

Türkiye: Quarterly Debt Outlook 3Q 2024

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Garanti BBVA Research

Key messages

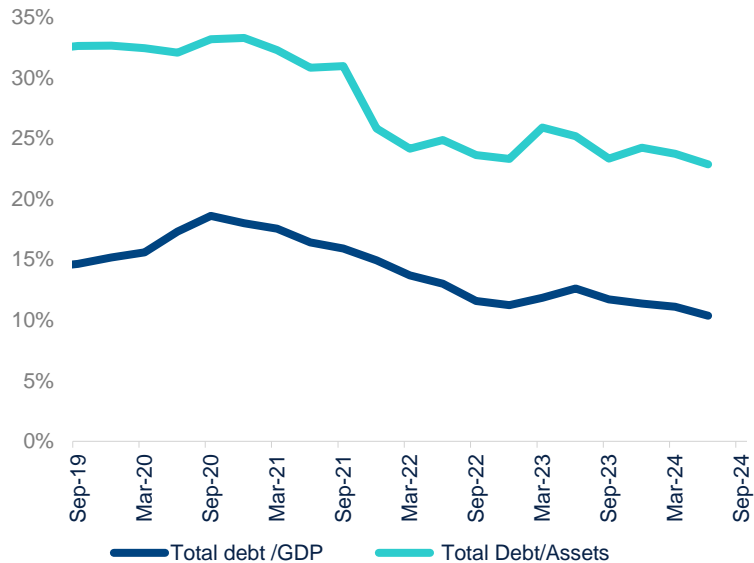
- The low level of household indebtedness to GDP ratio continues. **Debt to GDP ratios started to decline in consumer credit cards as well** (thanks to the implementation of new CBRT regulations) although still having a higher share among other retail liabilities of consumers. Regarding their assets, **households continue to invest in money market funds.**
- Household debt remains low also compared to peer countries. However, in terms of financial stability, **shortening in the maturities of retail loans** and **still ongoing preference for credit cards** accompanied by high interest rates might keep pressure on NPL inflows. Yet, we expect **the latest regulation allowing restructuring up to 5 years** to help decelerate the pace in the next months.
- Corporates' total debt to GDP ratio is also low among peers. However, FC debt to GDP ratio moves up, resulting in a deterioration of corporates' FX short position. **The short-term net FX position of corporates declined to its lowest level since Dec18.**
- Overall, in terms of indebtedness, both households and corporates' debt levels remain low. However, regarding credit risk, although also still being historically low, **the NPL ratios in GPL & credit cards and the recent pick up seen in SME segment require attention** in terms of financial stability, taking into account the upcoming deceleration in the economic activity.
- **The overall total FX position of the economy worsened in the third quarter of the year.** Public sector's short position declined whereas private sector's long position deteriorated somewhat.

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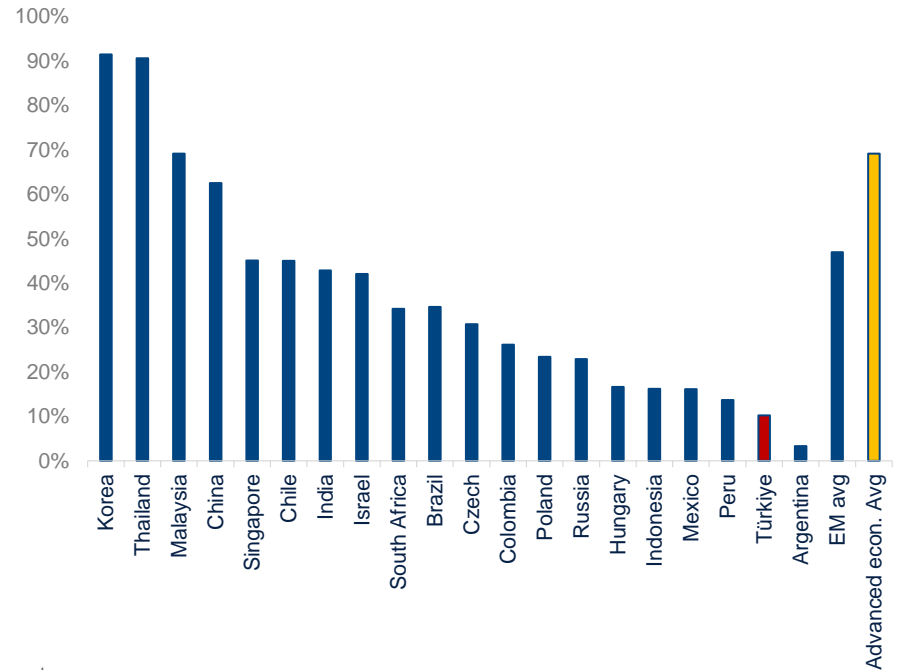
Households Indebtedness

Households' debt over GDP fell to 10.4%. Households' debt to asset ratio declined with the higher increase in their assets compared to their liabilities.

HOUSEHOLD INDEBTEDNESS (% GDP)

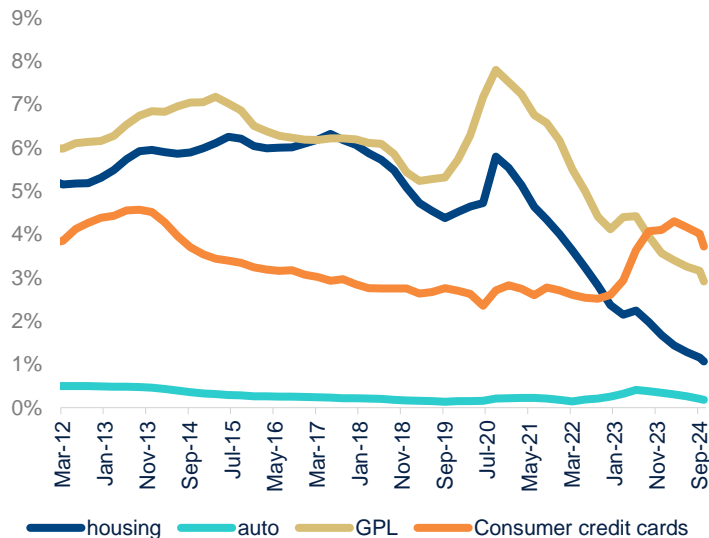


HOUSEHOLD INDEBTEDNESS IN PEER COUNTRIES (% GDP, 2Q24-IIIF)

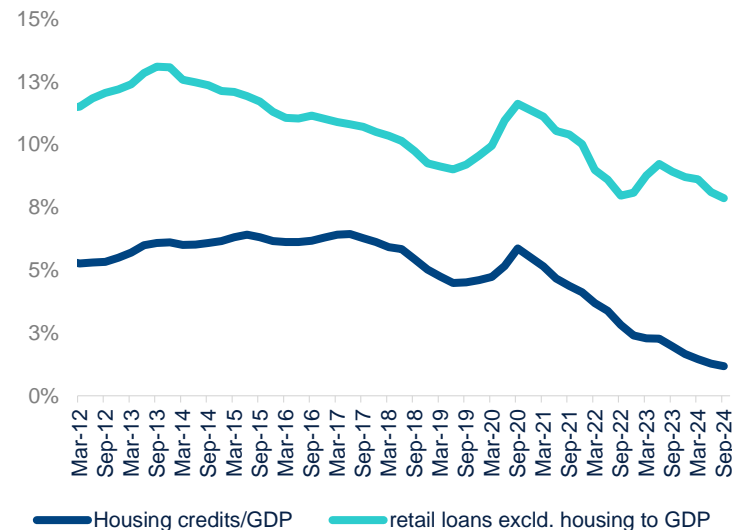


Historical breakdown of indebtedness shows the decline in housing loans ratio to GDP is much sharper compared to other segments. Higher ratio of retail loans (excl. housing loans) to GDP reveals the preference for credit cards and GPL during inflationary periods.

CONSUMER CREDIT SEGMENTS
(% GDP)

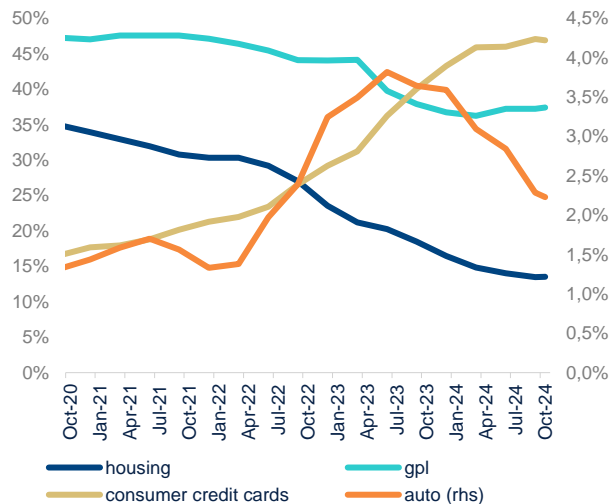


CONSUMER CREDIT SEGMENTS
(% GDP)

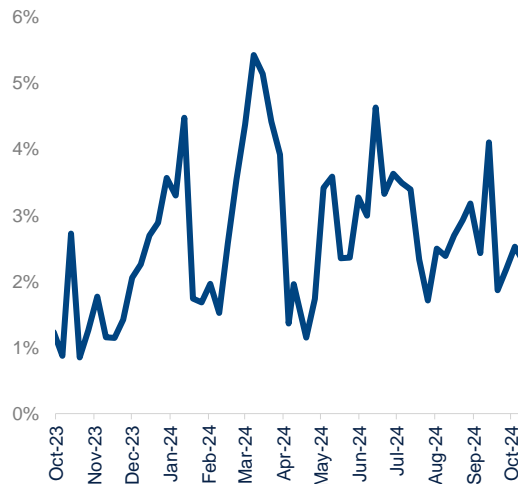


On liabilities side, households' preference for credit cards continues compared to other credit segments. However, with the implementation of new CBRT regulations on credit cards, deceleration on this segment has started to be observed as well.

