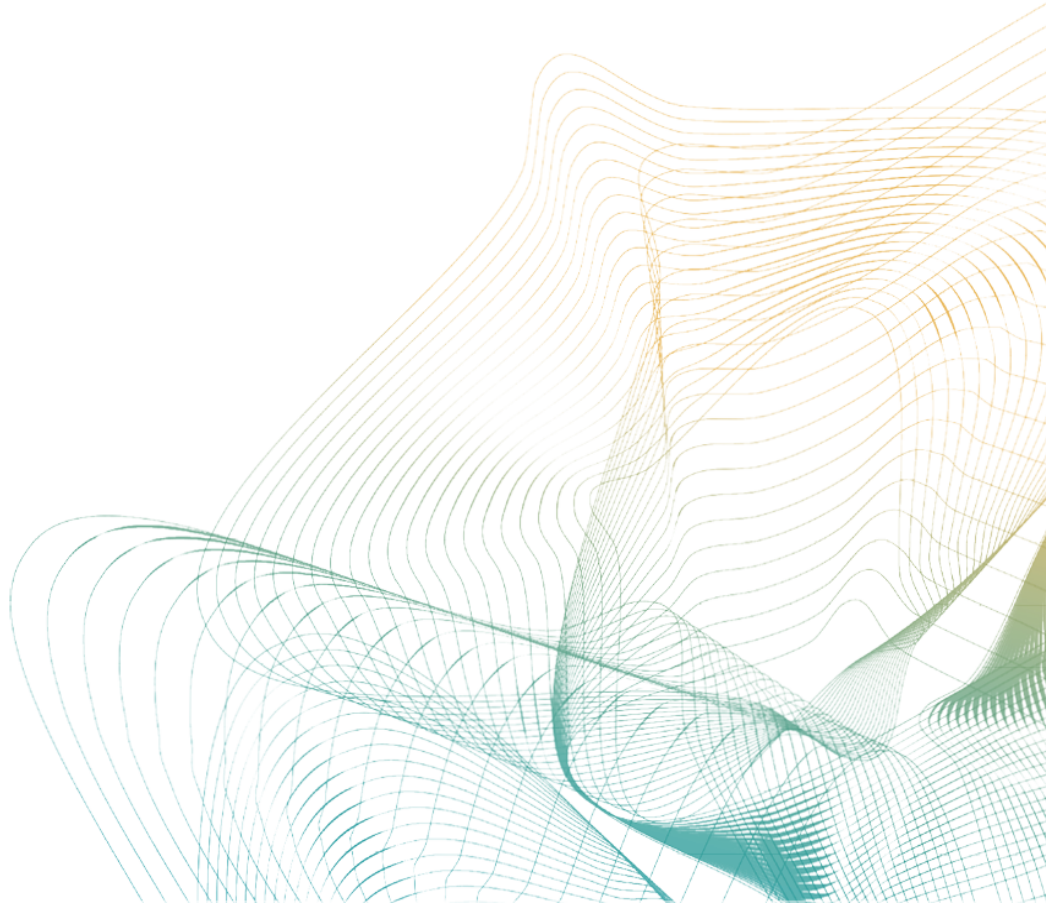


# Financial Accounts Report

2019-II



## Summary

According to sectoral financial balance sheets, total financial assets of the Turkish economy were TRY 13,883 billion, while its liabilities were TRY 15,864 billion in 2019Q2. Net liabilities to the rest of the world increased by TRY 56 billion quarter-on-quarter to TRY 1,981 billion.

Financial flows between 2019Q1 and 2019Q2 reveal that net transactions totaled TRY 0.8 billion of assets, and point to a decrease of TRY 57 billion in net worth due to exchange rate and market price changes.

An analysis of the ratio of households' and non-financial corporations' debt to GDP reveals that the debt ratios for households and non-financial corporations stood at 14% and 69%, respectively. A cross-country comparison of these ratios suggests that Turkey maintained its place in countries with low indebtedness levels in this quarter.

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# 1. Evaluations

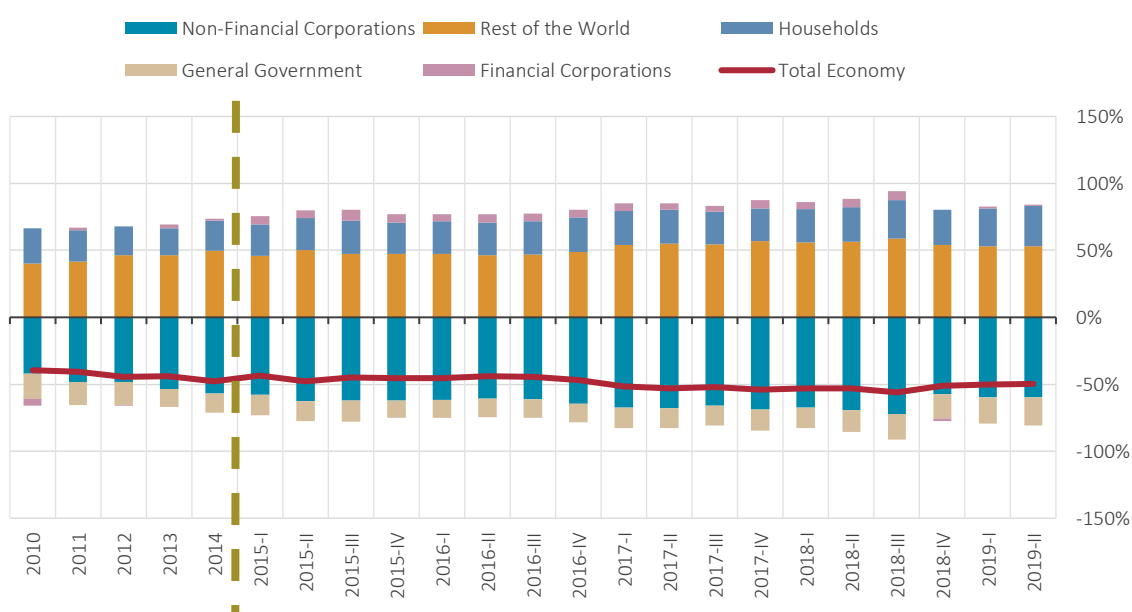
Table 1: Financial Net Worth by Sectors (2019Q2, TRY Billion)<sup>1,2</sup>

