TÜRKİYE CUMHURİYET MERKEZ BANKASI


# 2015-IV

# Financial Accounts Report

## Statistics Department

Monetary and Financial Data Division

## I. Introduction[1]

***In 2015Q4, the total financial assets of the Turkish economy were TRY 7,641 billion and the total financial liabilities were TRY 8,650 billion; thus, the net financial worth, which is the difference between financial assets and liabilities, reached TRY 1,009 billion and the Turkish economy continued to be a net debtor. The total economy was mostly financed by the rest of the world and households (Table 1).***

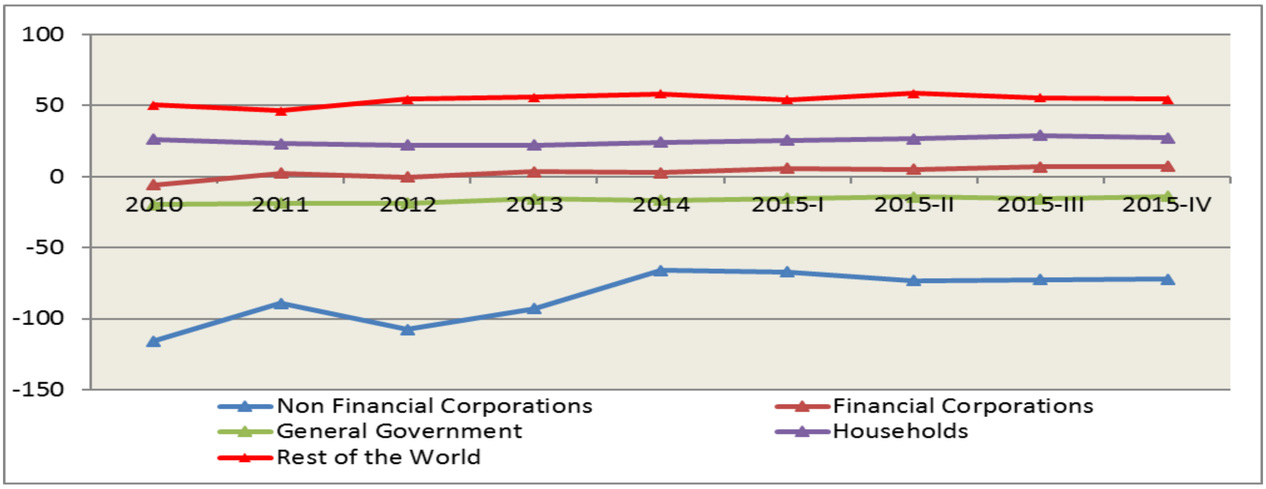
**Table 1. Net Financial Worth by Sectors[2,3]**
**(2015-IV, TRY billion)**

| | **Total Economy** | Non Financial Corporations | CBRT | Other Monetary Financial Institutions | Insurance Corporations and Pension Funds | Financial Intermediaries and Auxiliaries | Central Government | Local Government | Social Security Institutions | Households | NPISH | **Rest of the World(*)** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial Assets | **7.641** | 3.023 | 448 | 2.296 | 100 | 175 | 382 | 74 | 158 | 960 | 25 | **1.669** |
| Liabilities | **8.650** | 4.434 | 430 | 2.186 | 100 | 162 | 807 | 67 | 13 | 426 | 24 | **605** |
| Financial Net Worth | **-1.009** | -1.411 | 18 | 110 | 0 | 13 | -425 | 6 | 145 | 534 | 1 | **1.064** |

*Source: CBRT*

***Between 2010 and 2015Q4, while households and the rest of the world generated a financial surplus, non-financial corporations and the central government had a financial deficit.*** Meanwhile, the financial corporations remained flat with a financial worth of almost zero due to the financial intermediation role they assumed (Chart 1).

