TÜRKİYE CUMHURİYET MERKEZ BANKASI

2017-I

Financial Accounts Report

Statistics Department
Monetary and Financial Data Division

I. Introduction

In 2017Q1, total financial assets of the Turkish economy were TRY 9,052 billion and total financial liabilities were TRY 10,423 billion; thus, the net financial worth, which is defined as the difference between financial assets and liabilities, reached TRY 1,371 billion, sticking to its negative course. The largest contribution to the financing of the domestic economy came from the rest of the world and households sectors (Table 1).

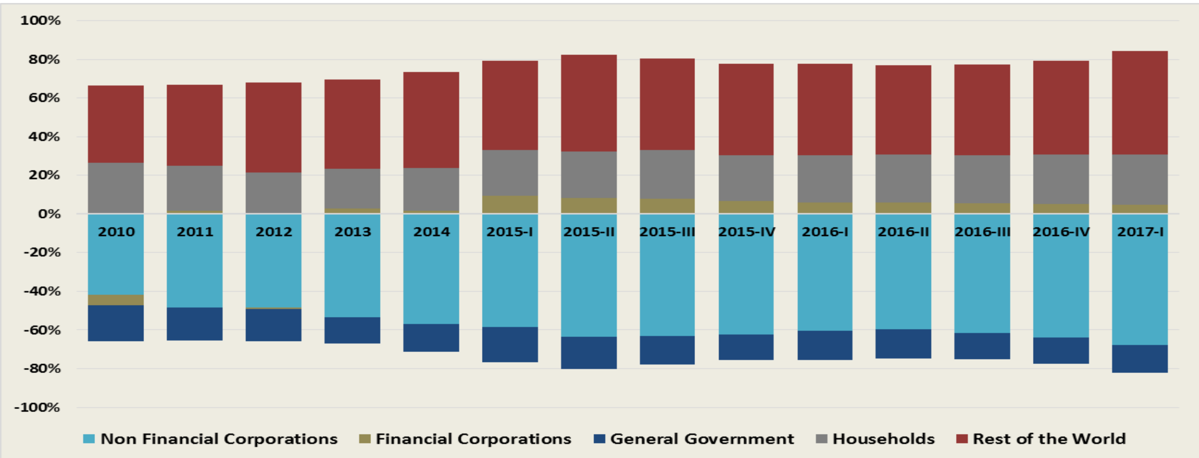
Table 1. Net Financial Worth by Sectors (2017Q1, TRY billion)[1, 2]

	Total Economy	Non Financial Corporations	CBRT	Other Monetary Financial Institutions(*)	Insurance Corporations and Pension Funds	Financial Intermediaries and Auxiliaries	General Government	Households	**Rest of the World**
Financial Assets	**9.052**	3.546	488	2.821	158	224	612	1.203	**763**
Liabilities	**10.423**	5.359	467	2.726	162	203	991	516	**2.196**
Financial Net Worth	**-1.371**	-1.812	21	95	-3	21	-378	687	**1.433**

Source: CBRT

Throughout the data period, **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, the net financial worth of financial corporations remained balanced and followed a flat trend due to their financial intermediation activities (Chart 1).

Chart 1. Ratio of Net Financial Worth to GDP by Sectors (percent)[2]



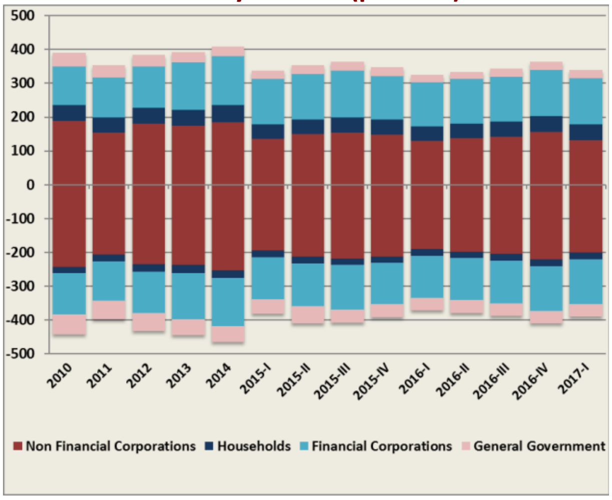
Source: CBRT, TURKSTAT

[1] Pursuant to the methodology, there is a difference between the net financial 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 the residency, so as to be compatible with the International Investment Position Statistics.

