BBVA Research

2Q25

Deniz Ergun

Türkiye: Quarterly Debt Outlook

Key messages

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Households

Household debt to GDP remains low at 9%; and it is one of the lowest among other EM peers. Due to tight financial conditions and macroprudential measures, exposure to mortgages remain low as well. Main assets of households remain to be deposits where the maturities in TL deposits shortened especially in 2Q25. Increasing size of money market funds with dollarization potential poses a risk to financial stability for the coming months.

Households Credit and NPL

Retail credit cards and GPLs continue to accelerate, together with their NPL ratios. However, the pressure on this will be eased with the very recent restructuring decisions of the BRSA.

Corporates

Net FX short position of corporates has been deteriorating since the start of 2024; and worsened by 70% in May25 compared to Dec24, approaching the high levels seen in 2019. Their ST net long position ($8bn) reached also its lowest since 2016. This is mainly due to the increase in FC credits, both internal (more in LT) and external (more in ST).

Banks

External debt of banks is high, led by issuances. However, their FC liquidity buffers continue to be strong and LT external roll-over ratios are high as well.

FX position

The overall total FX position of the economy improved in May25 compared to Dec24. The composition of external debt started to shift again among the borrowers, mainly between the public sector and the real sector.

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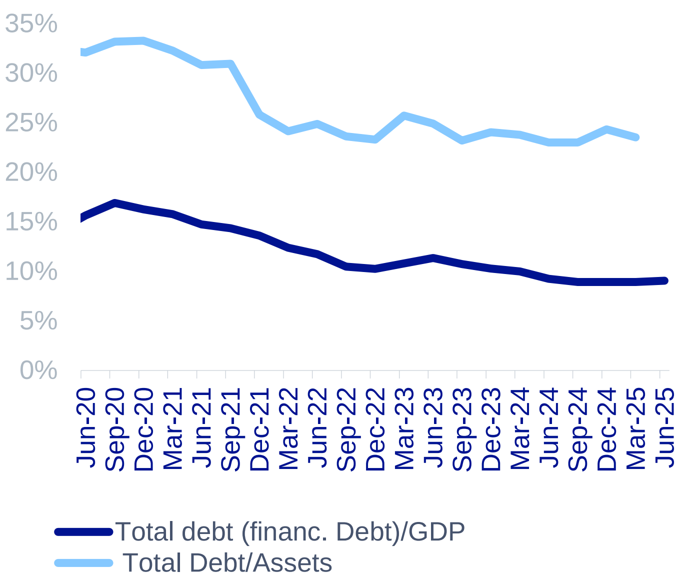
01.

Households Indebtedness

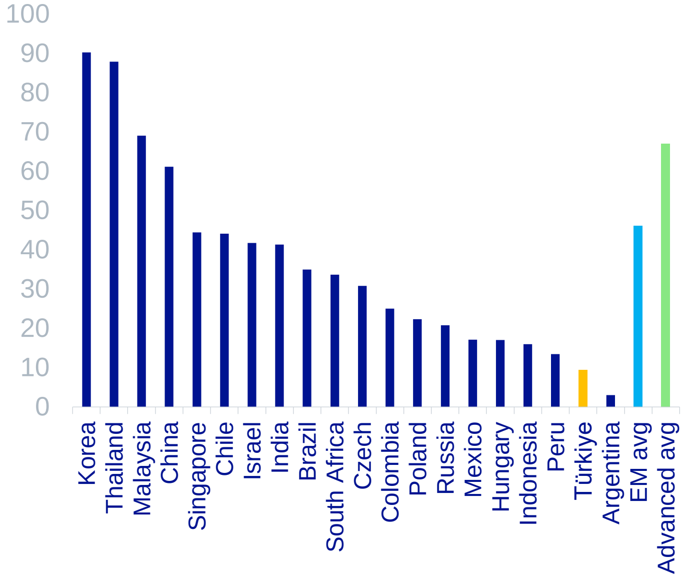
Still being low and also much below EM avg., households' debt over GDP slightly moved up in 2Q25, first time since Jun'23

Debt to asset ratio fell to 23.5% with a higher rise in assets (led by deposits) compared to liabilities.

HOUSEHOLD INDEBTEDNESS
(% GDP)



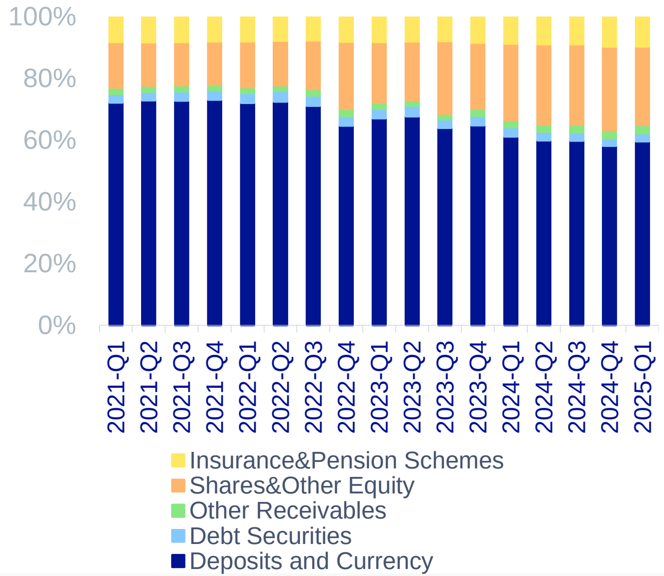
HOUSEHOLD INDEBTEDNESS
(% GDP, 1Q25-IIF)



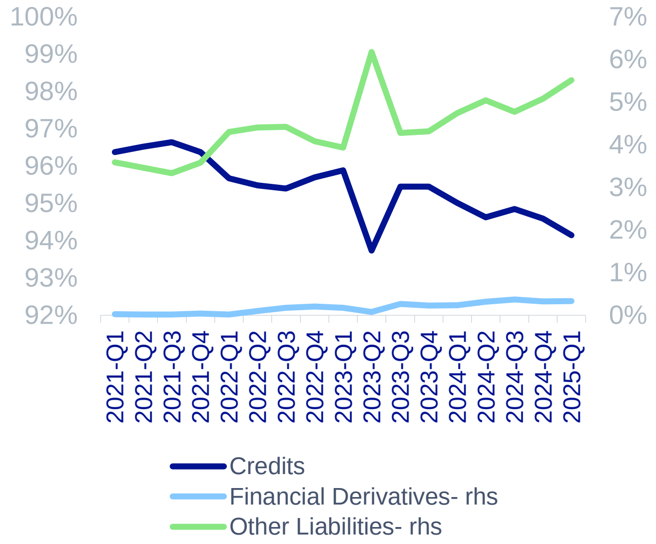
Source: CBRT Financial Accounts 1Q25, IIF 1Q25, BRSA and Garanti BBVA Research.

