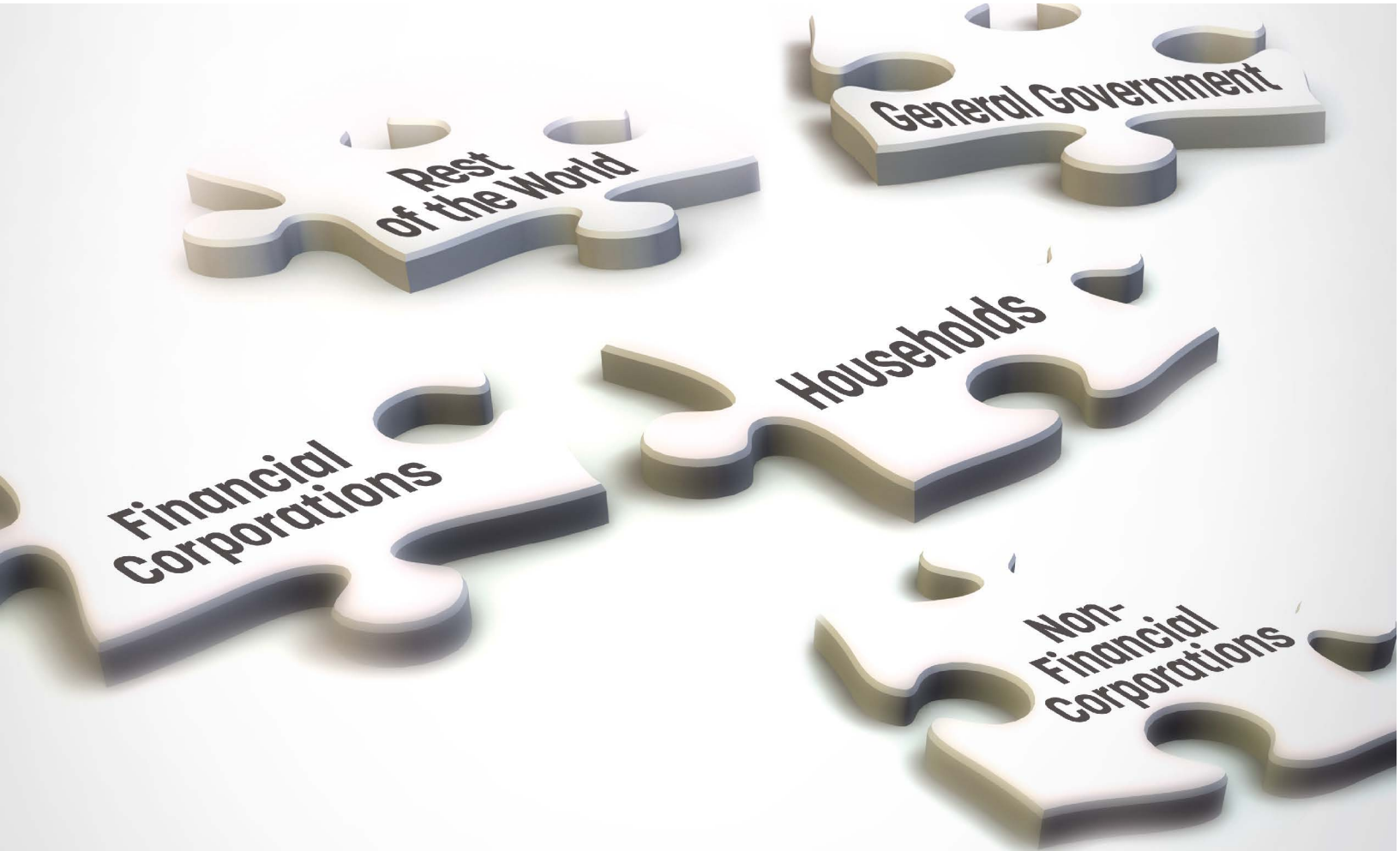




**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**



2016-I

Financial Accounts Report

Statistics Department
Monetary and Financial Data Division

I. Introduction¹

In 2016Q1, the total financial assets of the Turkish economy were TRY 8,322 billion and the total financial liabilities were TRY 9,383 billion; thus, the net financial worth, which is the difference between financial assets and liabilities, reached TRY 1,061 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).