[2] Other Monetary Financial Institutions are composed of deposit-taking corporations (banks) and money market funds, while the households sector also covers non-profit institutions serving households.

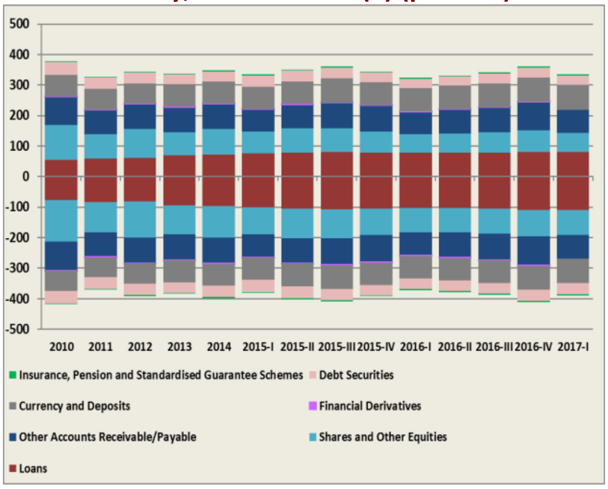
An analysis of financial assets and liabilities by sectors as of the recent period reveals that the non-financial corporations sector was the biggest sector on the liabilities side and the financial corporations sector was the biggest sector on the assets side (Chart 2). As for the financial instrument distribution, the currency and deposits item and the loans item had the largest weight in both assets and liabilities (Chart 3).

Chart 2: Ratio of Financial Assets and Liabilities to GDP by Sectors (percent) [2]



Source: CBRT, TURKSTAT

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



Source: CBRT, TURKSTAT

(*) Monetary gold and SDR have been excluded.

An analysis of flow data suggests that in the first quarter of 2017, net transactions decreased in all sectors excluding households. Non-financial corporations and the rest of the world registered a net decline in valuation. Consequently, there were negative net flows in all sectors except households (Table 2).

Table 2. Net Flow by Sectors (2017Q1, TRY billion) [2]

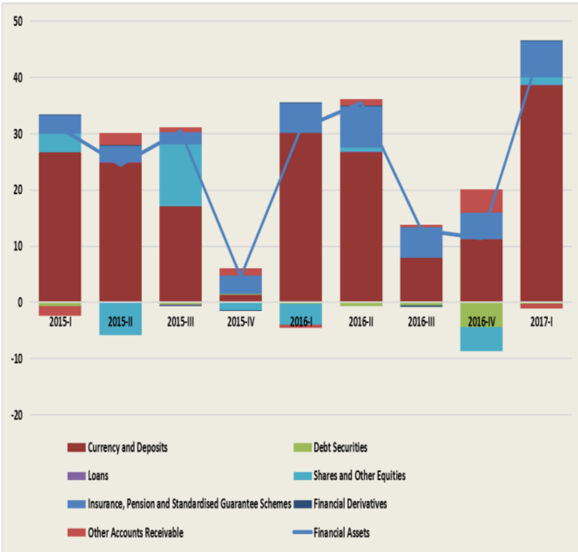
	Transaction (Assets)	Transaction (Liabilities)	Valuation and Other Changes (Fin. Assets)	Valuation and Other Changes (Liabilities)	Net Flow
Non Financial Corporations	-531	-466	6	99	-158
Financial Corporations	131	139	-1	-2	-7
General Government	1	23	-2	1	-25
Households	47	14	-12	0	21
Rest of the World	-1	57	14	134	-177

