign markets with maturities longer than those for domestic borrowing. A closer look at the change in maturity brackets during the 2010-2013 period shows that there is a relatively flat trend.

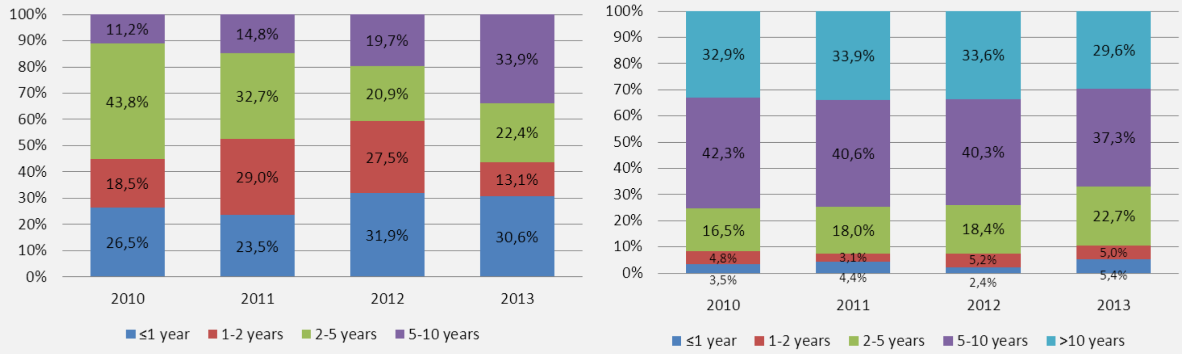
Chart 3. Breakdown by original maturity (percentage share)
(Issued in the domestic market) (Issued abroad)



Source: CBRT, Bloomberg

Chart 4 displays the breakdown of securities by the remaining maturity calculated based on the number of days to the redemption of each security as of year-end. For securities issued in the domestic market, while the share of securities with 2-5 years to redemption is around 44 percent at end-2010, this ratio drops to 22 percent in 2013. On the other hand, while securities with 5-10 years to redemption have a share of approximately 11 percent at end-2010, this ratio jumps to 34 percent in 2013. The breakdown of securities issued abroad by remaining maturities as of year-ends remains relatively unchanged. An analysis of developments in the 2010-2013 period shows that the share of securities with 2-5 years to redemption grows by approximately 6 percent, whereas the shares of securities with 5-10 years and more than 10 years to redemption decrease by 5 percent and 3 percent, respectively.

Chart 4. Breakdown by remaining maturity (percentage share)
(Issued in the domestic market) (Issued abroad)



Source: CBRT

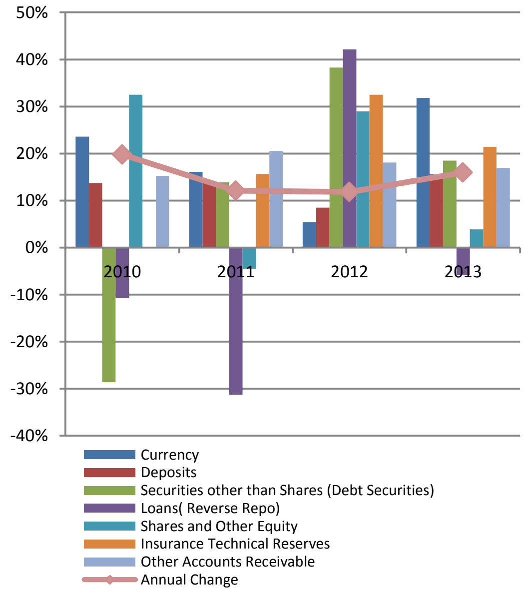
To conclude, it is possible to offer a more detailed analysis of securities that constitute a significant portion of Central Government liabilities in the FA, owing to the weekly updated database.

Although sector categories in the Weekly Securities Statistics differ from sector definitions in the ESA 95 that the FA is based on, they allow a certain degree of matching. In this framework, analyses for the 2010-2013 period suggest that the share of USD-denominated securities issued by the Central Government in the foreign market has been on the rise. Of the sectors having these securities in their portfolios, the share of foreign creditors increases significantly for securities issued in both the domestic and the foreign markets. Lastly, in terms of the original maturity and the remaining maturity, there has been an evident improvement in the maturity structure of issues in the domestic market and a relatively flat course in the maturity structure of issues in foreign markets.

IV. Households

The greatest change in households' financial assets stemmed from the loans (reverse repo). Households' financial assets posted a 42-percent increase in 2012 after a 31-percent fall in 2011 and assumed a downtrend again in 2013. There was not a significant change in total assets between 2009 and 2013; the 7-percent decline in 2011 was followed by an approximately 4-percent rise in 2013. Households' investments in debt securities assumed an uptrend in 2011 following the decrease in 2010 and surged by 38 percent and 18 percent in 2012 and 2013, respectively (Chart 12).