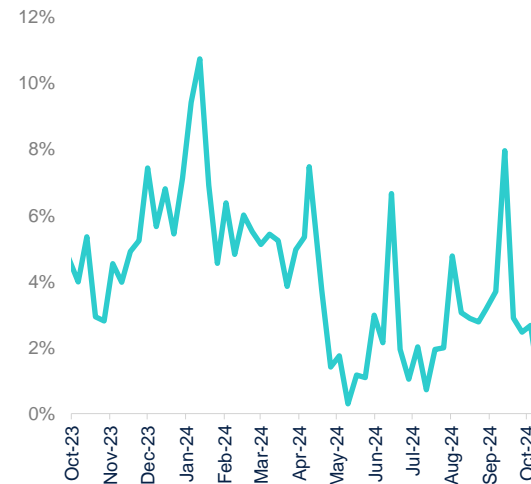
SHARE OF CREDIT SEGMENTS IN TOTAL CONSUMER CREDITS (%)



GENERAL PURPOSE LOANS (4w avg)

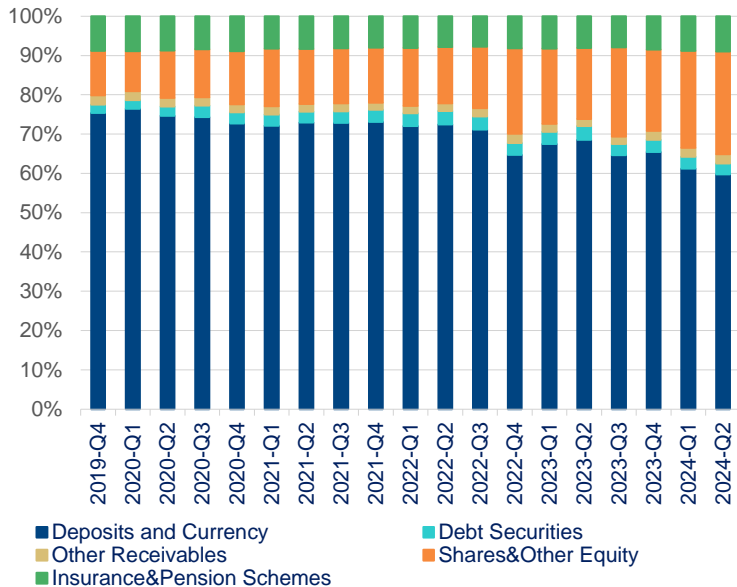


CONSUMER CREDIT CARDS (4w avg annualized)

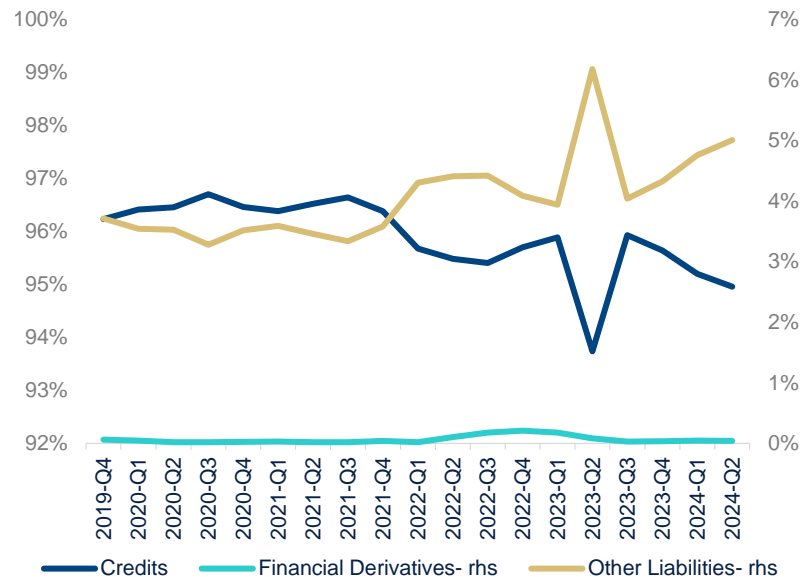


Among their financial assets, households continued to increase mostly their equity purchases in 2Q24 (as was also in 1Q24); specifically their investments in money market funds. On liabilities, the share of credits among all liabilities continued to decrease.

BREAKDOWN OF FINANCIAL ASSETS BY INSTRUMENTS (% , hholds, share in total)

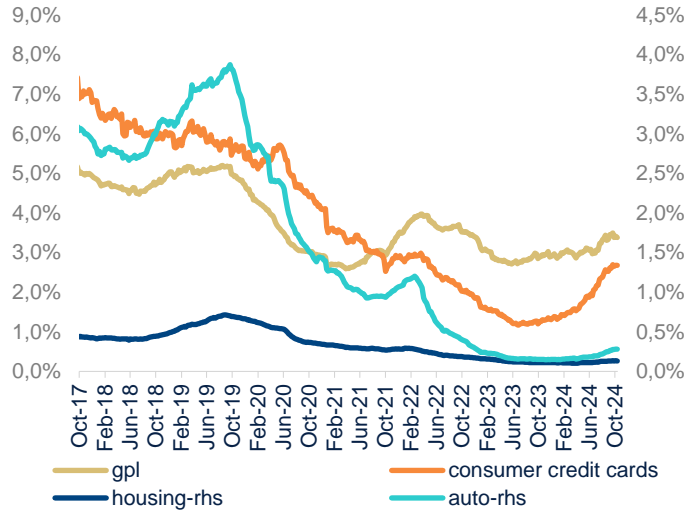


BREAKDOWN OF LIABILITIES BY INSTRUMENTS (% , hholds, share in total)

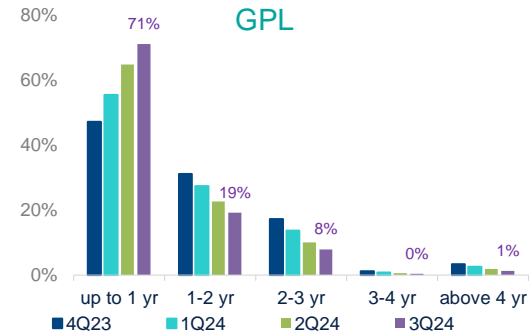
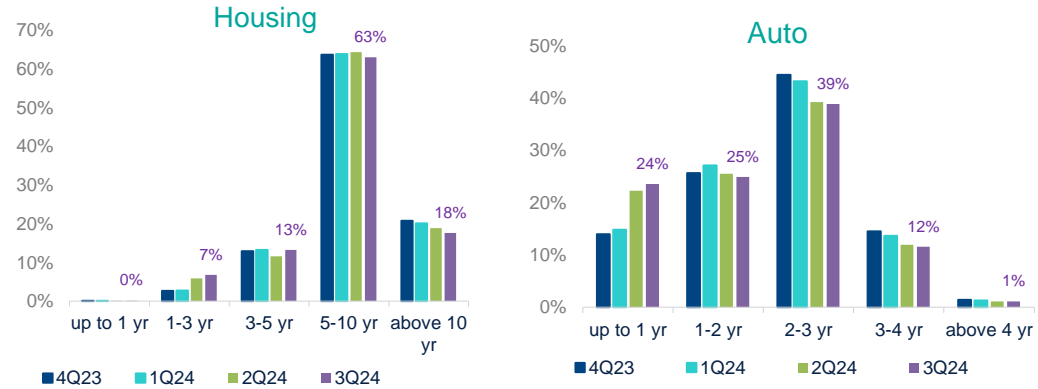


Acceleration in the NPL ratio of general purpose loans & credit cards seems to have stabilized recently. The duration of all retail credits continued to shorten in 3Q24.