	Total Economy	Non-Financial Corporations	Financial Corporations	General Government	Households	Rest of the World
Financial Assets	13,883	5,708	5,532	823	1,819	1,303
Liabilities	15,864	8,088	5,497	1,657	621	3,416
Financial Net Worth	-1,981	-2,380	34	-834	1,198	2,113

Source: CBRT

An analysis of the domestic economy's financial balance sheets by sectors as of 2019Q2 shows that households and the rest of the world generated a financial surplus and assumed a lender position, whereas non-financial corporations and the general government ran a financial deficit and assumed a borrower position. Meanwhile, due to their financial intermediation activities, financial corporations maintained their balanced position with a financial net worth close to zero (Table 1, Chart 1).

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

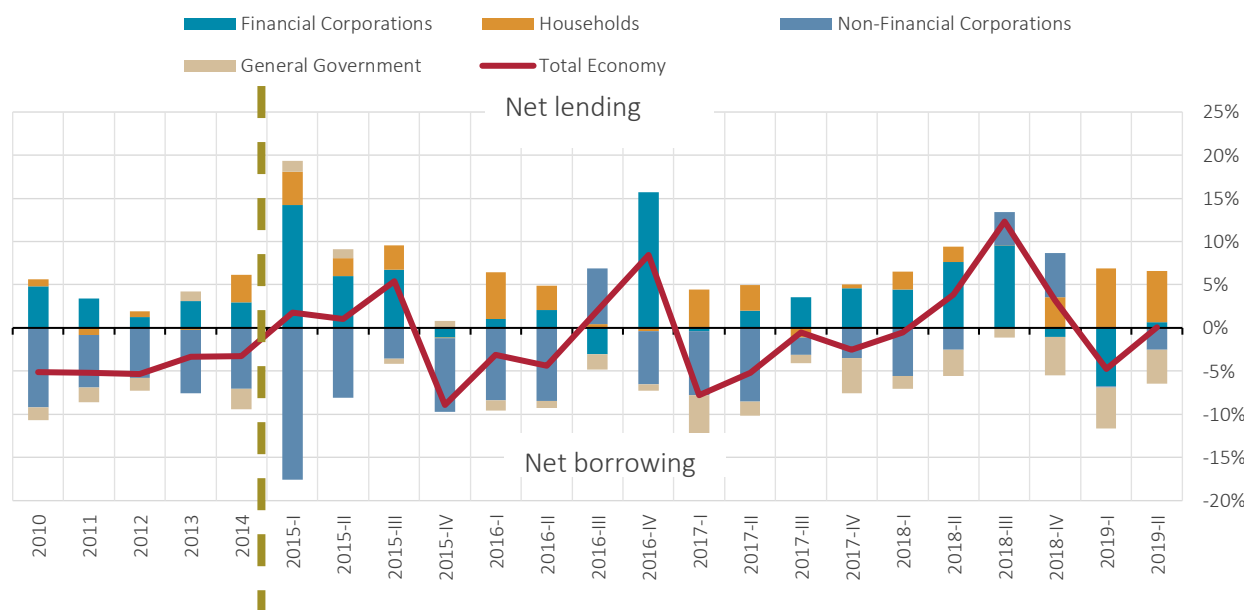


Sources: CBRT, TURKSTAT

<sup>1</sup> 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.

<sup>2</sup> The households sector also covers non-profit institutions serving households.

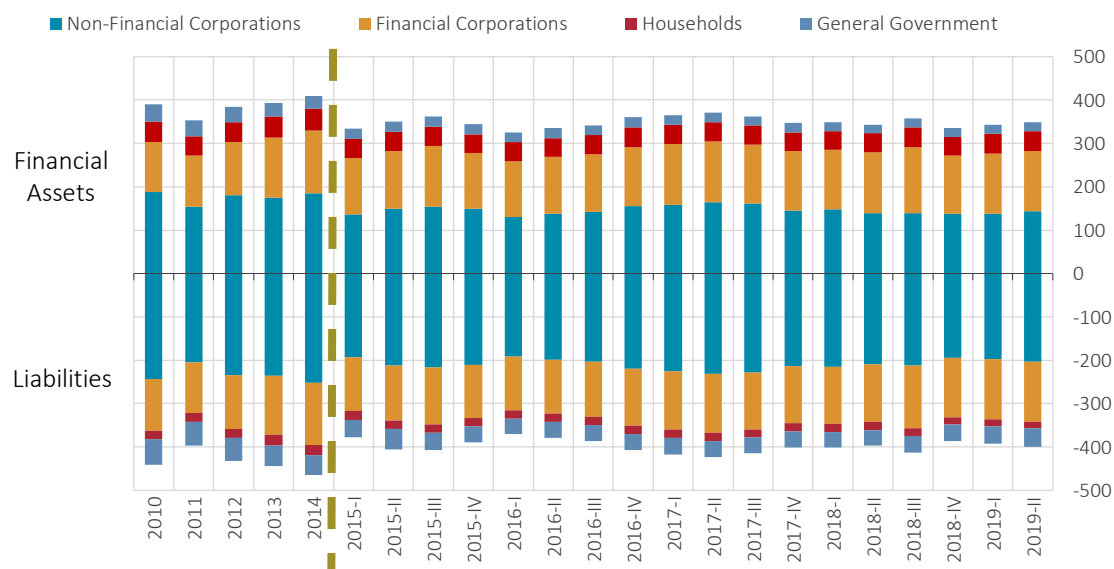
Chart 2: Net Lending/Borrowing (Transaction), Ratio to GDP, by Sectors (%)



