

# Türkiye: Quarterly Debt Outlook 1Q 2024

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Garanti BBVA Research

## Key messages

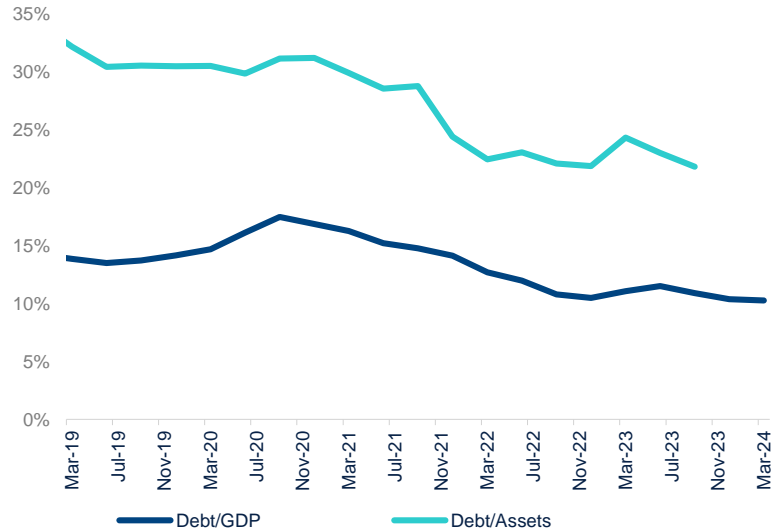
- Household indebtedness is well below the peer countries' levels. However, the significant growth in consumer credit card spending in recent years will be on focus for financial stability reasons.
- Indebtedness of corporates declines with the fall in their FC debt levels. Their debt to GDP ratio compared to peer countries remains also lower than the average of the peers.
- Net FX position of corporates has been declining significantly since March 2018, when it reached its record level of \$195bn. After falling to its historical low deficit level of \$76.5bn in Oct23, it has most recently started to increase and rose to \$83bn in Jan24.
- The composition of external debt has been shifting among the borrowers since 2018. Regarding the segments of external debt composition as published by the CBRT, the increasing trend stems from general government and CBRT accounts compared to the ongoing decline in the private sector.
- Conversion from the FC protected deposit scheme (\$71bn as of end Mar24) to the standard TL deposits remains key in order to well manage public accounts and strengthen the monetary transmission mechanism.
- Banks' external borrowings (wholesale funding) have been decreasing since 2018. However, in 2023 banks' bond issuances abroad started to gain pace again.

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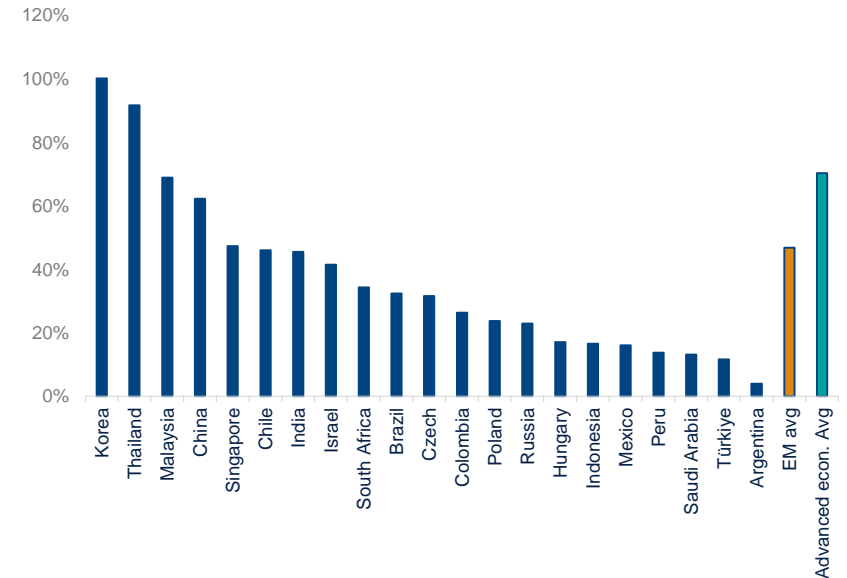
# Households Indebtedness

**Households' debt over GDP continued to decline and fell below 11% in 4Q23. The ratio is below that of peer countries. However, this is also partly caused by the high nominal GDP growth.**

**HOUSEHOLD INDEBTEDNESS**  
(DEBT/GDP, %)

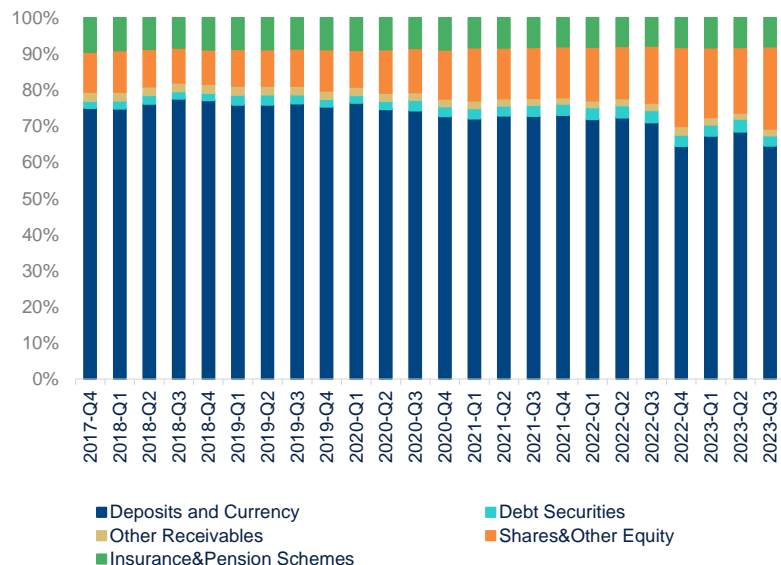


**HOUSEHOLD INDEBTEDNESS IN PEER COUNTRIES**  
(DEBT/GDP, %; 4Q23)

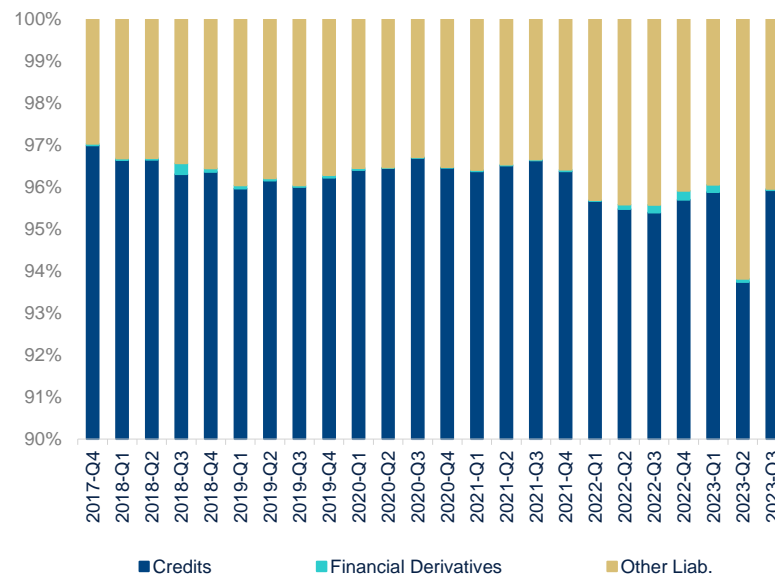


The main instrument in hholds' financial assets is deposits with 65% share, followed by shares & other equity. Liabilities are mainly composed of credits.