Share of deposits and ST debt securities increased whereas that of stock market (exc. non MMFs) fell for households

BREAKDOWN OF FINANCIAL ASSETS BY INSTRUMENTS (%, HHOLDS, SHARE IN TOTAL)



BREAKDOWN OF LIABILITIES BY INSTRUMENTS (%, HHOLDS, SHARE IN TOTAL)



*Other receivable and other payable items:The assets under this category are distinguished by a timing difference between the transaction that creates these assets/liabilities and the corresponding payment. In the Turkish practice, this category includes transitory liability and asset accounts, miscellaneous receivables and payables, prepaid taxes, etc.

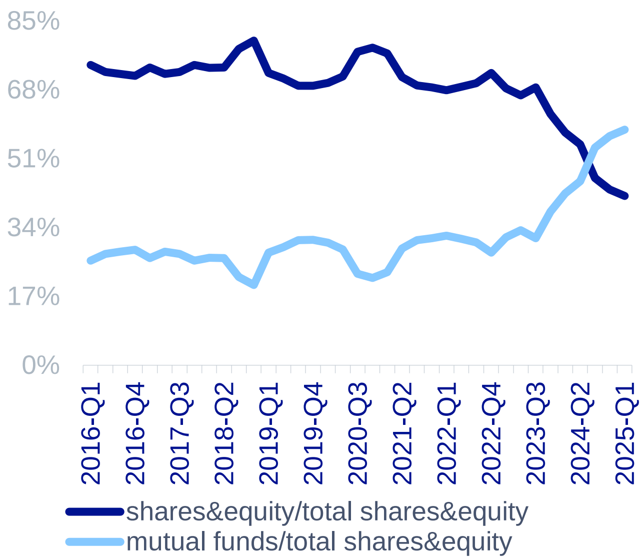
** Shares&other equity consists of shares&equity and mutual funds (mmf & non-mmf) investments

Source: CBRT Financial Accounts 1Q25, Garanti BBVA Research.

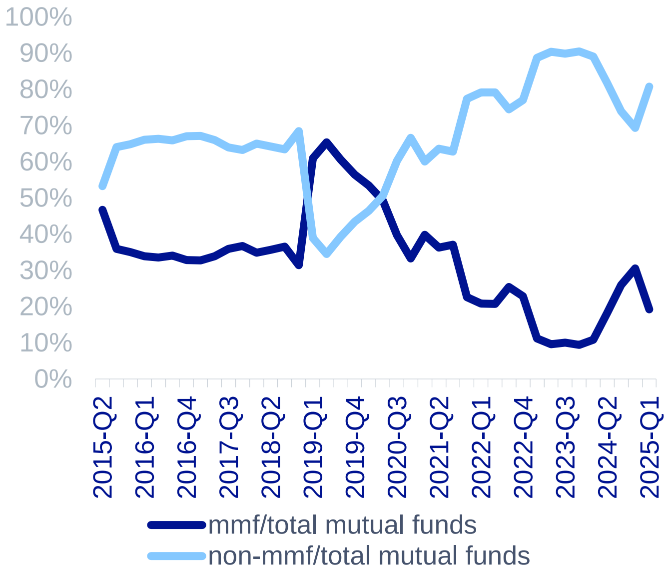
Money market funds of households declined sharply after the March shock

Yet, the share of mutual funds investments continued to increase in 1Q25 compared to equity investments.

BREAKDOWN OF FINANCIAL ASSETS BY INSTRUMENTS (%, HHOLDS, SHARE IN EQUITY 1Q25)



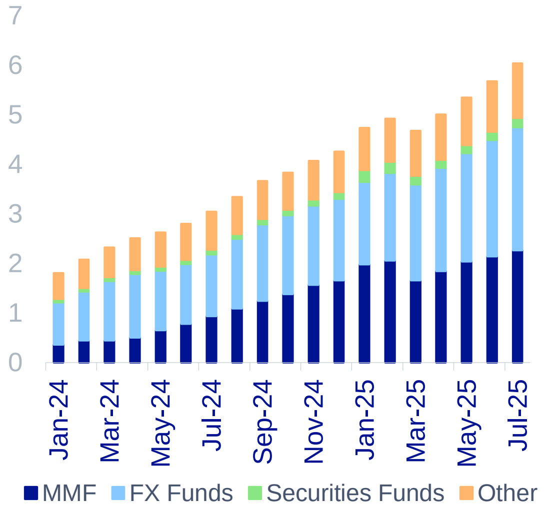
BREAKDOWN OF FINANCIAL ASSETS BY INSTRUMENTS (%, HHOLDS, SHARE OF FUNDS,1Q25)



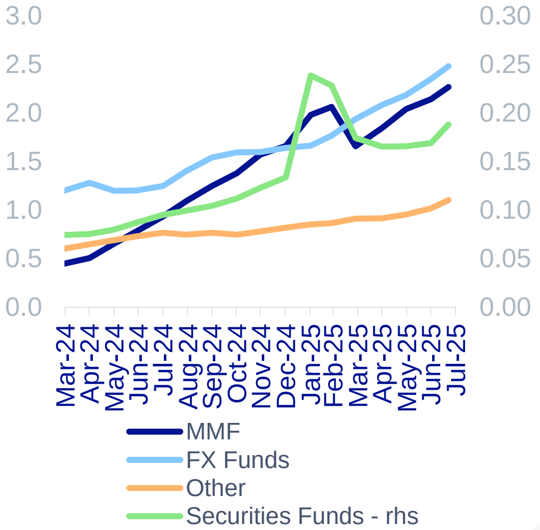
Source: CBRT Financial Accounts 1Q25, Garanti BBVA Research.

Size of MMFs has surpassed its pre-March shock level. Inflows into FX funds continue without interruption.

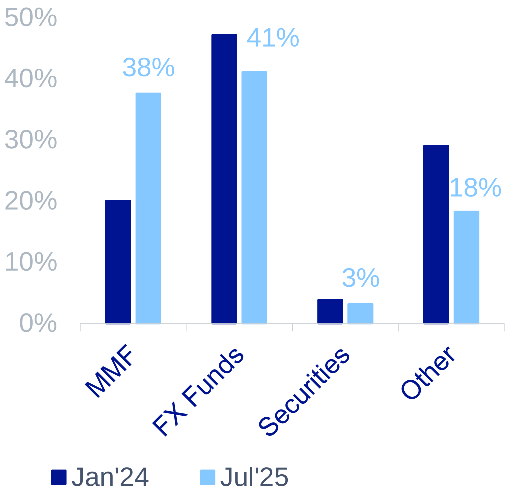
FUNDS VOLUME BY INSTRUMENTS (trillion TL)



FUNDS VOLUME BY INSTRUMENTS (trillion TL)



FUNDS BREAKDOWN BY INSTRUMENTS (%, share in total)