Sources: CBRT, TURKSTAT

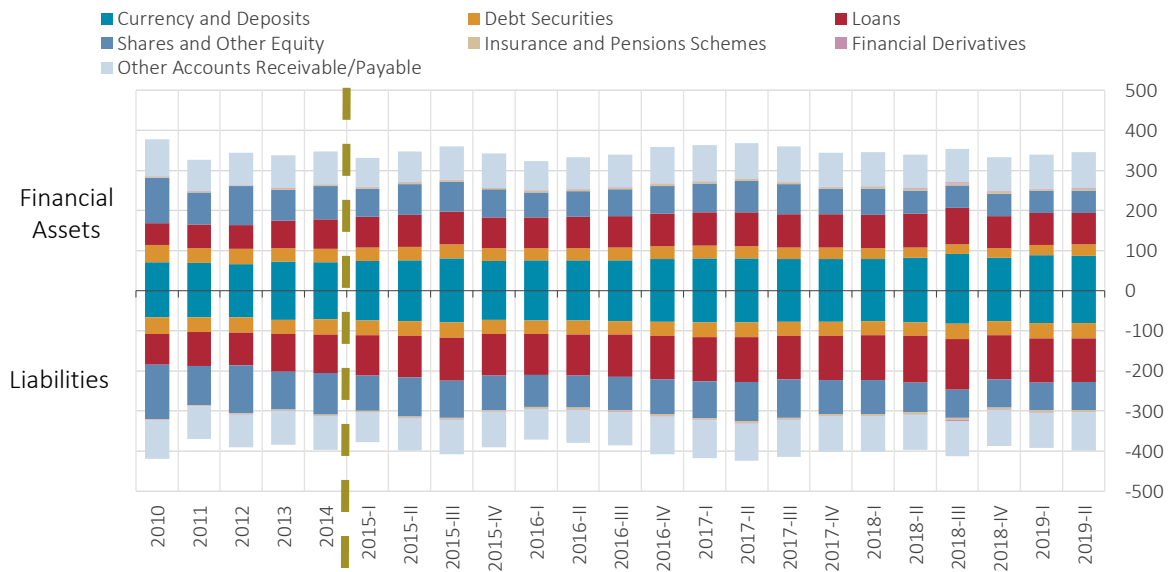
Net financial transactions conducted by sectors suggest that the total economy, which had recorded a net borrowing of 4.7% of GDP in the previous quarter, became a net lender of 0.1% of GDP in this quarter. Sectors' contributions to this ratio indicate that the households sector became the biggest lender in this quarter by lending 5.9% of the GDP, followed by financial corporations with a lending ratio at 0.7% of the GDP. The general government and non-financial corporations received net debts of approximately 4% and 2.5%, respectively (Chart 2).

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



Sources: CBRT, TURKSTAT.

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

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

Sources: CBRT, TURKSTAT

(\*) Monetary gold and SDR are excluded.

As for the financial instrument distribution in 2019Q2, currency and deposits, along with other accounts receivable had the largest weight in assets, while loans and other accounts payable had the largest weight in liabilities (Chart 4).

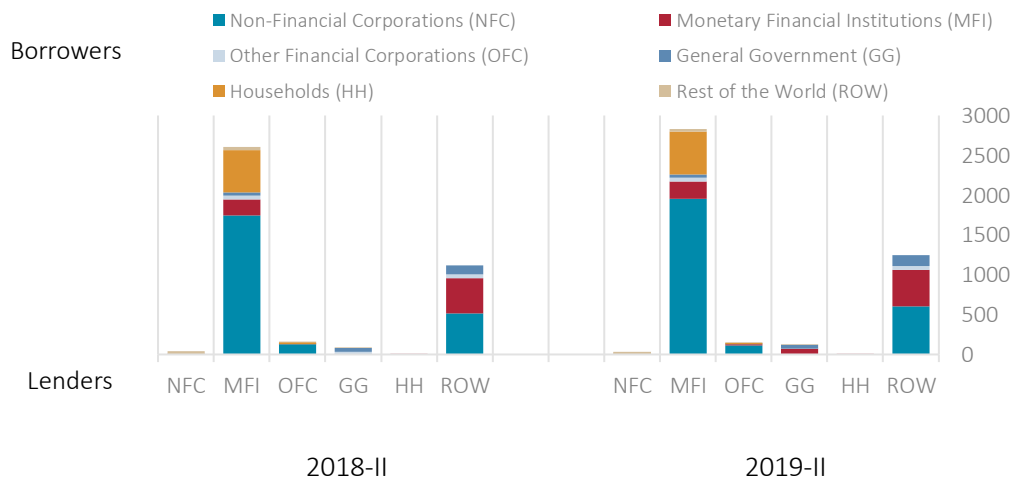
## 2. From-Whom-to-Whom (Deposits and Loans)

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 2019Q2 compared to the same period last year. The strongest connection occurred between non-financial corporations and monetary and financial institutions. The latter extended a total of TRY 2,833 billion worth of loans, granting TRY 1,958 billion of it to non-financial corporations and TRY 539 billion to households. Domestic sectors borrowed TRY 1,248 billion from the rest of the world, out of which non-financial corporations received TRY 606 billion, and monetary and financial institutions received TRY 457 billion (Chart 5).