Source: CBRT

II. Households

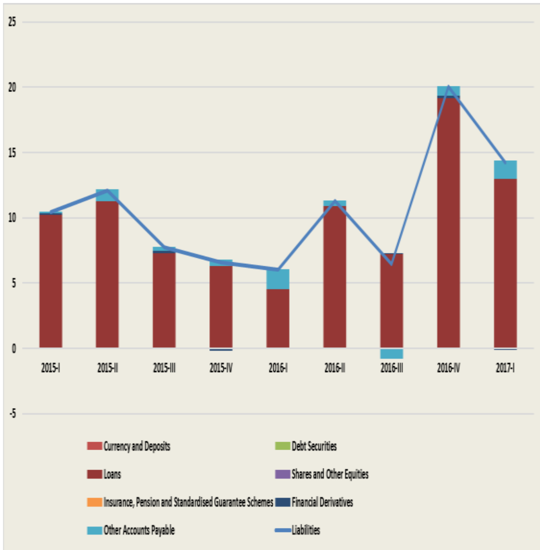
In the first quarter of 2017, financial assets and liabilities of households both increased quarter-on-quarter. This increase originated from deposit transactions in assets and largely from loan transactions in liabilities (Charts 4 and 5).

Chart 4. Financial Assets (transaction, TRY billion)



Source: CBRT

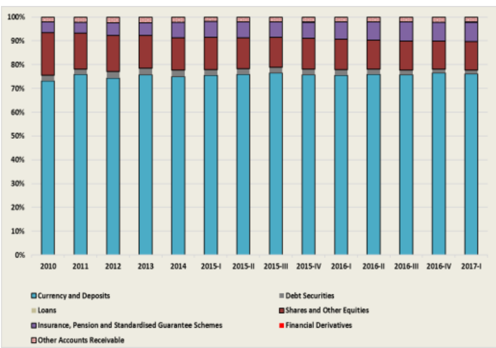
Chart 5. Liabilities (transaction, TRY billion)



Source: CBRT

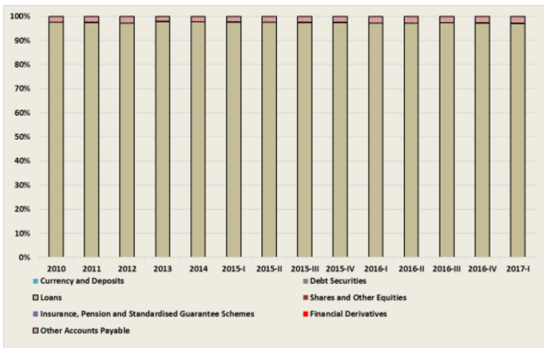
The primary instrument in household financial assets was deposits with a share of approximately 76 percent, followed by shares and other equity. During the data period, the share of shares and other equity item in total financial investments decreased while that of deposits was flat (Chart 6). Meanwhile, almost all of the liabilities were composed of loans (Chart 7).

Chart 6. Breakdown of Financial Assets by Instruments (percent)



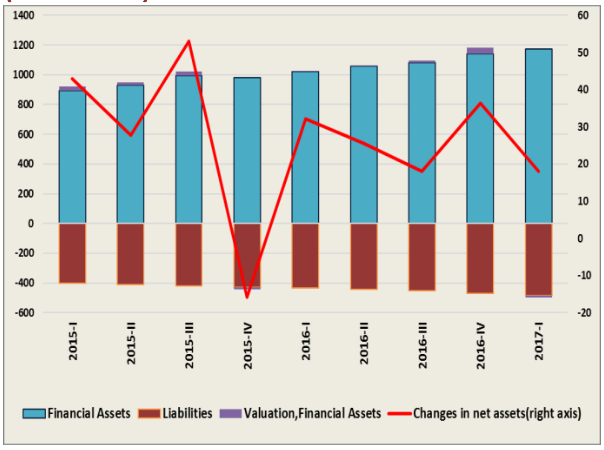
Source: CBRT

Chart 7. Breakdown of Financial Liabilities by Instruments (percent)