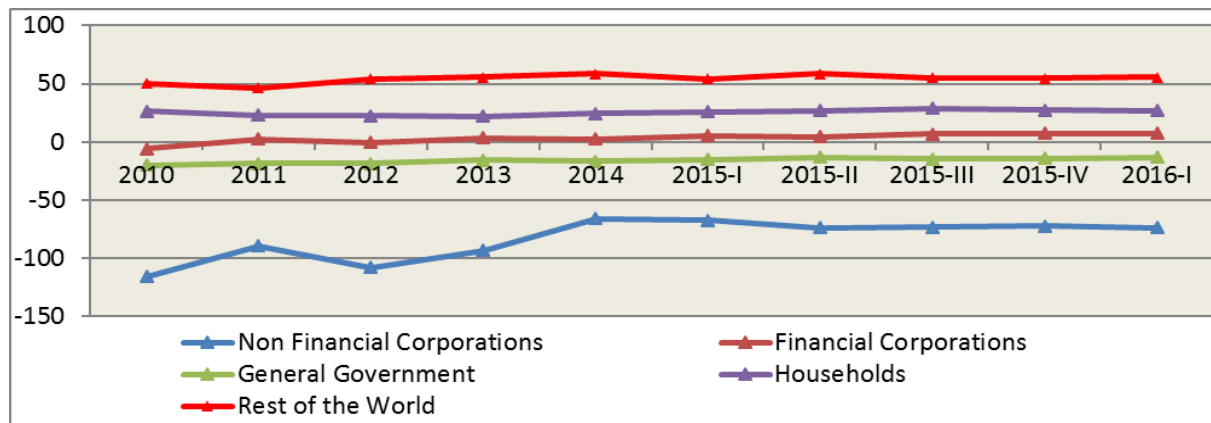
Table 1. Net Financial Worth by Sectors^{2,3}
(2016-I, TRY billion)

	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	8.322	3.595	462	2.364	105	180	378	84	154	976	25	1.736
Liabilities	9.383	5.071	440	2.256	104	167	804	65	12	433	30	618
Financial Net Worth	-1.061	-1.476	23	108	1	13	-426	18	142	543	-6	1.118

Source: CBRT

Throughout the data period, while households and the rest of the world generated a financial surplus, non-financial corporations and the central government ran a financial deficit. Meanwhile, the financial corporations remained flat with a financial worth close to zero due to the financial intermediation role they assume (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.

An analysis of financial assets and liabilities by sectors reveals that the non-financial corporations sector was the biggest sector on the assets side as well as on the liabilities side,

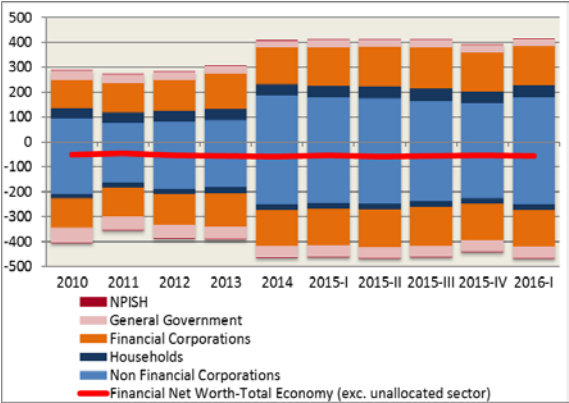
¹ The time series of the Financial Accounts are available [here](#).

² According to ESA 95, there is a difference between the 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.