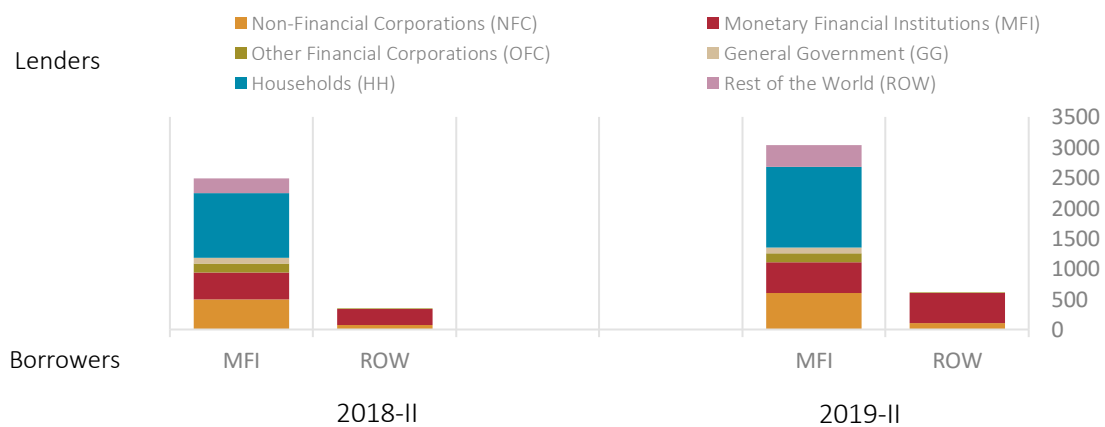
In 2019Q2, of the total TRY 3,629 billion worth of deposits, TRY 3,031 billion were taken by monetary and financial institutions and TRY 598 billion by the rest of the world. A large portion of deposits taken by monetary and financial institutions belongs to households (TRY 1,329 billion) and non-financial corporations (TRY 601 billion). Meanwhile, the majority of deposits taken by the rest of the world (TRY 496 billion) was opened by monetary and financial institutions (Chart 6).

**Chart 5: Loans, From-Whom-to-Whom (2019Q2, TRY Billion)**



Source: CBRT

**Chart 6: Deposits, From-Whom-to-Whom (2019Q2, TRY Billion)**

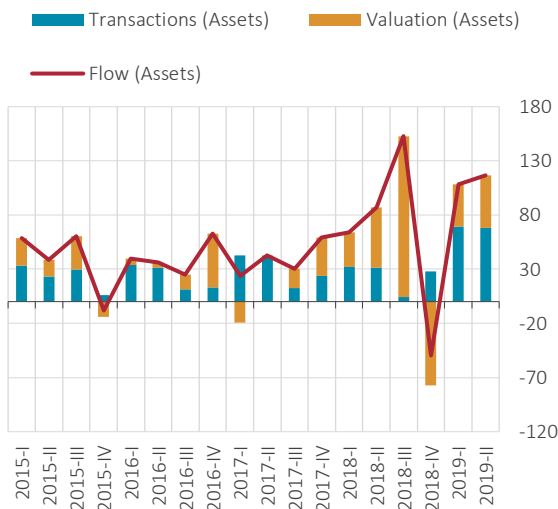


Source: CBRT

### 3. Households

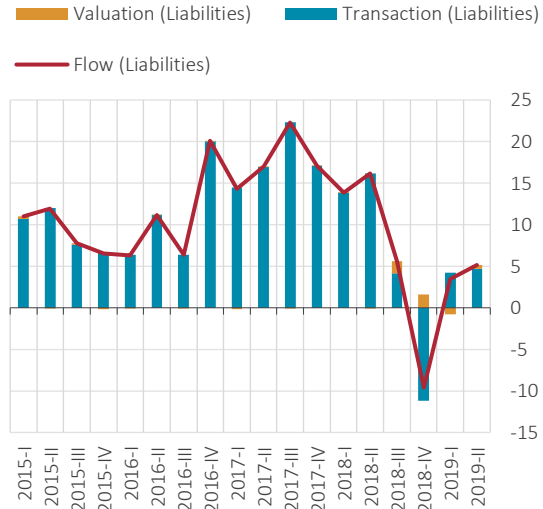
In 2019Q2, household financial assets increased quarter-on-quarter by TRY 116 billion. The TRY 68 billion portion of this increase resulted from transactions, whereas TRY 48 billion from the increase in valuation (driven by exchange rate and market prices) (Chart 7). In the same period, household liabilities increased by TRY 5.2 billion quarter-on-quarter, TRY 4.7 billion of which was driven by transactions and TRY 0.5 billion by the increase in valuation (Chart 8).

Chart 7: Financial Assets, Flow (TRY Billion)



Source: CBRT

Chart 8: Liabilities, Flow (TRY Billion)



Source: CBRT

As of 2019Q2, the leading instrument in household financial assets was deposits with a share of 76%, 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 (%)