**BREAKDOWN OF FINANCIAL ASSETS BY INSTRUMENTS (%)**

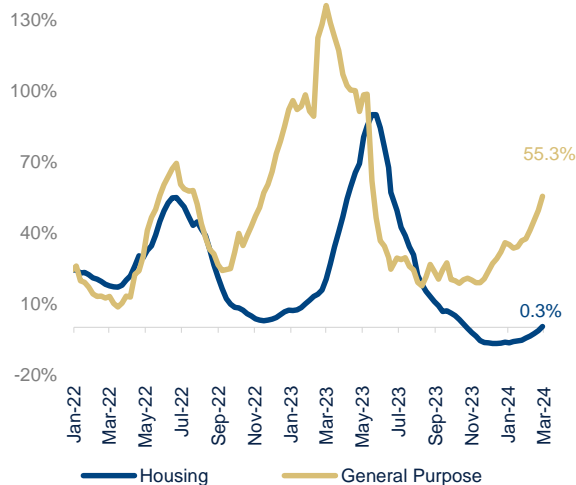


**BREAKDOWN OF LIABILITIES BY INSTRUMENTS (%)**

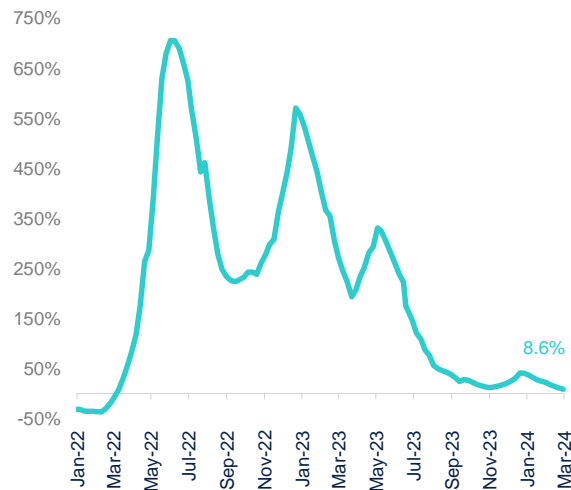


# Composition of credits reveals the ongoing preference of retailers for consumer credit cards and general purpose loans.

## HOUSING & GENERAL PURPOSE LOANS (13w avg annualized)



## AUTO LOANS (13w avg annualized)



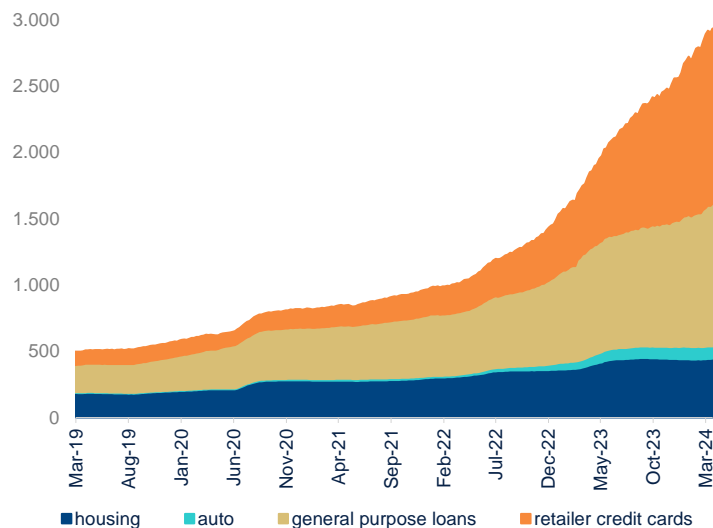
## CONSUMER CREDIT CARDS (13w avg annualized)



# Retail card spending has reached 45% of total consumer loans. General purpose loans are mostly concentrated in up to 1 yr maturity bracket.

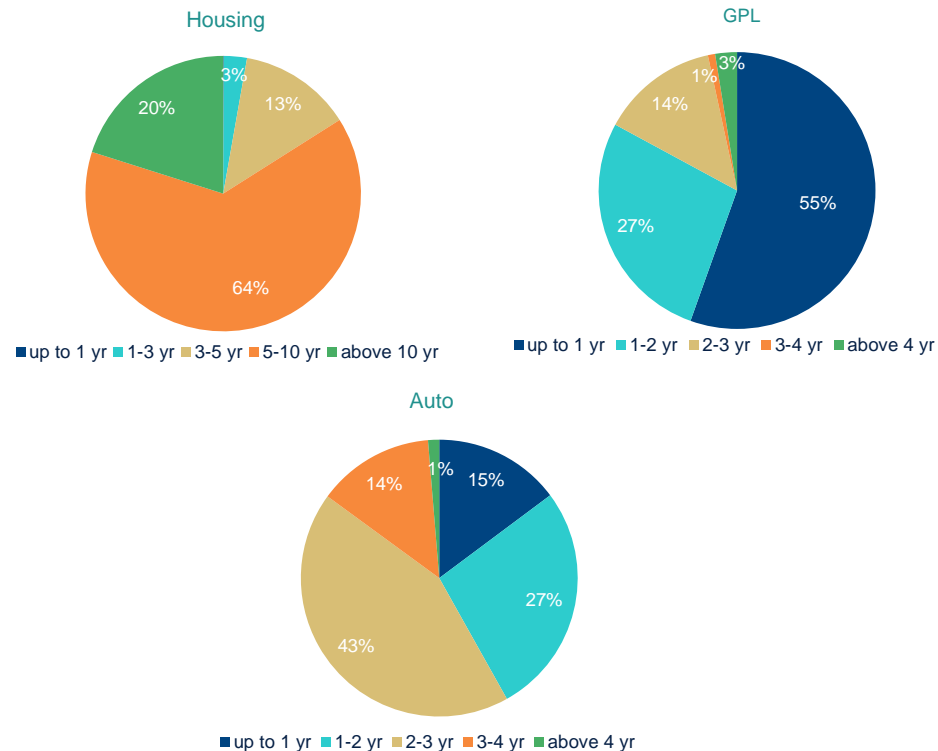
## BREAKDOWN OF RETAIL CREDITS

(bn TL)



## MATURITY COMPOSITION OF RETAIL CREDITS

(% share in total, Mar24)



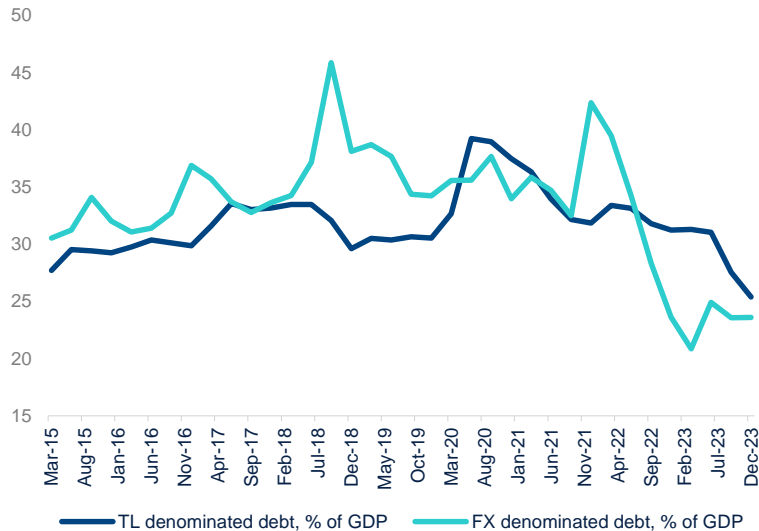
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# Corporates Indebtedness

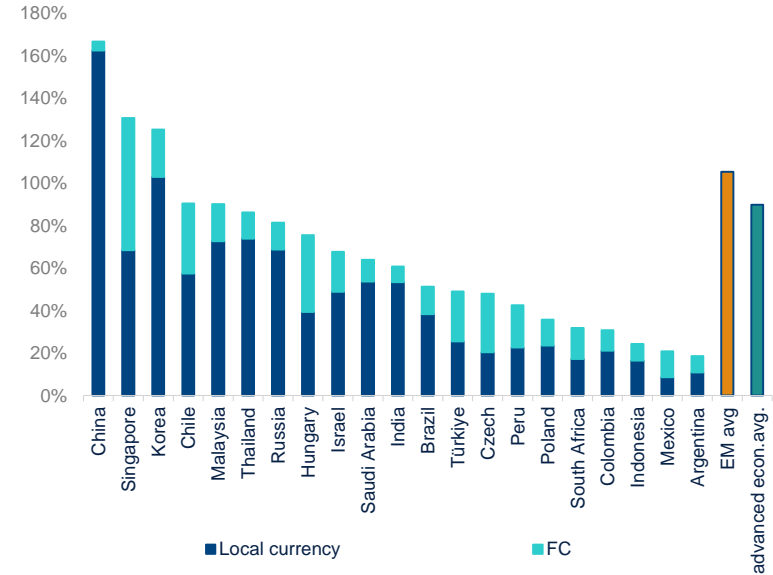


# Corporates' TL and FX debts to GDP ratios converged to below 25% by end 2023. Total debt to GDP ratios is low among the peers.