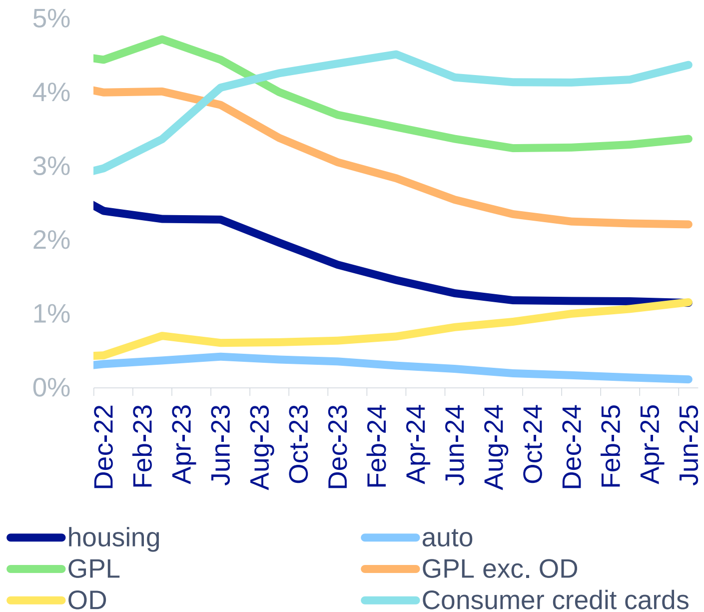


MMF: Money Market Funds, Hedge Money Market Funds, Participation Money Market Funds
FX Funds: FX Hedge Funds, Eurobond Funds, Precious Metals funds
Other: Stock Funds, Mixed Funds, TL Hedge Funds etc.
Source: TEFAS, Garanti BBVA Research

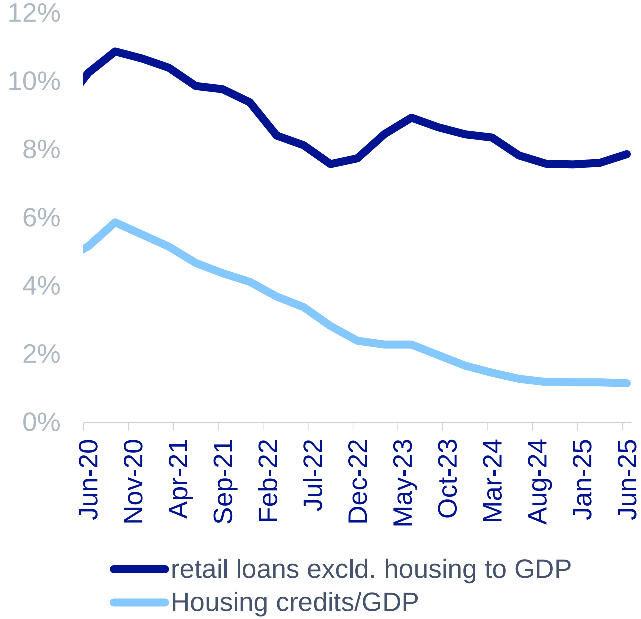
Increasing trend in credit cards and overdraft (OD) accounts continues.

The share of OD accounts in GPLs reached 34.3% as of end-June25 (compared to 10% end 2022).

CONSUMER CREDIT SEGMENTS
(% GDP)



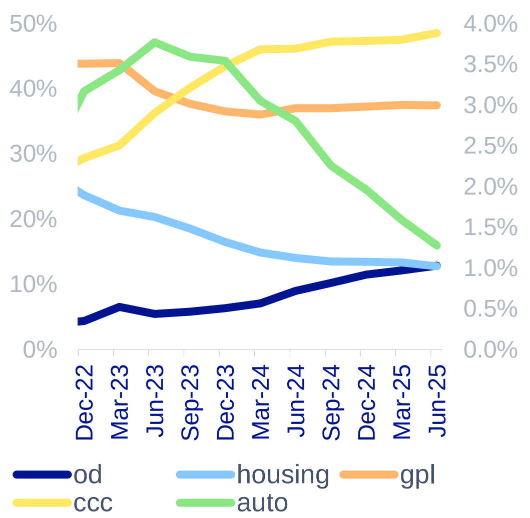
CONSUMER CREDIT SEGMENTS
(% GDP)



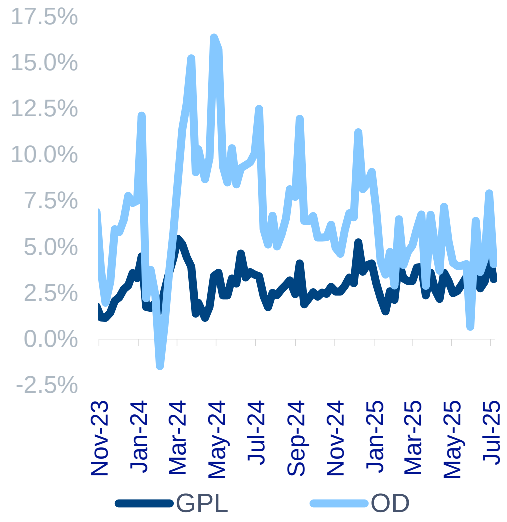
Source: BRSA and Garanti BBVA Research.

Liabilities continue to be boosted by credit cards* and overdraft loans. New regulation on OD** seems to have limited impact.

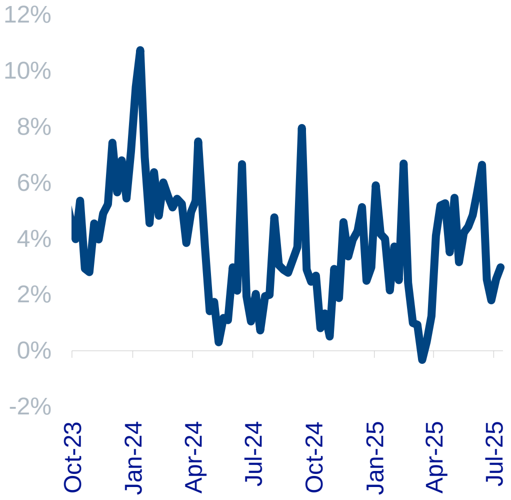
SHARE OF CREDIT SEGMENTS IN TOTAL CONSUMER CREDITS
(%)



GENERAL PURPOSE & OVERDRAFT LOANS
(4W CUMULATIVE GROWTH)



CONSUMER CREDIT CARDS
(4W CUMULATIVE GROWTH)



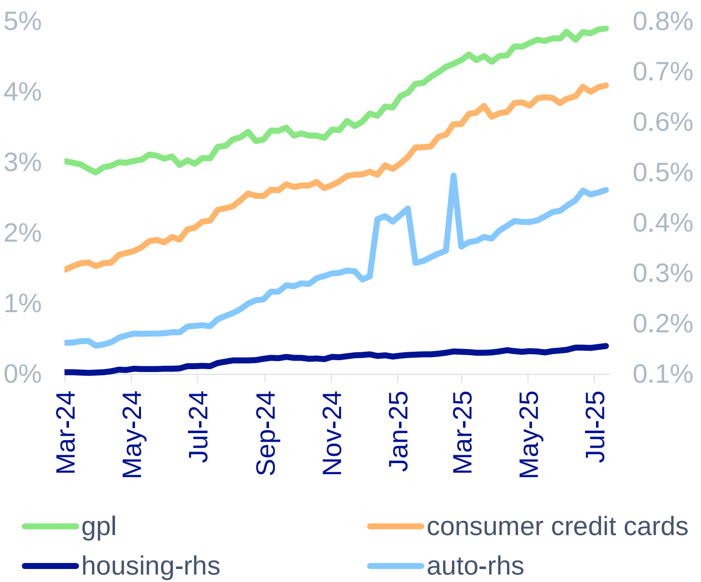
*On the other hand, the recent CBRT analysis** interprets credit card expenditures as having increased rather moderately.
See: https://tcmbblog.org/wps/wcm/connect/blog/en/main+menu/analyses/card+usage+rate+and+card+spending.

