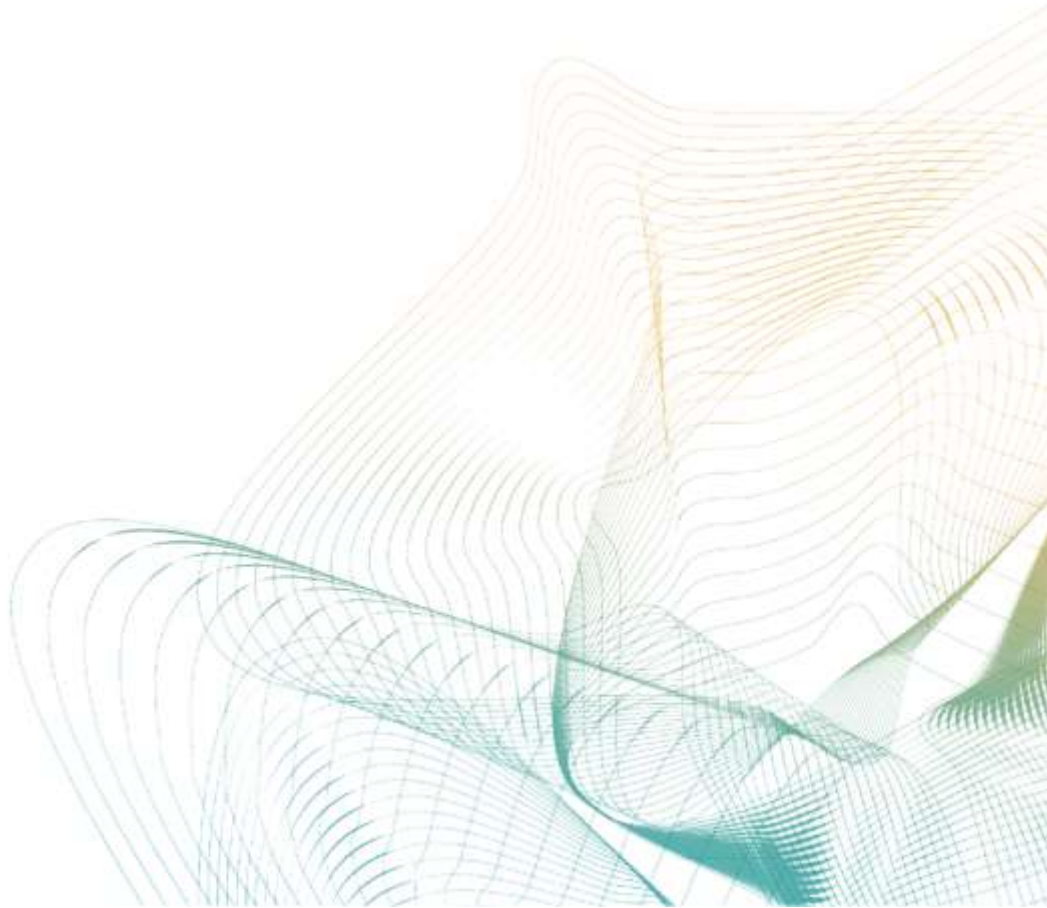


Financial Accounts Report

2020-I



Summary

According to sectoral financial balance sheets, the first-quarter financial net worth of the Turkish economy as a percentage of GDP improved by 2.5 points quarter-on-quarter. As of the end of the first quarter, sectors' total financial assets and liabilities amounted to TRY 16.2 trillion and TRY 18.2 trillion, respectively. A quarter-on-quarter decrease of about TRY 40 billion in external liabilities led to an improvement in the net financial position of sectors.

In this period, the ratios of households' and non-financial corporations' debt to GDP came in at 15% and 69%, respectively, placing Turkey among countries with low indebtedness levels in terms of both households and corporations.

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1. Evaluations

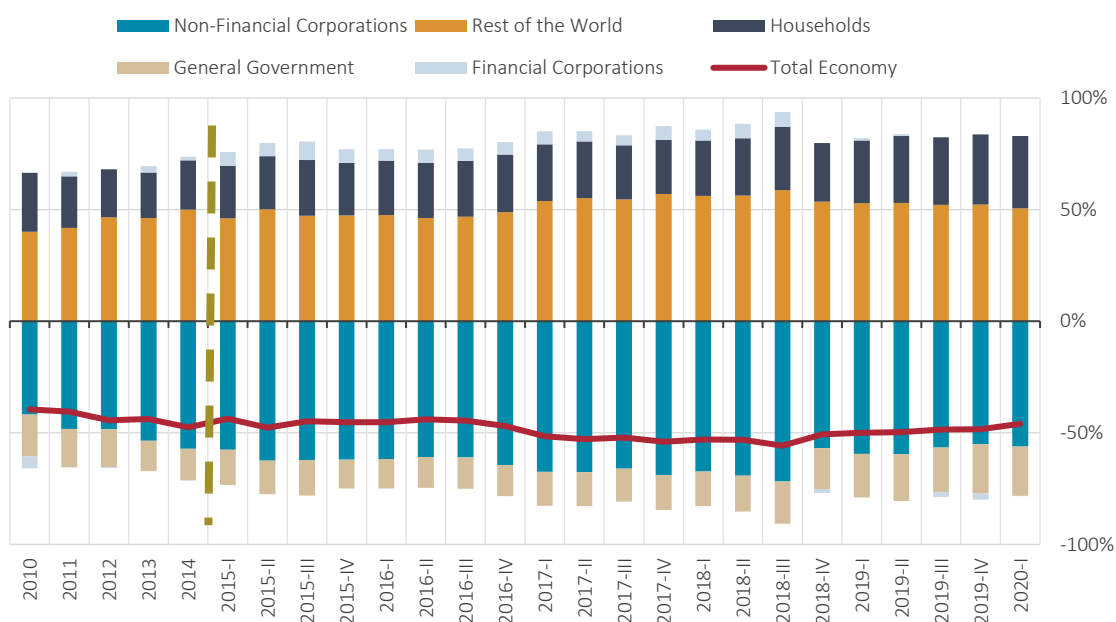
Table 1: Financial Net Worth by Sectors (2020Q1, TRY Billion)^{1,2}