NPL RATIO IN RETAIL CREDITS (%)



MATURITY COMPOSITION OF RETAIL CREDITS (% share in total)

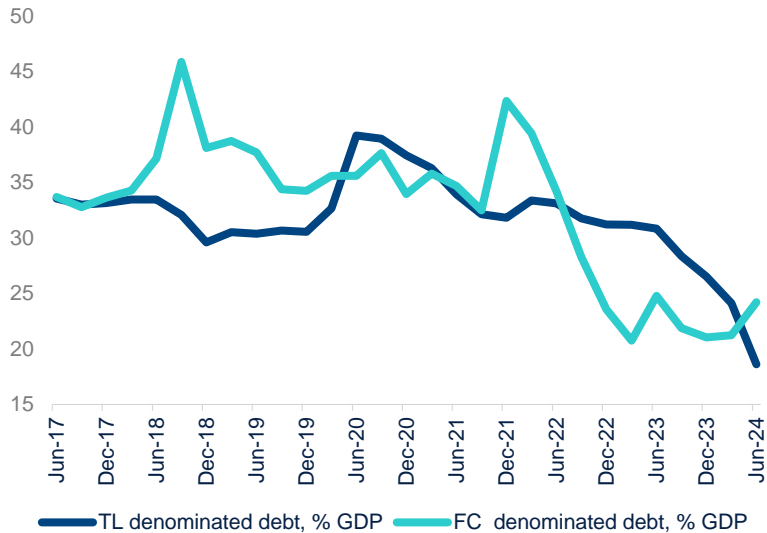


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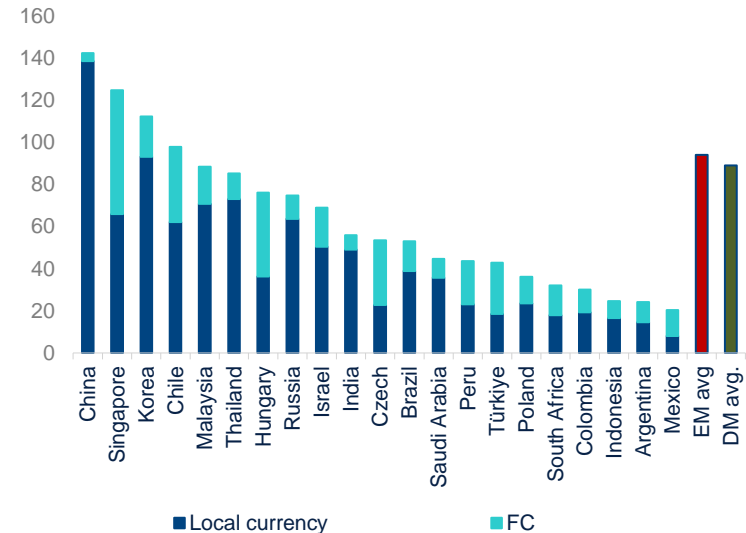
Corporates Indebtedness

Corporates' FX debt to GDP ratio moves up which will deteriorate corporates' FX short position in the coming months. Total debt to GDP ratio is low among the peers though.

DEBT/GDP RATIO OF THE CORPORATE SECTOR (%)

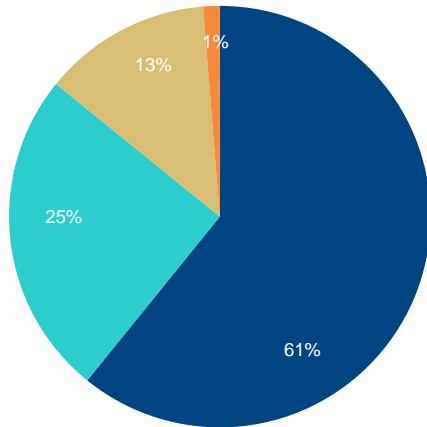


DEBT/GDP RATIO OF THE CORPORATE SECTOR PEER COUNTRIES (% GDP, 2Q24)



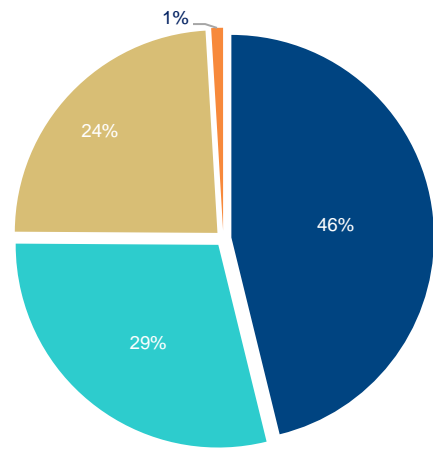
Among its assets, shares & other equity growth of corporations has been highest in 2Q24. On liabilities, financial derivative growth has been highest.

BREAKDOWN OF CORPORATES' ASSETS BY INSTRUMENTS (% , 2Q24)



- Other receivables
- Shares and other equity
- Currency, deposits
- Derivatives, securities, loans, insurance

BREAKDOWN OF CORPORATES' LIABILITIES BY INSTRUMENTS (% , 2Q24)

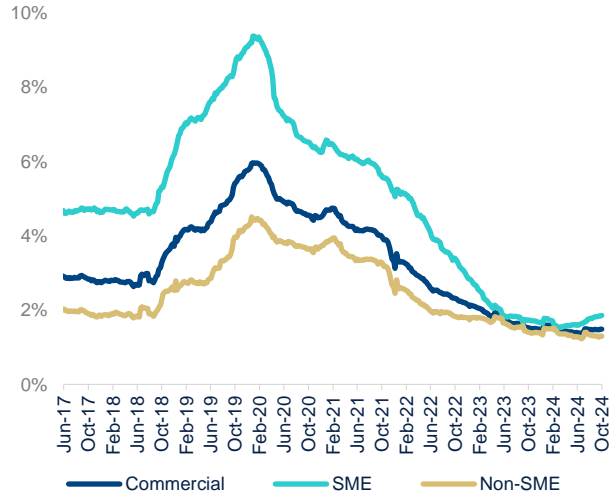


- Other Accounts Payable
- Shares and Other Equity
- Loans
- Derivatives & Securities

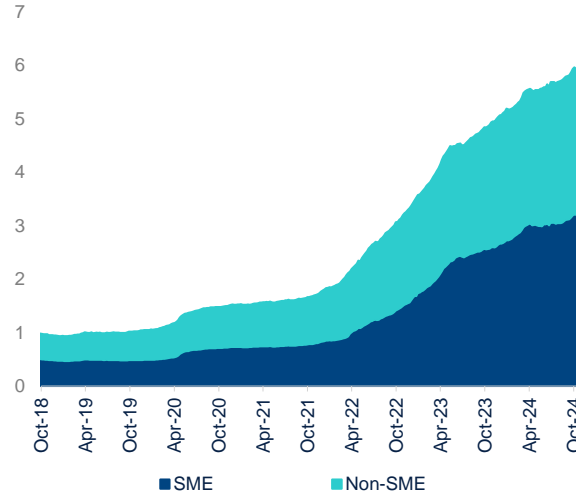
* other accounts receivable and other accounts payable items are composed of corporates' commercial transactions with each other

NPL ratio in commercial credits hover around 1.5%, still being historically low. However, pick-up in SME segment NPL ratio continues since April'24.

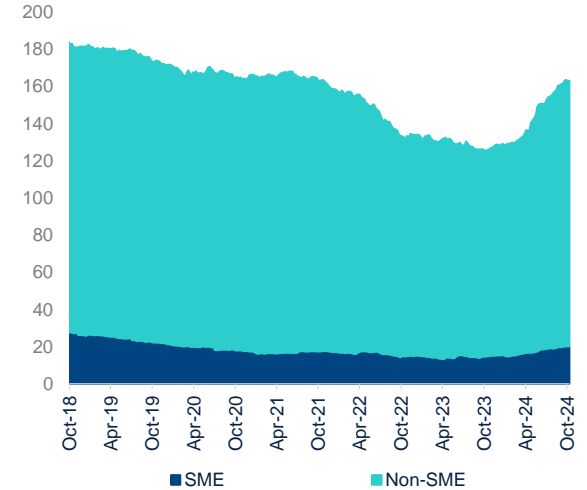
NPL IN COMMERCIAL CREDITS (%)



BREAKDOWN OF TL COMMERCIAL CREDITS (trn TL in local banks)



BREAKDOWN OF FC COMMERCIAL CREDITS (bn USD in local banks)

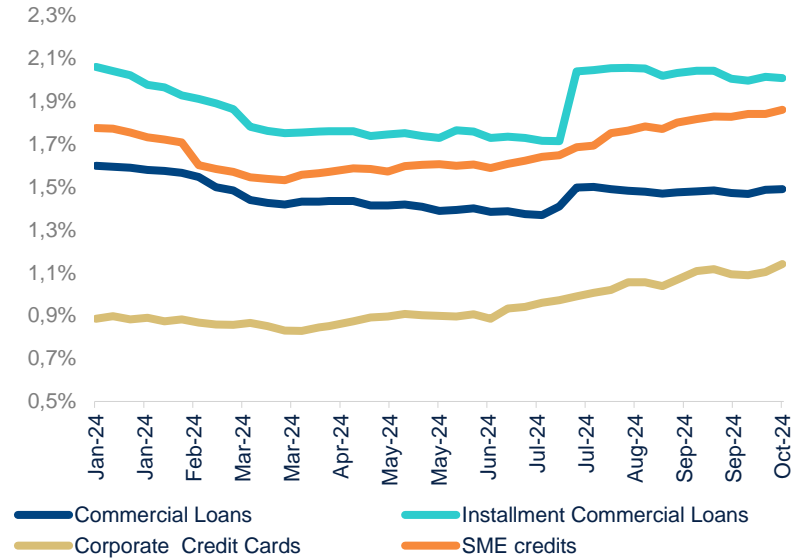


SME credits comprise 34% of total commercial credits & SME NPL amount comprise 42% of commercial NPL amount. Corporate credit cards NPL accelerates as well.