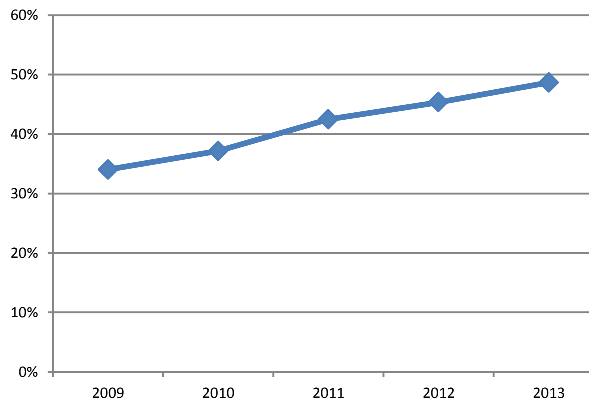
Chart 12. Households' Financial Assets and Annual Percentage Change - Based on Instruments



Source: CBRT

The uptrend in the ratio of household debt to total household financial assets continued in the 2009-2013 period. This ratio reached the highest level at more than 48 percent in 2013, posting a surge from approximately 34 percent in 2009. The highest y-o-y increase was registered when moving from 2009 to 2010, with 5 percent (Chart 13).

Chart 13. Ratio of Household Debt* to Total Household Financial Assets (percent share)

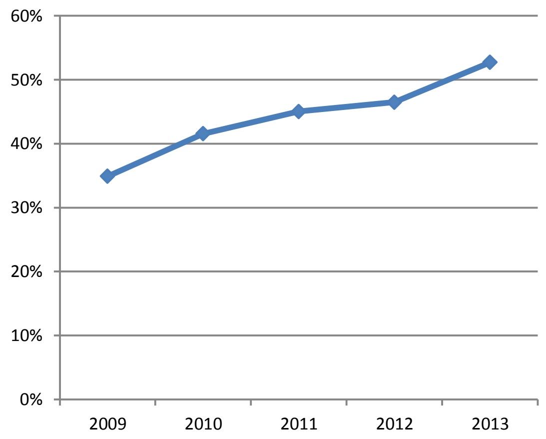


* Household debt is composed of loans and derivative transactions

Source: CBRT

The ratio of household debt to disposable income stood at 53 percent as of 2013. The largest portion of the debt was composed of loans used by households. The amount of debt, which was TRY 143 billion at around 35 percent in 2009, reached approximately TRY 355 billion at end-2013 (Chart 14).

Chart 14. Ratio of Household Debt* to Disposable Income (percent share)

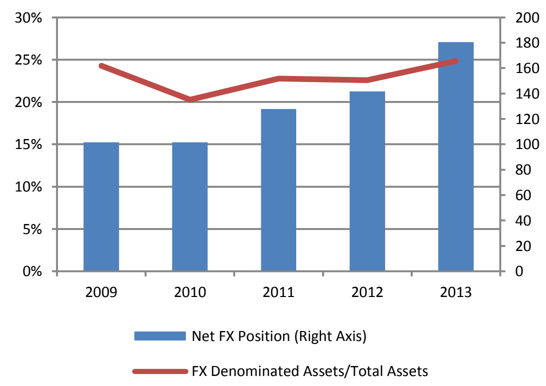


* Household debt is composed of loans and derivative transactions

Source: CBRT, TURKSTAT

The highest increase in households' net FX position was registered in 2013. This increase originated from the TRY 40 billion-growth in FX-denominated assets. The ratio of households' FX assets to their total assets remained in the range of 20-25 percent between 2009-2013 (Chart 15).

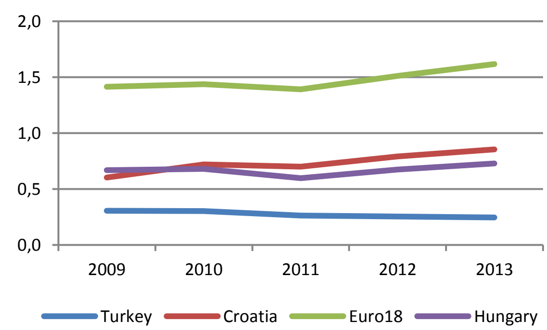
Chart 15. Household Net FX Position (billion TRY) **and the Ratio of Households' FX Assets to Their Total Assets** (percent share)



Source: CBRT

In the euro area, the ratio of household financial net worth to GDP was on an uptrend in the 2009-2013 period, except for 2011. The same ratio hovered between 0.0 and 0.5 in Turkey (Chart 16).