	Total Economy	Non-Financial Corporations	Financial Corporations	General Government	Households	Rest of the World
Financial Assets	16,184	6,478	6,547	978	2,181	1,405
Liabilities	18,218	8,966	6,552	1,955	745	3,644
Financial Net Worth	-2,034	-2,488	-5	-977	1,436	2,239

Source: CBRT

An analysis of the domestic economy's financial balance sheets by sectors as of 2020Q1 shows that the total economy is a financial borrower, households and the rest of the world are creditors, and non-financial corporations and the general government are debtors. Meanwhile, due to their financial intermediation activities, financial corporations generated a near-balanced financial net worth (Table 1, Chart 1).

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

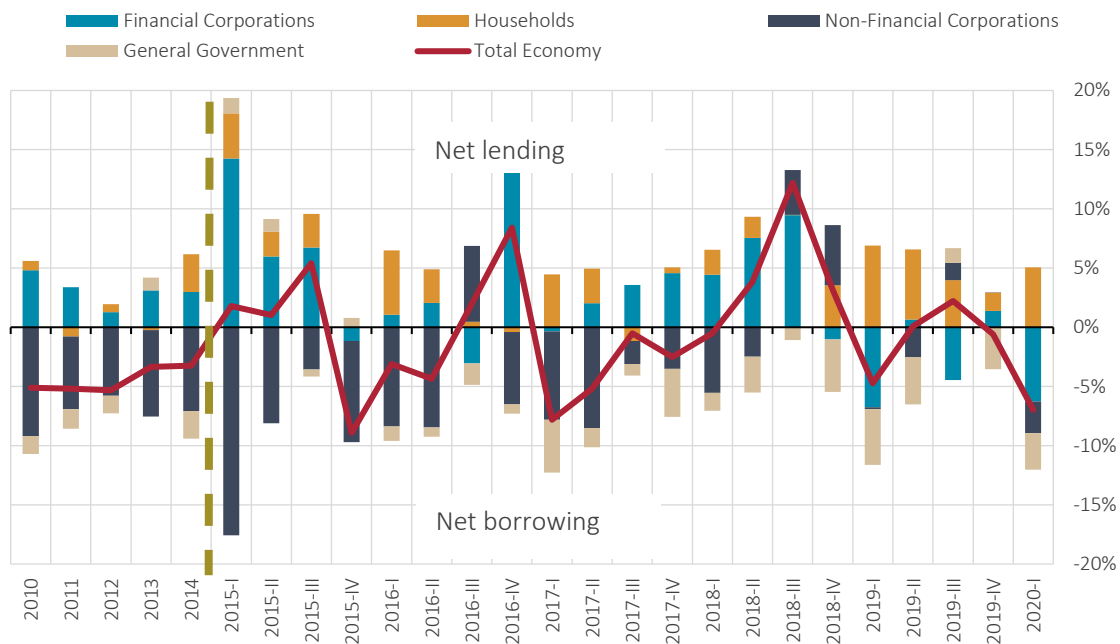


Sources: CBRT, TURKSTAT.

¹ Pursuant to the methodology, there is a difference between the financial net worth of the 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.

² The households sector also covers non-profit institutions serving households.

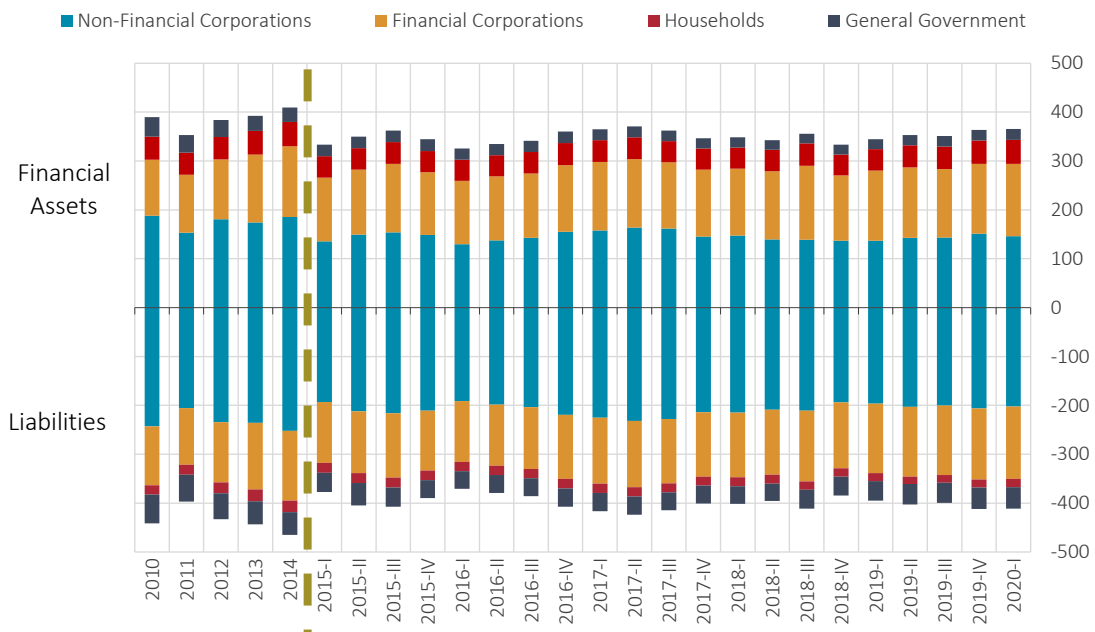
Chart 2: Net Lending/Borrowing (Transaction), Ratio to GDP, by Sectors (%)



Sources: CBRT, TURKSTAT.