**Chart 1. Ratio of Net Financial Worth to GDP, by Sectors (*) (percent)**




*Source: CBRT*

*(*) Non-Profit Institutions Serving Households are not included because their net financial worth is close to zero.*

1 The time series of the Financial Accounts are available here.

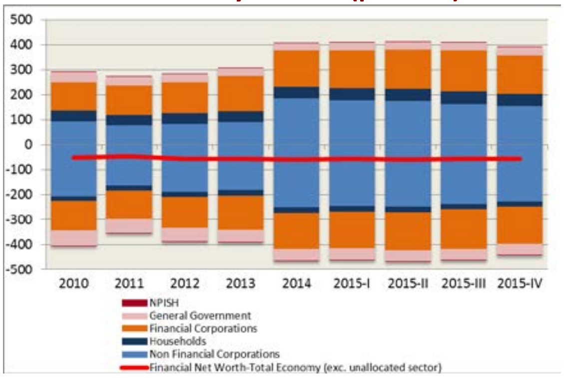
2 According to ESA 95, there is a difference between net financial worth of total domestic economy and rest of the world since there are no counterpart sectors for monetary gold and SDR.

3 Other Monetary Financial Institutions item consists of Banks and Money Market Funds.

An analysis of financial assets and liabilities by sectors reveals that financial corporations were the biggest sector on the assets side and non-financial corporations the biggest sector on the liabilities side (Chart 2).

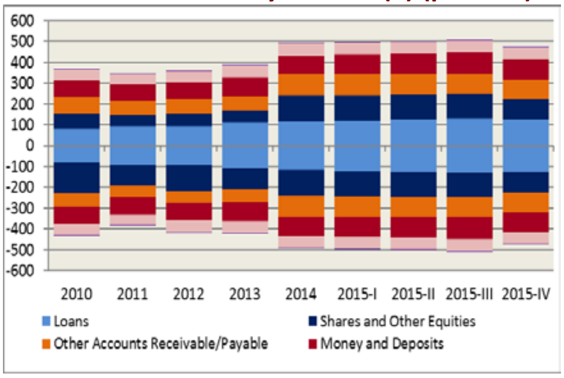
While there has been no significant change in the financial instrument distribution, loans and shares and other equity instruments had the largest weight in assets and liabilities. A comparison between 2010 and 2015Q4 reveals that the biggest change was the 4 percent-rise in loans on the assets side and the 14 percent-drop in the shares and other equity on the liabilities side (Chart 3).