Chart 16. The Ratio of Household Financial Net Worth to GDP

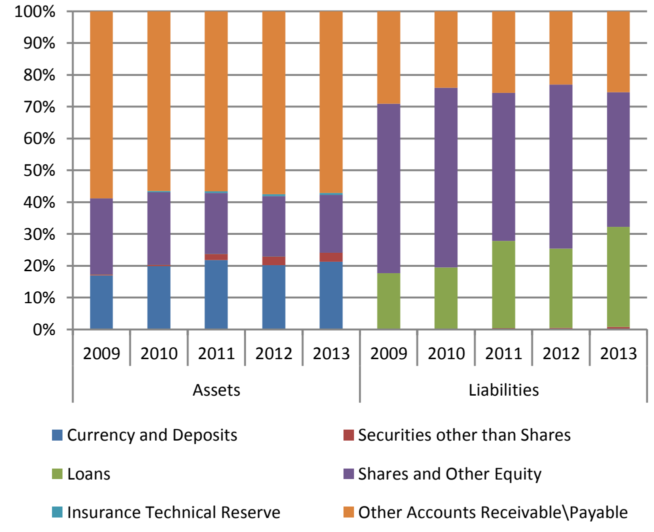


Source: CBRT, TURKSTAT

V. Non-Financial Corporations

The financial assets and liabilities structure of non-financial corporations did not change significantly in the 2009-2013 period. More than half (57 percent) of non-financial corporations' assets were composed of other accounts receivable and 21 percent of currency and deposits in 2013. Investments in shares and other equity stood at 18 percent. The financing through shares and other equity made up 42 percent and loans made up 31 percent of the liabilities. The ratio of other accounts payable corresponded to 25 percent (Chart 17).

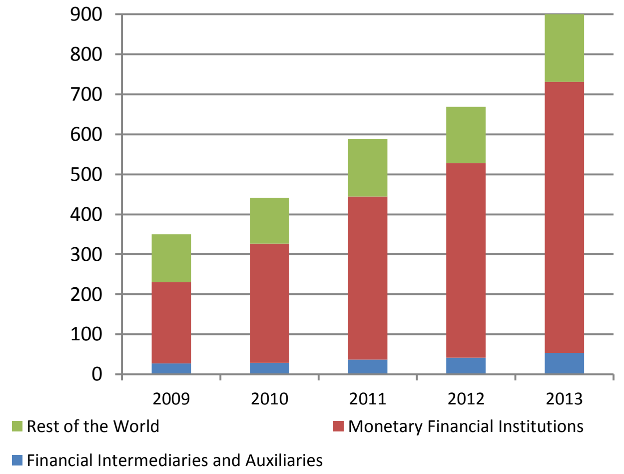
Chart 17. Breakdown of Financial Assets and Liabilities by Instrument (percent share)



Source: CBRT

Loans extended to non-financial corporations increased in the 2009-2013 period. The overall breakdown of loan-providing sectors did not change by years. In 2013, 75 percent of the financing was obtained from banks, 19 percent from abroad and 6 percent from financial intermediaries and auxiliaries (Chart 18).

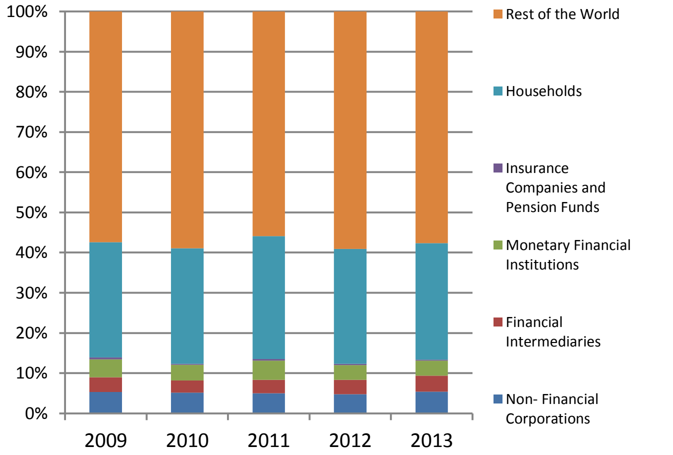
Chart 18. Sectors Extending Loans to Non-Financial Corporations (billion TRY)



Source: CBRT

More than half of the quoted shares of non-financial corporations are owned by foreign (rest of the world) sectors and this structure remained unchanged in the 2009-2013 period. In 2013, 58 percent of non-financial corporations were owned by foreign (rest of the world) sectors, 29 percent by households and 5 percent by non-financial corporations (Chart 19).