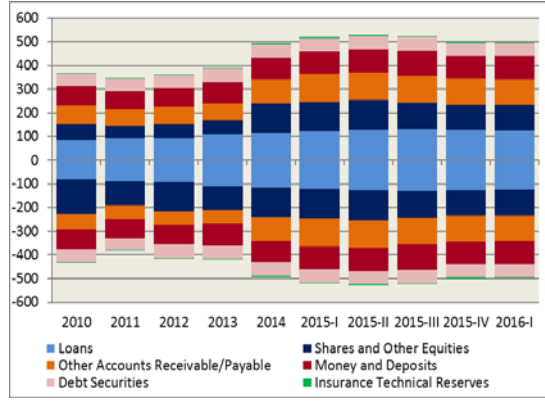
conventionally (Chart 2). As for the financial instrument distribution, loans and shares and other equity instruments had the largest weight in assets and liabilities. Throughout the data period, debt securities decreased by 4 percent on the assets side while shares and other equity decreased by 13 percent on the liabilities side (Chart 3).

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



Source: CBRT

Chart 3. Distribution of Financial Instruments-Total Economy, Ratio to GDP (*) (percent)

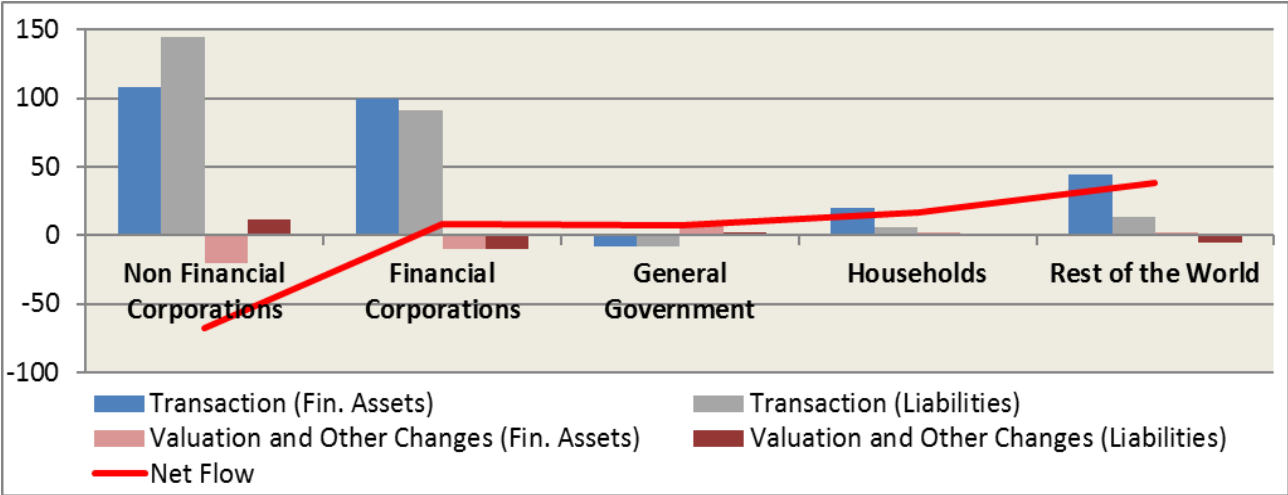


Source: CBRT

(*) Monetary gold and SDR have been excluded.

In 2016Q1, the highest net flow ⁴ was observed in non-financial corporations as a rise in liabilities, most of which originated from transactions. Financial flows in the rest of the world, which were in the form of rise in assets, were mainly driven by the increase in asset transactions (Chart 4).

Chart 4. Financial Flows by Sectors (2016Q1, TRY billion)



