TÜRKİYE CUMHURİYET MERKEZ BANKASI

Financial Accounts
2013

Statistics Department

Monetary and Financial Data Division

Contents

I. Introduction

The Financial Accounts, which 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, is part of the System of National Accounts. The Financial Accounts was first published in 2012 and incorporate data from financial corporations, the central government and local governments. In 2013, the FA tables were expanded with respect to both the content and the sub-sectors reported, accordingly:

- Financial accounts of **non-financial corporations** have started to be compiled as well. Although the data sources for the general government and financial corporations are quite detailed and ample, data for non-financial corporations cannot be compiled as detailed as those for financial corporations as the number of non-financial corporations is very high and have intense financial relations with sectors other than the banking sector. Therefore, following other countries' experiences, these financial data have been compiled from various sources using counterpart sector data. To be more specific, counterpart items compiled from banks, financial intermediaries and financial auxiliaries have been used for the financial sector items such as deposits and loans, and other accounts receivable/payable and cash items have been calculated based on the Company Accounts disseminated by the CBRT. Transactions carried out between residents and non-residents have been calculated based on the International Investment Position data.

- Data pertaining to the "**mutual funds shares**" (excluding type B liquid funds) have been included in the financial intermediaries sector that is composed of financial leasing, factoring and financing companies.

- Data for **social security institutions** have been compiled through coordinated work with the Ministry of Finance and added to the general government sector dataset.

- The **consolidated data for general government sector** has been issued since 2009.

- The accounts for the 2009-2011 period have been revised in the nonconsolidated financial accounts for the central and local governments.

Table 1. Net Financial Worth by Sectors

(2012, billion TL)

	Nonfinancial Corporations	Central Bank	Other Monetary Financial Institutions (*)	Financial Intermediaries	Financial Auxiliaries	Insurance Companies	Central Government	Local Government	Social Security Institutions
Financial Assets	1367	254	1331	59	54	31	290	50	142
Financial Liabilities	2674	247	1378	55	25	40	660	48	32
Financial Net Worth	-1307	7	-47	4	29	-9	-370	2	110

(*)Other Monetary Financial Institutions are composed of Banks and Type-B Liquid Funds.

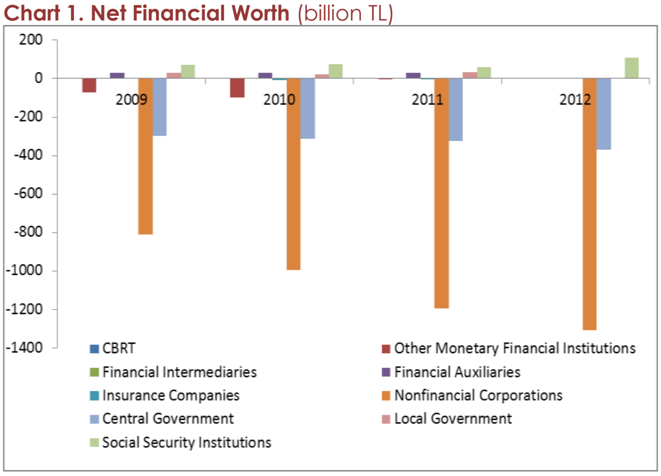
Source: CBRT

The non-financial corporations and the other monetary financial institutions are the sectors having the highest financial position, and non-financial corporations is the sector with the highest net financial debt. An analysis of net financial worth by sectors for 2012 (financial assets-financial liabilities) reveals that the non-financial corporations is the sector with the highest net debts having a net debt of

Turkish lira 1307 billion, while social security institutions has the highest net receivables with Turkish lira 110 billion (Table 1).

The net financial position of non-financial corporations has a determinant role with respect to the sectors covered. Between 2009 and 2012, the non-financial corporations, the central government and other monetary financial institutions (other MFI) were net borrowers, while the CBRT, financial auxiliaries, financial intermediaries and the local government were net creditors (Chart 1).