## DEBT/GDP RATIO OF THE CORPORATE SECTOR (%)

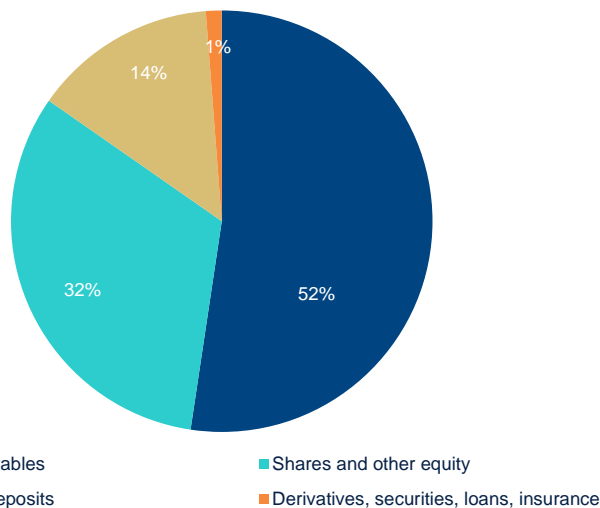


## DEBT/GDP RATIO OF THE CORPORATE SECTOR PEER COUNTRIES (%)

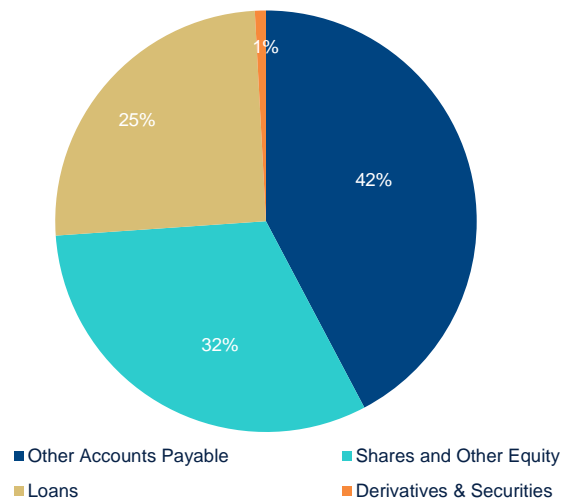


**Ratio of total financial assets to total financial liabilities is around 75% for corporates implying their solid leverage ratios.**

**BREAKDOWN OF CORPORATES' ASSETS BY INSTRUMENTS (% , 3Q23)**



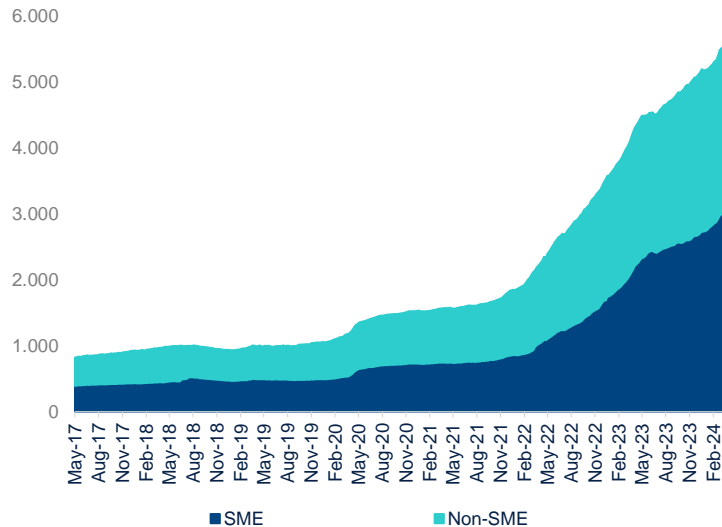
**BREAKDOWN OF CORPORATES' LIABILITIES BY INSTRUMENTS (% , 3Q23)**



**55% of total TL commercial lending is composed of SME lending, while this ratio is 12% in FC commercial lending as of Mar24.**

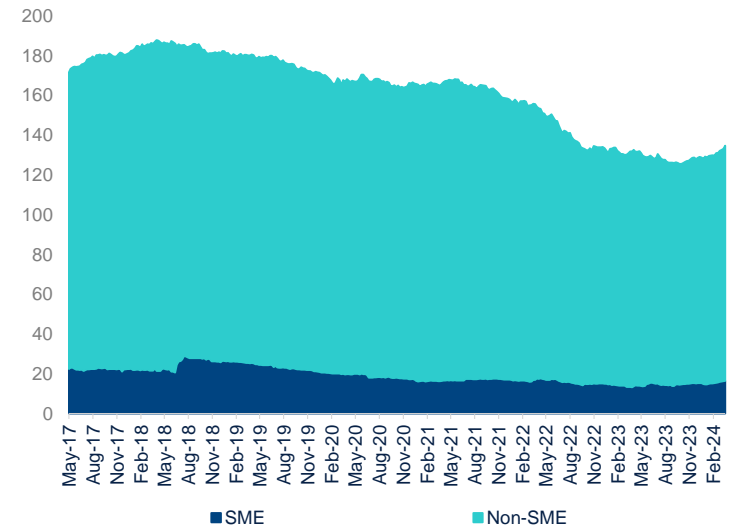
### BREAKDOWN OF TL COMMERCIAL CREDITS

(bn TL in local banks)



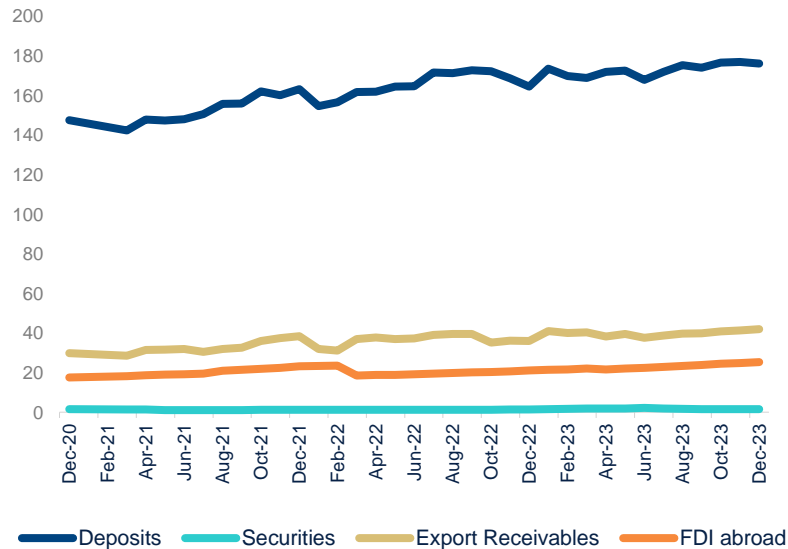
### BREAKDOWN OF FC COMMERCIAL CREDITS

(bn USD in local banks)

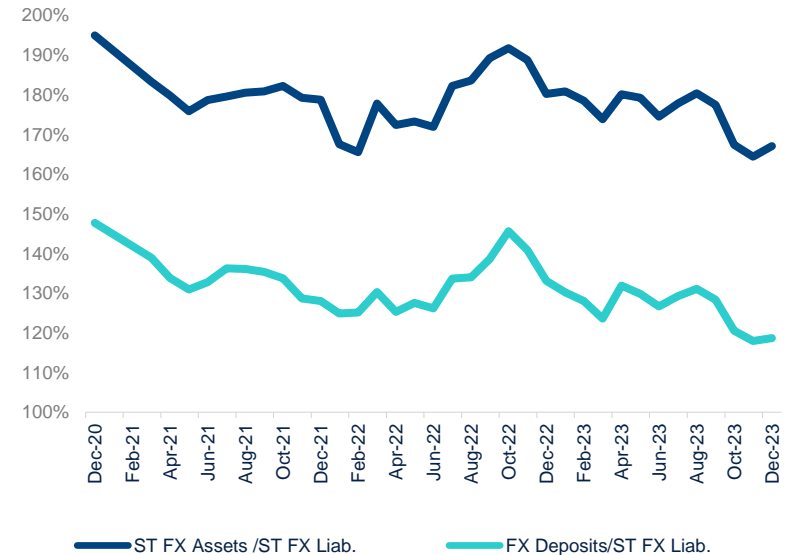


# FX assets of corporates consist of mainly FX deposits. Corporates have strong liquidity against external financing shocks.