SHARE OF SME NPL IN TOTAL COMMERCIAL NPL %

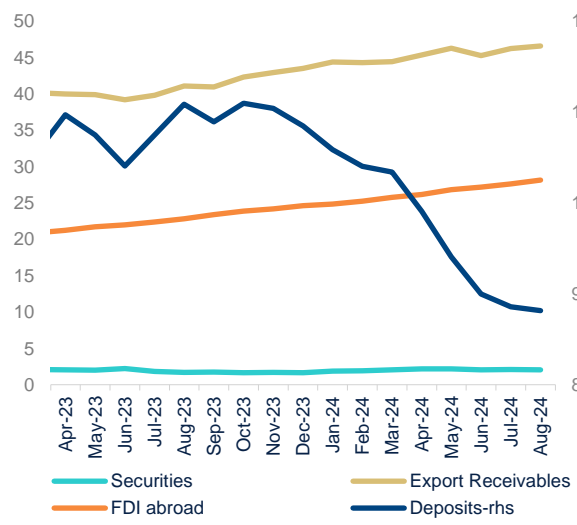


BREAKDOWN OF NPL RATIO IN COMMERCIAL CREDITS %

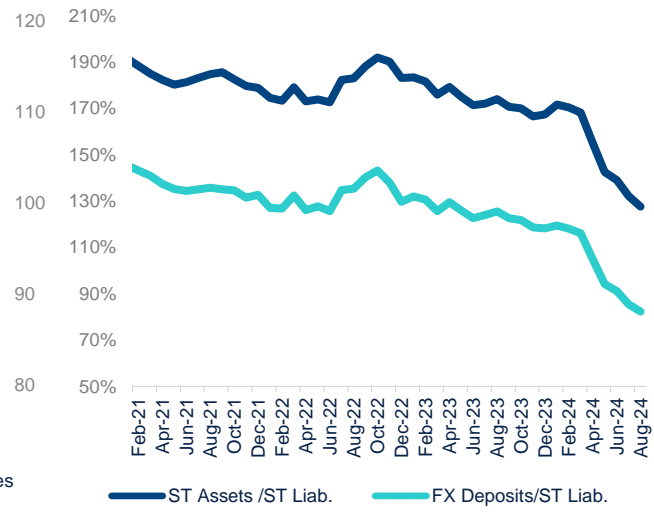


Liquidity ratios of corporates continue to decline significantly due to the decline in their FX deposits and the increase in their FC credit liabilities. The short-term net FX position declined further to \$29.6bn, the lowest since Dec18.

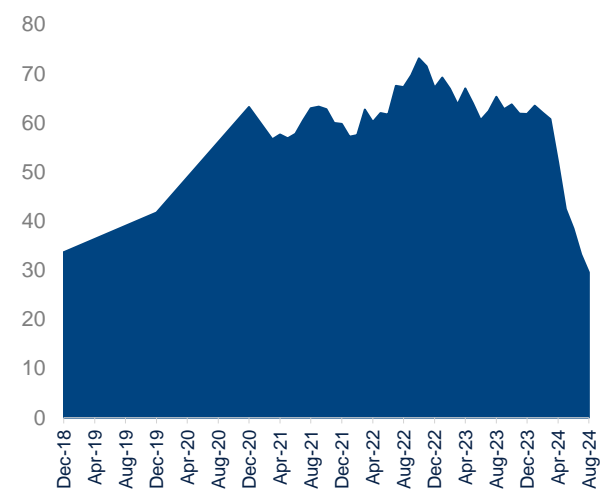
FX ASSETS OF CORPORATES
(bn USD)



FX LIQUIDITY OF CORPORATES
%



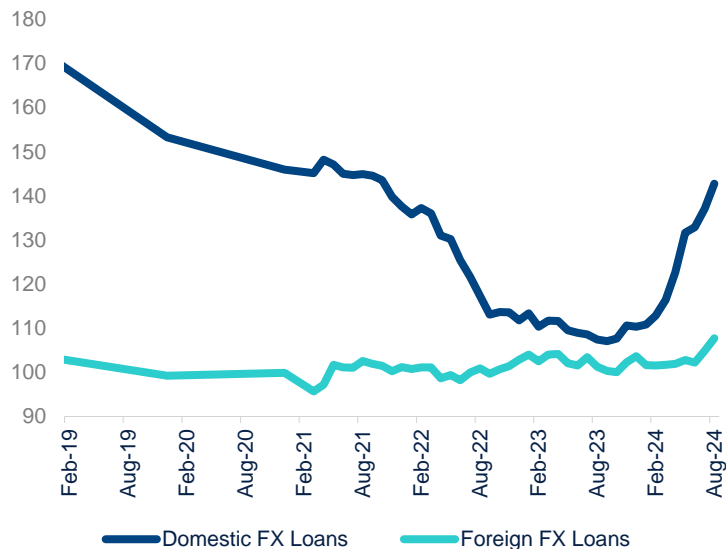
SHORT-TERM NET FX POSITION OF THE CORPORATE SECTOR
(bn USD)



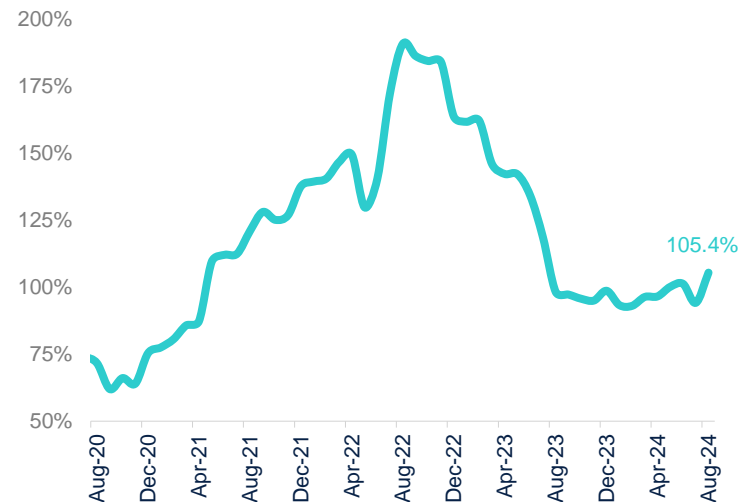
Source: CBRT and Garanti BBVA Research

With better financing conditions due to FC interest rates and the stability of the currency, firms' demand for domestic FC loans continue to exceed external loans. August pick-up in external roll-over ratio indicates some slight acceleration in external FX loans too.

FC LOAN COMPOSITION OF THE CORPORATE SECTOR
(bn USD)

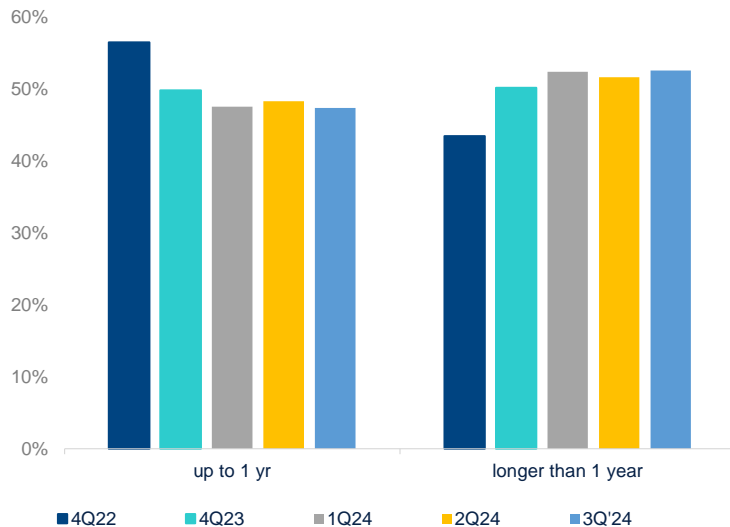


LT EXTERNAL LOANS ROLL-OVER RATIO OF REAL SECTOR (12 MONTH ROLLING, %)

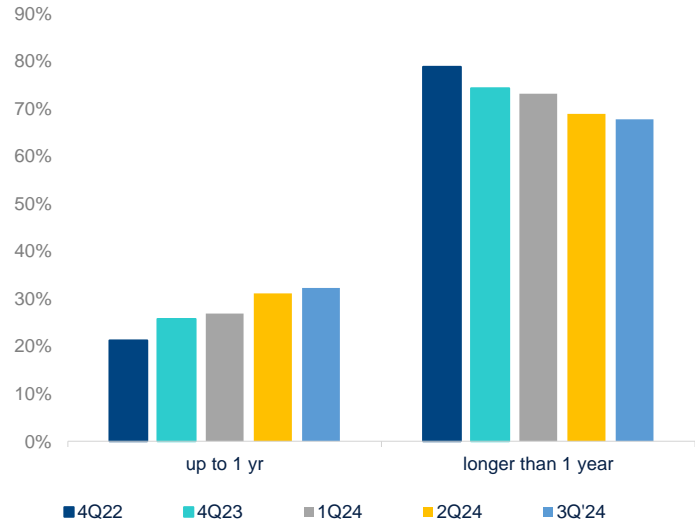


Maturities in TL commercial credits have started to be extended on CBRT rate cut expectations, whereas maturities in FC credits come down.