Chart 19. Breakdown of Holders of Non-Financial Corporations' Quoted Shares* (percent share)

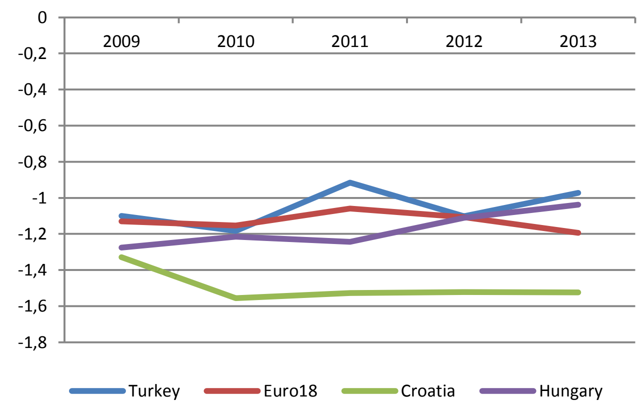


*The analysis of non-financial corporations' capital structure is based on quoted shares.

Source: CBRT, Central Securities Depository of Turkey (MKK)

A comparison of the financial net worth/GDP ratio with other countries reveals that Turkey's ratio is close to the ratio of the euro area (Chart 20).

Chart 20. Ratio of Non-Financial Corporations' Financial Net Worth to GDP – Comparison

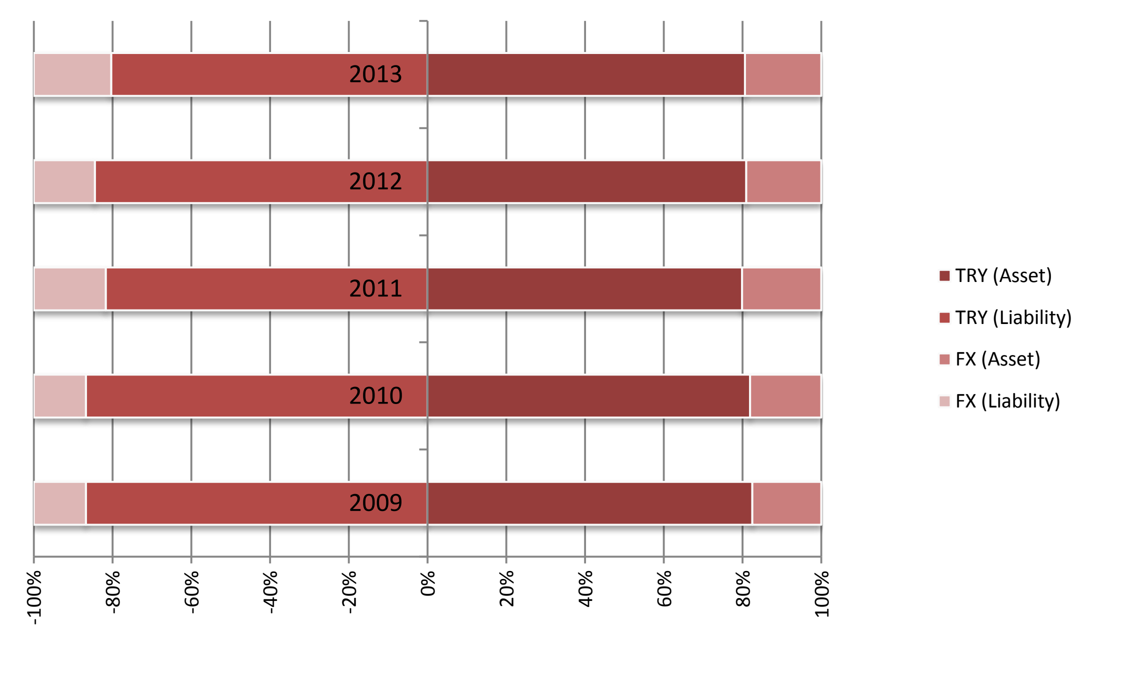


Source: CBRT, ECB

BOX 4 FX POSITION OF NON-FINANCIAL CORPORATIONS

Assets and liabilities of non-financial corporations are compiled in the framework of the Financial Accounts (FA), and under certain assumptions, the relevant accounts can be categorized according to the currency unit. Accordingly, this box presents an analysis of the assets and liabilities of non-financial corporations with a categorization in terms of the Turkish lira (TRY) and Foreign Exchange (FX) as well as a summary of core developments in the 2009-2013 period. Increased international trade and widespread use of FX have triggered a rise in FX assets and liabilities of companies operating in Turkey. As a matter of fact, the share of FX assets in these companies' total assets increased from 17 percent in 2009 to 19 percent in 2013. On the liabilities side, the change was more evident and the share of liabilities surged from 13 percent to almost 20 percent during the same period (Chart 1). Boosted FX positions of companies increase the importance of the changes in exchange rates for this sector as well and require close monitoring of these changes.