According to net financial transactions conducted by sectors, the total economy was a net borrower of 7% of GDP in the first quarter of 2020, up from 0.6% in the previous quarter. In terms of contributions to this ratio, financial corporations were the biggest borrower in this quarter, borrowing 6.3% of GDP, followed by the general government and non-financial corporations with a borrowing of around 3.1% and 2.7% of GDP, respectively. The households sector, on the other hand, recorded a net lending of 5.1% of GDP (Chart 2).

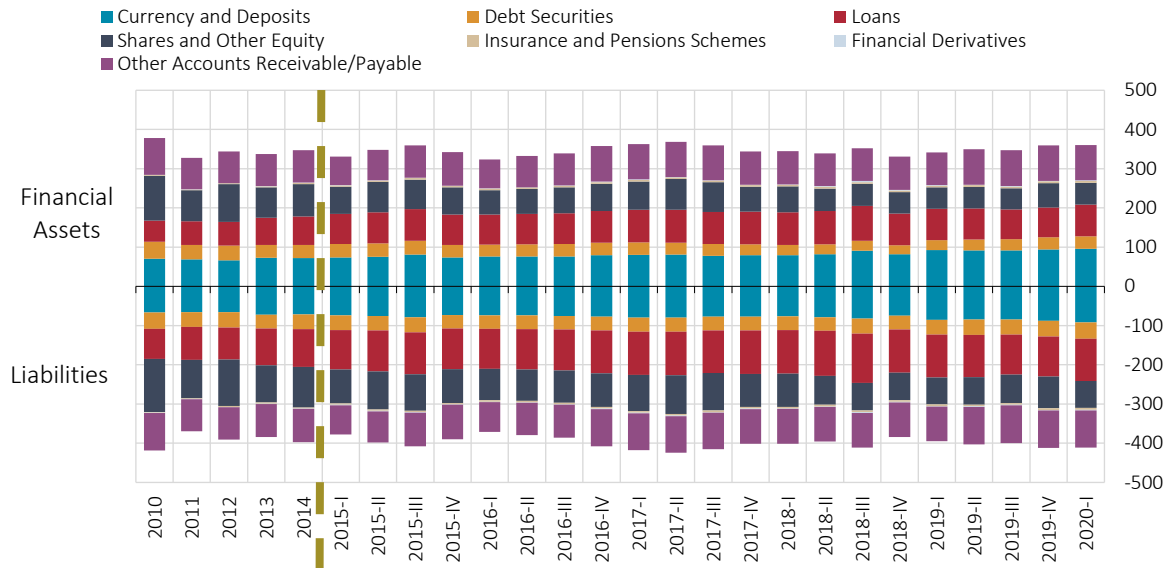
Chart 3: Financial Assets and Liabilities to GDP by Sectors (%)



Sources: CBRT, TURKSTAT.

An analysis of financial assets and liabilities by sectors over the recent period suggests that non-financial corporations formed 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.

In 2020Q1, the distribution of financial instruments did not change significantly. 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).

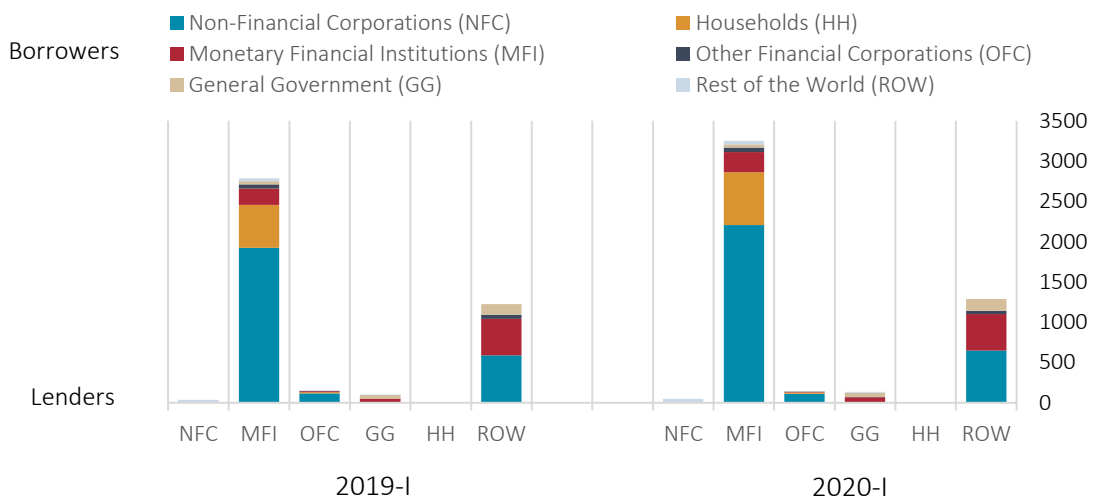
2. From-Whom-to-Whom (Deposits and Loans)

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 point to no major change in inter-sectoral connections in 2020Q1 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 3,249 billion worth of loans, of which TRY 2,204 billion was granted to non-financial corporations and TRY 656 billion to households. Domestic sectors borrowed TRY 1,286 billion from the rest of the world, out of which non-financial corporations received TRY 650 billion, and monetary and financial institutions received TRY 452 billion (Chart 5).