MATURITY COMPOSITION OF TL COMMERCIAL CREDITS

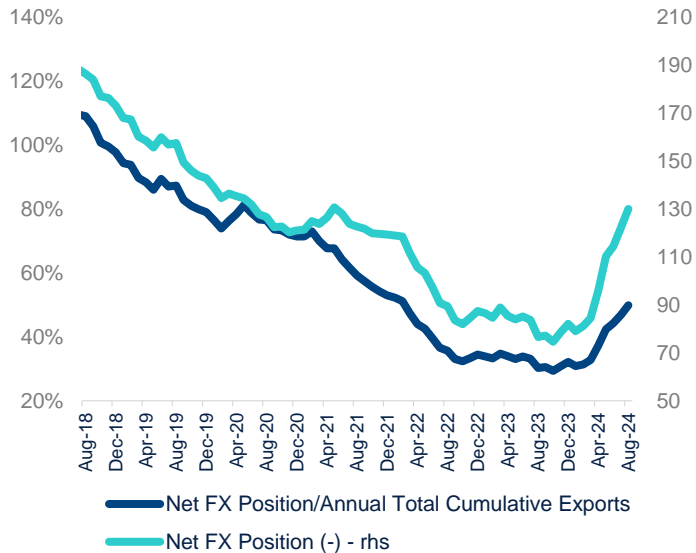


MATURITY COMPOSITION OF FC COMMERCIAL CREDITS

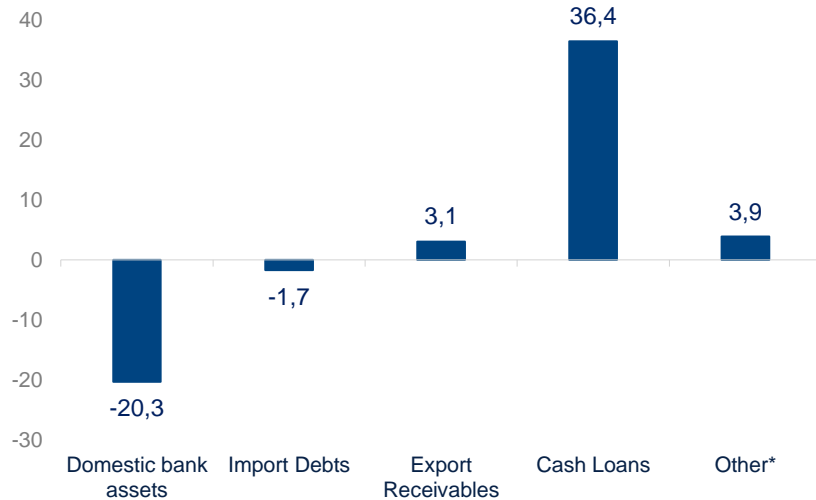


Corporate sector's net FX short position has been deteriorating since Nov'24. The capacity of export revenues to cover the open position deteriorates as well.

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 Aug24 compared to Dec23)



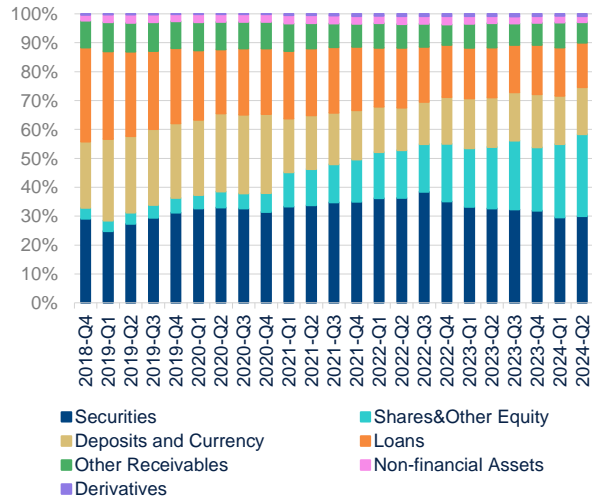
* The change in the "other" item covers the change in assets (deposits) with banks abroad, securities and direct capital investments made abroad.
Assets = deposits of the real sector

03

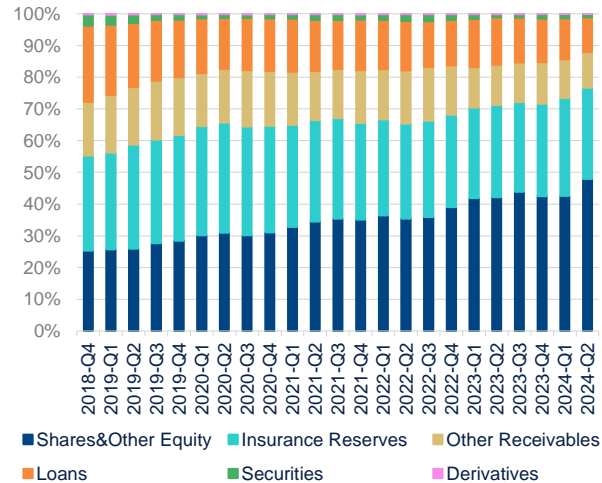
Non-bank Financial Sector Indebtedness

Main assets of the non-bank financial sector continues to be securities and stock market shares, which is also the main account in their liabilities followed by insurance reserves.

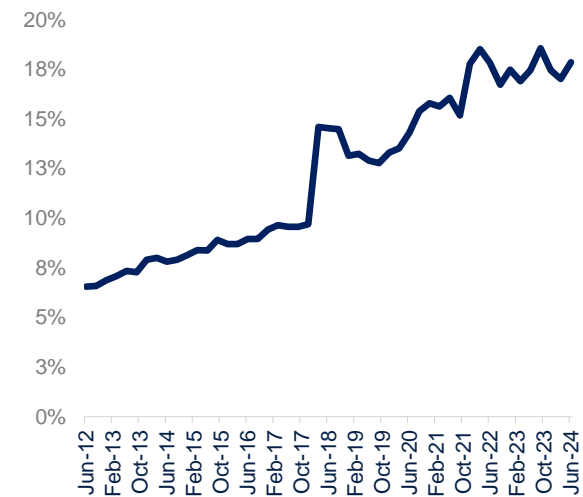
BREAKDOWN OF NON-BANK FINANCIAL SECTOR ASSETS BY INSTRUMENTS (%)



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



NON-BANK FINANCIAL SECTOR LIABILITIES TO GDP (%)



04

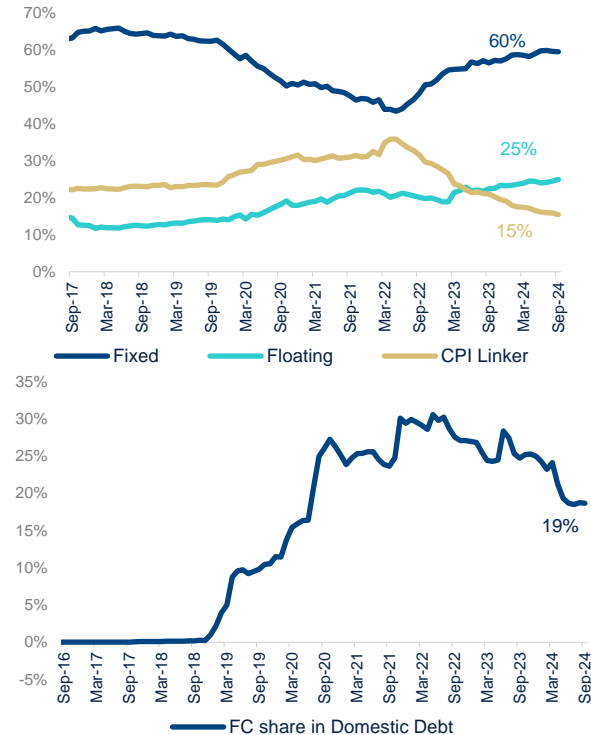
Public Sector Indebtedness

On fiscal front, FC share in public debt is coming down & its share in domestic debt seems to stabilize at around 19%.