Chart 1. TRY and FX-Denominated Financial Accounts of Non-Financial Corporations (Percent Share)

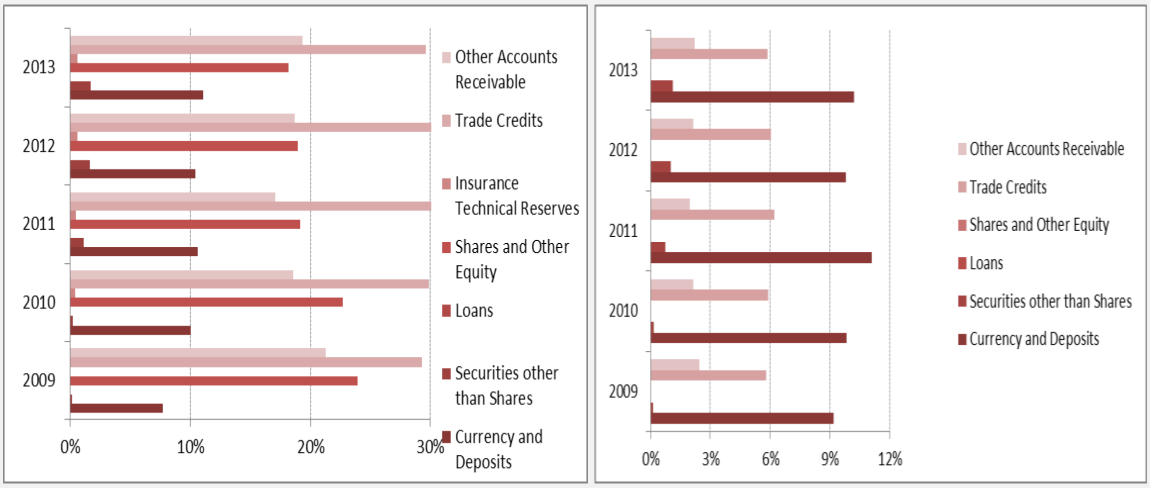


Source: CBRT

An analysis of the overall distribution of non-financial corporations' TRY and FX assets suggests that this distribution did not change much between 2009 and 2013. In other words, the trade credits and the shares and other equity within the TRY assets accounted for almost half of all TRY assets, while the other receivables ranked in third place. On the other hand, the currency and deposits had the highest share in FX assets with approximately 10 percent. This item was followed by FX-denominated trade credits (Chart 2).

Chart 2. TRY and FX-Denominated Financial Assets of Non-Financial Corporations (Percent Share)

TRY Assets **FX Assets**

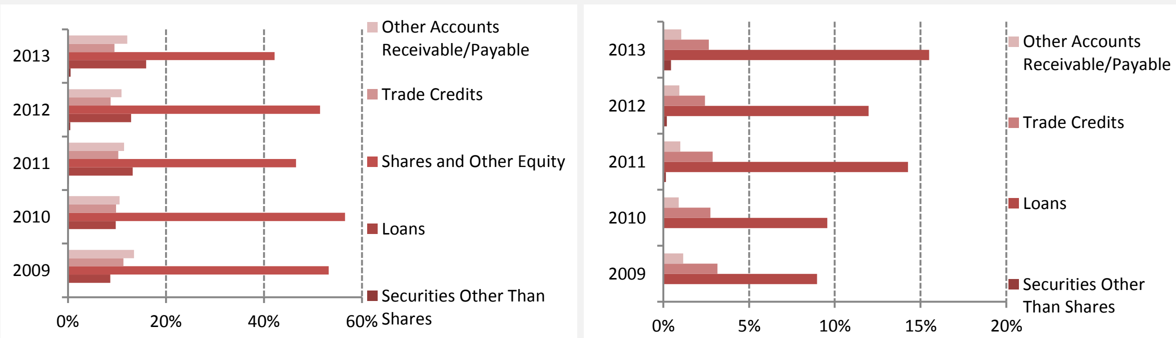


Source: CBRT

A breakdown of non-financial corporations' TRY liabilities reveals that the shares and other equity was the determining item with an average of 50-percent share in total liabilities throughout the analysis period. However, the weight of this item decreased in time and receded to 42 percent in 2013. In addition, the loans became prominent as a financing instrument and its share, which was 9 percent in 2009, almost doubled in 2013. On the FX side, the loans was the determining item and its weight increased markedly throughout the analysis period, from 9 percent to approximately 16 percent (Chart 3).