**As of first week of April25, overdraft loans with more than 3 installments (education related loans are not included), were included in the loan growth-based reserve requirement regulation

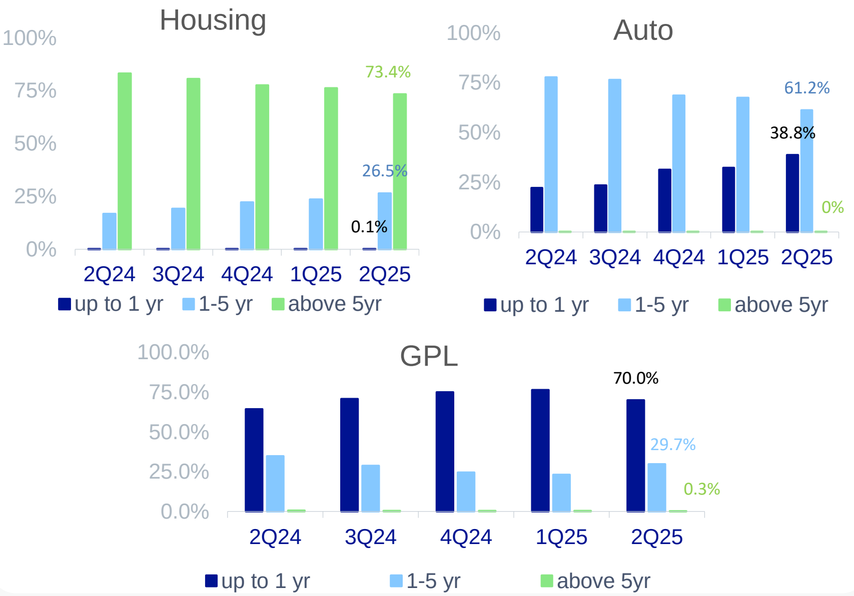
Source: CBRT, BRSA and Garanti BBVA Research.

The average maturity of GPL loans increased a bit in 2Q25, first time since last year.

NPL RATIO IN RETAIL CREDITS
(%)



MATURITY COMPOSITION OF RETAIL CREDITS (% SHARE IN TOTAL)



Source: BRSA and Garanti BBVA Research.

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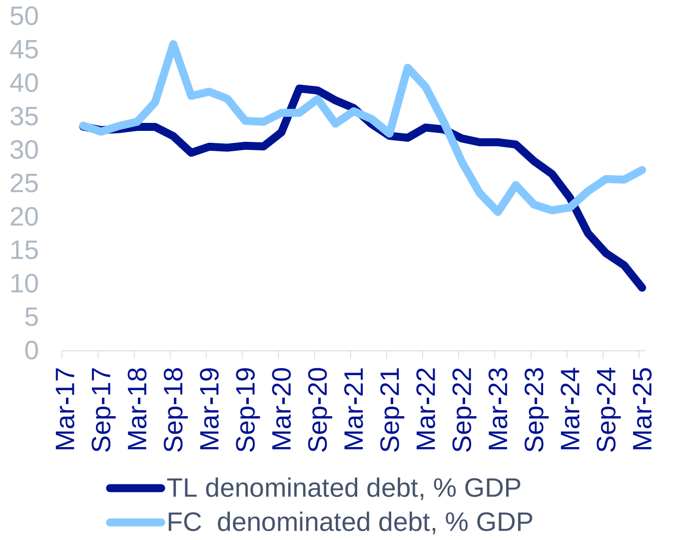
02.

Corporates Indebtedness

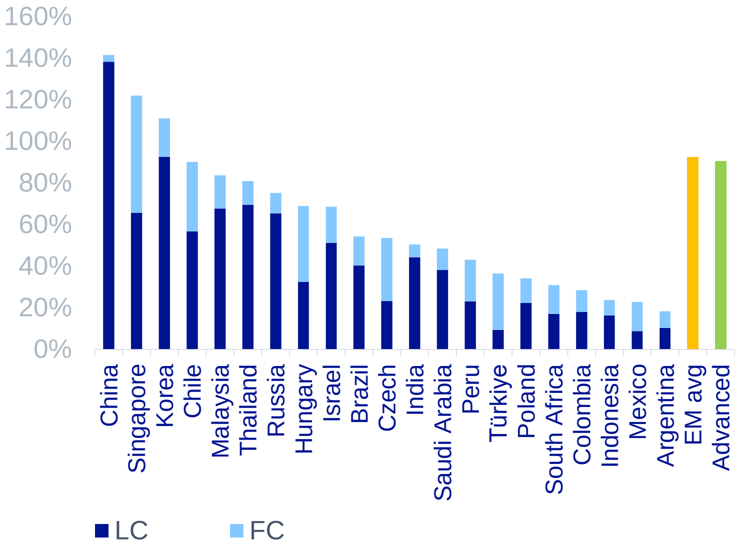
Corporates’ total debt to GDP continues to decline due to decrease in TL denominated debt, driven by monthly caps

FX debt to GDP moves up since Dec’24, resulting in a wider FX short position of corporates

DEBT/GDP RATIO OF THE CORPORATE SECTOR (%)



DEBT/GDP RATIO OF THE CORPORATE SECTOR PEER COUNTRIES (% GDP, 1Q25)

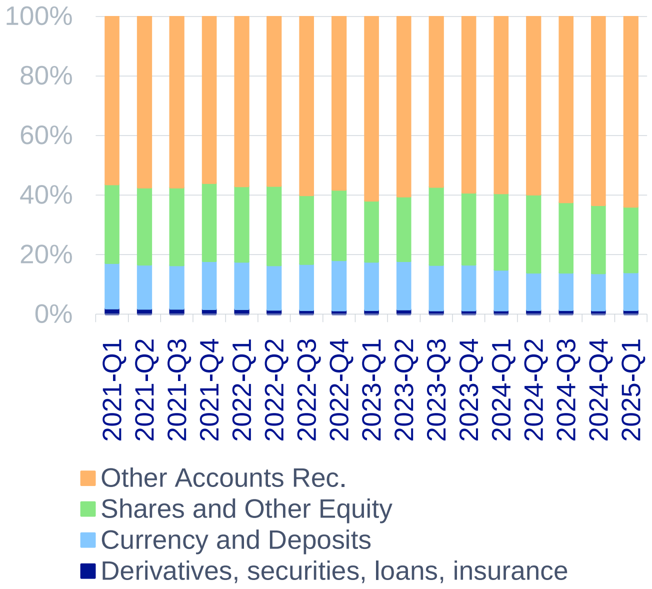


Source: IIF last observation of 1Q25 and Garanti BBVA Research.