**Chart 2. Ratio of Financial Assets and Liabilities to GDP by Sectors (percent)**




*Source: CBRT*

**Chart 3. Ratio of the Distribution of Financial Instruments to GDP by Sectors (*) (percent)**

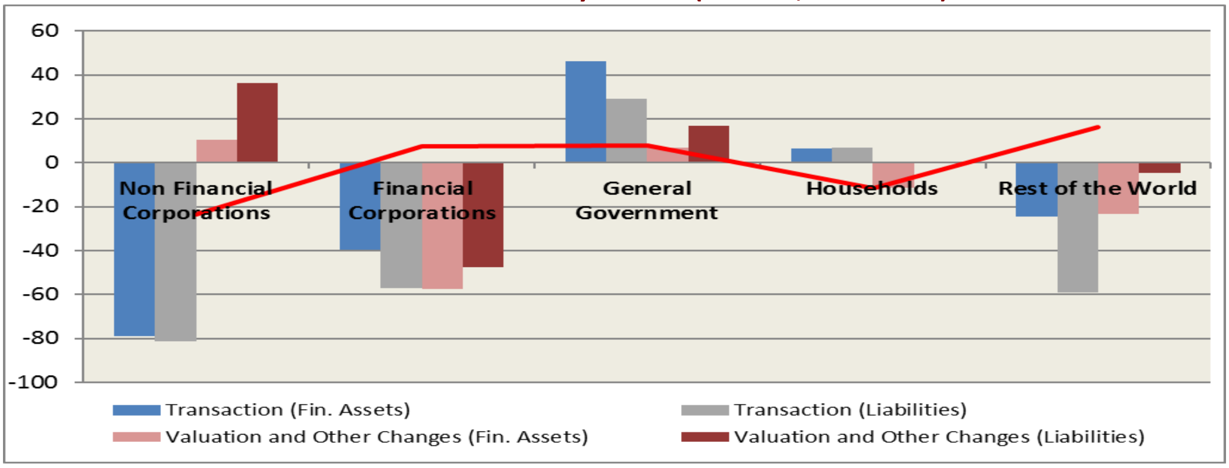



*Source: CBRT*

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

In 2015Q4, the highest net flow[4]n, was observed in non-financial corporations as a rise in liabilities, most of which originated from transactions. While the net flows in financial corporations were driven by the decline in valuations, those in the rest of the world were driven by the drop in liabilities transactions (Chart 4).

**Chart 4. Financial Flows by Sectors (2015Q4, TRY billion)**




*Source: CBRT*

---

[4] Net flow denotes the difference between assets and labilities between two periods with respect to transactions, valuation and other changes.

## II. Households

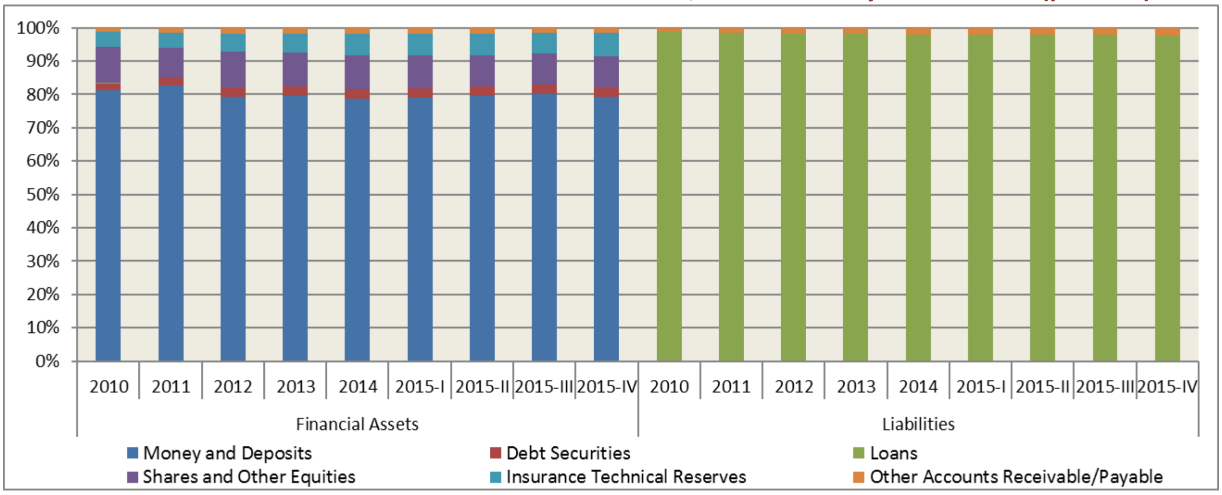
***Compared to end-2014, household financial assets posted an increase in the fourth quarter of 2015, most of which was attributable to transactions in the currency and deposits category***. The increase in the insurance technical reserves also stemmed from transactions. Shares and other equity recorded a negative balance due to transactions while valuation increased in this category. Meanwhile, the increase in household liabilities was mainly driven by loans (Table 2).

**Table 2. Households' Financial Assets and Liabilities (stock, flow, billion TRY)**

| | 2014-IV | Trans. | Valuation | 2015-IV |
|---|---|---|---|---|
| **Financial Assets** | 813 | 80 | 68 | 960 |
| Money and Deposits | 640 | 79 | 42 | 762 |
| Debt Securities | 23 | -1 | 3 | 25 |
| Loans | 0 | 0 | 0 | 0 |
| Shares and Other Equities | 82 | -11 | 20 | 91 |
| Insurance Technical Reserves | 53 | 11 | 2 | 66 |
| Other Accounts Receivable | 14 | 1 | 0 | 15 |
| | | | | |
| **Liabilities** | 389 | 37 | 0 | 426 |
| Money and Deposits | 0 | 0 | 0 | 0 |
| Debt Securities | 0 | 0 | 0 | 0 |
| Loans | 381 | 35 | 0 | 416 |
| Shares and Other Equities | 0 | 0 | 0 | 0 |
| Insurance Technical Reserves | 0 | 0 | 0 | 0 |
| Other Accounts Payable | 8 | 2 | 0 | 10 |