Source: CBRT

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

II. Households

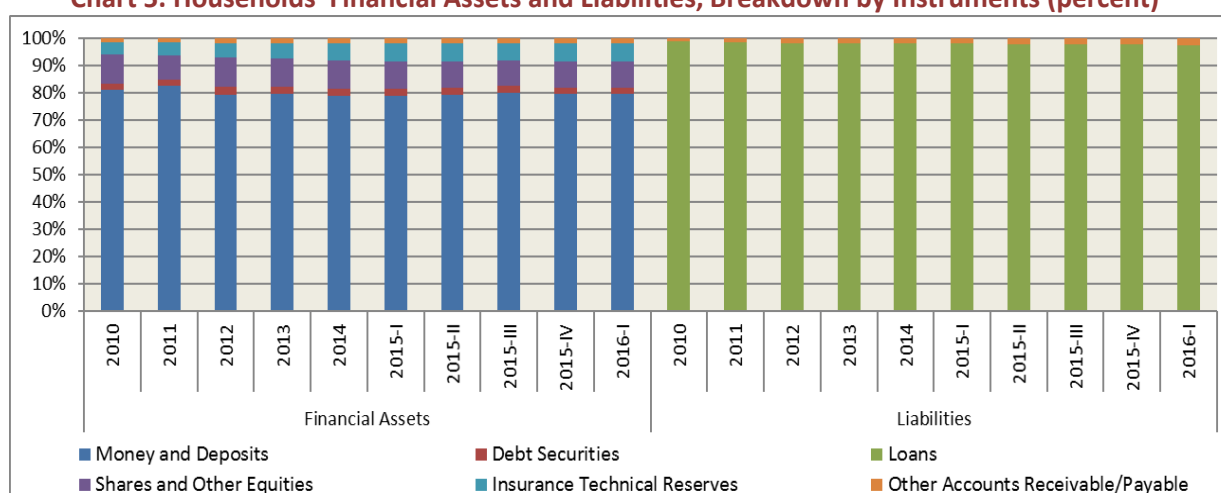
Compared to end-2015, household financial assets posted an increase in the first quarter of 2016, most of which was attributable to transactions in the currency and deposits. The increase in the insurance technical reserves also stemmed from transactions. The outflows from the shares and other equity item on the assets side, which were mostly driven by transactions, were balanced by the rise in valuation. Meanwhile, the household liabilities increased mostly owing to the transactions in loans (Table 2).

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

	2015-IV	Trans.	Valuation	2016-I
Financial Assets	952	21	2	976
Money and Deposits	754	23	-4	774
Debt Securities	23	0	0	23
Loans	0	0	0	0
Shares and Other Equities	91	-6	6	91
Insurance Technical Reserves	66	2	0	68
Other Accounts Receivable	18	1	0	19
Liabilities	426	6	0	433
Money and Deposits	0	0	0	0
Debt Securities	0	0	0	0
Loans	416	5	0	421
Shares and Other Equities	0	0	0	0
Insurance Technical Reserves	0	0	0	0
Other Accounts Payable	10	2	0	11

Source: CBRT

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



Source: CBRT

The primary instrument in household financial assets was deposits with a share of 80 percent followed by shares and other equity. During the data period, the share of shares and other equity item in the total financial investments decreased while that of insurance technical reserves increased. This change can be interpreted as households preferred investment instruments with longer maturities. Meanwhile, almost all of the liabilities were composed of loans (Chart 5).

Chart 6. Change in Net Assets of Households (TRY billion)

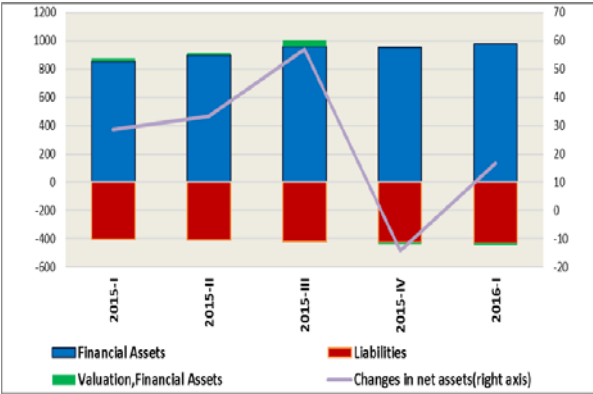
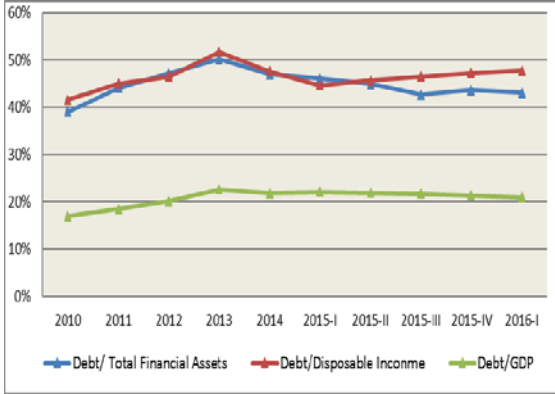