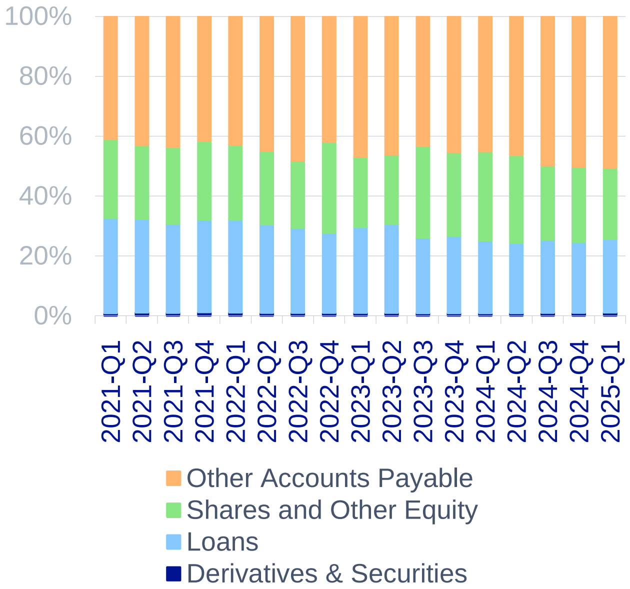
On assets, money market fund investments' share declined in 1Q25 with significant outflows, replaced by non-MMfunds

On liabilities, the highest increase was in loans.

BREAKDOWN OF CORPORATES' ASSETS BY INSTRUMENTS (%, 1Q25)



BREAKDOWN OF CORPORATES' LIABILITIES BY INSTRUMENTS (% 1Q25)

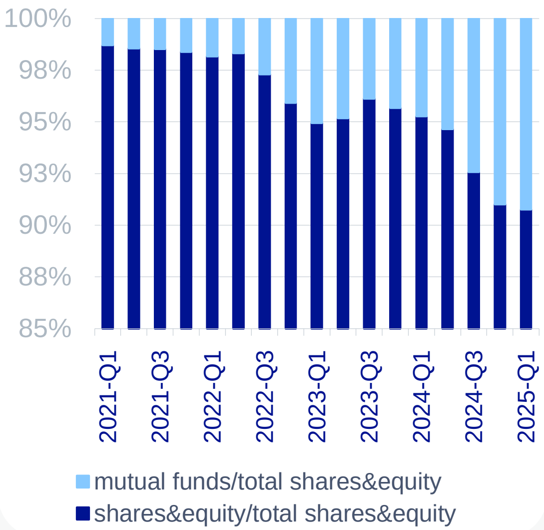


* Other accounts receivable and other accounts payable items are composed of corporates' commercial transactions with each other. Shares&other equity consists of shares, equity and mutual funds (mmf &non-mmf) investments

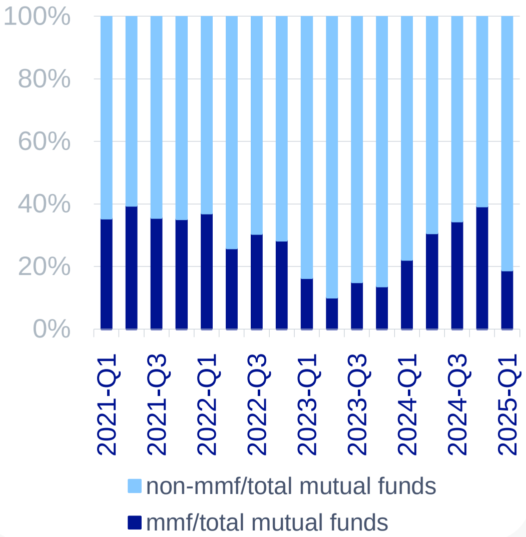
Source: CBRT Financial Accounts 1Q25, Garanti BBVA Research.

Mutual funds (especially non- MMFs) of corporates continue to have a higher share compared to equity investments.

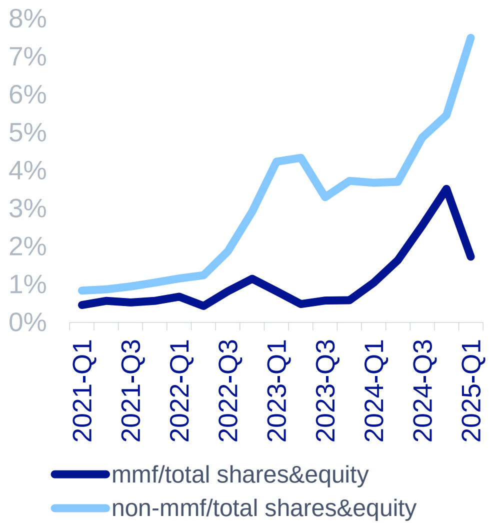
BREAKDOWN OF NON-FIN CORPORATES' ASSETS BY INSTRUMENTS (%, 1Q25)



BREAKDOWN OF NON-FIN CORPORATES' ASSETS BY INSTRUMENTS (%, 1Q25)



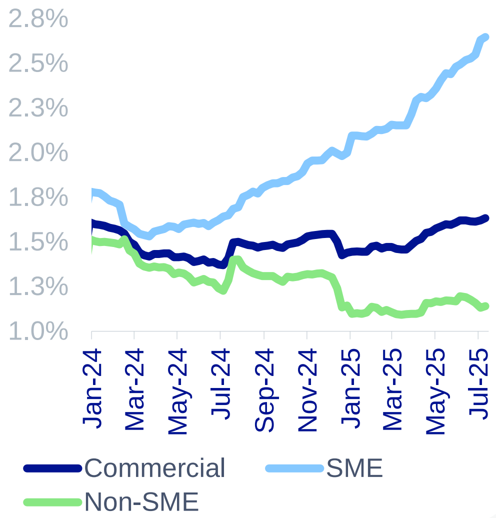
BREAKDOWN OF NON-FIN CORPORATES' ASSETS BY INSTRUMENTS (%, 1Q25)



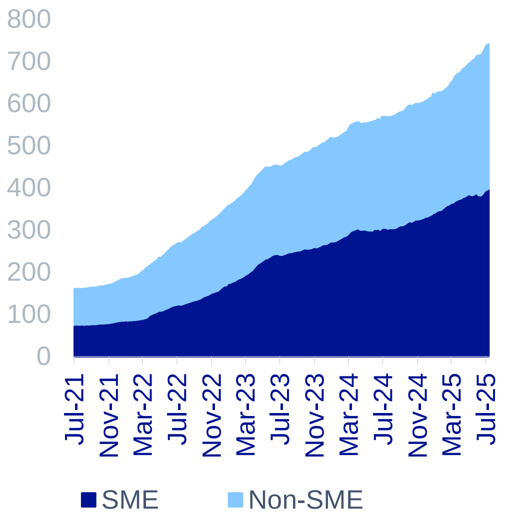
Source: CBRT Financial Accounts 1Q25, Garanti BBVA Research.