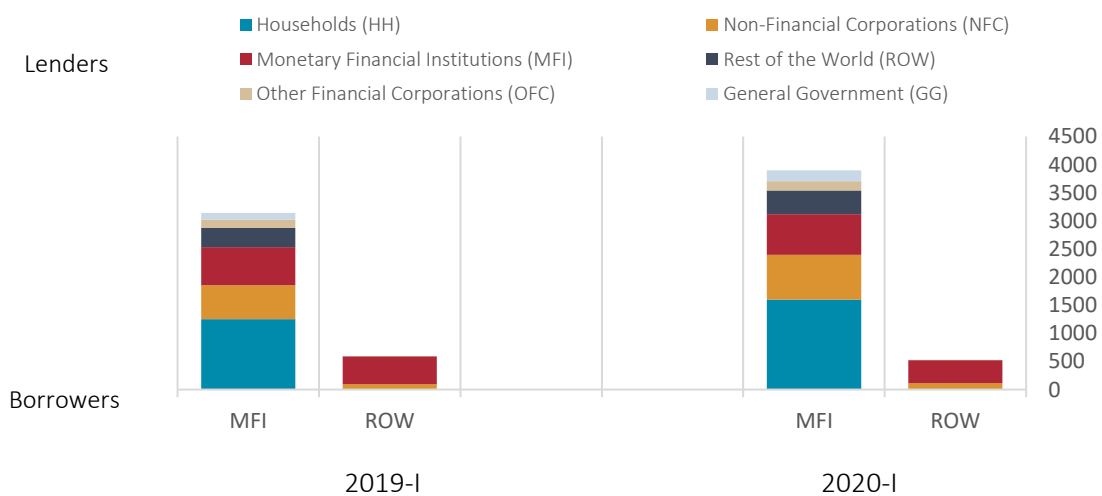
In 2020Q1, of the total TRY 4,420 billion worth of deposits, TRY 3,898 billion were taken by monetary and financial institutions and TRY 522 billion by the rest of the world. A large portion of deposits taken by monetary and financial institutions belongs to households (TRY 1,599 billion) and non-financial corporations (TRY 795 billion). Meanwhile, the majority of deposits taken by the rest of the world (TRY 407 billion) was opened by monetary and financial institutions (Chart 6).

Chart 5: Loans, From-Whom-to-Whom (2020Q1, TRY billion)



Source: CBRT

Chart 6: Deposits, From-Whom-To-Whom (2020Q1, TRY Billion)

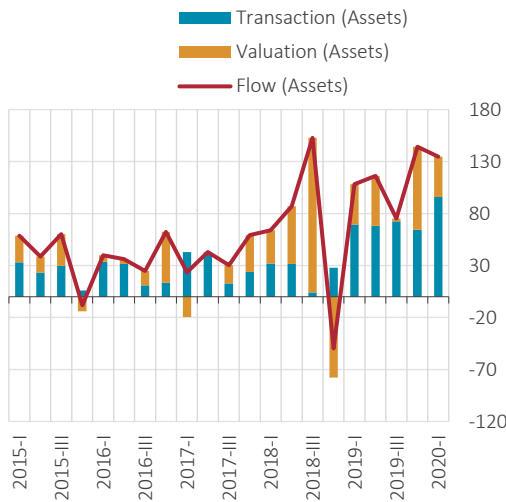


Source: CBRT

3. Households

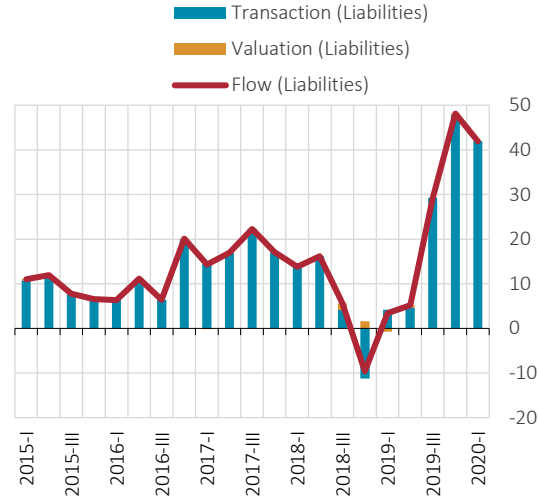
In 2020Q1, household financial assets increased by TRY 135 billion quarter-on-quarter, TRY 39 billion of which was driven by valuation and TRY 96 billion by transactions (Chart 7). Likewise, household financial liabilities rose quarter-on-quarter by TRY 42 billion, almost all of which resulted from the increase in transactions (Chart 8).

Chart 7: Financial Assets, Flow (TRY Billion)



Source: CBRT

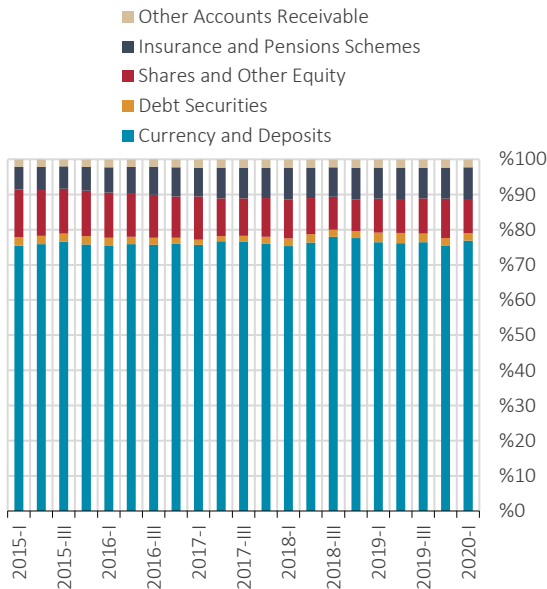
Chart 8: Liabilities, Flow (TRY Billion)



Source: CBRT

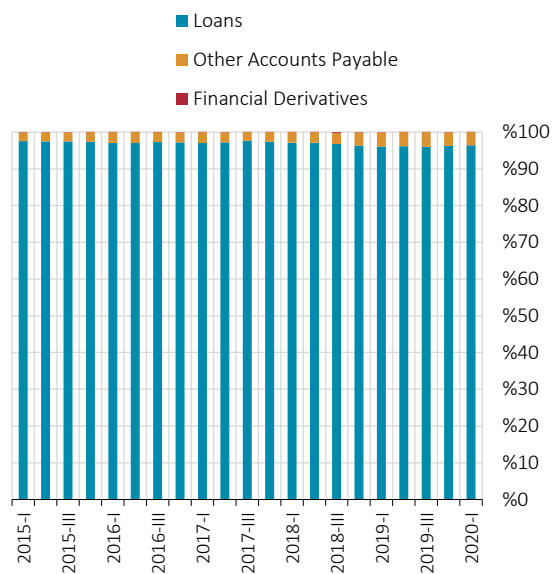
In 2020Q1, the distribution of household financial instruments did not change significantly. The leading instrument in household financial assets was deposits with a share of 77%, followed by shares and other equity (Chart 9). As for household liabilities, almost all were composed of loans (Chart 10).