## FX ASSETS OF THE CORPORATE SECTOR %

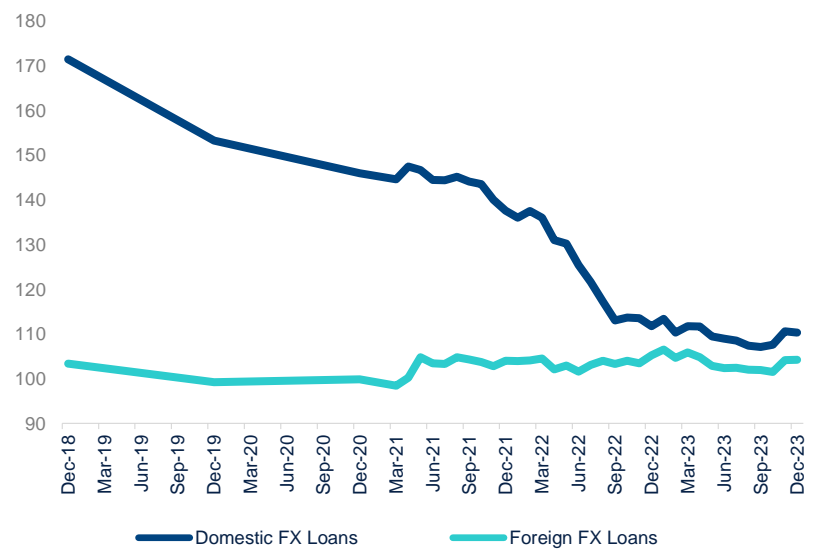


## FX LIQUIDITY OF CORPORATES %

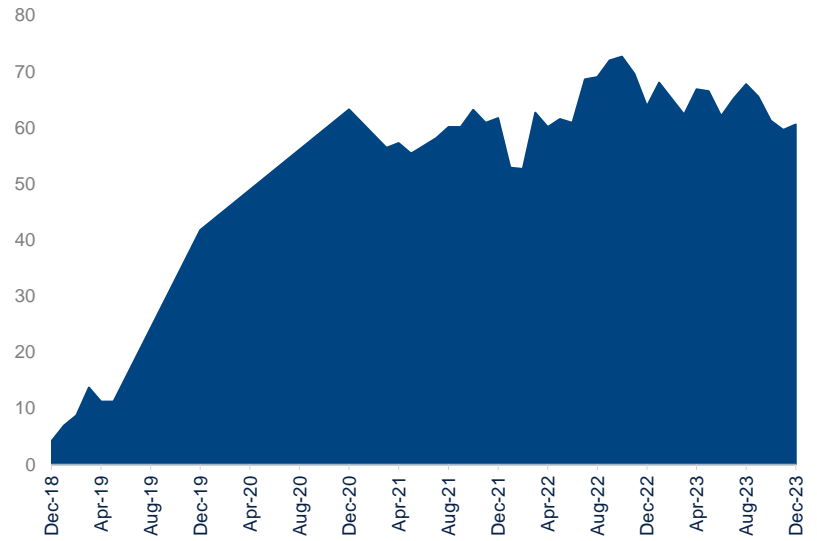


# The gap between external and domestic FX loans is closing. The short-term net FX position declined to \$60.5bn.

**FC LOAN COMPOSITION OF THE CORPORATE SECTOR**  
(bn USD)



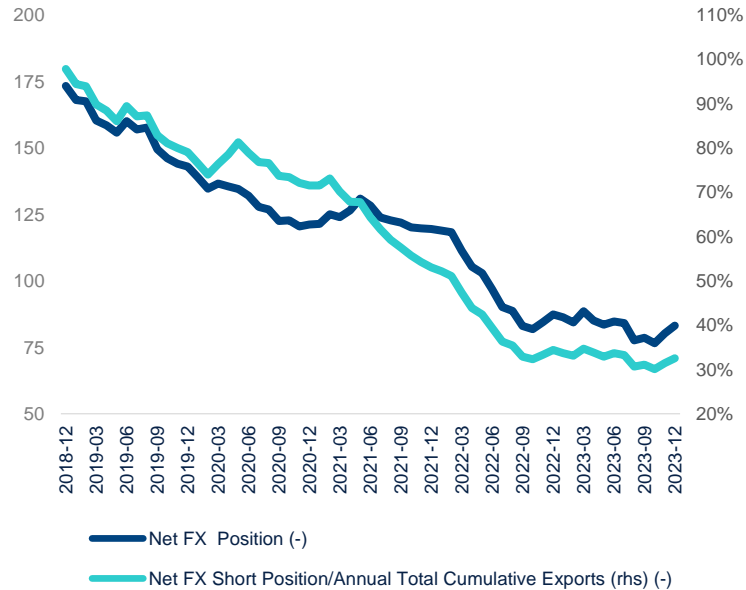
**SHORT-TERM NET FX POSITION OF THE CORPORATE SECTOR**  
(bn USD)



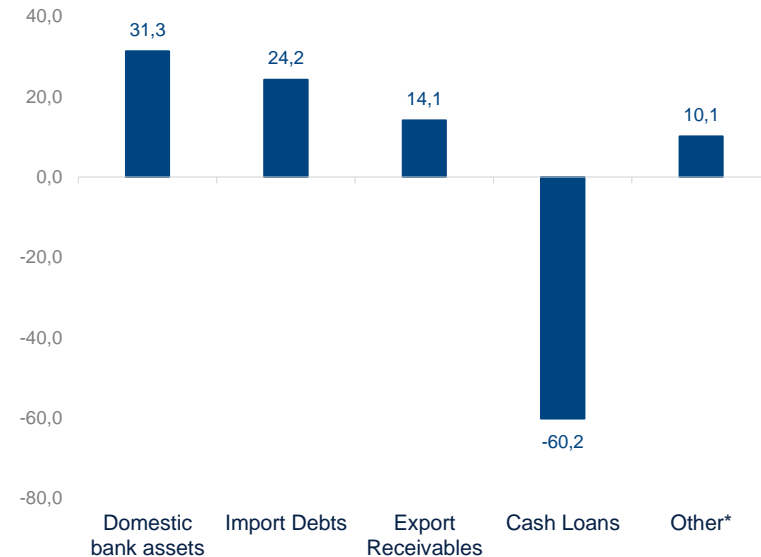
Source: CBRT and Garanti BBVA Research

# Corporate sector's net FX short position has been declining since 2018, which has started to be reversed by increasing FX cash loans most recently.

**NET FX POSITION & NET FX POSITION/ANNUAL CUMULATIVE EXPORTS (bn USD & Level)**



**CHANGE IN NET FX POSITION OF THE REAL SECTOR (bn USD, change as of Dec23 compared to Dec18)**



\* The change in the "other" item covers the change in assets with banks abroad, securities and direct capital investments made abroad.

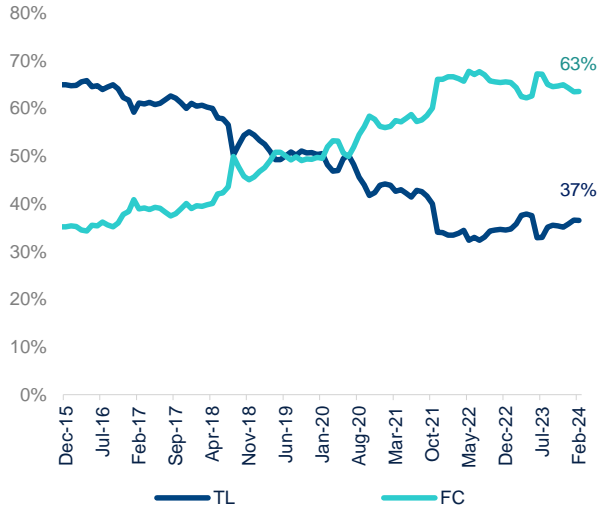
Assets = deposits of the real sector

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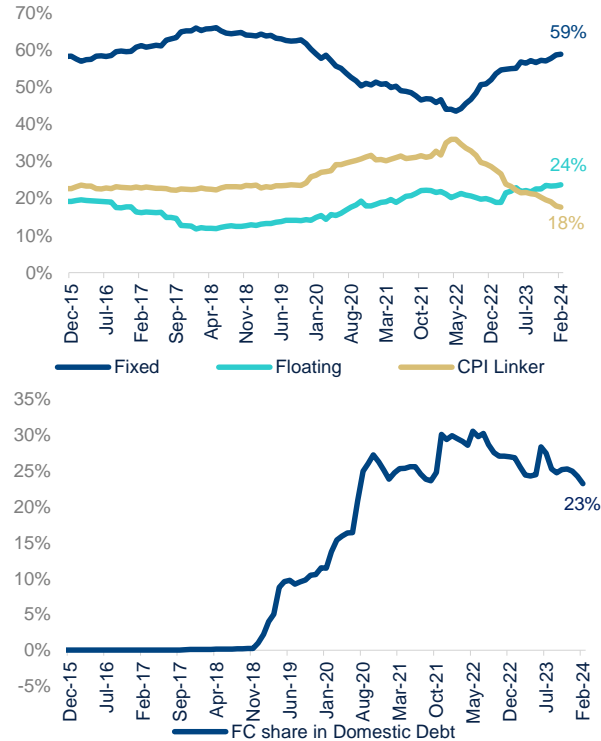
# Public Sector Indebtedness