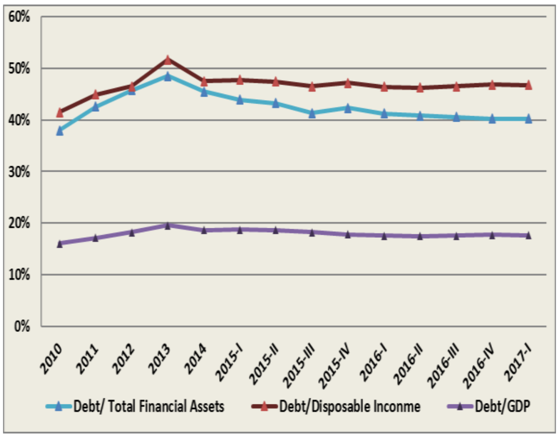
Source: CBRT

Chart 8. Change in Net Assets of Households (TRY billion)



Source: CBRT

Chart 9. Household Debt (*) (percent)

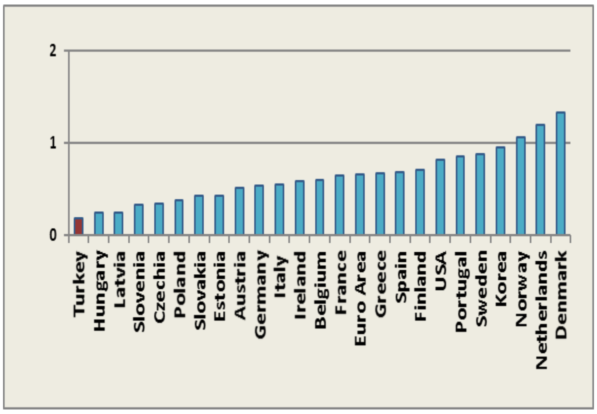


Source: CBRT, TURKSTAT

(*) Household debt is composed of loans.

In the first quarter of 2017, the household net financial worth increased by TRY 18 billion quarter-on-quarter (Chart 8). Household indebtedness indicators suggest that the ratio of household debt to GDP preserved its course at around 18 percent, and the ratios of debt to disposable income and to total financial assets remained flat in 2017Q1 (Chart 9).

Chart 10. Household Liabilities/GDP, Comparison (*)



Source: CBRT, TURKSTAT, OECD

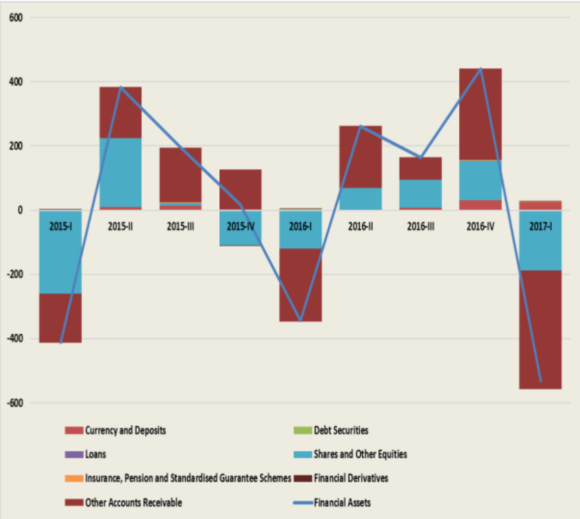
(*) Other country data is as of 2016Q4.

The ratio of household liabilities to GDP indicates that among the countries compared, Turkey stood out as the country with the lowest level of indebtedness in 2017Q1 (Chart 10).

III. Non-Financial Corporations

In the first quarter of 2017, financial assets and liabilities of non-financial corporations dropped compared to the previous quarter, which was mainly driven by the decline in the other accounts receivable and the shares and other equity items (Charts 11 and 12).

Chart 11. Financial Assets (transaction, TRY billion)



Source: CBRT

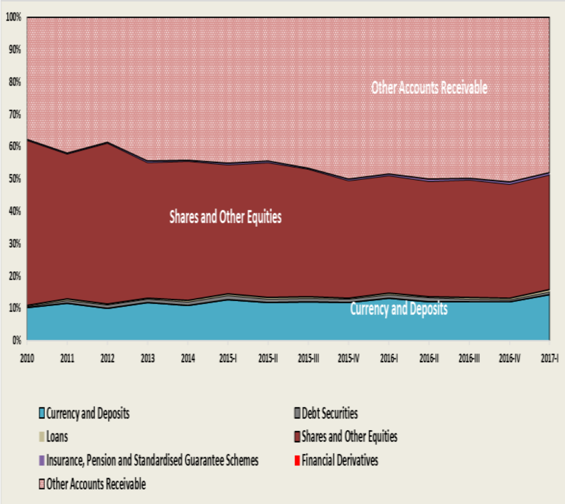
Chart 12. Financial Liabilities (transaction, TRY billion)