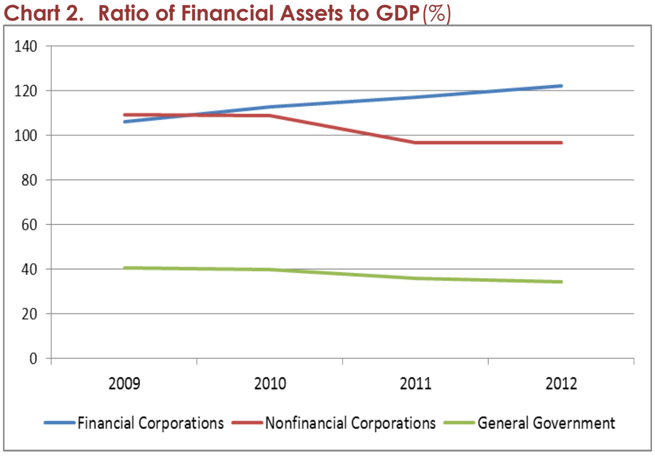
Chart 1. Net Financial Worth (billion TL)



Source: CBRT

The breakdown of financial assets by sector shows that between 2009 and 2012, the ratio of the financial assets of financial corporations to GDP increased while the same ratio for non-financial corporations started to decrease as of 2010 and has recently remained flat (Chart 2).

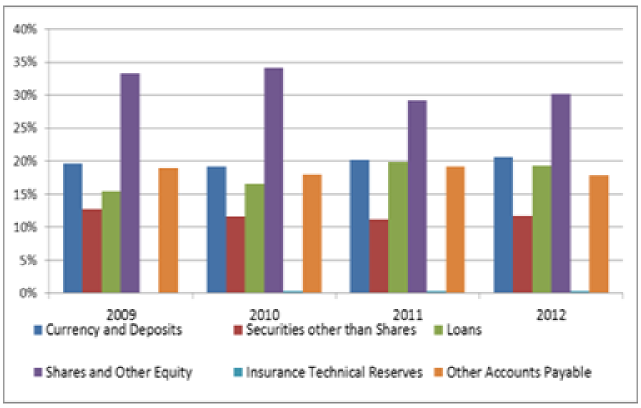
Chart 2. Ratio of Financial Assets to GDP (%)



Source: CBRT, TURKSTAT, Ministry of Finance

In financial liabilities, the largest item is the shares and other equity item. The distribution of instruments in the three sectors reported (financial corporations, non-financial corporations and general government) indicate that the shares and other equity item is the largest liability followed by the currency and deposits items. In 2012, the shares of the said liability items in the total value were 28 percent and 24 percent, respectively (Chart 3).

Chart 3. Financial Liabilities: Breakdown by Financial Instrument (%)

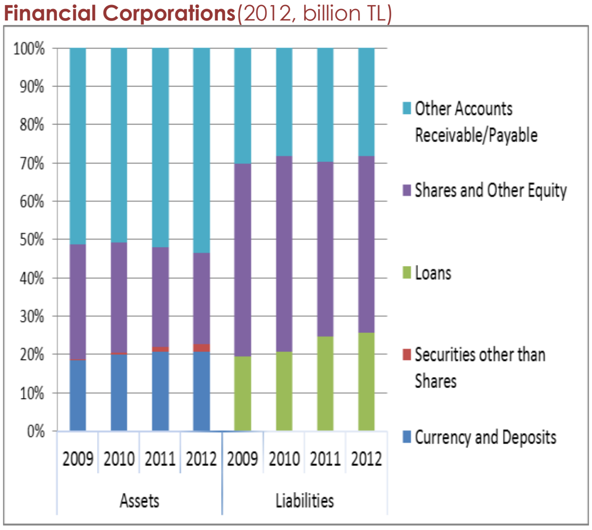


Source: CBRT

II. Non-financial Corporations

The breakdown of non-financial corporations' financial assets and liabilities by financial instrument suggest that the shares and other equity item and the other accounts receivable/ payable item determine the financial position of the sector. Between 2009 and 2012, the distribution of financial instruments has changed; however, the increase in the assets of these corporations in 2012 can mainly be attributed to the rise in other accounts receivable and the shares and other equity item. Of the other accounts receivable item, 61 percent is composed of commercial receivables (Chart 4 and Chart 5).