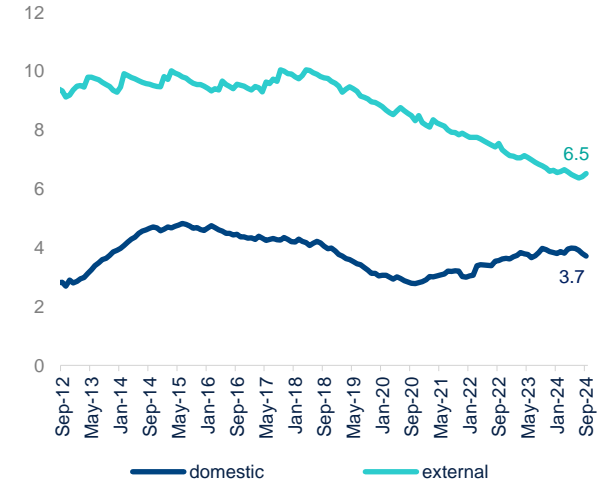
PUBLIC DEBT DECOMPOSITION SHARE IN TOTAL



DOMESTIC DEBT DECOMPOSITION SHARE IN TOTAL



PUBLIC DEBT AVERAGE MATURITY MONTH



Highest TL redemptions of the central government will be in January, April and August next year. Domestic debt roll-over ratio is targeted to reach 119% after 132% of this year.

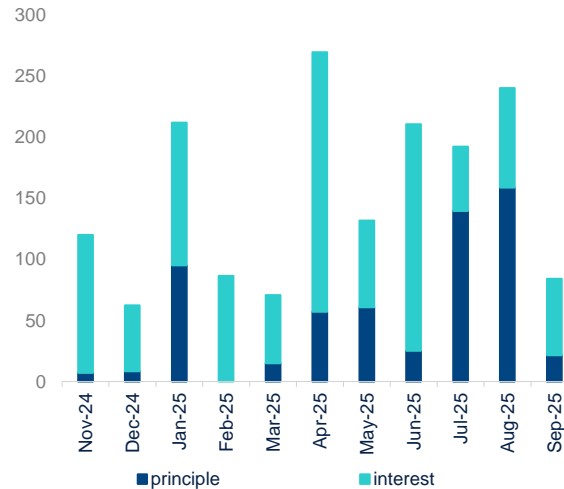
DOMESTIC DEBT ROLL-OVER RATIOS

12M ROLLING, %



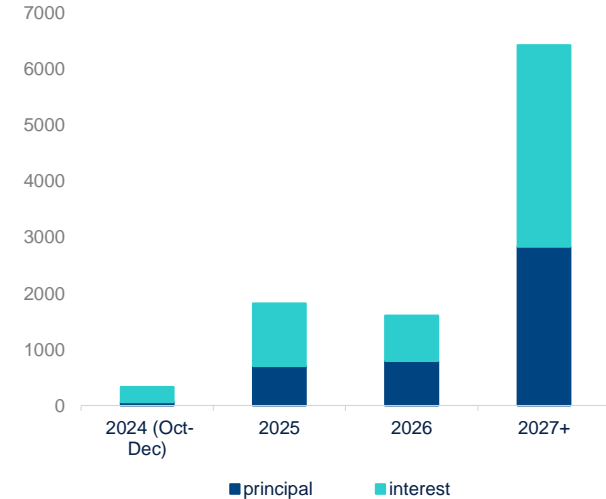
DOMESTIC DEBT REDEMPTION CALENDAR

Bn TL



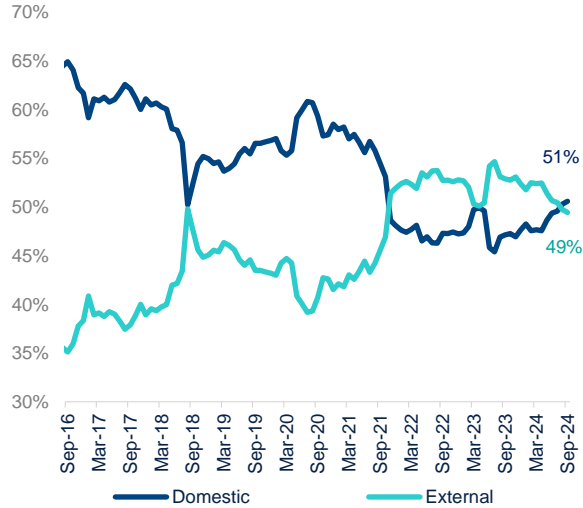
DOMESTIC DEBT REDEMPTION CALENDAR

Bn TL



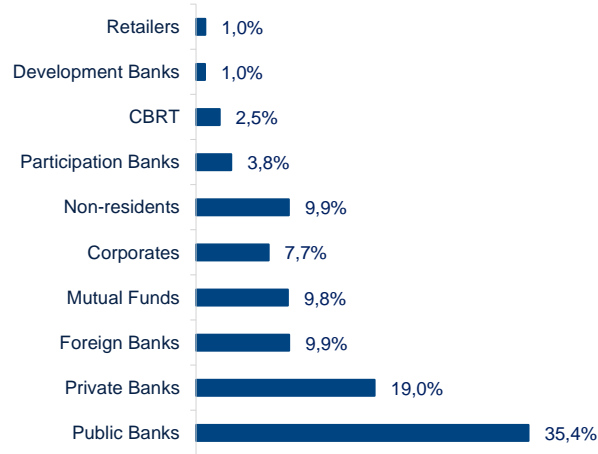
Share of external debt in total public debt came below the share of domestic debt as of Sep24. Non-residents' share in public debt rose from 7% to 10% btw 1Q24 and 2Q24.

PUBLIC DEBT COMPOSITION SHARE IN TOTAL



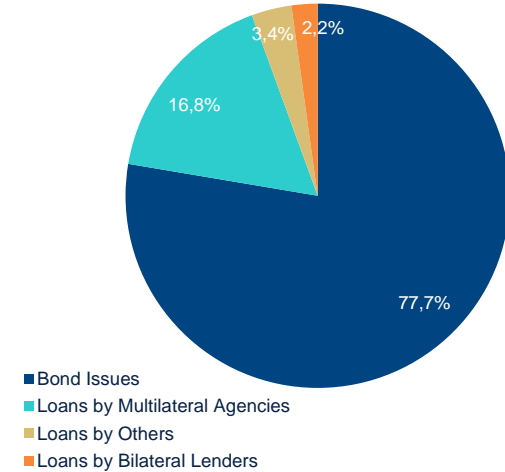
DOMESTIC PUBLIC DEBT BY HOLDERS

Share in total as of Sep24



EXTERNAL PUBLIC DEBT BY HOLDERS

Share in total as of Sep24

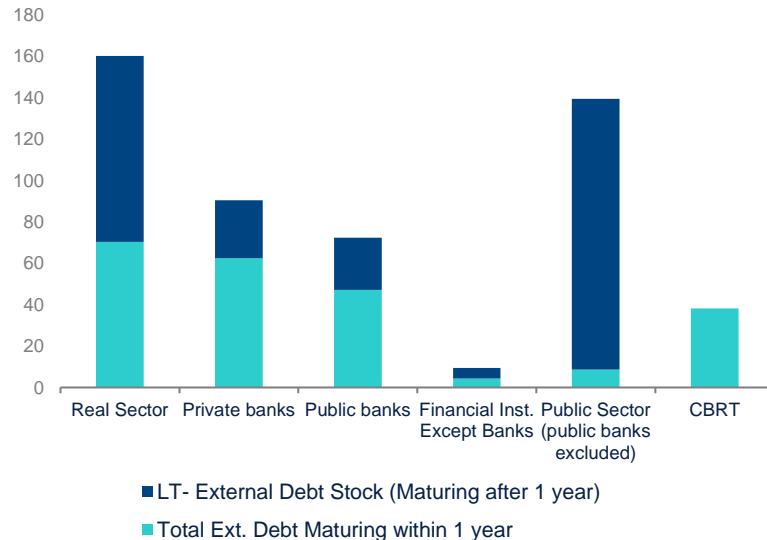


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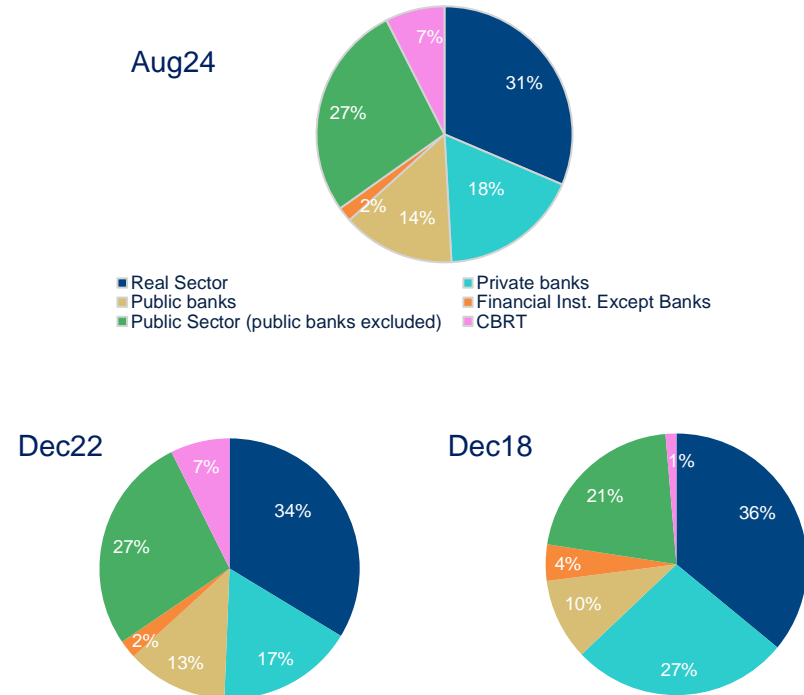
Türkiye's External Debt Stock

The highest share among total external debt maturing within 1 year belongs to the public sector (including the CBRT). The share rose from 22% to 35% btw Dec'2018 and August'24.