*Source: CBRT*

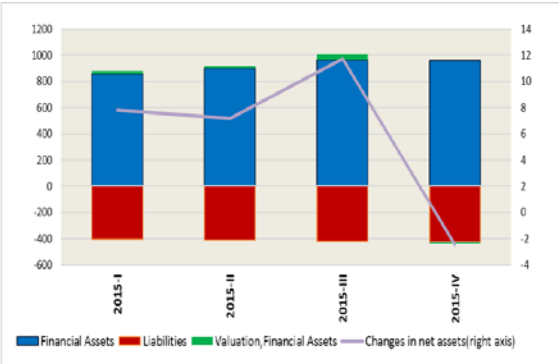
**Chart 5. Households' Financial Assets and Liabilities, Breakdown by Instruments (percent)**




*Source: CBRT*

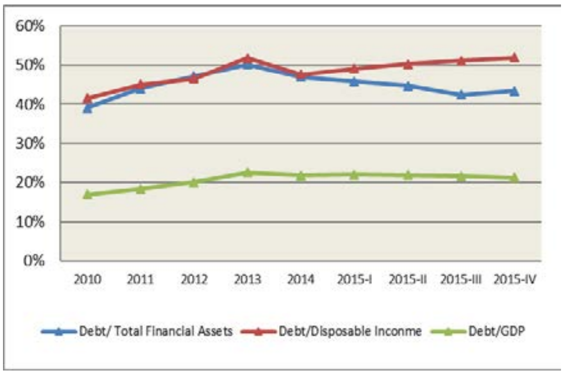
There has been no significant change in the assets and liabilities structure of households in the 2010-2015 period. Deposits had the largest share (79 percent) in financial investments and shares and other equity followed; however, the total share of these items in total financial investments has decreased gradually over the years while the share of insurance technical reserves has increased. This change can be interpreted as households preferred investment instruments with longer maturities (Chart 5).

**Chart 6. Households' Exchange of Assets (billion TRY, percent)**




*Source: CBRT*

**Chart 7. Household Debt (*) (percent)**

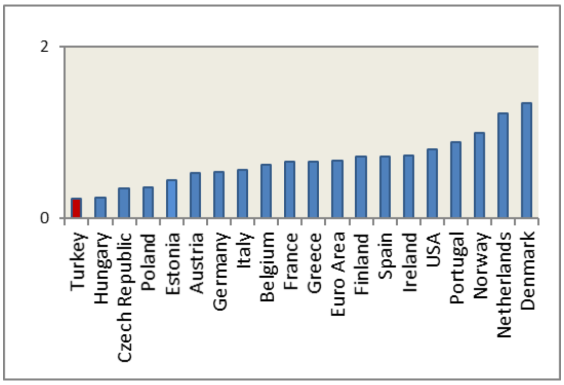



*Source: CBRT,TURKSTAT*

*(*) Household debt is composed of loans.*

Having increased by 12 percent quarter-on-quarter in the third quarter of 2015, the household net financial worth decreased by 3 percent in the fourth quarter (Chart 6). Household indebtedness indicators point to an improvement in the post-2013 period followed by a flat course. After the reported period, the ratio of household debt to GDP preserved its course around 20 percent, the debt to disposable income ratio increased by one point quarter-on-quarter to 52 percent in the fourth quarter of 2015 and the debt to total financial assets ratio rose from 42 percent to 43 percent (Chart 7).