# On fiscal front, FC share in public debt remains a concern

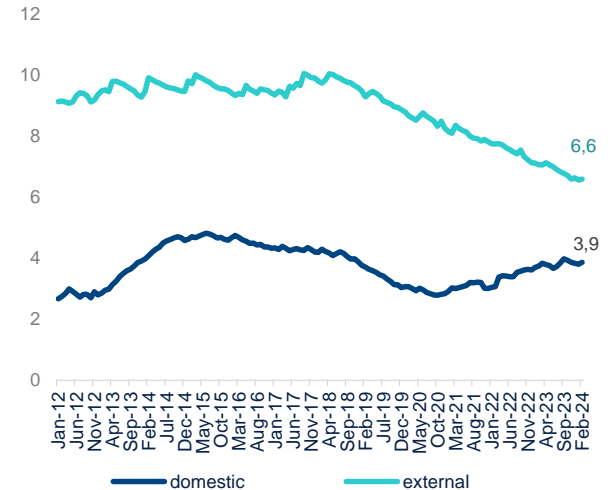
## PUBLIC DEBT DECOMPOSITION SHARE IN TOTAL



## DOMESTIC DEBT DECOMPOSITION SHARE IN TOTAL



## PUBLIC DEBT AVERAGE MATURITY YEAR





# Tresury has again added FC borrowing in domestic debt, which reduced the domestic debt roll-over ratio most recently (128% vs. 162% for only TL in Mar24)

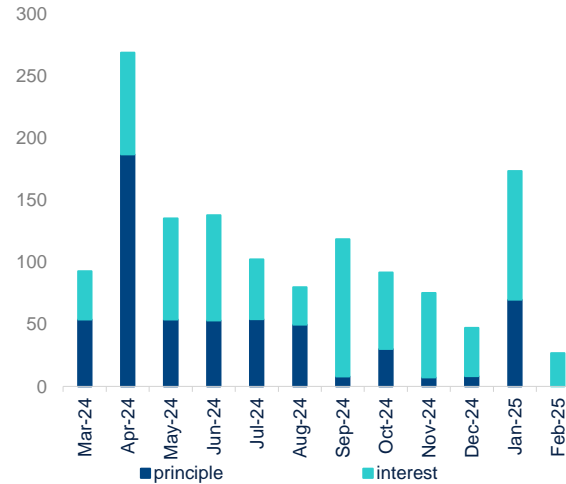
## DOMESTIC DEBT ROLL-OVER RATIOS

12M ROLLING, %



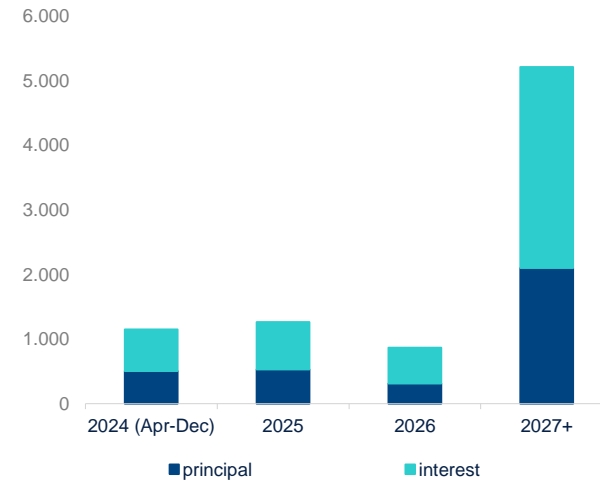
## DOMESTIC DEBT REDEMPTION CALENDAR

Bn TL



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Bn TL

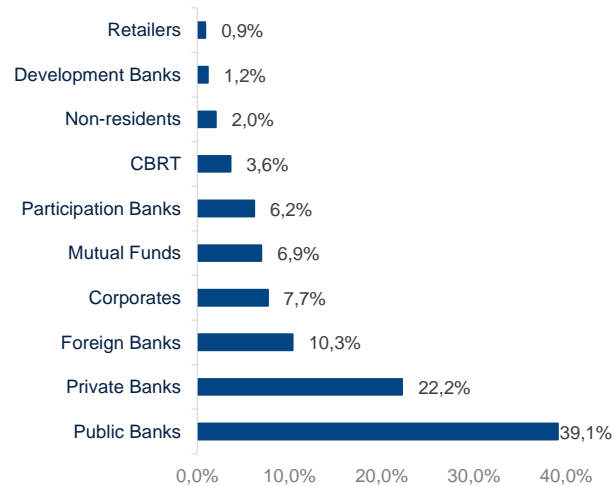


# Public banks are the main borrowers of domestic public debt, while eurobond issuances are the main source of external public debt.

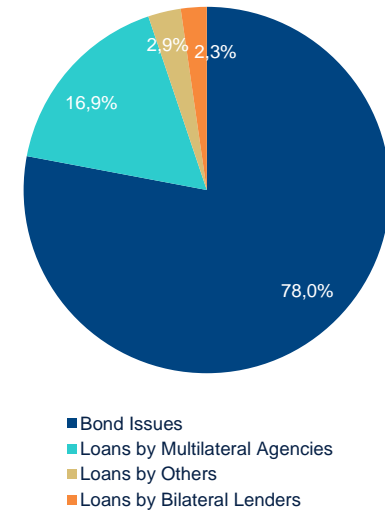
## PUBLIC DEBT COMPOSITION SHARE IN TOTAL



## DOMESTIC PUBLIC DEBT BY BORROWERS Share in total as of Feb24



## EXTERNAL PUBLIC DEBT BY BORROWERS Share in total as of Feb24

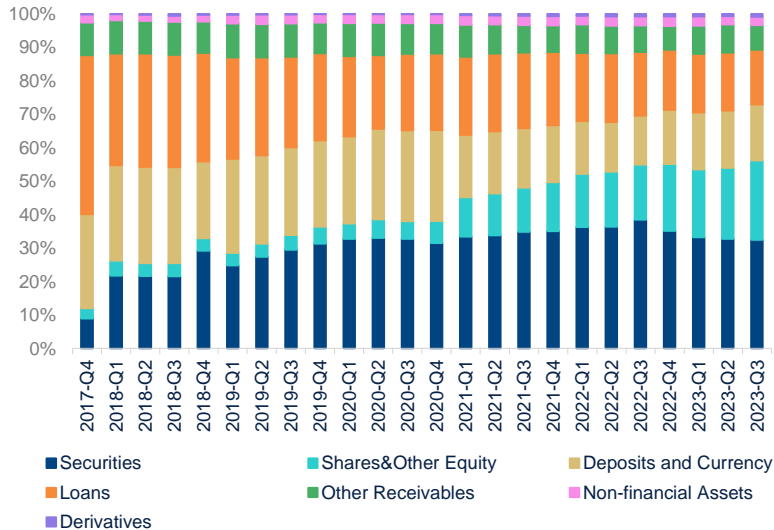


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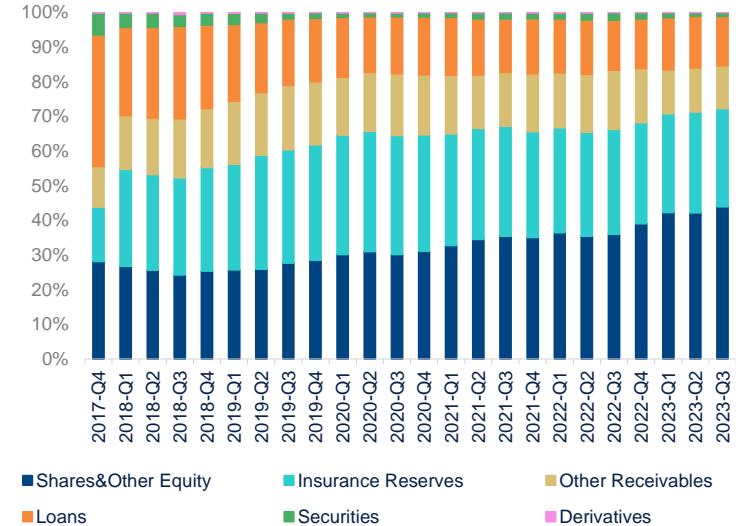
# Non-bank Financial Sector Indebtedness

# Main assets of the non-bank financial sector became both securities and stock market shares, while the share of equity in their liabilities got closer to 30%