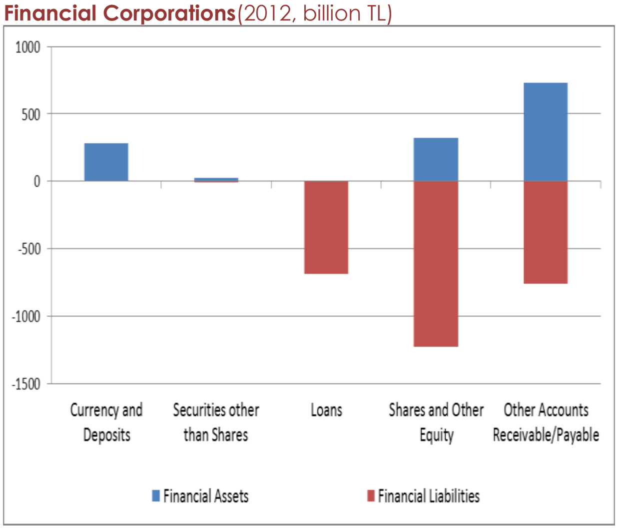
Chart 4. Financial Asset and Liability Structure of Non-Financial Corporations(2012, billion TL)



Source: CBRT

On the liability side, the rise in the shares and other equity item and the other accounts payable item is quite noteworthy. Meanwhile, 73 percent of the shares and other equity item is composed of unquoted shares (Chart 4).

Chart 5. Financial Asset and Liability Structure of Non-Financial Corporations(2012, billion TL)



Source: CBRT

III. Financial Corporations

Table 2. Financial Corporations Sector-"Who-to-Whom" Table
(2012, billion TL)

Debtor Sectors: Liabilities	Credit Sectors: Assets											
	CBRT	Other MFI	Financial Intermediaries	Financial Auxiliaries	Insurance Companies	Total Financial Corporations	General Government	Households	Nonfinancial Corporations	Total Domestic Sectors	Rest of the world	TOTAL
CBRT	0,0	145,5	0,8	0,1	1,2	147,7	28,0	47,3	7,1	230,0	16,6	247
Other MFI	29,9	52,4	0,0	24,4	27,8	134,5	127,6	506,8	281,5	1050,4	327,8	1378
Financial Intermediaries	0,0	15,7	0,6	0,0	0,1	16,4	0,2	11,2	4,3	32,0	22,6	55
Financial Auxiliaries	0,0	6,1	0,2	0,6	0,0	6,8	9,8	1,9	6,0	24,6	0,2	25
Insurance Companies(*)	-	-	-	-	-	-	-	-	-	-	-	40
Total Financial Corporation	29,9	219,6	1,7	25,0	29,2	305,4	165,5	567,2	299,0	1337,0	367,2	1744

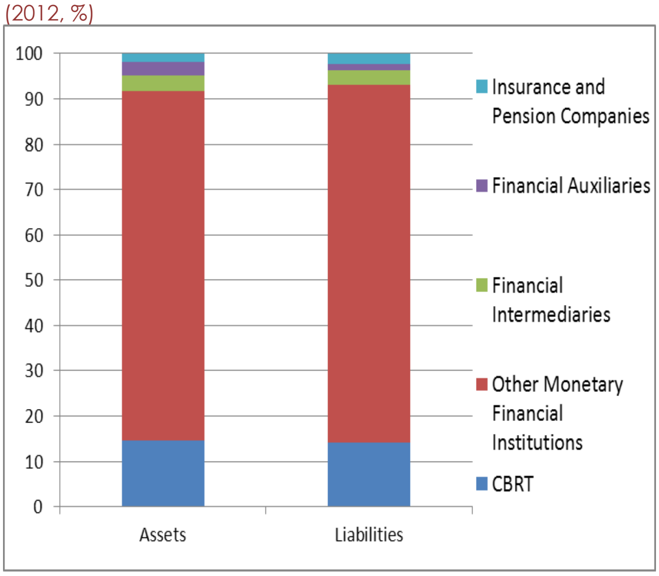
(*) No counterpart sector.
Source: CBRT

The "Who-to-Whom" table is a summary of three dimensional information on financial accounts. In other words, this table makes it possible to track which sector owes another sector or is owed by a particular sector. In the current situation, this information covers only the sub-sectors of financial corporations. For other sectors, studies to gather the "who-to-whom" information continue (Table 2).