Chart 3. TRY and FX-Denominated Financial Liabilities of Non-Financial Corporations (Percent Share)

TRY Liabilities **FX Liabilities**

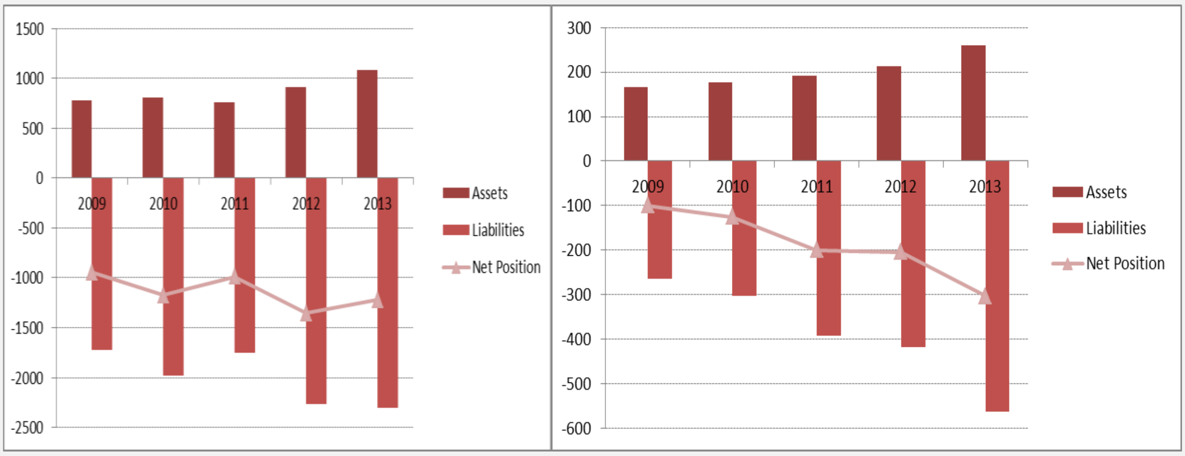


Source: CBRT

In terms of the net financial position of non-financial corporations, for both TRY and FX, liabilities were higher than assets and hence non-financial corporations had a net short position throughout the analysis period. However, on the TRY side, the net liabilities was on a relatively flat course in line with the parallel course of TRY assets and liabilities, whereas the net FX liabilities increased in years especially due to the rise in FX loans (Chart 4).

Chart 4. Net Financial Positions of Non-Financial Corporations (Billion TRY)

TRY Net Position **FX Net Position**



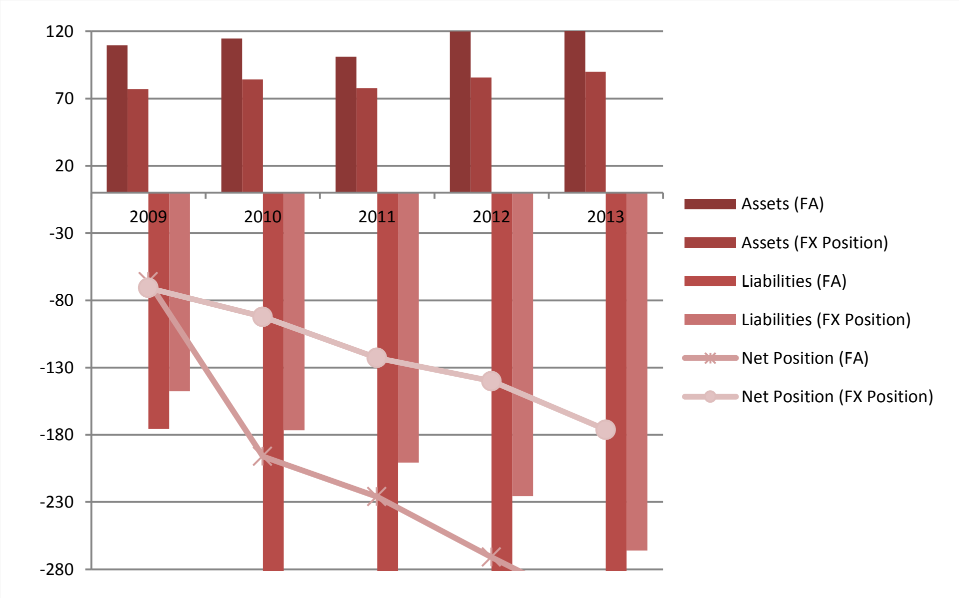
Source: CBRT

Another data source for FX assets and liabilities of non-financial corporations is the "Foreign Exchange Assets and Liabilities of Non-Financial Companies (FX Position)" table released by the CBRT on a monthly basis. These data cover the foreign currency transactions of non-financial companies with the domestic financial sector and non-residents. Primary data sources include the Uniform Reporting Package of Banks and Participation Banks, the Monetary and Financial Statistics, the Locational Banking Statistics published by the Bank for International Settlements (BIS), the Non-Bank Financial Companies data obtained from the Banking Regulation and Supervision Agency, the Outstanding Loans Received from Abroad by the Private Sector and the International Investment Position Statistics. When compared with the FA methodology, there are differences basically in classification and definition, and the scope of sectors and instruments is broader in the FA.[8]