## BREAKDOWN OF NON-BANK FINANCIAL SECTOR ASSETS BY INSTRUMENTS (%)



## BREAKDOWN OF NON-BANK FINANCIAL SECTOR LIABILITIES BY INSTRUMENTS (%)

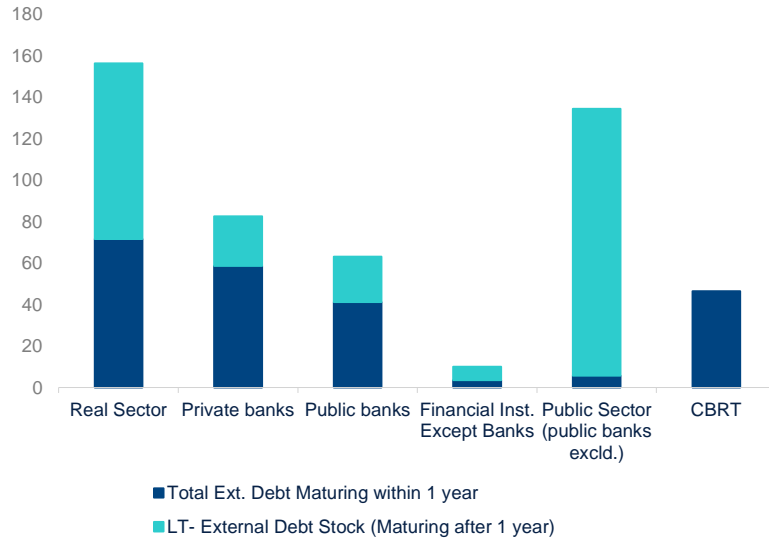


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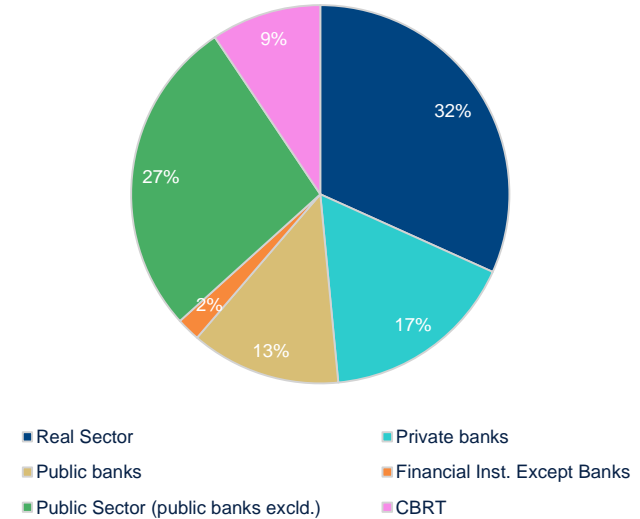
# Türkiye's External Debt Stock

# The highest share among total external debt maturing within 1 year belongs to the public sector.

**EXTERNAL DEBT BY MATURITY**  
(bn USD, Dec23)

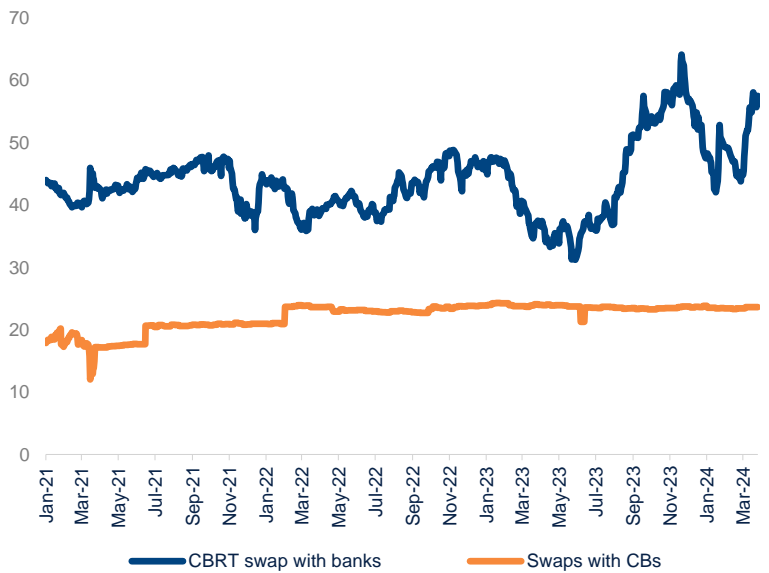


**SHARE OF AGENTS IN TOTAL EXTERNAL DEBT**  
(%, Dec23)

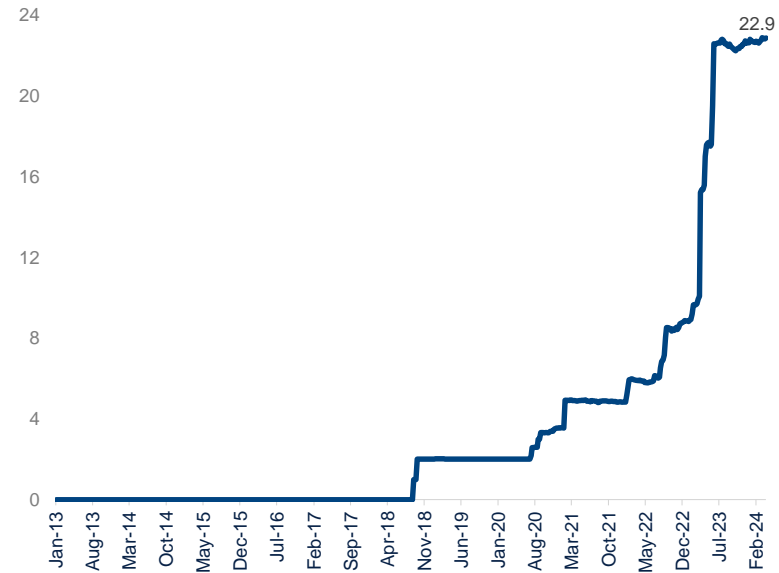


# The short term external debt of the CBRT has reached \$46bn, composed of both other CB swaps (\$23bn) and foreign banks' depo (\$23bn).

**BILATERAL SWAPS OF THE CBRT**  
(bn USD)



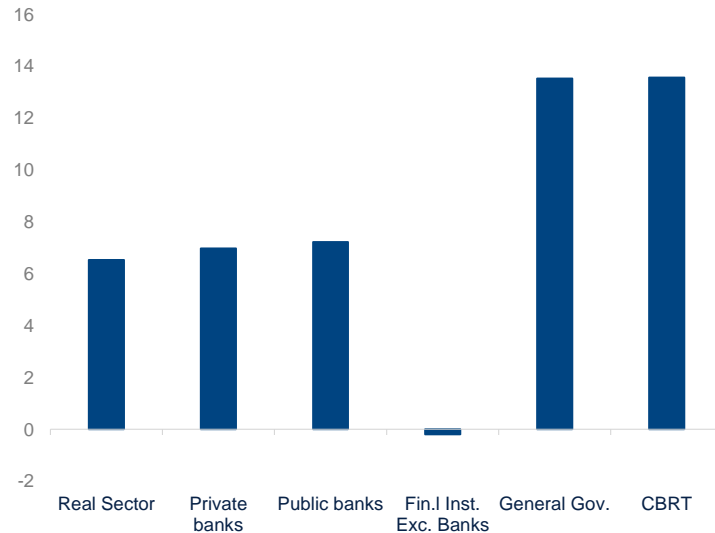
**FOREIGN BANKS' DEPOSITS AT CBRT**  
(bn USD)