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 (rest of the world) sectors. An analysis of the table shows that the financial transactions between financial corporations amount to approximately TL 305 billion. Of this amount, TL 135 billion originates from transactions of other MFI, with domestic interbank transactions accounting for TL 52 billion. In the financial liabilities of other MFI, households have a share of TL 507 billion, foreign institutions have a share of TL 328 billion, non-financial corporations have a share of TL 282 billion and the general government has a share of TL 128 billion (Table 2).

The other MFI sector has a determining role in the financial corporations sector. In fact, a large portion of the financial assets and liabilities of the financial corporations sector belonged to other monetary financial institutions in 2012 as was the case in 2011. On the other hand, the share of the CBRT in the sector was 14 percent on both asset and liability sides (Chart 6).

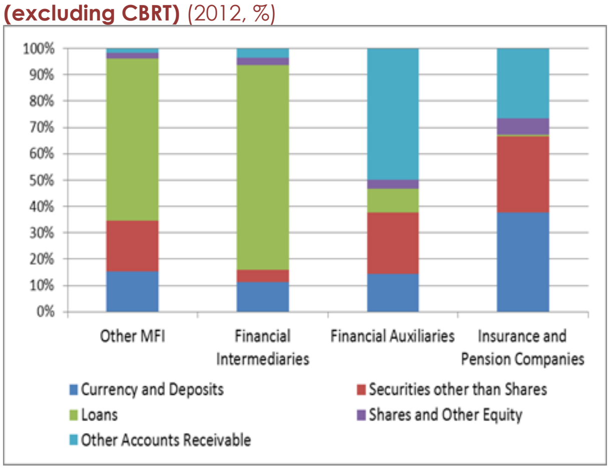
Chart 6. Assets and Liabilities of Financial Corporations
(2012, %)



Source: CBRT

Loans make up the largest portion of financial corporations' assets. An analysis of the asset structure reveals that the financial instrument with the highest share was loans in the other MFI sector and the financial intermediaries sector, while it was other accounts receivable in the financial auxiliaries sector and currency and deposits on the insurance companies and private pension funds front (Chart 7).

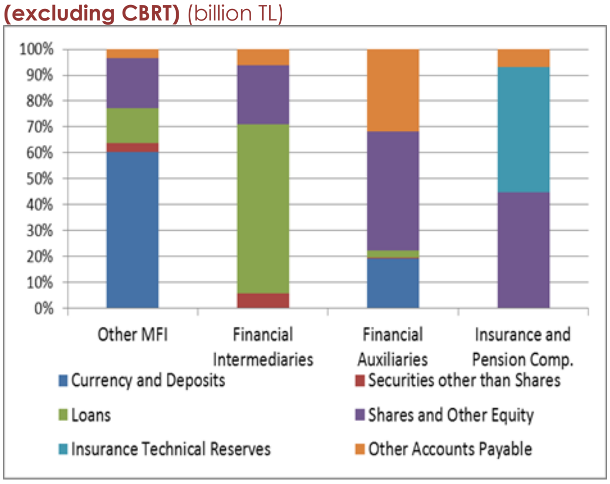
Chart 7. Asset Structure of Financial Corporations (excluding CBRT) (2012, %)



Source: CBRT

The shares and other equity item plays a distinctive role in the liability structure of financial corporations. An analysis of the financial liability structure suggests that the largest shares in the other MFI, financial intermediaries, financial auxiliaries, and insurance companies and private pension funds sectors are made up of currency and deposits, loans, shares and other equities, and insurance technical reserves, respectively (Chart 8).

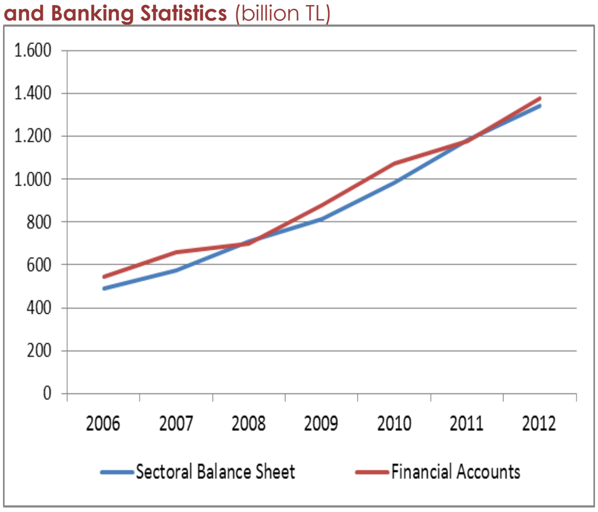
Chart 8. Liability Structure of Financial Corporations (excluding CBRT) (billion TL)