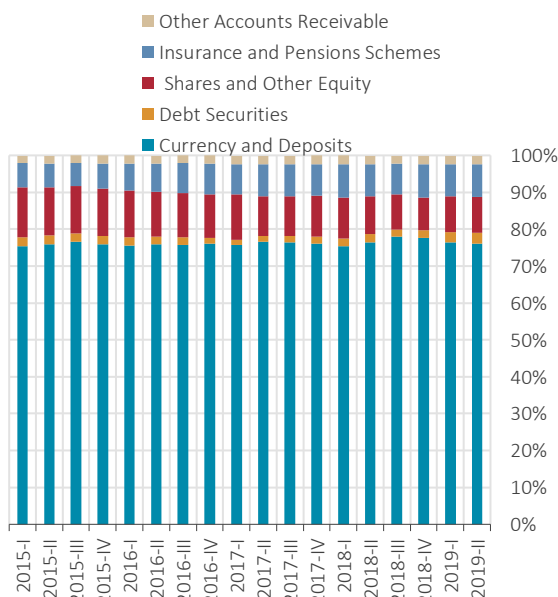
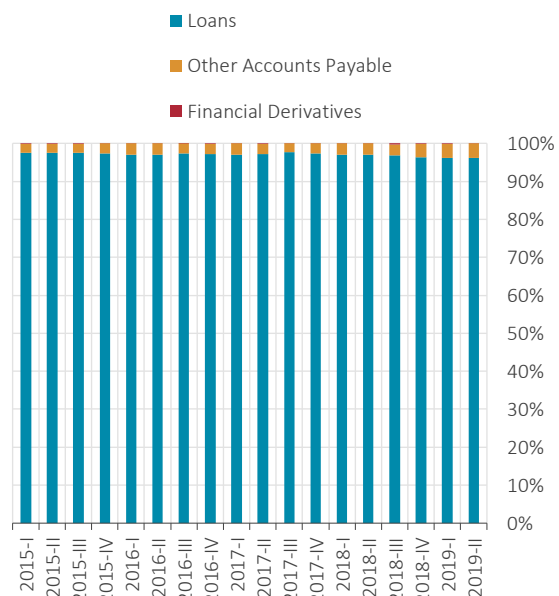


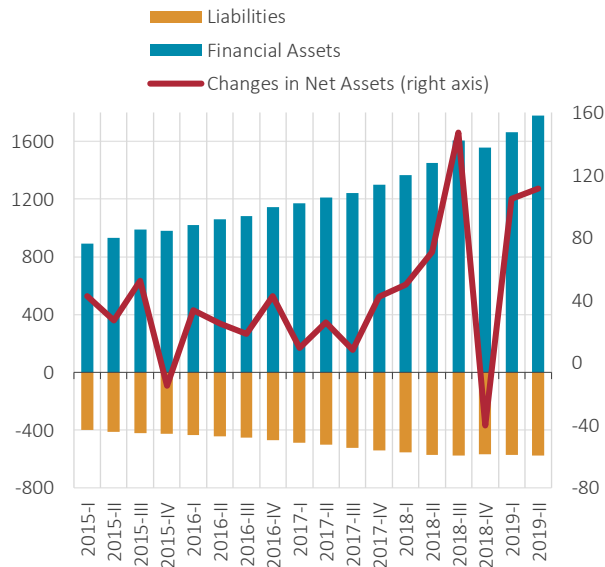
Chart 10: Breakdown of Liabilities by Instruments (%)





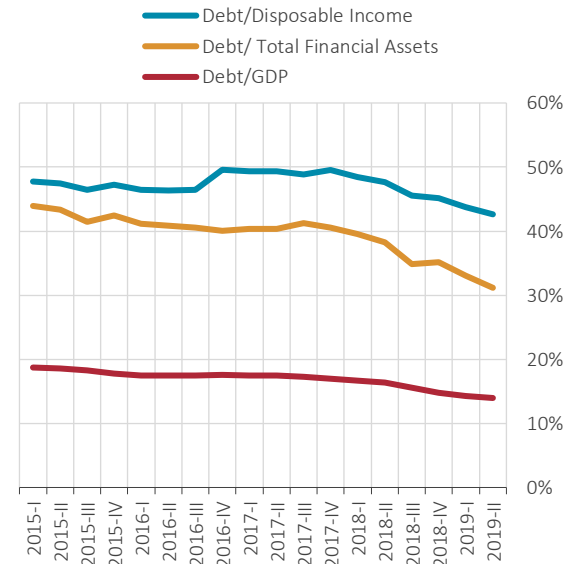
In 2019Q2, household financial net worth increased by TRY 111 billion (Chart 11). Household debt indicators suggest that the ratio of household debt to GDP slightly declined to 14% while the ratio of debt to total financial assets dropped quarter-on-quarter to 31% from 33% (Chart 12).

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



Source: CBRT

**Chart 12: Household Debt\* (%)**

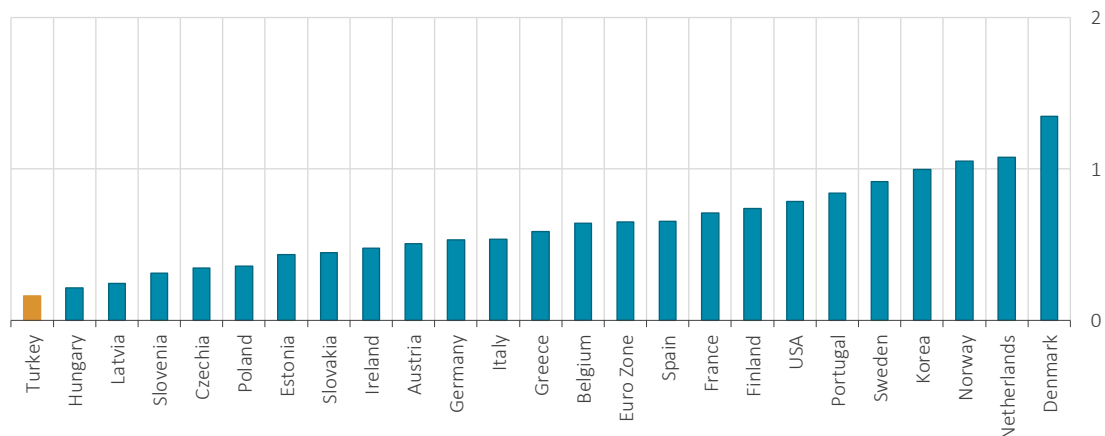


Sources: CBRT, TURKSTAT

\*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 2019Q2 (Chart 13).