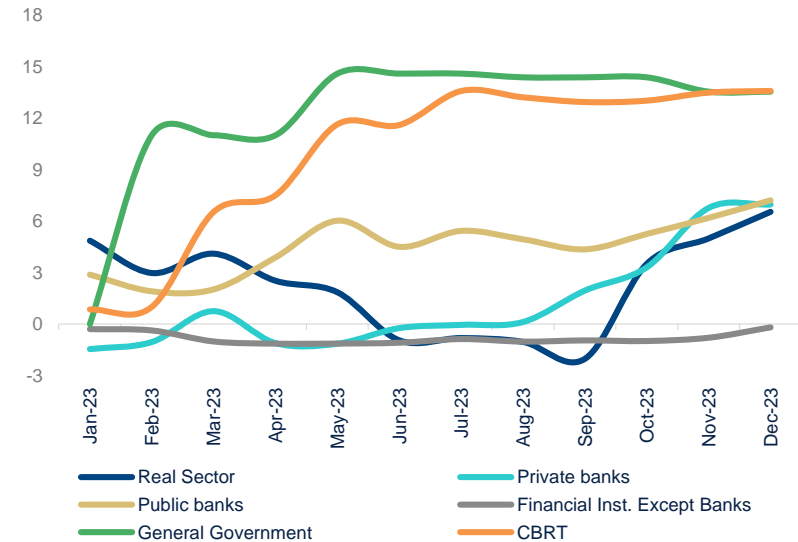
Source: CBRT and Garanti BBVA Research

# The increase in external debt came from mostly the general government and the CBRT in 2023.

**CONTRIBUTION OF AGENTS TO INCREASE IN EXTERNAL DEBT** (bn USD, from Dec22 to Dec23)



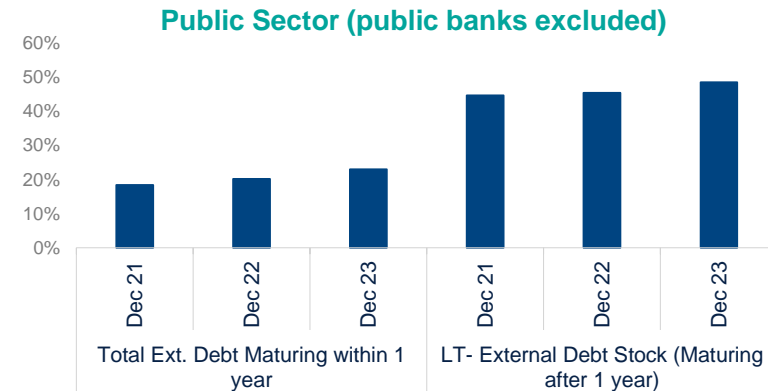
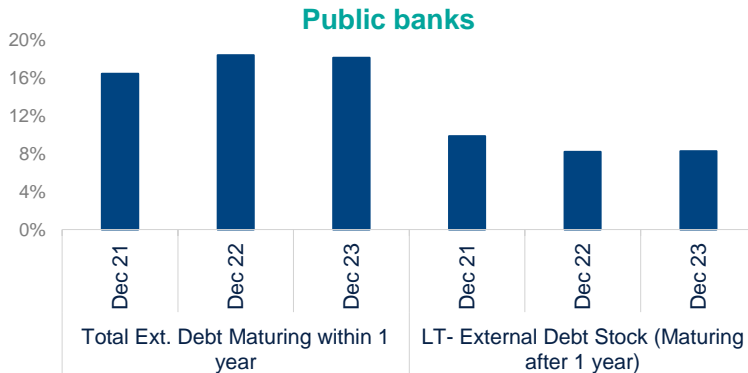
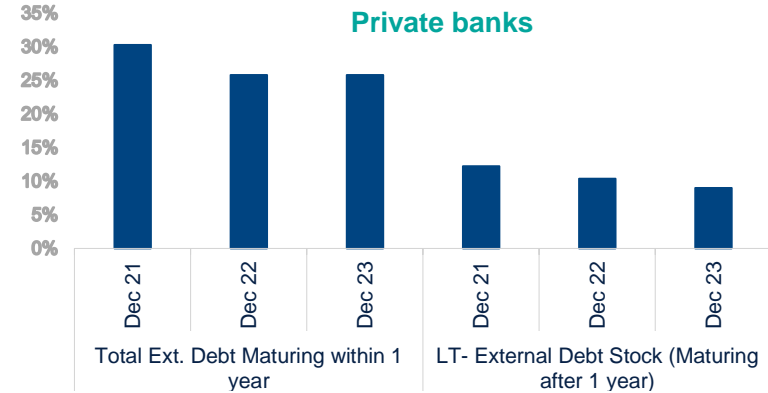
**CONTRIBUTION OF AGENTS TO INCREASE IN EXTERNAL DEBT** (bn USD, from Dec22 to Dec23)





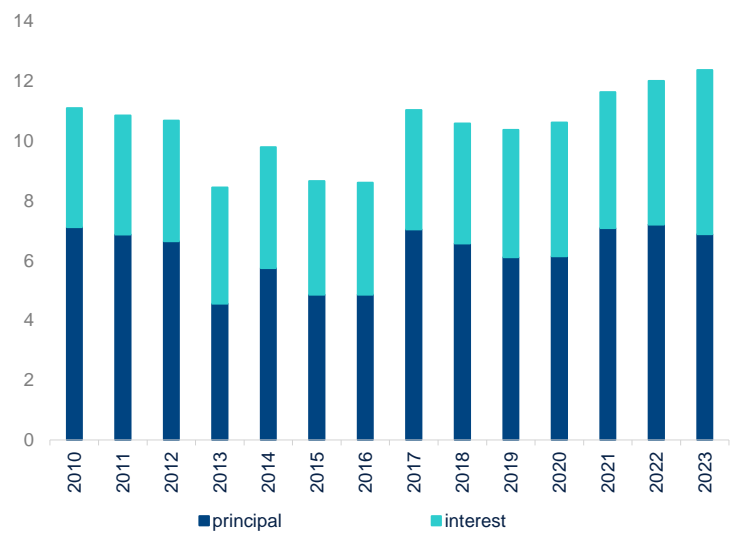
# Share of both ST and LT external debt is increasing only in public sector.

## EXTERNAL DEBT BY MATURITY (Share of LT and ST External Debt)

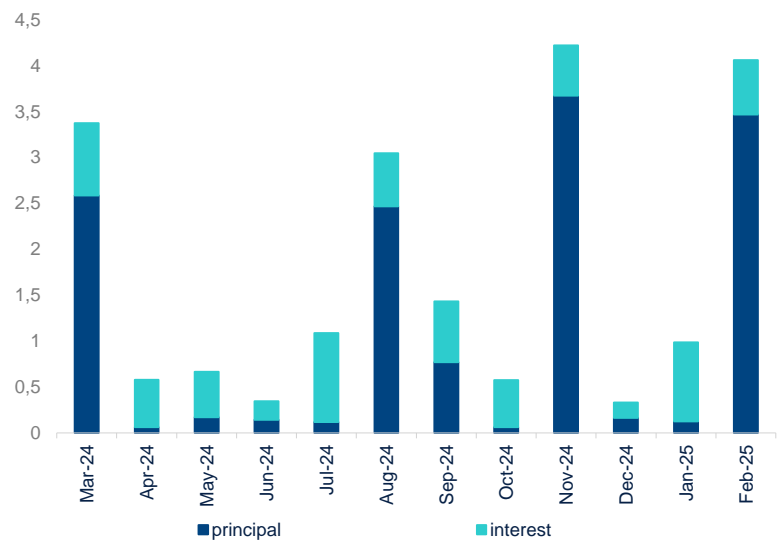


# Aug24, Nov24 and Feb25 will be important for FX redemptions of the Government in the near term.

**FX DEBT REDEMPTIONS OF THE CENTRAL GOVERNMENT (bn USD)**



**FX DEBT REDEMPTIONS OF THE CENTRAL GOVERNMENT (bn USD)**

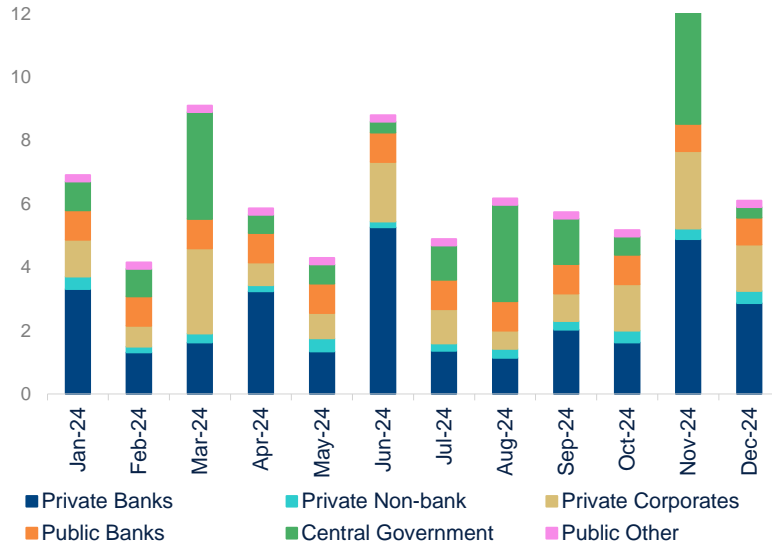


Source: Treasury and Garanti BBVA Research

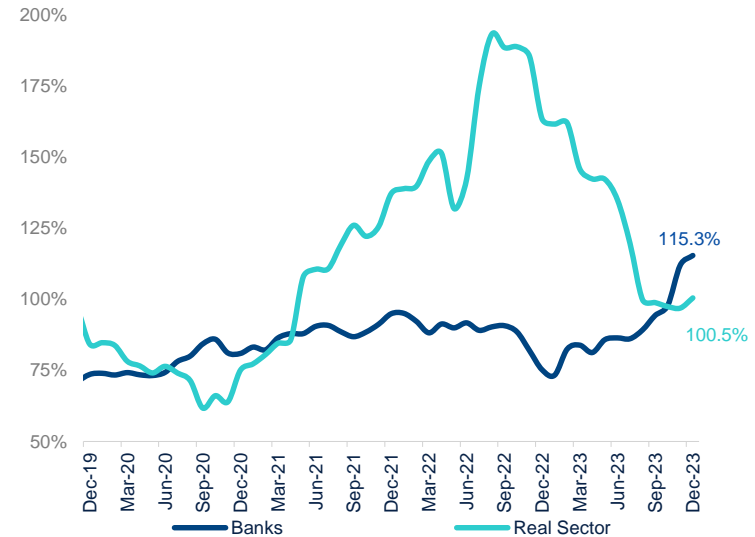
# Banks' rollover ratios have been moving upward since the start of 2023