Although still being historically low, NPL ratio of commercial credits increases, led by the ongoing pick-up in SMEs

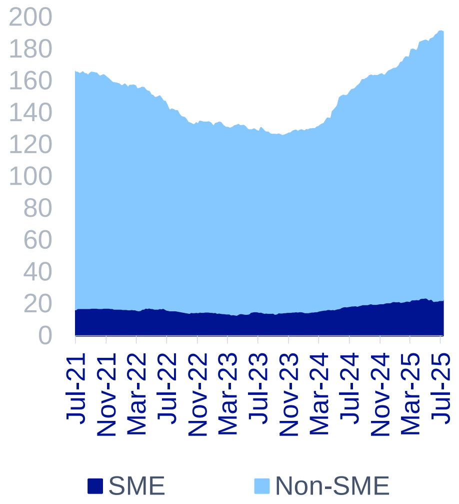
NPL IN COMMERCIAL CREDITS
(%)



BREAKDOWN OF TL COMMERCIAL CREDITS
(TRN TL IN LOCAL BANKS)



BREAKDOWN OF FC COMMERCIAL CREDITS
(BN USD IN LOCAL BANKS)

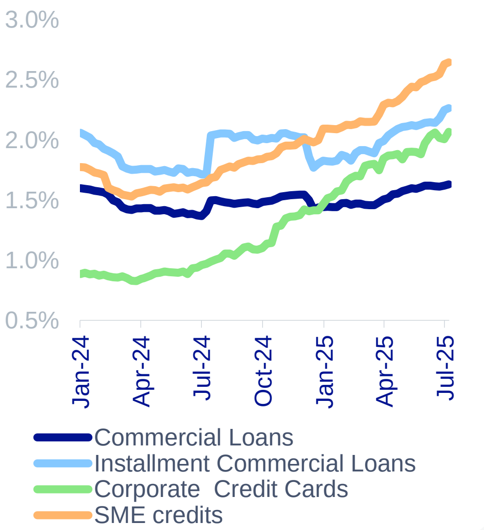


Source: BRSA and Garanti BBVA Research.

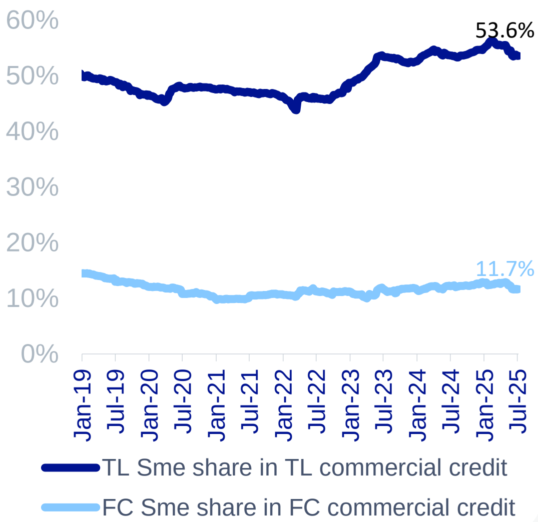
SME share in commercial credits fell in both TL and FC segments in 2Q25.

NPL ratios in commercial segment continously move up in all subsegments since Dec24.

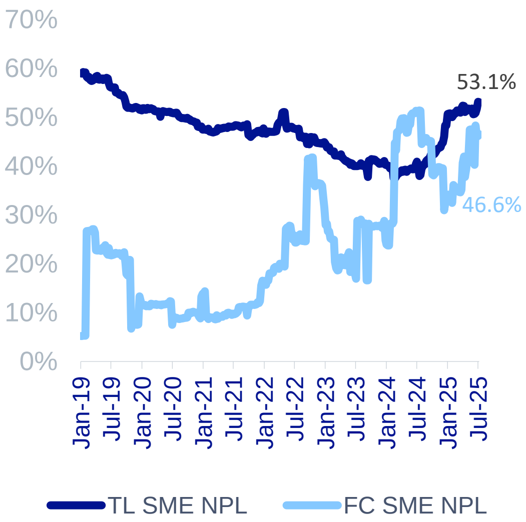
BREAKDOWN OF NPL RATIO IN COMMERCIAL CREDITS (%)



SHARE OF SME CREDITS IN COMMERCIAL CREDITS (%)



SHARE OF NPL SME CREDITS IN TL & FC NPL COMMERCIAL (%)

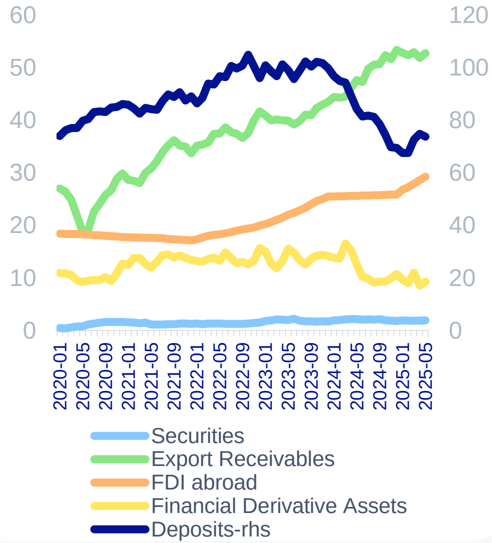


Source: BRSA and Garanti BBVA Research

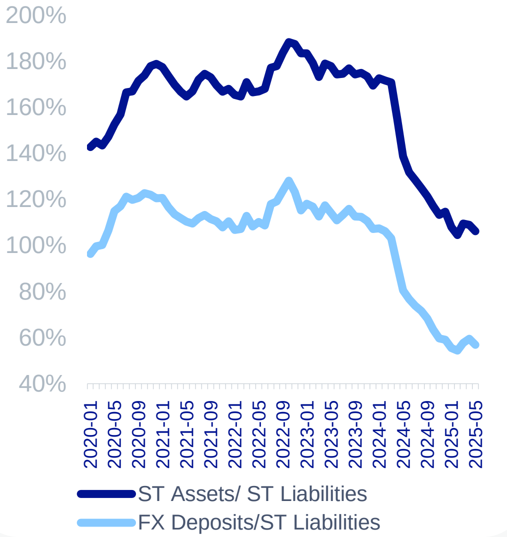
Liquidity ratios of corporates keep falling mainly due to the increase in their ST FC liabilities, mostly ST external FC loans

The short-term net FX position deteriorated further to $8bn

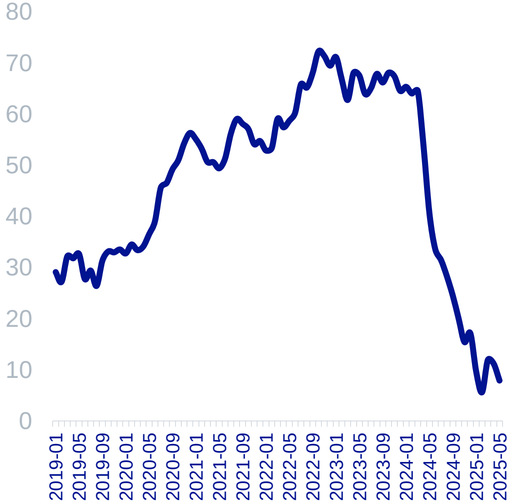
FX ASSETS OF CORPORATES (BN USD)



FX LIQUIDITY OF CORPORATES (%)