**Chart 8. Household Liabilities/GDP, Comparison (percent share)**




*Source:CBRT*

The ratio of household liabilities to GDP indicates that among 19 countries compared to Turkey at end-2015, Turkey stood out as the country with the lowest level of indebtedness (Chart 8).

## III. Non-Financial Corporations

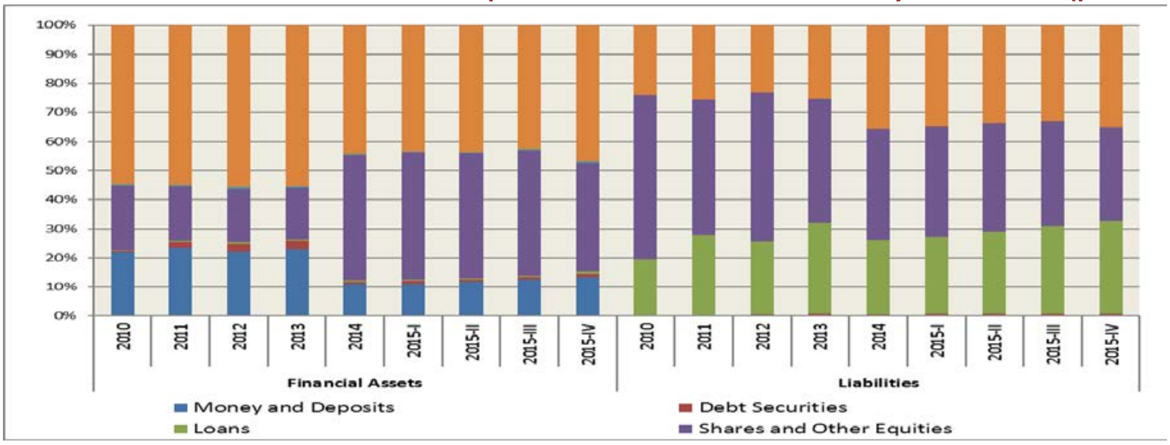
***The decline in financial assets of non-financial corporations stems from transactions; whereas on the liabilities side, the valuation and transactions have had a similar contribution in the opposite direction.*** Compared to end-2014, financial assets of non-financial corporations declined by a total of TRY 210 billion in the fourth quarter of 2015. Of this decline, TRY 294 billion stemmed from transactions; yet, the TRY 84 billion rise in the valuation slightly contains the negative impact driven by the transactions. The decreases in total liabilities, driven by the transactions, were balanced with the increases driven by the valuation in the same period (Table 3).

**Table 3. Stock and Flows of Non-Financial Corporations (TRY billion)**

| | 2014-IV | Trans. | Valuation | 2015-IV |
|---|---|---|---|---|
| **Financial Assets** | 3.233 | -294 | 84 | 3.023 |
| Money and Deposits | 352 | 16 | 33 | 402 |
| Debt Securities | 28 | -9 | 21 | 41 |
| Loans | 12 | 1 | 3 | 16 |
| Shares and Other Equities | 1.400 | -282 | 17 | 1.135 |
| Insurance Technical Reserves | 10 | 3 | 0 | 13 |
| Other Accounts Receivable | 1.431 | -23 | 10 | 1.417 |
| | | | | |
| **Liabilities** | 4.385 | -113 | 162 | 4.434 |
| Money and Deposits | 0 | 0 | 0 | 0 |
| Debt Securities | 31 | 3 | 7 | 40 |
| Loans | 1.121 | 167 | 120 | 1.408 |
| Shares and Other Equities | 1.679 | -283 | 30 | 1.426 |
| Insurance Technical Reserves | 0 | 0 | 0 | 0 |
| Other Accounts Payable | 1.554 | 0 | 5 | 1.560 |