Source: CBRT

Financial accounts are coherent with money and banking statistics. A comparison of the banking sector's (other MFI's) sectoral balance sheet total derived from money and banking statistics with financial accounts (liabilities) shows that these two series are consistent with each other. Negligible differences between amounts arise particularly from the valuation difference in shares and the exclusion of collaterals and non-financial liabilities from financial accounts (Chart 9).

Chart 9. Coherence of Financial Accounts with Money and Banking Statistics (billion TL)

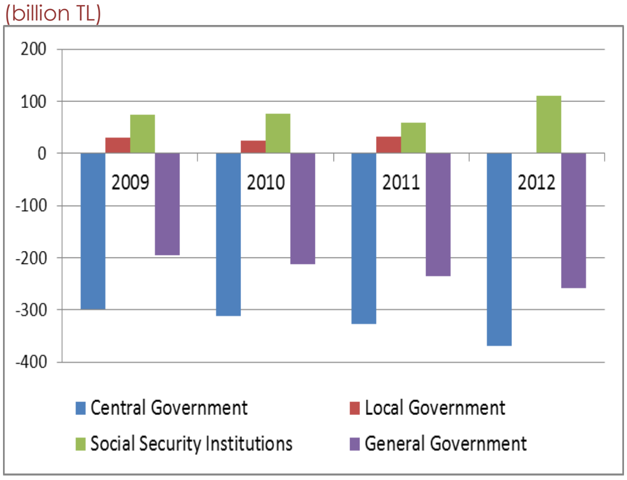


Source: CBRT

IV. General Government

In the 2009-2012 period, the general government was a net borrower and the financial position of the central government was a determining factor. On the other hand, local governments and social security institutions [1] maintained their net lender position in the period covered. In 2012, the net financial worth of the central government and local governments dropped by 13 percent and 94 percent, respectively, whereas that of social security institutions improved by 87 percent over a year (Chart 10).

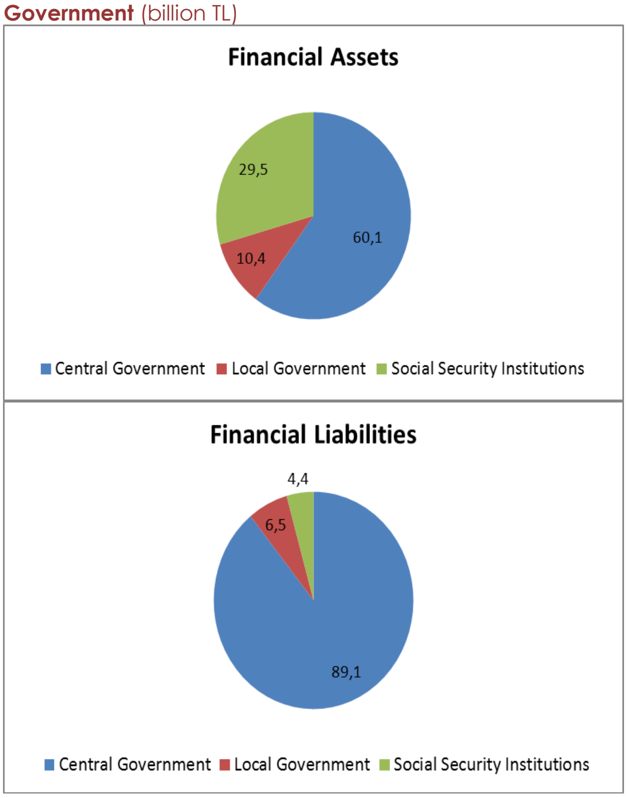
Chart 10. General Government, Net Financial Worth (billion TL)



Source: Ministry of Finance

The central government predominates in the asset and liability 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 60 percent, 10 percent and 29 percent, respectively. On the liability side, the central government has a share of 89 percent. On the other hand, financial liabilities of local governments and social security institutions to other sectors are 4 percent and 7 percent, respectively (Chart 11).