Chart 9: Breakdown of Financial Assets by Instruments (%)



Source: CBRT

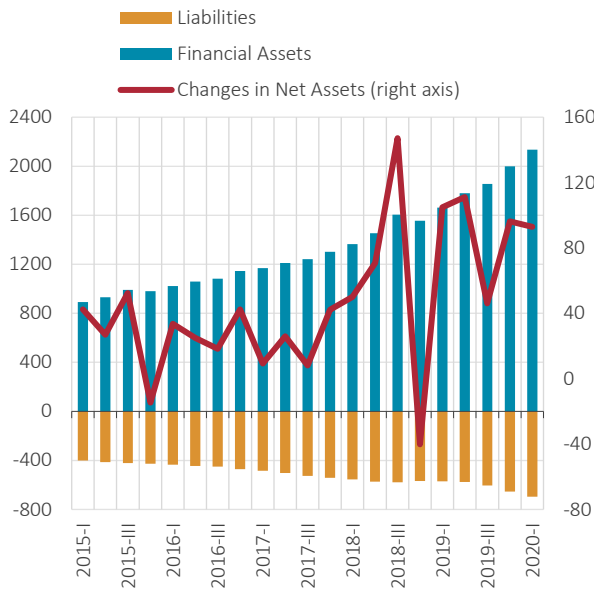
Chart 10: Breakdown of Liabilities by Instruments (%)



Source: CBRT

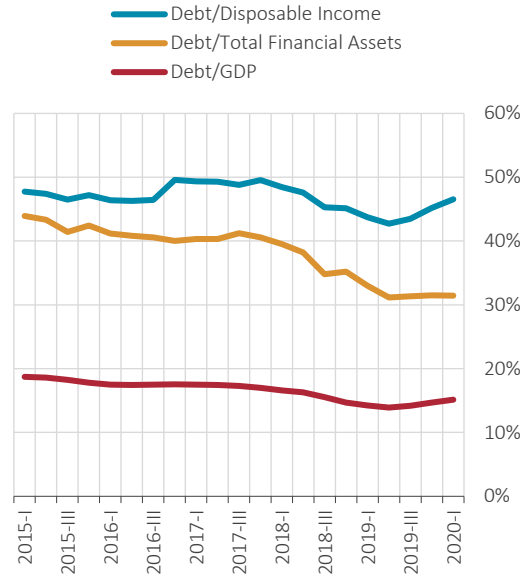
In 2020Q1, household financial net worth increased by TRY 93 billion (Chart 11). Household indebtedness indicators suggest that the ratios of household debt to GDP and to disposable income increased slightly to 15% and 46%, respectively, whereas the ratio of debt to total financial assets remained flat at 31%. (Chart 12).

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



Source: CBRT

Chart 12: Household Debt* (%)

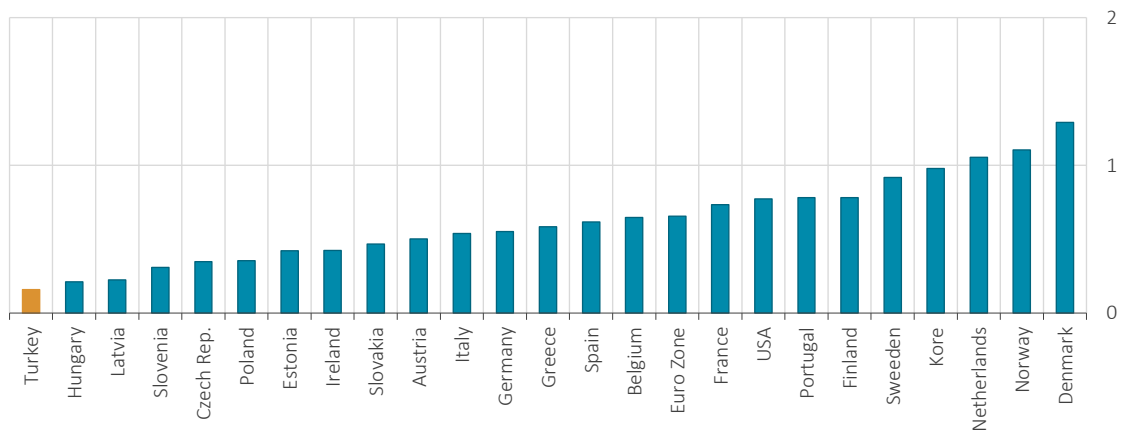


Sources: CBRT, TURKSTAT

*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 2020Q1 (Chart 13).

Chart 13: Household Liabilities/GDP, Comparison*



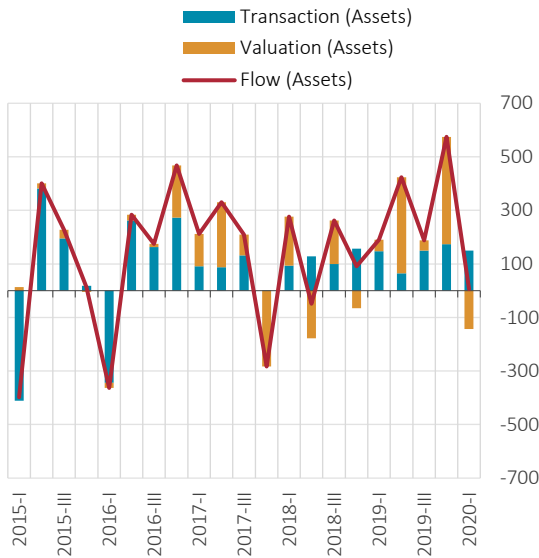
Sources: CBRT, TURKSTAT, OECD

(*) Other country data is as of 2019Q4.