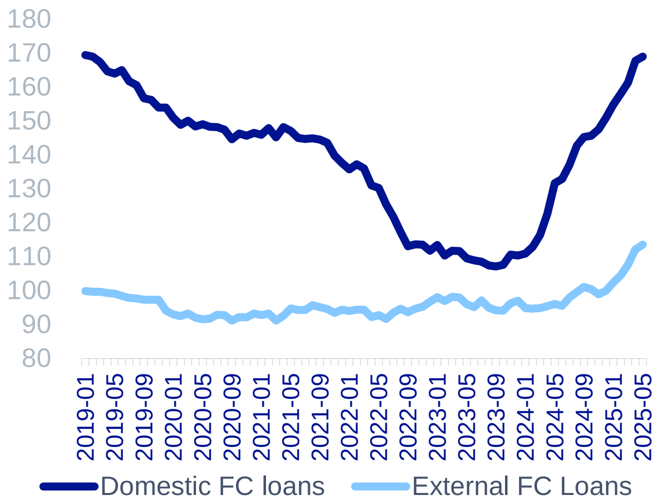
SHORT-TERM NET FX POSITION OF THE CORPORATE SECTOR (BN USD)



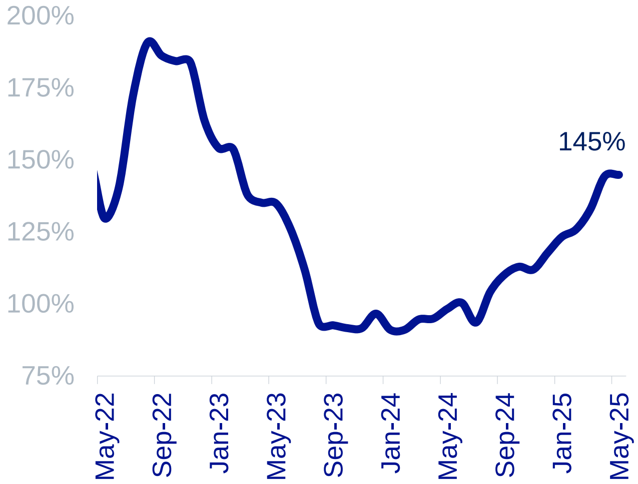
Source: CBRT and Garanti BBVA Research.

Domestic FC loans grow higher than external loans, most probably on non-capped items and mostly due to parity impact

FC LOAN COMPOSITION OF THE CORPORATE SECTOR (BN USD)



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

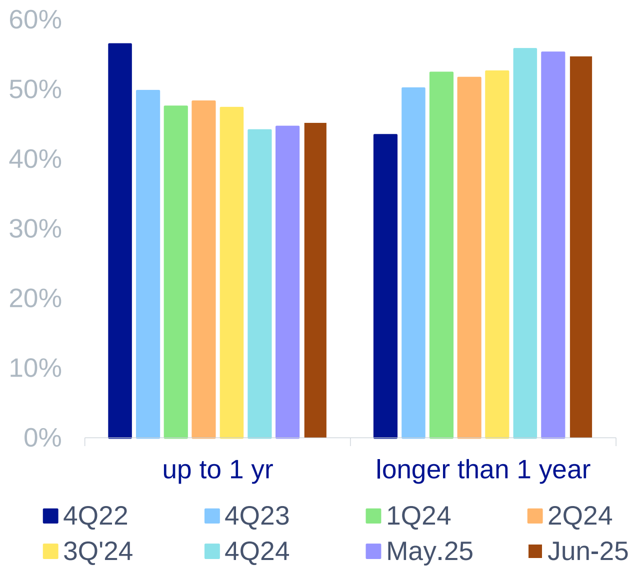


Source: CBRT and Garanti BBVA Research.

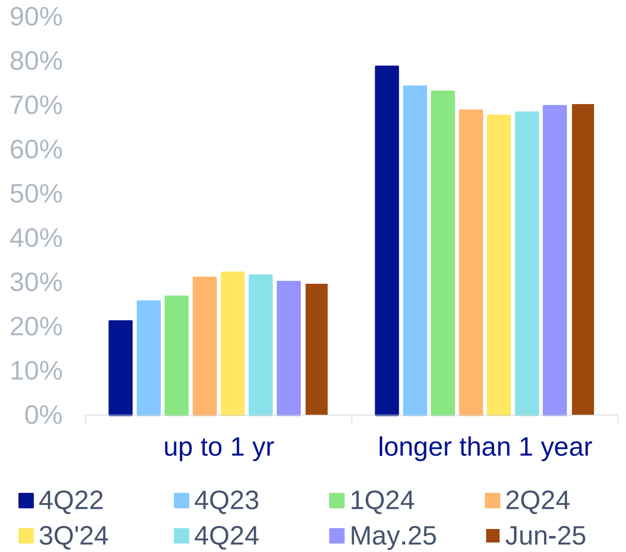
Maturities in TL commercial credits have declined with the CBRT rate cut expectations

Whereas maturities in FC credits increased a bit.

MATURITY COMPOSITION OF TL COMMERCIAL CREDITS



MATURITY COMPOSITION OF FC COMMERCIAL CREDITS

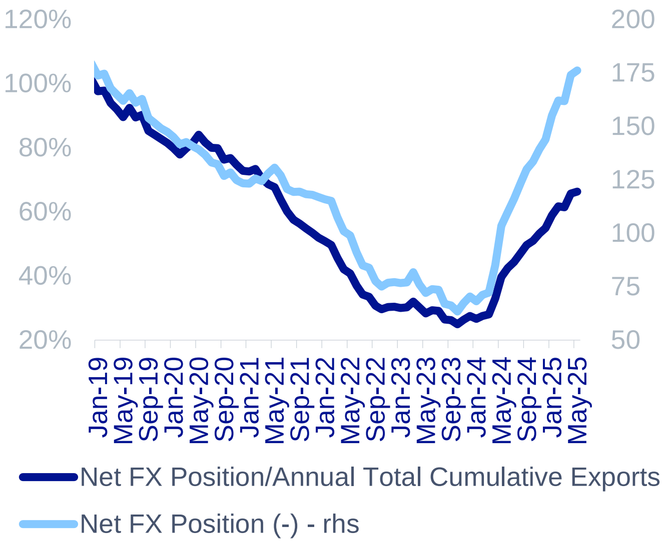


Source: BRSA, Garanti BBVA Research.