Source: CBRT

In the first quarter of 2017, the most significant item on the assets side of non-financial corporations was the other accounts receivable item (48 percent) composed of the sum of trade credits and advances and other items. The share of shares and other equity item was 35 percent, and that of currency and deposits was 14 percent[3] (Chart 13). On the liabilities side, the share of financing through issues of shares and other equity in total liabilities was 31 percent, while the shares of other accounts payable and loans used were 35 percent and 34 percent, respectively (Chart 14).

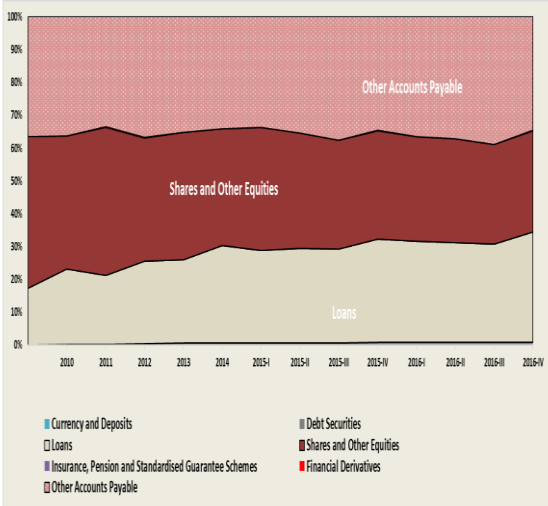
[3] To compile the financial accounts of non-financial corporations, the CBRT Company Accounts data were used until 2014 for currency, other accounts receivable, other accounts payable, and shares and other equity items, whereas the TURKSTAT's consolidated non-financial company accounts data have been used since then.

Chart 13. Breakdown of Financial Assets by Instruments (percent)



Source: CBRT

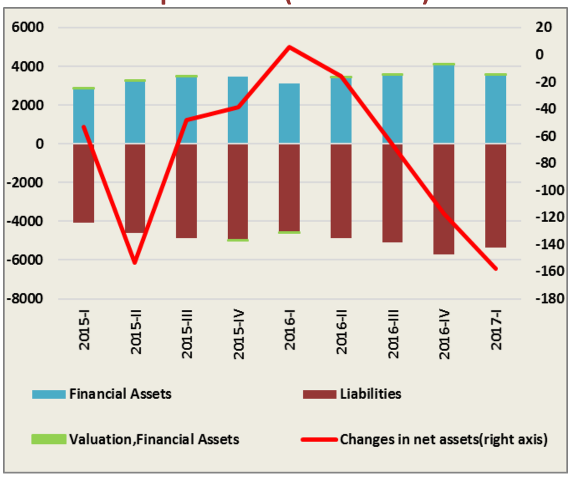
Chart 14. Breakdown of Financial Liabilities by Instruments (percent)



Source: CBRT

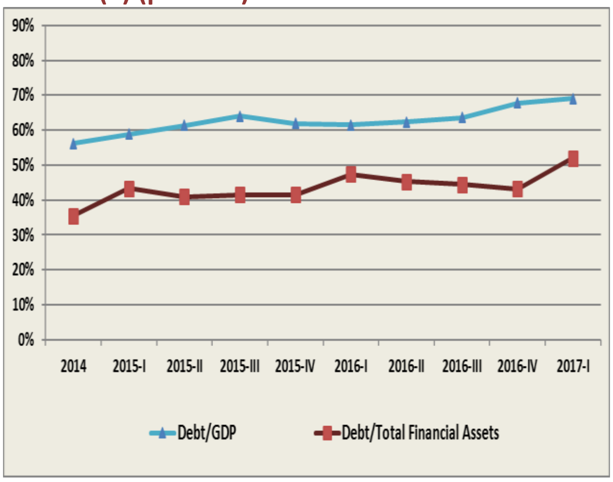
Net assets of non-financial corporations decreased by TRY 158 billion in the first quarter of 2017 compared to the previous quarter (Chart 15). While the ratio of non-financial corporations' debts to GDP was 69 percent in this period, the ratio of debts to total financial assets continued to increase (Chart 16).