Chart 7. Household Debt (*) (percent)

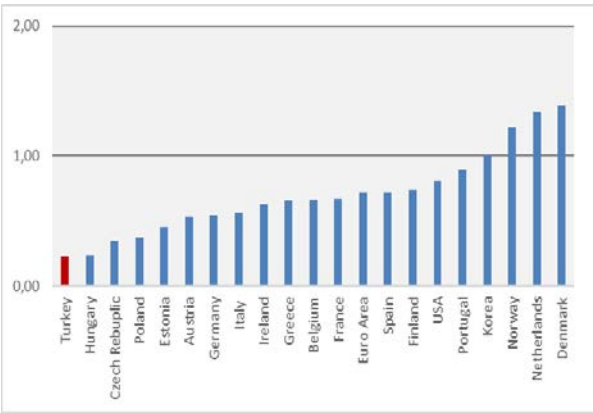


Source: CBRT

Source: CBRT, TURKSTAT
 (*) Household debt is composed of loans.

Having decreased by TRY 15 billion quarter-on-quarter in the fourth quarter of 2015, the household net financial worth posted an increase by TRY 17 billion during the last quarter (Chart 6). Household indebtedness indicators suggest that the ratio of household debt to GDP preserved its course around 21 percent and the ratios of debt to disposable income and to total financial assets remained unchanged in the first quarter of 2016 compared to the preceding quarter (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 in 2016 Q1, Turkey stood out as the country with the lowest level of indebtedness (Chart 8).

III. Non-Financial Corporations

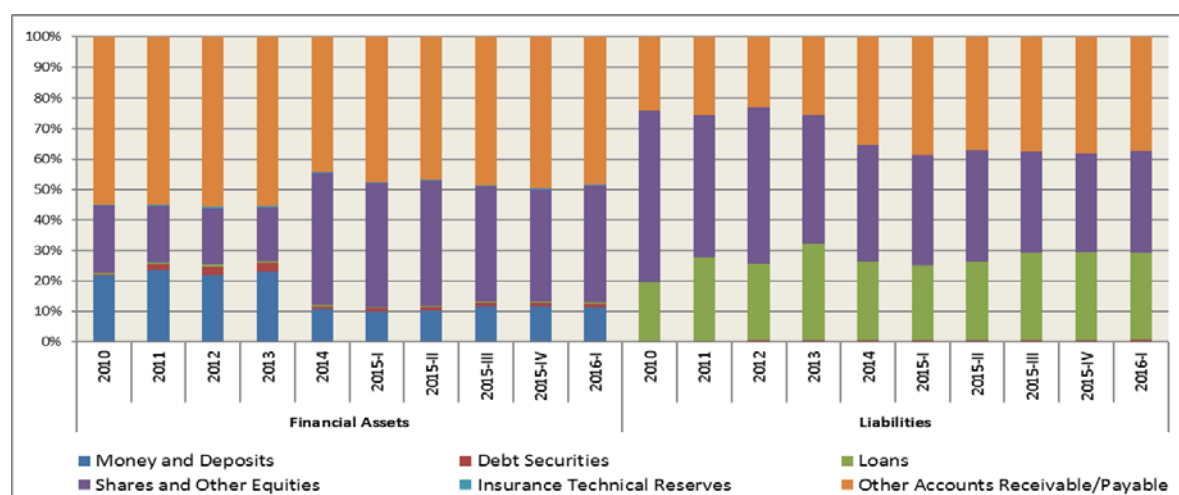
The increase in financial assets and liabilities of non-financial corporations was triggered by matched transactions. Compared to end-2015, financial assets of non-financial corporations increased by a total of TRY 109 billion in the first quarter of 2016. While the bulk of this increase was recorded by shares and other equity, valuation posted a limited decline. In the same period, out of a TRY 145 billion increase in total liabilities, TRY 100 billion stemmed from the issue of shares and other equity, yet the increase in valuation remained quite limited (Table 3).