## EXTERNAL LOANS BY PRIVATE SECTOR ON A REMAINING MATURITY BASIS FOR THE NEXT 12 MONTHS

(BN USD, AS OF DECEMBER 2023)

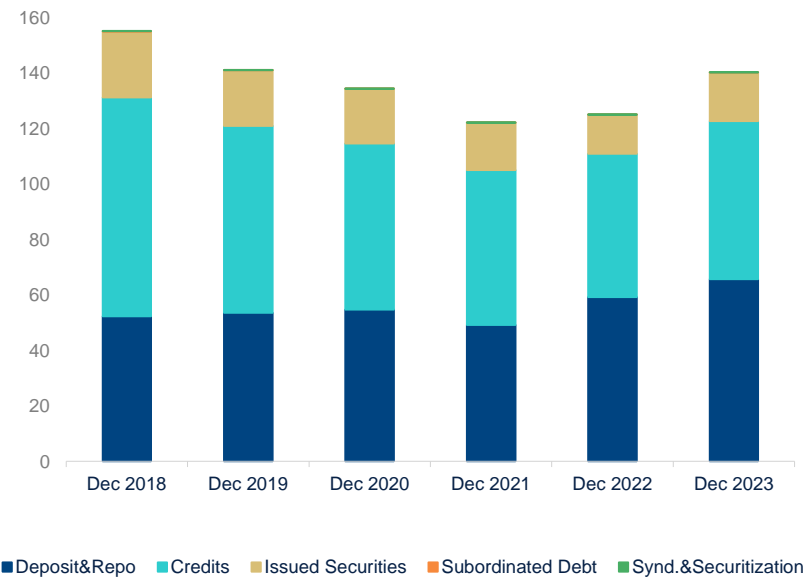


## LT EXTERNAL LOANS ROLL-OVER RATIO OF BANKS & REAL SECTOR (12 MONTH ROLLING, %)

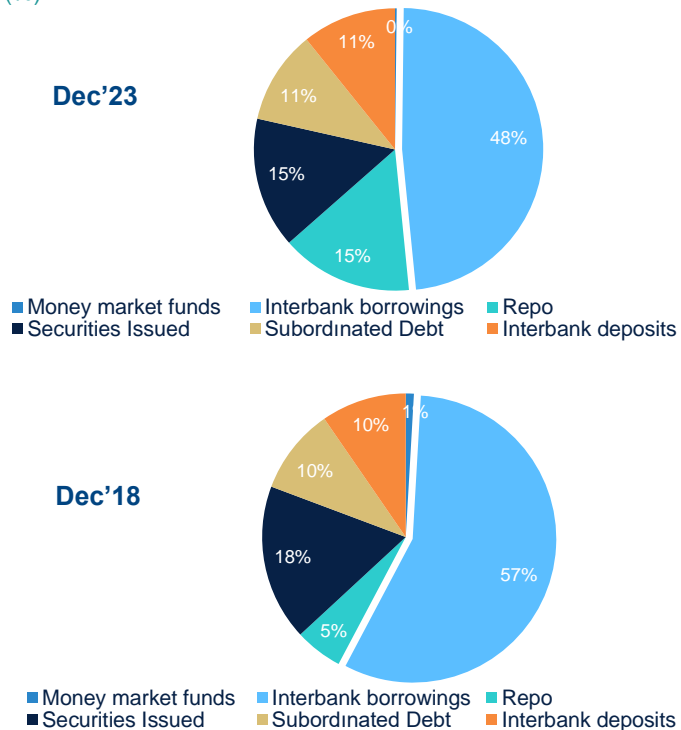


# Banks' external debt has started to pick up after a declining period since 2018. Interbank borrowings which constitute the bulk of FX funding decreased compared to increase in repo funding.

**BANKS' TOTAL EXTERNAL DEBT**  
(BN USD)



**BREAKDOWN OF BANKS' FX WHOLESALE LIABILITIES**  
(%)

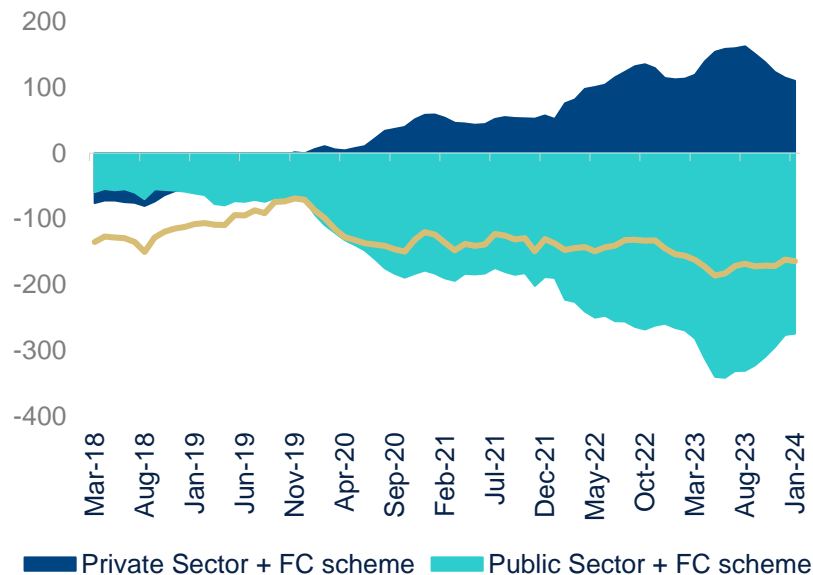


Source: CBRT, BRSA and Garanti BBVA Research

# The overall total FX position is not changing much since 2021, while the public sector is reducing its short position with exit from the FC protected scheme

## TOTAL NET FX POSITION OF TURKIYE\*

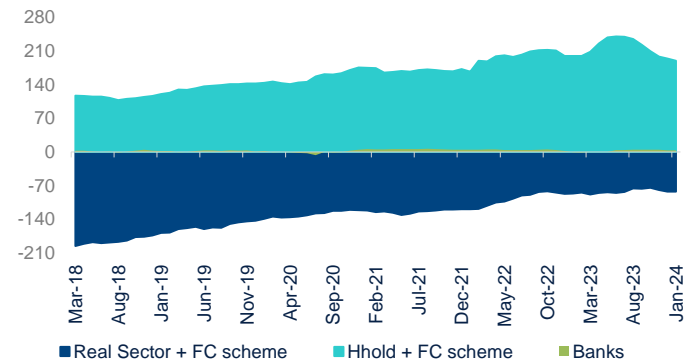
(bn USD)



\* FC protected deposit scheme of households is calculated via subtracting the FC protected scheme of corporates (a subtraction of their FC deposit level in local banks in the net FX position statistics from the CBRT FC deposits statistics) from the overall FC protected scheme (adjusted by 13-week avg exc rate). Money market funds data are not included.

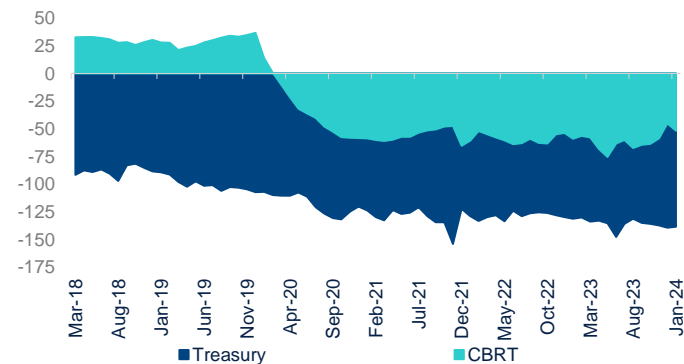
## TOTAL NET FX POSITION OF PRIVATE SECTOR

(bn USD)



## TOTAL NET FX POSITION OF PUBLIC SECTOR

(bn USD)



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