4. Non-Financial Corporations

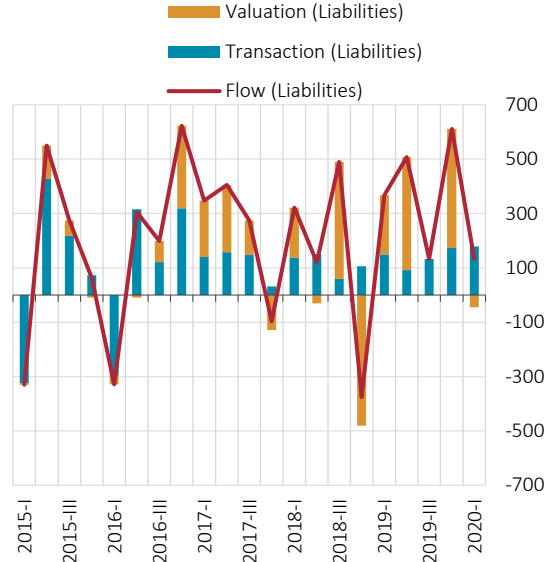
In 2020Q1, financial assets of non-financial corporations rose by TRY 6.7 billion on a quarterly basis. The negative contribution to this rise came from the TRY 143-billion decrease in valuation, while the increase in transactions stood at TRY 149.7 billion (Chart 14). Meanwhile, liabilities of non-financial corporations increased by TRY 134 billion, which was driven by the TRY 178.5-billion increase in transactions (Chart 15).

Chart 14: Financial Assets, Flow (TRY Billion)



Source: CBRT

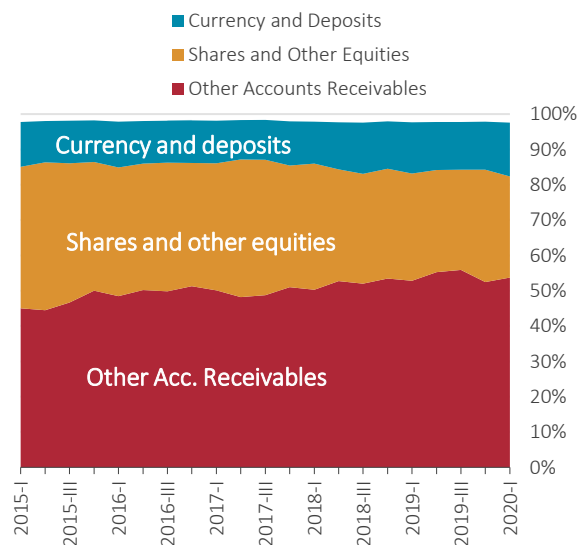
Chart 15: Liabilities, Flow (TRY Billion)



Source: CBRT

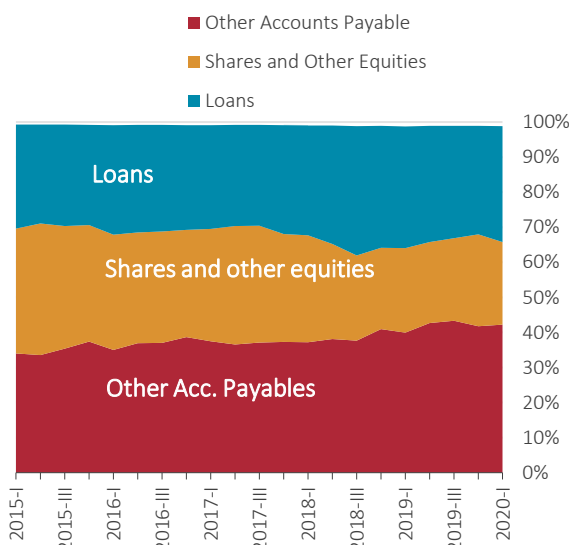
In 2020Q1, the distribution of non-financial corporations' financial transactions did not change significantly. The most important item on the assets side was the other accounts receivable item (54%) composed of the sum of trade credits and advances and other items. The share of the shares and other equity item was 29%, and that of currency and deposits was 15% (Chart 16). On the liabilities side, the share of other accounts payable stood at 42% while the share of loans was 33%. The share of financing through the shares and other equity item was 24% (Chart 17).

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



Source: CBRT

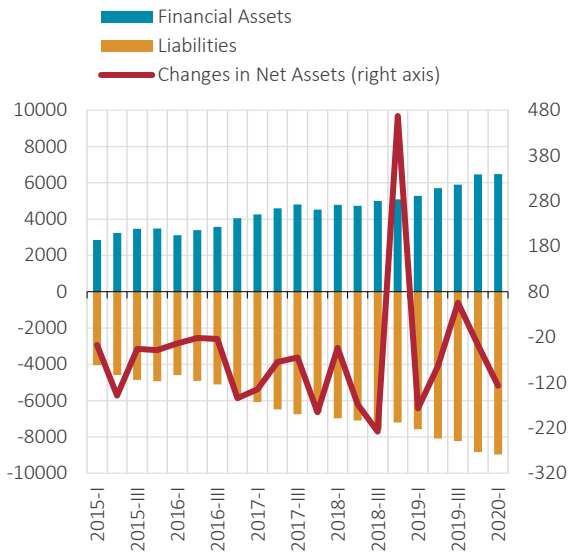
Chart 17: Breakdown of Liabilities by Instruments (%)