**Chart 13: Household Liabilities/GDP, Comparison\***



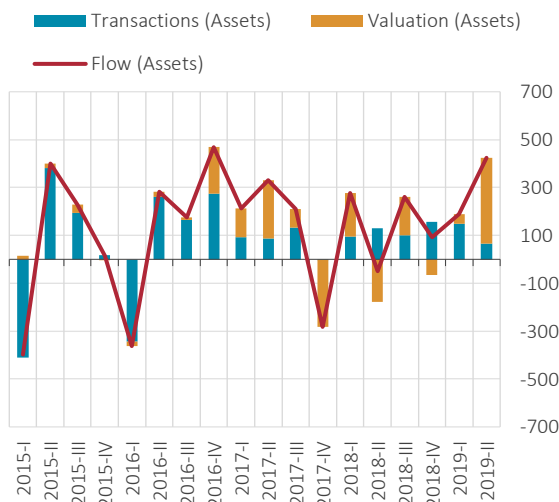
Sources: CBRT, TURKSTAT, OECD

(\*) Other country data is as of 2019Q1.

## 4. Non-Financial Corporations

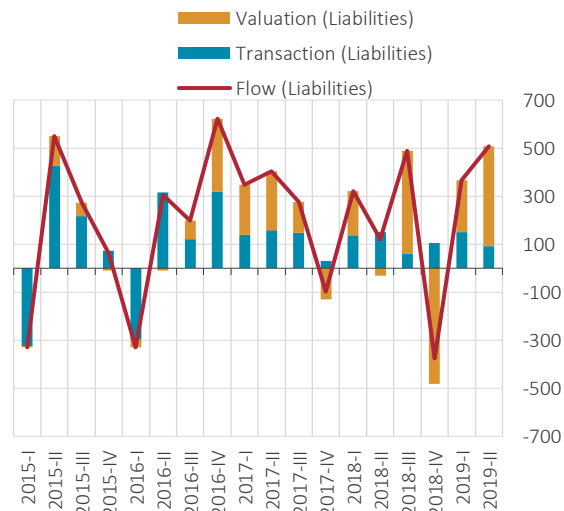
In 2019Q2, financial assets of non-financial corporations rose by TRY 423 billion on a quarterly basis. The TRY 358-billion portion of this rise resulted from the increase in valuation of financial assets driven by exchange rate and market prices (Chart 14). Meanwhile, liabilities of non-financial corporations increased by TRY 507 billion, TRY 416 billion of which was driven by the increase in valuation of financial liabilities due to exchange rate and market prices (Chart 15).

Chart 14: Financial Assets, Flow (TRY Billion)



Source: CBRT

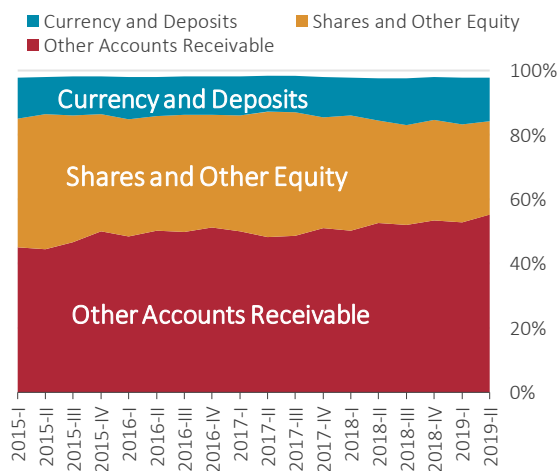
Chart 15: Liabilities, Flow (TRY Billion)



Source: CBRT

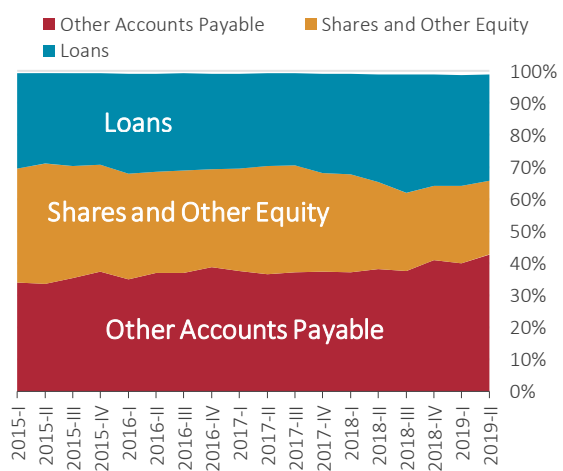
In 2019Q2, the distribution of non-financial corporations' financial transactions did not change significantly. The most important item on the assets side was the other accounts receivable item (55%) composed of the sum of trade credits and advances and other items. The share of the shares and other equity item was 29%, and that of currency and deposits was 14% (Chart 16). On the liabilities side, the share of other accounts payable stood at 43% while the share of loans was 33%. The share of financing through the shares and other equity item was 23% (Chart 17).

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



Source: CBRT

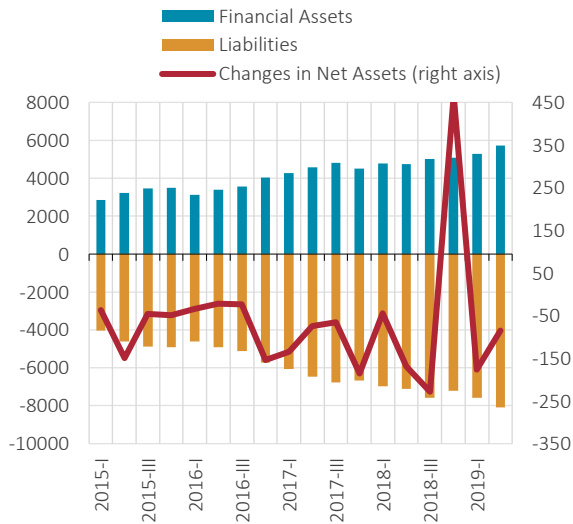
Chart 17: Breakdown of Liabilities by Instruments (%)