EXTERNAL DEBT BY MATURITY (bn USD, Aug24)

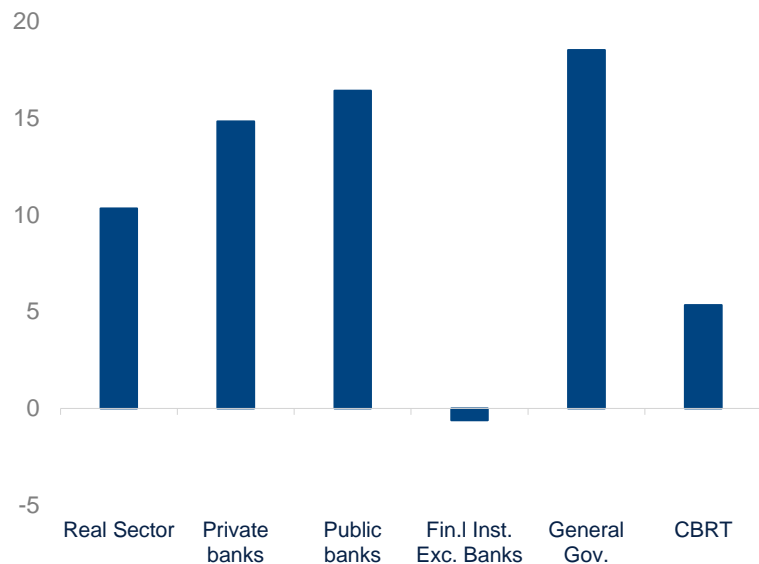


SHARE OF AGENTS IN TOTAL EXTERNAL DEBT (%, Aug24 & Dec22 & Dec18)

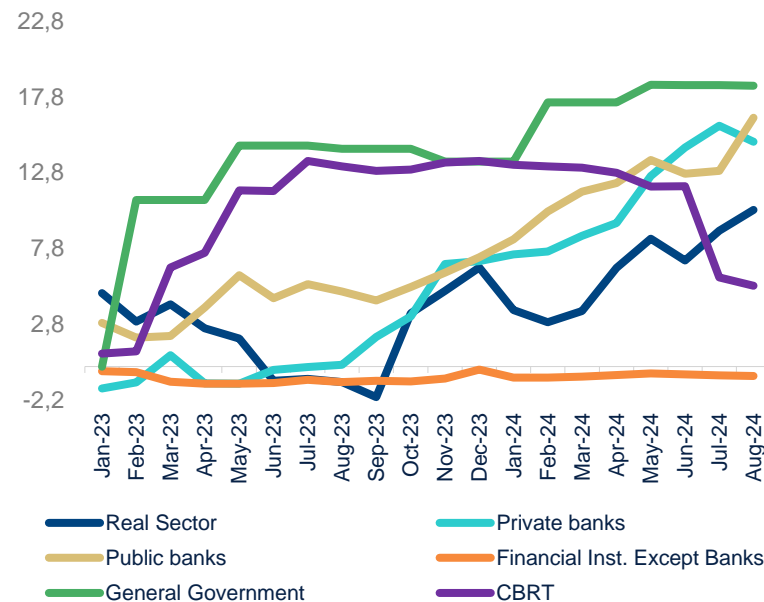


The increase in external debt came from mostly the general government and public banks.

CONTRIBUTION OF AGENTS TO INCREASE IN EXTERNAL DEBT (bn USD, from Dec22 to Aug24)



CONTRIBUTION OF AGENTS TO INCREASE IN EXTERNAL DEBT (bn USD, from Dec22 to Aug24)

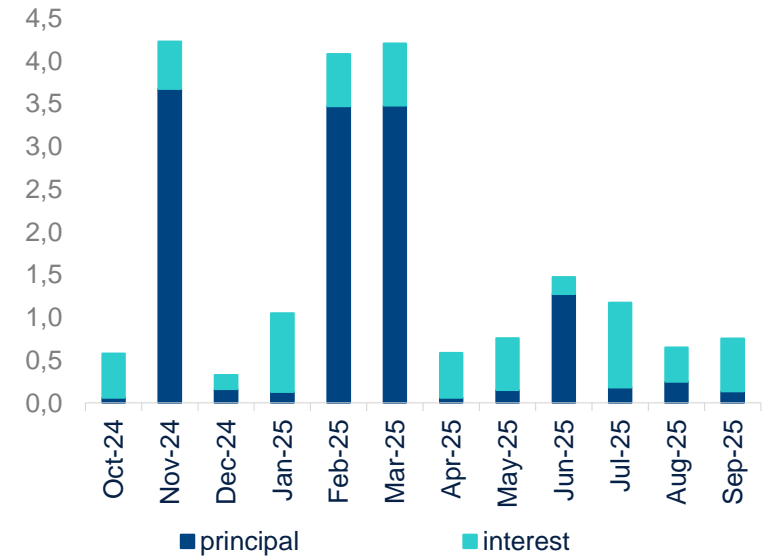


Nov in 2024, Feb and Mar in 2025 will be important for external debt redemptions of the Government.

EXTERNAL DEBT REDEMPTIONS OF THE CENTRAL GOVERNMENT (bn USD)



EXTERNAL DEBT REDEMPTIONS OF THE CENTRAL GOVERNMENT (bn USD)

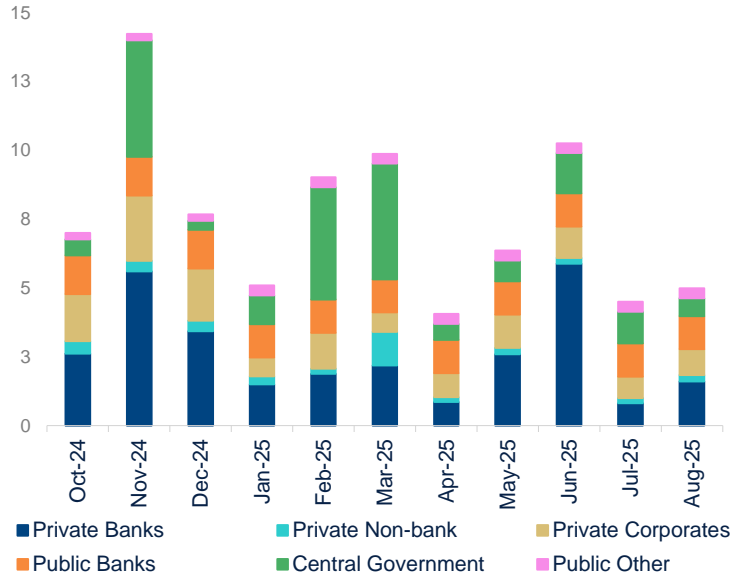


Source: Treasury and Garanti BBVA Research

Banks' external loans roll-over ratios continue to move 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 AUG2024)

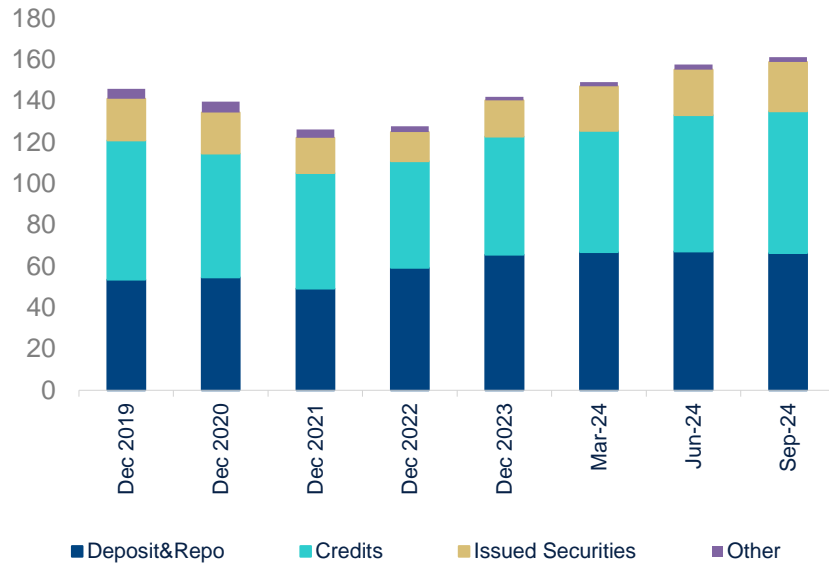


LT EXTERNAL LOANS ROLL-OVER RATIO OF BANKS & REAL SECTOR (12 MONTH ROLLING, %)