Source: CBRT

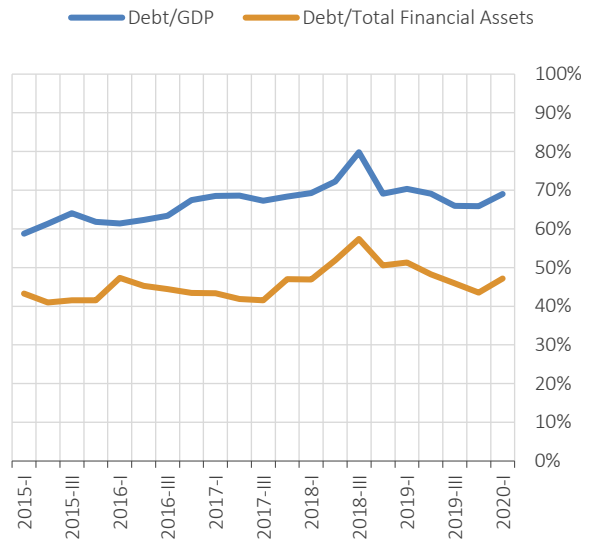
In 2020Q1, financial net worth of non-financial corporations decreased by TRY 127 billion quarter-on-quarter (Chart 18). Meanwhile, the ratio of non-financial corporations' debt to GDP moderately increased quarter-on-quarter to 69%. In the same period, the ratio of non-financial corporations' debt to total financial assets rose to 47% (Chart 19).

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



Source: CBRT

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

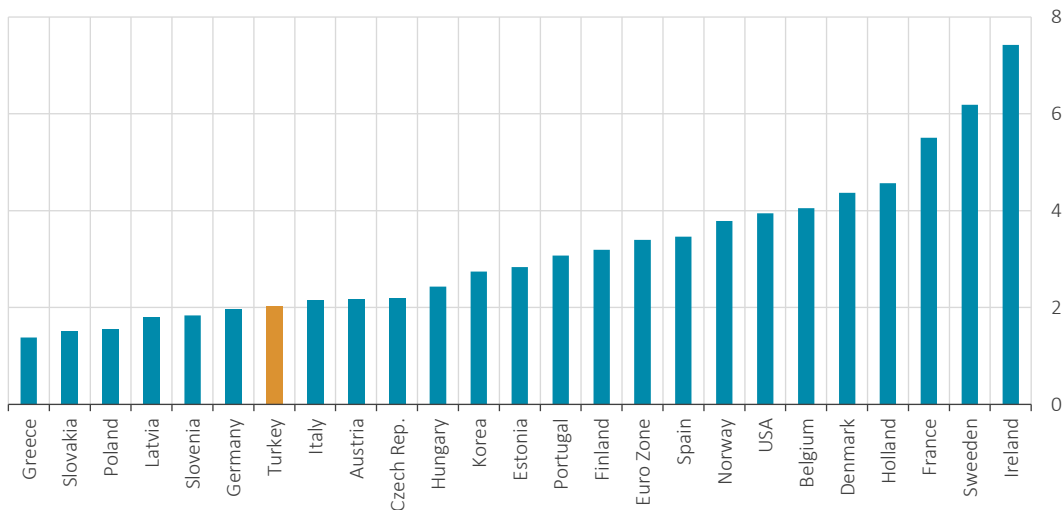


Sources: CBRT, TURKSTAT.

(*) 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 2020Q1 (Chart 20).

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



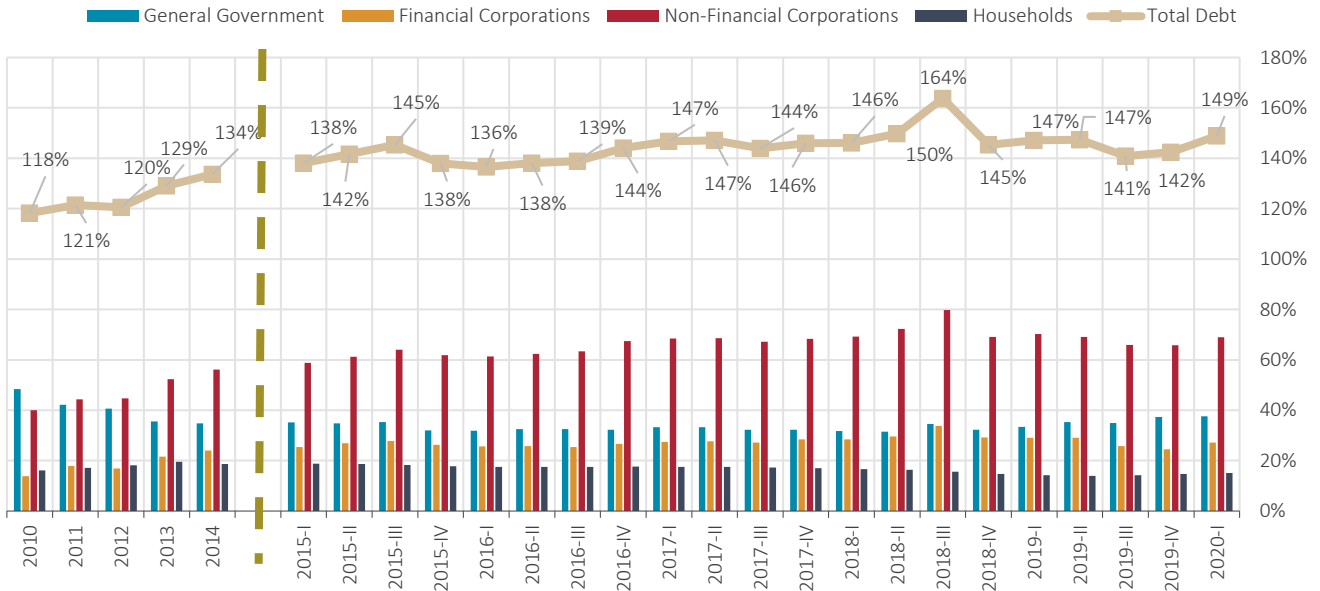
Sources: CBRT, TURKSTAT, OECD.