Chart 15. Change in Net Assets of Non-Financial Corporations (TRY billion)



Source: CBRT

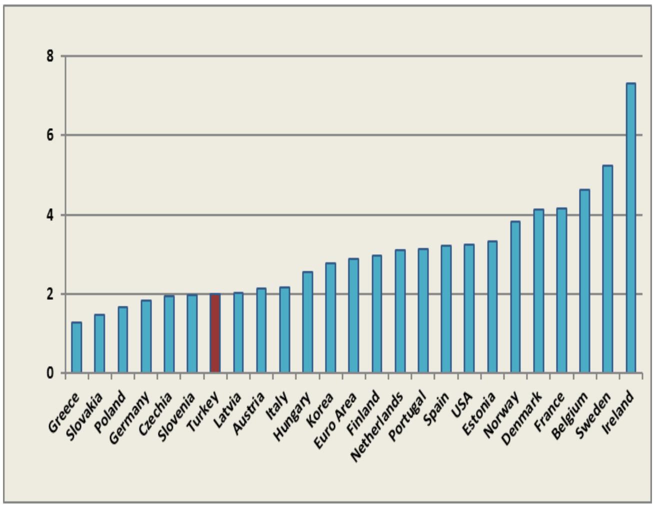
Chart 16. Non-Financial Corporations' Debt (*) (percent)



Source: CBRT, TURKSTAT

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

Chart 17. Non-Financial Corporations' Liabilities/GDP (*)



Source: CBRT, TURKSTAT, OECD

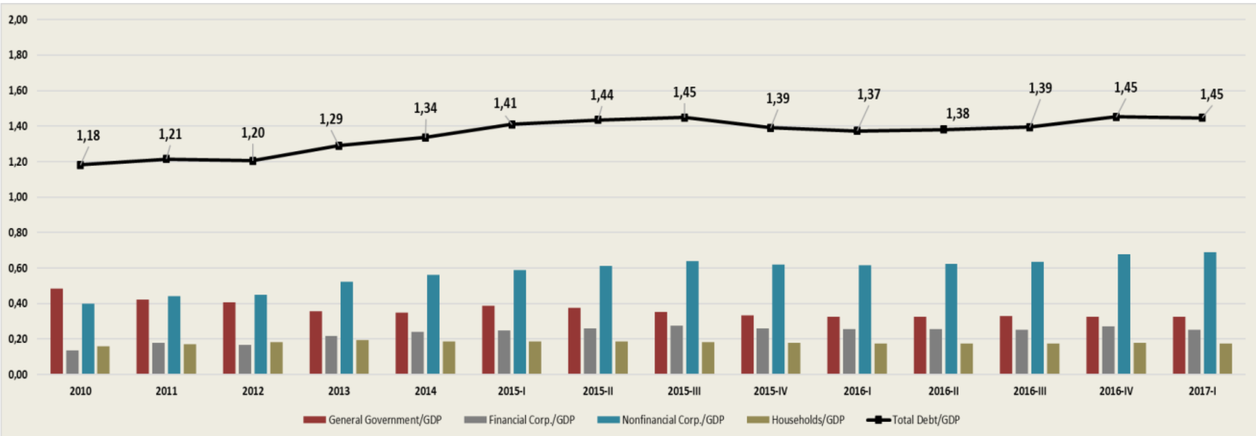
(*) Other country data is as of 2016Q4.

A comparison of the ratios of non-financial corporations' debts to GDP with those of several countries shows that in the first quarter of 2017, Turkey was among the countries with low indebtedness levels (Chart 17).

IV. Total Debt of Resident Sectors

The ratio of resident sectors' financial accounts-defined total debt, which is the sum of the loans they use and the debt securities they issue, to GDP was flat in the first quarter of 2017 compared to the previous quarter (Chart 18).