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

	2015-IV	Trans.	Valuation	2016-I
Financial Assets	3.507	109	-20	3.595
Money and Deposits	409	5	-2	412
Debt Securities	39	3	0	41
Loans	16	0	0	15
Shares and Other Equities	1.292	97	-16	1.373
Insurance Technical Reserves	13	1	0	14
Other Accounts Receivable	1.739	3	-1	1.741
Liabilities	4.915	145	12	5.071
Money and Deposits	0	0	0	0
Debt Securities	38	4	0	41
Loans	1.410	41	-8	1.444
Shares and Other Equities	1.588	100	1	1.689
Insurance Technical Reserves	0	0	0	0
Other Accounts Payable	1.879	0	18	1.897

Source: CBRT

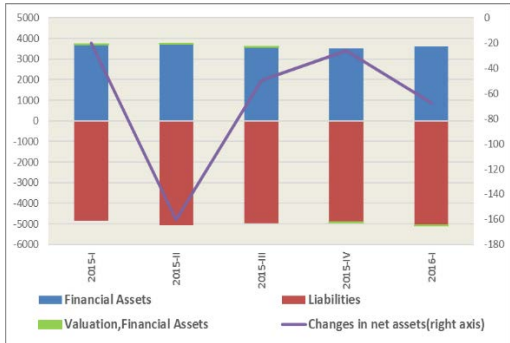
Chart 9. Breakdown of Non-Financial Corporations' Assets and Liabilities by Instruments (percent)



Source: CBRT

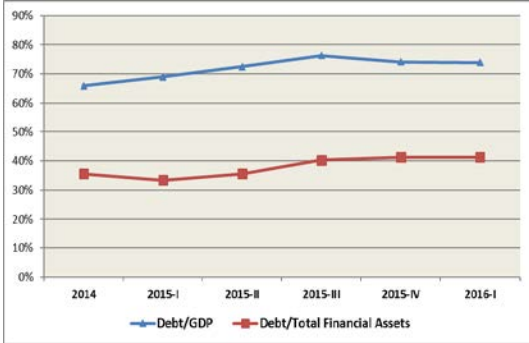
In the first quarter of 2016, the most influential item on the assets side of non-financial corporations was the other accounts receivables (48 percent), composed of the sum of corporate loans and advances and other items. The share of shares and other equity was 38 percent, and that of currency and deposits was 11 percent.⁵ On the liabilities side, the share of financing through shares and other equity in total liabilities was 33 percent, while the shares of other accounts payable and loans were 37 percent and 28 percent, respectively (Chart 9).

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



Source: CBRT

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



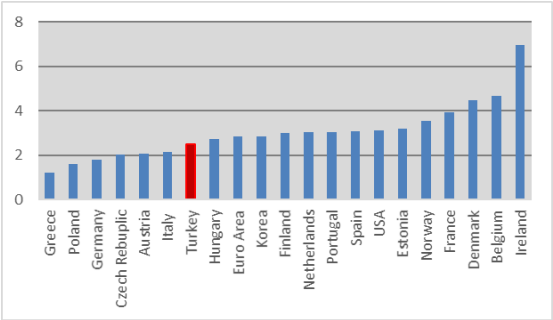
Source: CBRT

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

In the first quarter of 2016, net assets of non-financial corporations decreased by TRY 68 billion compared to the previous quarter (Chart 10). Although the ratio of non-financial corporations' debt to GDP posted a modest decrease in the first quarter of 2016, 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 first quarter of 2016, Turkey was listed among the countries with low indebtedness levels (Chart12).

IV. Conclusion

In the first quarter of 2016, 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 was 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 increased slightly, the net assets of non-financial corporations receded slightly. 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.