(*)Other country data is as of 2019Q4.

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 stood at 149% in 2020Q1 (Chart 21).

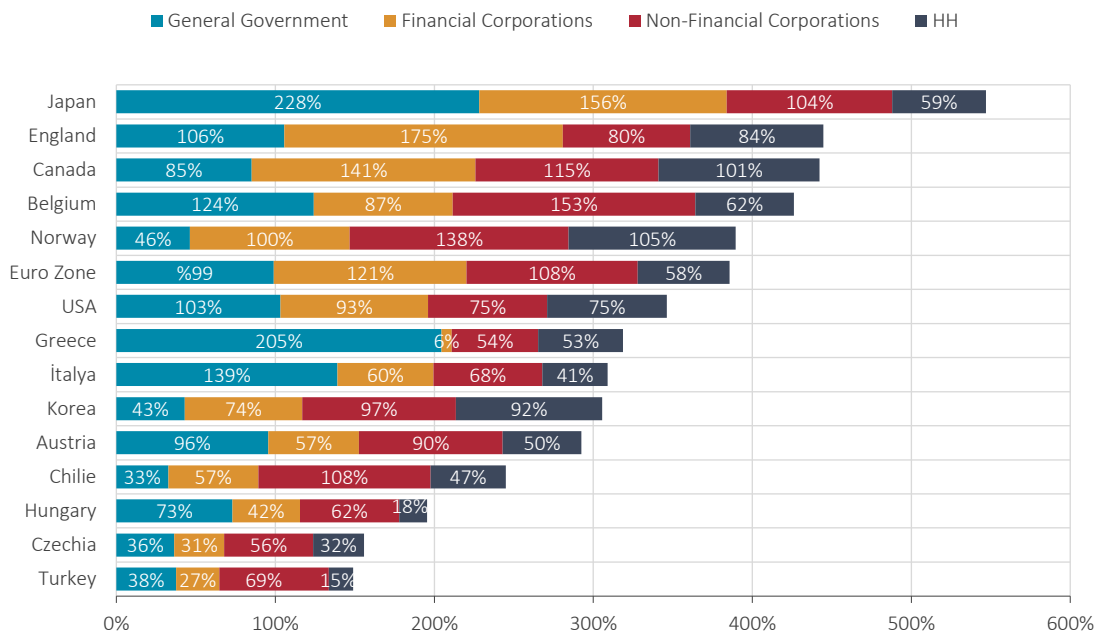
Chart 21: Total Debt of Sectors/GDP, (%) *



(*) Debts are composed of loans and debt securities.
Sources: CBRT, TURKSTAT.

A cross-country comparison of this indebtedness ratio reveals that the total debt of resident sectors in Turkey was low in 2020Q1 (Chart 22).

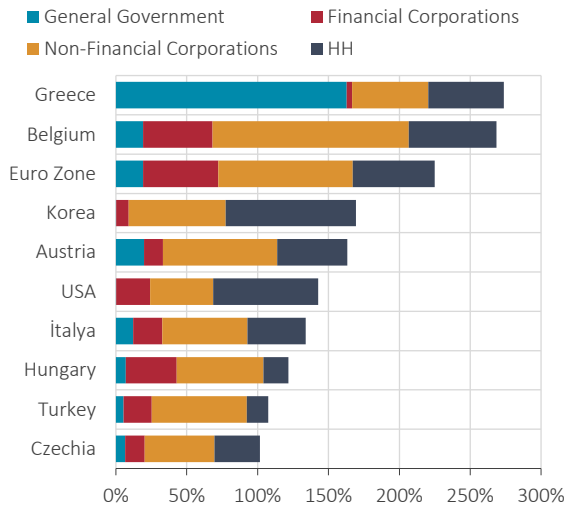
Chart 22: Cross-Country Comparison of Debt/GDP Ratio by Sectors, (%) (2020Q1)**



Sources: CBRT, TURKSTAT, OECD.
(*) Other country data is as of 2019Q4.
(**) Debts are composed of loans and debt securities.

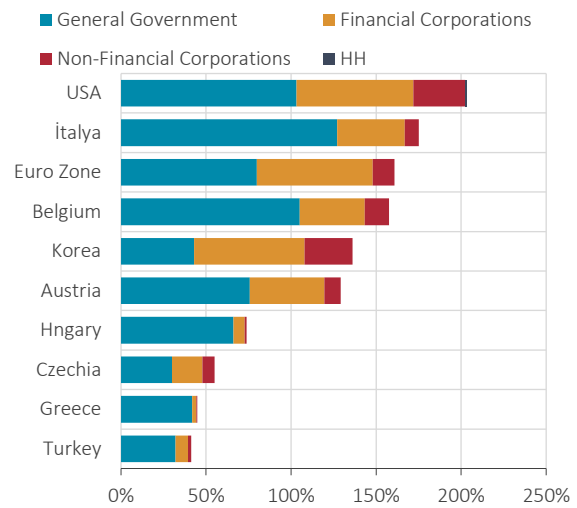
A cross-country comparison of indebtedness ratios by financial instruments shows that Turkey posted relatively low levels of loan/GDP and debt securities/GDP ratios in 2020Q1. While non-financial corporations constituted the largest sector in terms of loan indebtedness with a ratio of 67% of GDP, the general government stood as the leading sector in debt securities with a ratio of 32% (Charts 23 and 24).

Chart 23: Cross-Country Comparison of Loan/GDP Ratio by Sectors, (%) (2020Q1)



Sources: CBRT, TURKSTAT, OECD.
 (*) Other country data is as of 2019Q4.

Chart 24: Cross-Country Comparison of Debt Sec./GDP Ratio by Sectors, (%) (2020Q1)



Sources: CBRT, TURKSTAT, OECD.
 (*) Other country data is as of 2019Q4.