Source: CBRT

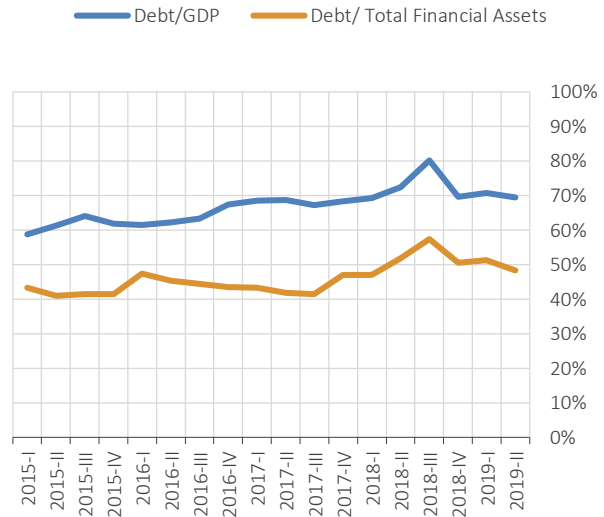
In 2019Q2, financial net worth of non-financial corporations decreased quarter-on-quarter by TRY 85 billion. (Chart 18). Meanwhile, the ratio of non-financial corporations' debt to GDP decreased by 2 percentage points to 69%. In the same period, the ratio of non-financial corporations' debt to total financial assets declined to 48% (Chart 19).

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



Source: CBRT

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

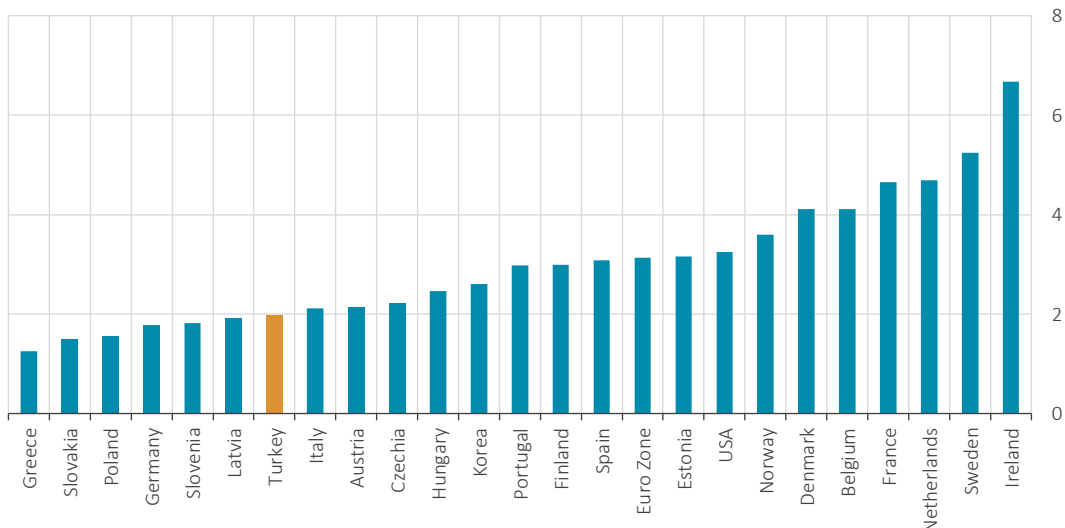


Sources: CBRT, TURKSTAT.

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

A cross-country comparison of the ratios of non-financial corporations' liabilities to GDP shows that Turkey ranked among the countries with low indebtedness levels in 2019Q2 (Chart 20).

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



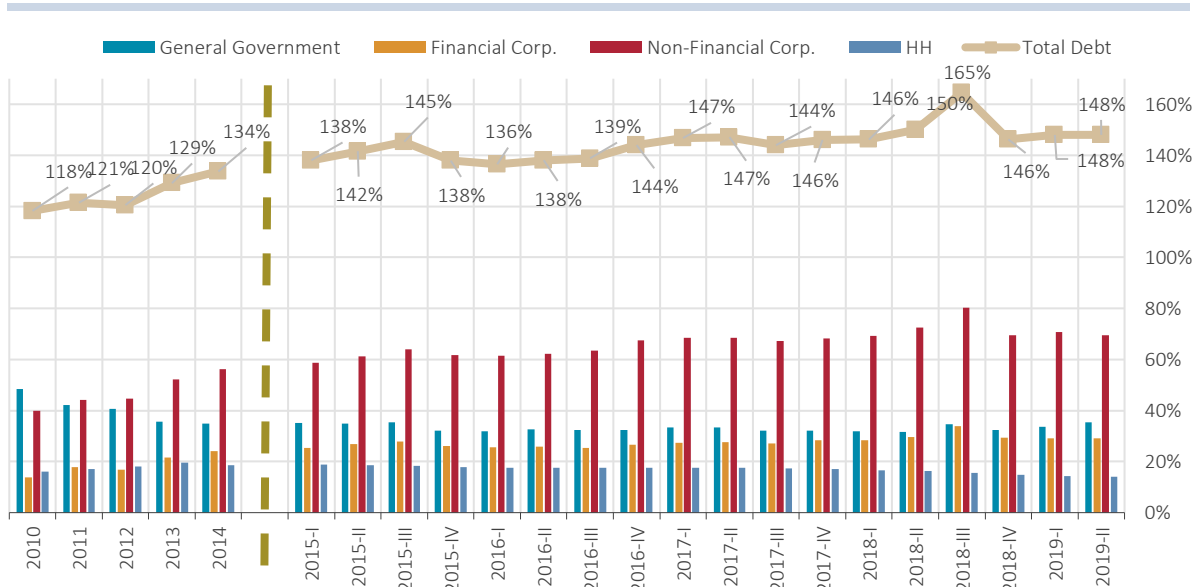
Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2019Q1.