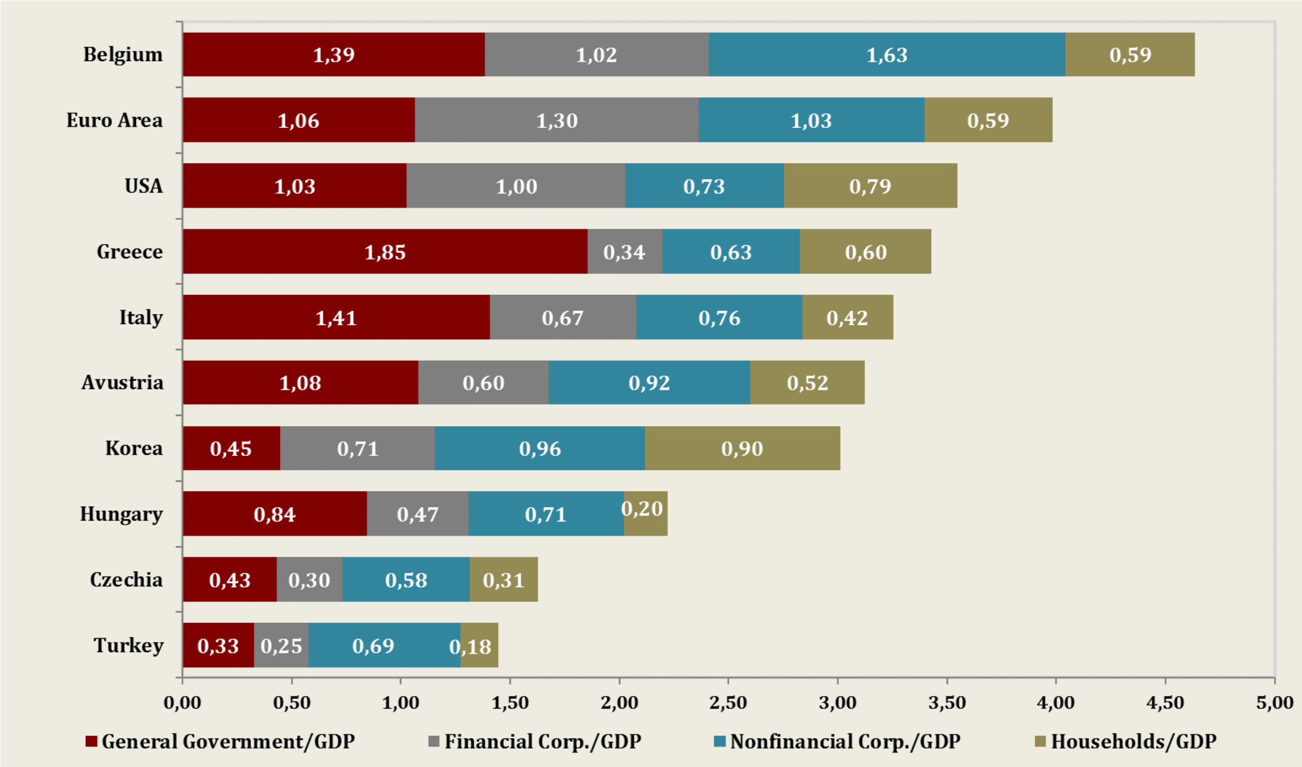
Chart 18. Total Debt of Sectors/GDP



Source: CBRT, TURKSTAT

A cross-country comparison of this indebtedness ratio reveals that the total debt of resident sectors in Turkey was low in 2017Q1 (Chart 19).

Chart 19. Cross-Country Comparison of Debt/GDP Ratio by Sectors (2017Q1) (*)



Source: CBRT, TURKSTAT, OECD

(*)Other country data is as of 2016Q4.

V. Conclusion

In the first quarter of 2017, the Turkish economy maintained its position as a net debtor, with households and the rest of the world being the two major financing sectors. The most indebted sector was the non-financial corporations sector, followed by the general government. In this period, the net financial worth of households slightly improved on the back of transactions. On the other hand, net financial transactions of non-financial corporations dropped.