A comparison between the annual indicators regarding these companies compiled in the scope of the FA and the monthly data compiled in the scope of the FX Position Table reveals that both data sets point to similar assets and liabilities trends, while the net position indicator has changed in the direction of increased net liabilities in years. On the other hand, FA data point to higher FX assets and liabilities values for the related companies. The difference is even more evident on the asset side (37 percent higher in assets and 6 percent higher in liabilities compared to the average-of-the-period data). Hence, the FA data imply a lower net liabilities position (the average of the period is approximately USD 18 billion) compared to data in the FX Position Table. As mentioned above, this difference results primarily from the differences in the scope of sectors and instruments as well as in the methodology (Chart 5).

[8] A more detailed analysis of the differences based on 2013 data shows that in terms of assets, the FA is approximately TRY 67 billion higher. Of this amount, TRY 53 billion results from a broader definition of other accounts receivable and TRY 14 billion results from a broader definition of securities other than shares. In terms of liabilities, the FA is approximately TRY 5 billion lower compared to the FX position. The most significant reason for this difference is that TRY 58 billion worth of FX-indexed loans are classified in TRY in the FA. Moreover, the FA methodology excludes loan loss provisions, while other accounts payable are calculated as TRY 46 billion higher in line with the broader-scope definition and there are also differences in scope in the case of TRY 13 billion worth of securities other than shares. Consequently, in 2013, the FX position of the corporate sector was calculated TRY 72 billion less in the FA compared to the one in the FX Position table.

Chart 5. Net FX Position of Non-Financial Corporations: A Comparison* (Billion USD)



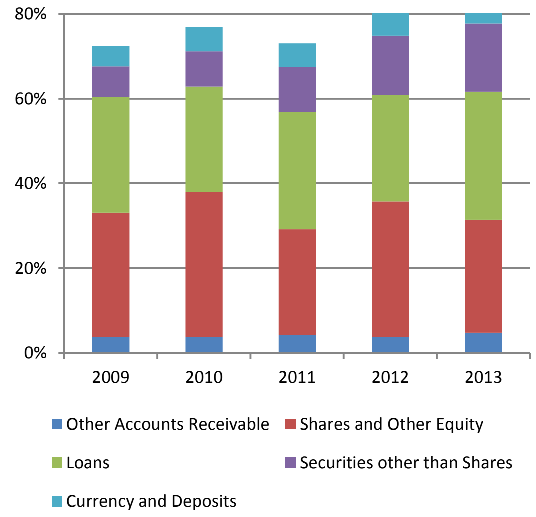
Source: CBRT.
*Data in the FA have been converted to US dollars by using CBRT year-end FX buying rates.

In conclusion, data regarding the assets and liabilities of non-financial corporations are compiled in the framework of the FA and the relevant items can also be classified in terms of TRY and FX under certain assumptions. An analysis of the data compiled in this scope shows that the breakdown of assets by currency units remained the same in the 2009-2013 period, whereas the weight of FX gradually increased on the liabilities side and FX liabilities constituted approximately 1/5th of liabilities. A breakdown of liabilities by sub-items reveals that FX loans increased throughout the analysis period. On the other hand, when the data in the FX breakdown are compared with other data sources, they point to a similar trend. However, due to its relatively narrower scope, the FX Position Table implies higher net liability values. Hence, differences in classification and scope should be taken into account while interpreting these indicators.

VI. Rest of the World

An analysis of financial assets of the foreign sector by financial instruments suggests that loans played a determining role as was the case in previous years. While the weight of shares and other equity in financial assets waned in 2013 compared to the previous year, the highest increase was registered in the other accounts receivable and the currency and deposits. Financial assets of the rest of the world were in a steady uptrend between 2009 and 2013 (Chart 21).