## 5. Total Debt of Resident Sectors

The ratio of resident sectors' financial accounts-defined total debt, which is the sum of the loans they utilize and the debt securities they issue, to GDP remained unchanged at 148%. (Chart 21).

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

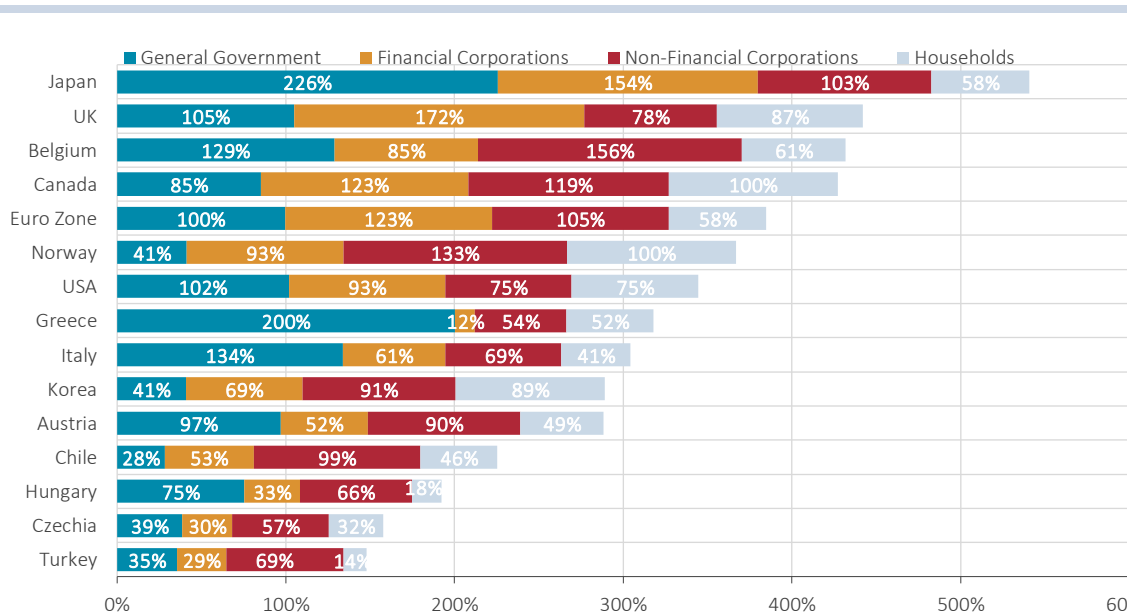


(\*) Debts are composed of loans and debt securities.

Sources: CBRT, TURKSTAT.

A cross-country comparison of this debt ratio reveals that the total debt of resident sectors in Turkey was low in 2019Q2 (Chart 22).

Chart 22: Cross-Country Comparison of Debt/GDP Ratio by Sectors, (%) (2019Q2)\*\*



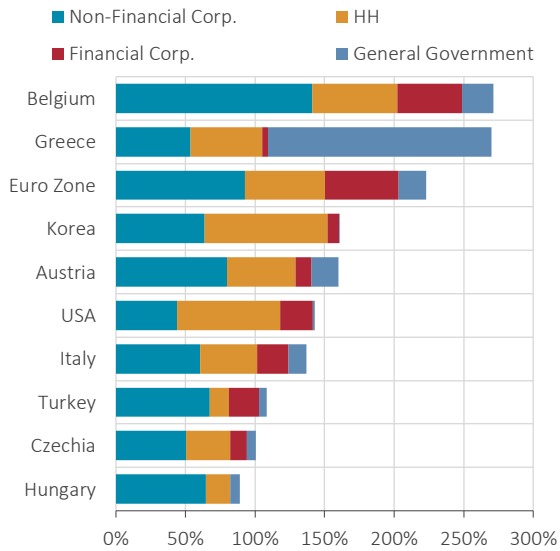
Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2019Q1.

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

A cross-country comparison of debt ratios by financial instruments shows that Turkey posted relatively low levels of loan/GDP and debt securities/GDP ratios in 2019Q2. While non-financial corporations constituted the largest sector in terms of loan indebtedness with a ratio of 67% of GDP, the general government stood as the leading sector in debt securities with a ratio of 30% (Charts 23 and 24).

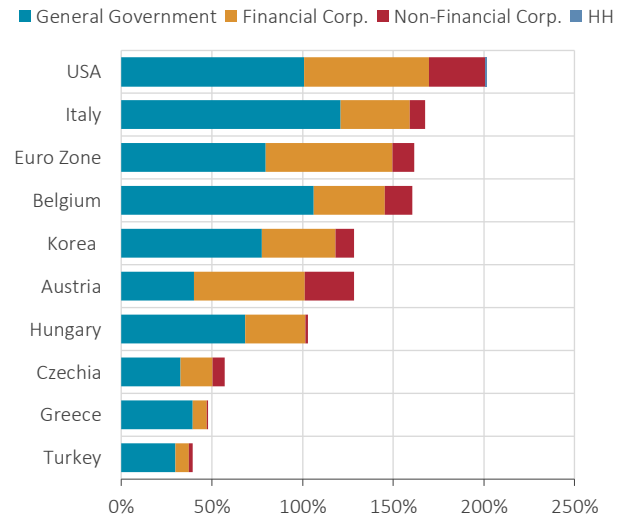
**Chart 23: Cross-Country Comparison of Loan/GDP Ratio by Sectors, (%) (2019Q2)\*\***



Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2019Q1.

**Chart 24: Cross-Country Comparison of Debt Sec./GDP Ratio by Sectors, (%) (2019Q2)**



Sources: CBRT, TURKSTAT, OECD.

(\*) Other country data is as of 2019Q1.