Chart 11. Asset and Liability Structure of the General Government (billion TL)

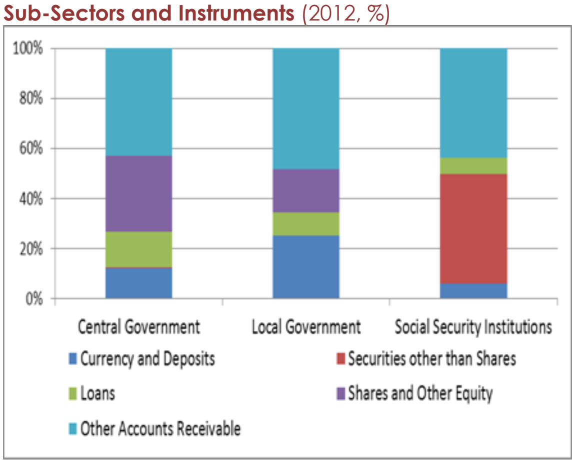


Source: Ministry of Finance

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

The largest portion of the general government's financial assets is composed of other receivables emanating from tax claims while its liabilities are composed of other loans originating from the safekeeping account. Building up the greatest share in the general government, the central government has an asset composition of other receivables with 43 percent, shares and other equity with 31 percent, loans extended with 14 percent and currency and deposits with 12 percent. Of the central government's financial liabilities, 84 percent is made up of securities other than shares (government debt securities) (Chart 12 and Chart 13).

Chart 12. Asset Structure of the General Government, Sub-Sectors and Instruments (2012, %)

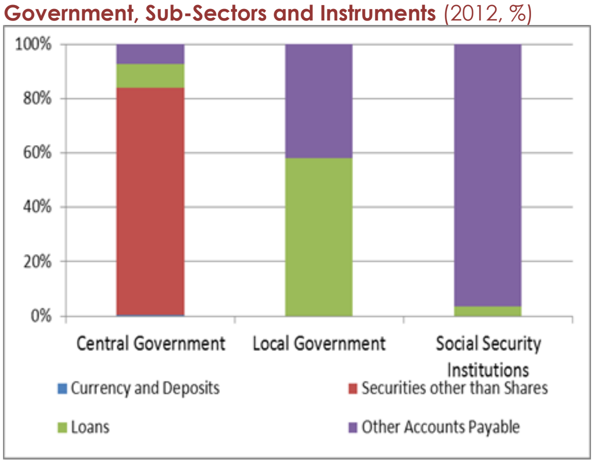


Source: Ministry of Finance

Financial assets of local governments are predominantly composed of other receivables (49 percent) and currency and deposits (25 percent). Extended loans account for 58 percent of local governments' financial liabilities and the remaining part consists of other loans (Chart 12 and Chart 13).

44 percent of the financial assets of social security institutions is composed of securities other than shares and the other 44 percent is composed of other receivables. Securities other than shares are mostly composed of government debt securities included in the portfolio of the Unemployment Insurance Fund. The weight of other payables in their financial liabilities is noteworthy with 96 percent (Chart 12 and Chart 13).

Chart 13. Liability Structure of the General Government, Sub-Sectors and Instruments (2012, %)

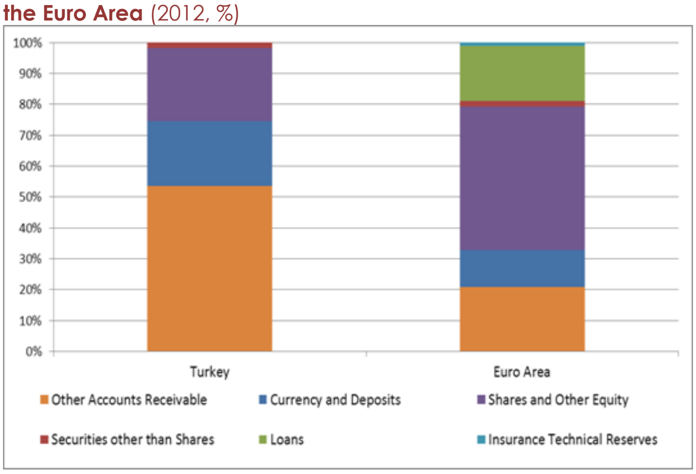


Source: Ministry of Finance

V. International Comparisons

Financial accounts of non-financial corporations show divergence, particularly on the asset side, between Turkey and the Euro area. Actually, while these corporations conduct loan transactions in the Euro area, this is not the case in Turkey, where the most weighted item is other receivables. On the other hand, shares and other equity, which ranks top in the Euro area, have a significant weight in both groups (Chart 14).