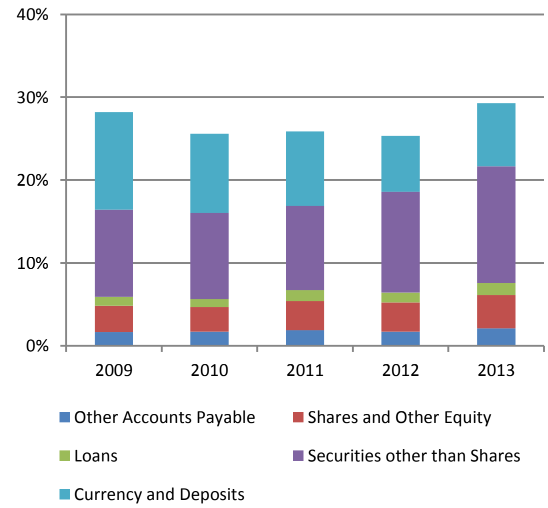
Chart 21. Rest of the World – Ratio of Financial Assets Breakdown by Instrument to GDP (percent share)



Source: CBRT

The largest share in foreign sectors' financial liabilities belonged to the securities other than shares and the currency and deposits. Liabilities arising from loans and securities other than shares, which had expanded since 2009, constituted the main factor increasing foreign sectors' total liabilities (Chart 22).

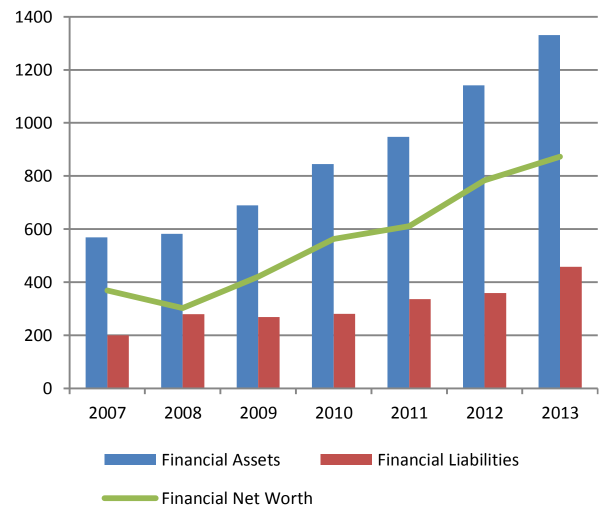
Chart 22. Rest of the World –Ratio of Financial Liabilities Breakdown by Instrument to GDP (percent share)



Source: CBRT

In the 2009-2013 period, the rest of the world was in a net creditor position. The growth in financial assets outpaced the growth in financial liabilities in the period under review, which also led to a surge in the financial net worth. In 2013, the financial net worth increased by 27 percent compared to the previous year (Chart 23).

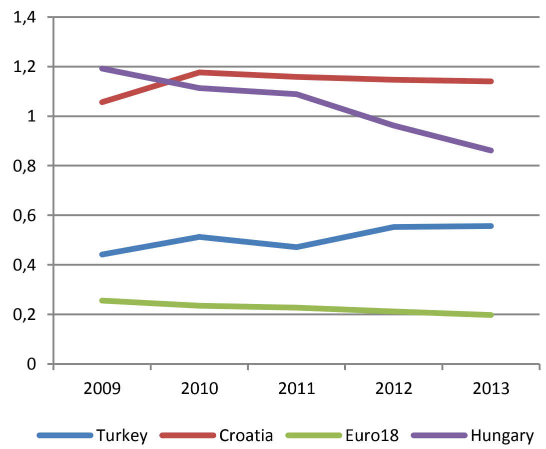
Chart 23. Rest of the World- Financial Net Worth (billion TRY)



Source: CBRT

The ratio of the financial net worth to the GDP in Turkey, which has been in a positive trend since 2009, is higher than the average financial net worth in the euro area.

Chart 24. Rest of the World- Ratio of Financial Net Worth to GDP



Source: CBRT, ECB

VII. Conclusion

Turkey's Financial Accounts for 2013 show financial assets and liabilities belonging to all sectors of the domestic economy as well as to the rest of the world (foreign sectors) and offer an analysis of the financial net worth produced in each sector in the 2009-2013 period. Accordingly, domestic sectors ran a financial deficit of TRY 1,323 billion in total, whereas foreign sectors had a TRY 872-billion financial surplus. In other words, TRY 872 billion of domestic sectors' financial deficit was financed by foreign sectors.

Of all domestic sectors, only the households had a financial surplus, while non-financial corporations were the most indebted sector. The financial surplus of households stood at around TRY 300 billion, whereas non-financial corporations had a deficit of TRY 1,000-1,500 billion in the 2009-2013 period. Financial corporations have displayed a balanced outlook since 2011 and had a small amount of surplus in 2013. On the other hand, the general government borrowed TRY 200 billion.