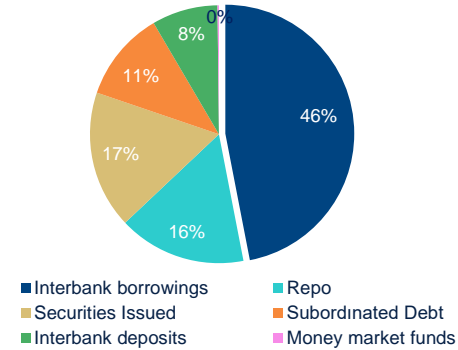
Banks' external debt level is around historical levels with \$160bn. Repo funding and issuance of securities are around same levels with the increase in repo funding.

BANKS' TOTAL EXTERNAL DEBT
(BN USD)

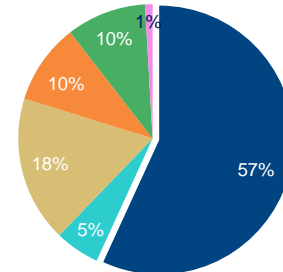


BREAKDOWN OF BANKS' FX WHOLESALE LIABILITIES
(%)

Sept24

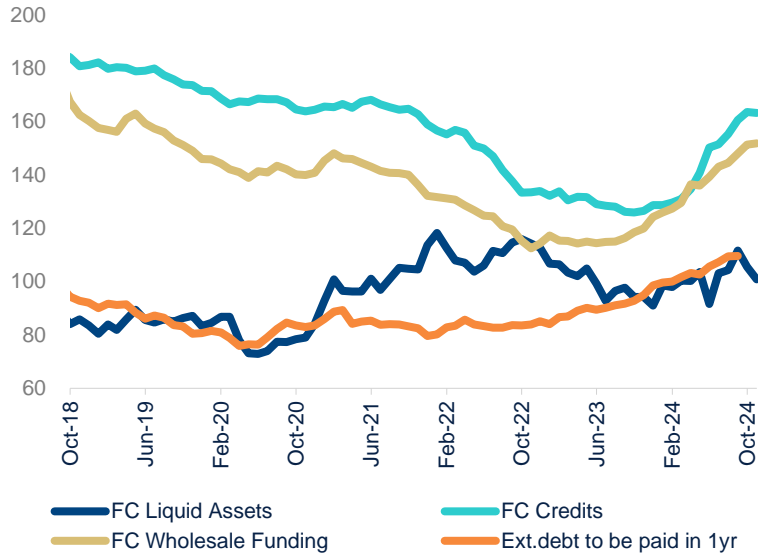


Dec18

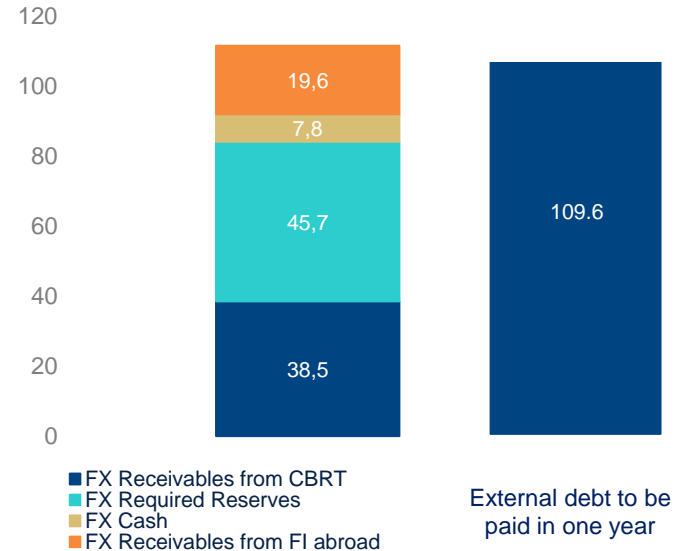


The increase in bank debt issuances supported banks' FX liquidity and also contributed to the supply of FC credits. Decline in liquid assets was due to fall in receivables from banks' abroad.

BANKS' FC ASSETS & FC LIABILITIES
(BN USD)

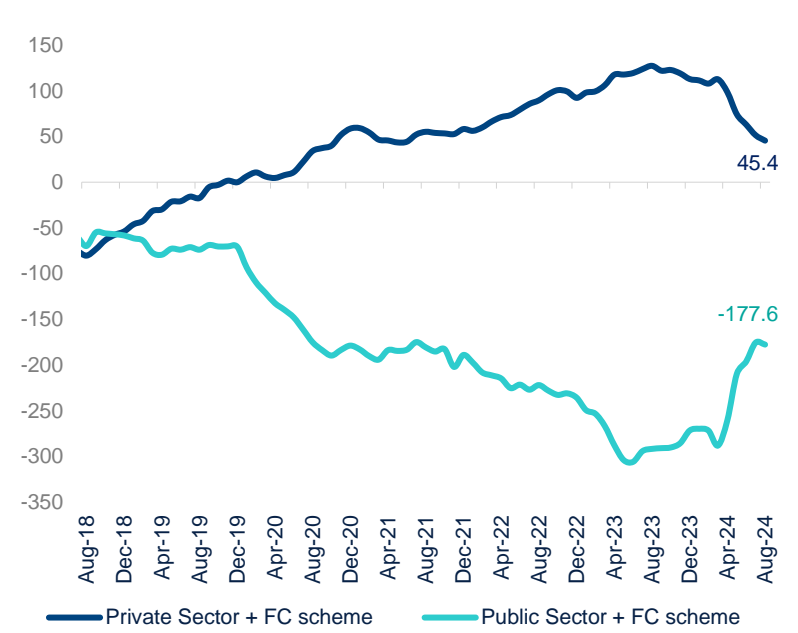


BANKS' FC LIQUID ASSETS & ST EXTERNAL DEBT
(BN USD, Aug24)

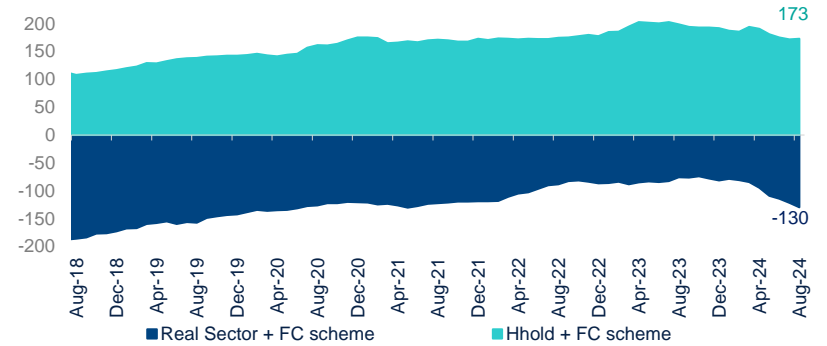


The overall total FX position worsened in Aug24. Public sector is reducing its short position with an exit from the FC protected scheme and decline in CBRT swaps. Yet, private sector shows a slight deterioration due to the real sector.

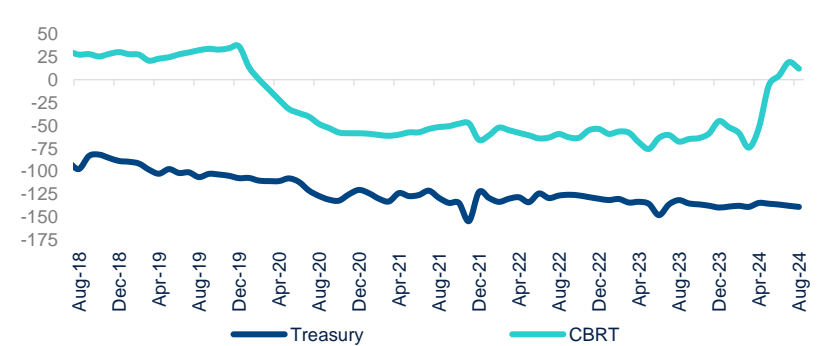
TOTAL NET FX POSITION OF TURKIYE
(bn USD)



NET FX POSITION OF PRIVATE SECTOR EXC. BANKS
(bn USD)



NET FX POSITION OF PUBLIC SECTOR
(bn USD)



Source: CBRT, BRSA and Garanti BBVA Research

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