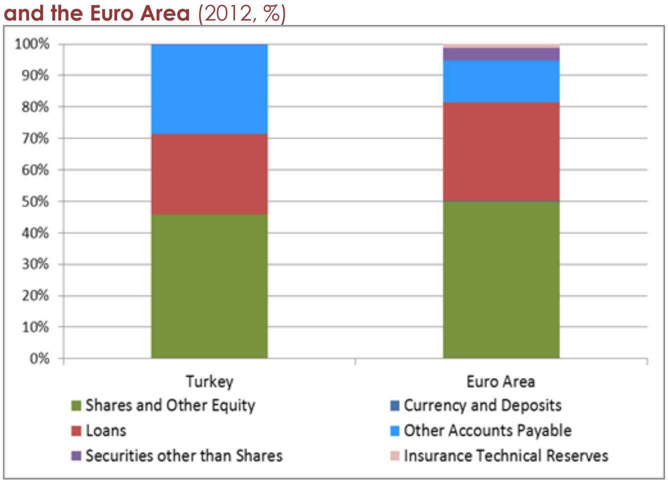
Chart 14. Asset Structure of Non-Financial Corporations Turkey and the Euro Area (2012, %)



Source: CBRT, ECB

On the liability side, financial accounts of non-financial corporations in Turkey and the Euro area show a more similar distribution. In fact, the highest weight in both groups belongs to the shares and other equity, with credit transactions and other accounts receivable/payable also having a significant share. However, non-financial corporations undertake insurance activities in the Euro area, these corporations do not carry out insurance transactions in Turkey (Chart 15).

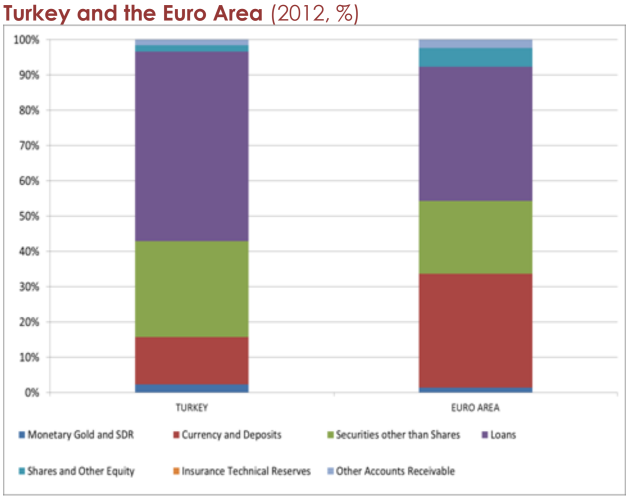
Chart 15. Liability Structure of Non-Financial Corporations Turkey and the Euro Area (2012, %)



Source: CBRT, ECB

The asset structure of MFIs presents similarities in Turkey and the Euro area. As opposed to the 54 percent-share of loans in Turkey, this share remains limited to 38 percent in the Euro area. Likewise, while the share of securities other than shares is 27 percent in Turkey, it stands at 21 percent in the Euro area. The share of currency and deposits in financial assets reaches 32 percent in the Euro area, whereas this ratio stands at 13 percent in Turkey (Chart 16).

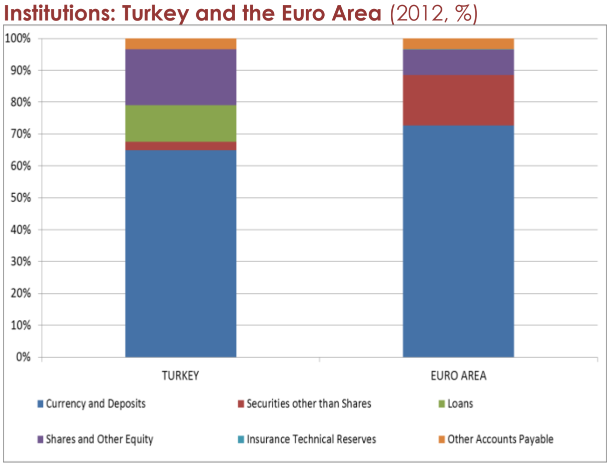
Chart 16. Asset Structure of Monetary Financial Institutions: Turkey and the Euro Area (2012, %)