*Source: CBRT*

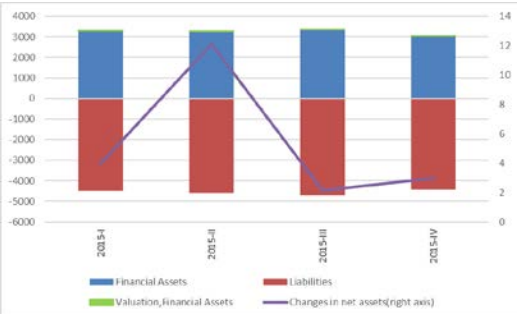
**Chart 9. Breakdown of Non-Financial Corporations' Assets and Liabilities by Instruments (percent)**




*Source: CBRT*

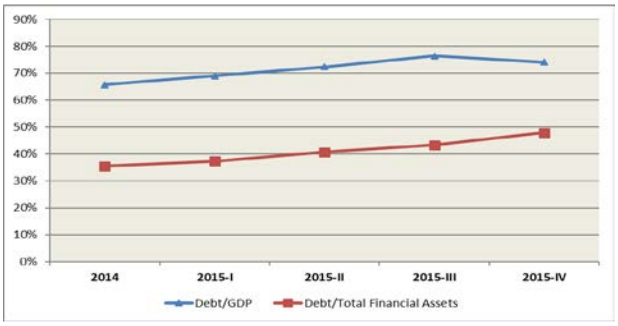
In the fourth quarter of 2015, the most influential item on the assets side of non-financial corporations was the other accounts receivables (47 percent), composed of the sum of corporate loans and advances and other items. The share of shares and equity was 38 percent, and that of currency and deposits was 13 percent.[5] On the liabilities side, the share of financing through shares and other equity in total liabilities was 32 percent, while the shares of other accounts payable and loans were 33 percent and 35 percent, respectively (Chart 9).

**Chart 10. Change in Net Assets of Non-Financial Corporations (TRY billion, percent)**




*Source: CBRT*

**Chart 11. Ratio of Non-Financial Corporations' Debts (*) to GDP (percent)**

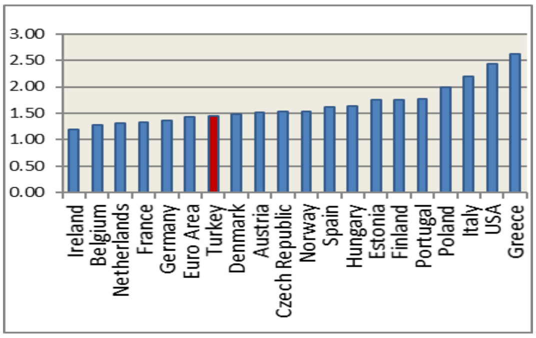



*Source: CBRT*
*(*) Debts are composed of loans and government debt securities.*

The change in net assets of non-financial corporations had reached 13 percent quarter-on quarter in the second quarter of 2015, yet it receded to 2 percent at the end of the year (Chart 10). Although the ratio of non-financial corporations' debt to GDP posted a modest decrease in the fourth quarter of 2015, the ratio of debts to total financial assets continued to increase (Chart 11).

[5] While compiling financial accounts of non-financial corporations, the CBRT sectoral balance sheets were used until 2014 for currency, other accounts receivable, other accounts payable, shares and other equity items, and since 2014 the TURKSTAT's consolidated non-financial company accounts data have been used.

**Chart 12. Non-Financial Corporations Liabilities/GDP**




*Source: CBRT, OECD*

A comparison of the ratios of non-financial corporations' debts to GDP with those of several countries suggests that in the fourth quarter of 2015, Turkey was listed among the countries with low indebtedness levels (Chart 12).

## IV. Conclusion

In the fourth quarter of 2015, the Turkish economy maintained its position as a net debtor, with households and the rest of the world being the two major financing sectors. Non-financial corporations were the sector with the largest debt, followed by the central government, and all other sectors continued to be net creditors. In this period, while households' net financial worth receded slightly, the position of non-financial corporations held steady. A comparison with a group of countries comprising the EU and the USA highlights that Turkey, in terms of non-financial corporations' indebtedness level, is among the countries with low debt levels, close to the euro area average.