Source: CBRT, ECB

The most distinct difference between financial assets of MFIs in Turkey and the Euro area stems from the loans used as well as the shares, bonds and bills they issue. MFIs raise funds mostly through shares rather than bond issues in Turkey. While the share of security (bonds and bills) issues other than shares in the Euro area that has more advanced money and capital markets is 16 percent, this share materializes at around 3 percent in Turkey. The share of shares and other equity is 18 percent in Turkey and 8 percent in the Euro area countries. Moreover, the ratio of currency and deposits has materialized as 65 percent in Turkey and 73 percent for the Euro area (Chart 17).

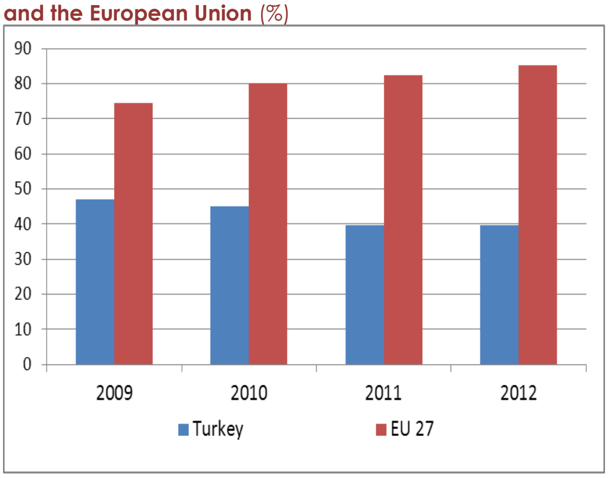
Chart 17. Liability Structure of Monetary Financial Institutions: Turkey and the Euro Area (2012, %)



Source: CBRT, ECB

The ratio of general government debt to GDP reveals that the European Union average of the years from 2009 to 2012 hovered above that of Turkey. While this ratio for the European Union was 83 percent in 2011, it rose to 85 percent in 2012, whereas, for Turkey, the same ratio standing at 40 in 2011 remained unchanged in 2012 (Chart 18).

Chart 18. General Government Debt[2] GDP Ratio Turkey and the European Union (%)



Source: CBRT, Eurostat

[2] *General government debt, according to the EU-Maastricht criteria, is composed of a total value of currency and deposits, securities other than shares and loans, all included in the consolidated general government liabilities.*

VI. Conclusion

Financial accounts compiled for Turkey cover three main sectors (financial corporations, non-financial corporations and general government). Compilation of data for households and the remaining sectors of the world is still underway and financial accounts tables illustrating all sectors as well as inter-sectoral transactions are aimed to be published in the upcoming years. **In light of the current data,**

- **Among the sectors covered, transactions of non-financial corporations are determinant** and that this sector continued to be the net debtor to other sectors in 2012 as well. On the other hand, social security institutions are net creditors.

- **Trade receivables have a major weight in non-financial corporations' assets; however, these corporations provide finances mostly from the issue of shares and other equity. The majority of the financial debts of financial corporations is composed of liabilities to domestic sectors.** The largest asset source of the other MFIs -the most prominent sector among financial corporations- is the loans they extend. They meet their financing needs largely by deposit accounts they open and bonds they issue. A large number of transactions conducted with sectors abroad belong again to MFIs. General government financial transactions have a determining role in the central government. The central government's largest asset item is tax collections and the largest liability item is the government security issues.

- **A comparison of financial accounts for Turkey and the Euro area indicates that the Euro area has a wider variety of instruments.** Actually, while non-financial corporations in the Euro area have credit transactions on the asset side and insurance activities on the liability side, such transactions are not seen in Turkey. The issue of securities (bonds and bills) other than shares has a significant share in financial liabilities of other MFIs in the Euro area that accommodates more advanced money and capital markets. In addition, a comparison of the general government debt-to-GDP ratio between Turkey and the EU suggests that this ratio is apparently lower in Turkey.