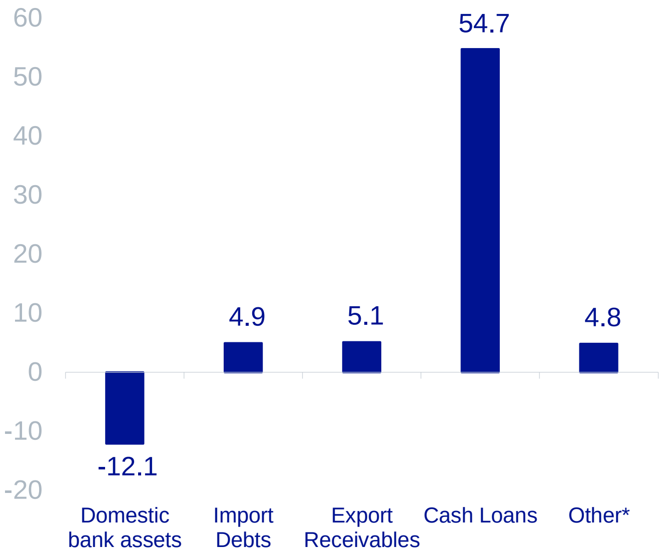
The capacity of export revenues to cover the open position of the real sector has worsened since Jan24

Deterioration in net FX position is approaching its high levels of 2014-2019 period

NET FX POSITION & NET FX POSITION/ANNUAL CUMULATIVE EXPORTS
($USbn & LEVEL)



FACTORS BEHIND WORSENING IN NET FX POSITION ($USbn, CHANGE AS OF MAY25 WRT MAY24)

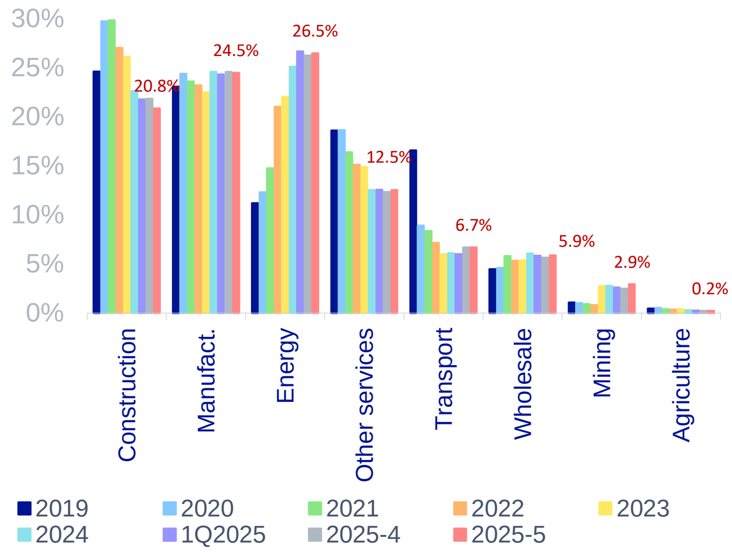


Source: CBRT and Garanti BBVA Research.

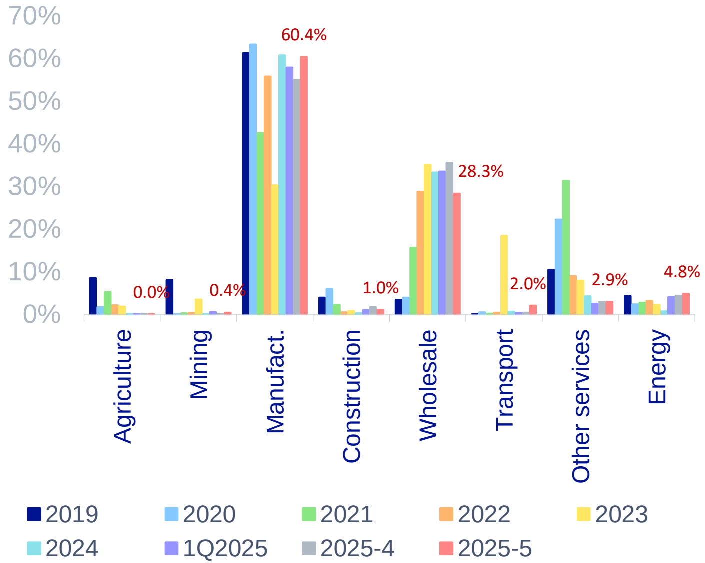
* The change in the "other" item covers the change in assets (deposits) with banks abroad, securities and direct capital investments made abroad.
Assets = deposits of the real sector

Among sectorial composition, FC loans have been allocated to mostly manufacturing and energy sectors

SECTORAL COMPOSITION OF OUTSTANDING LONG TERM LOANS RECEIVED FROM ABROAD BY PRIVATE SECTOR



SECTORAL COMPOSITION OF OUTSTANDING SHORT TERM LOANS RECEIVED FROM ABROAD BY PRIVATE SECTOR



Source: CBRT and Garanti BBVA Research.

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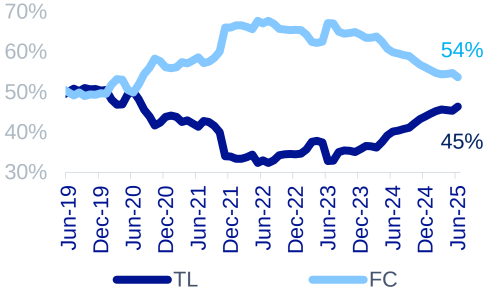
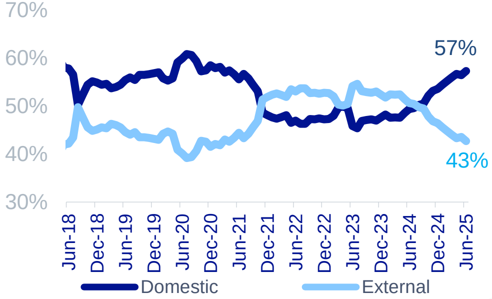
03.

Public Sector Indebtedness

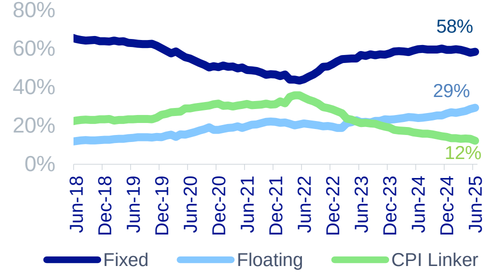
On fiscal front, both FC share and external share in public debt continues to come down.

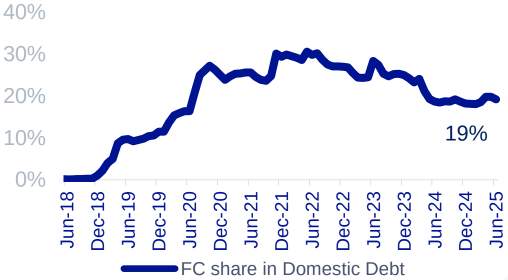
PUBLIC DEBT DECOMPOSITION
(SHARE IN TOTAL)



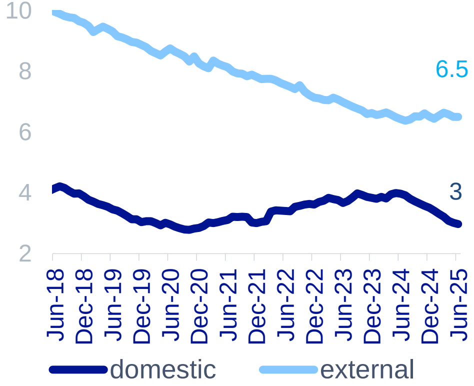


DOMESTIC DEBT DECOMPOSITION
(SHARE IN TOTAL)





PUBLIC DEBT AVERAGE MATURITY (MONTH)



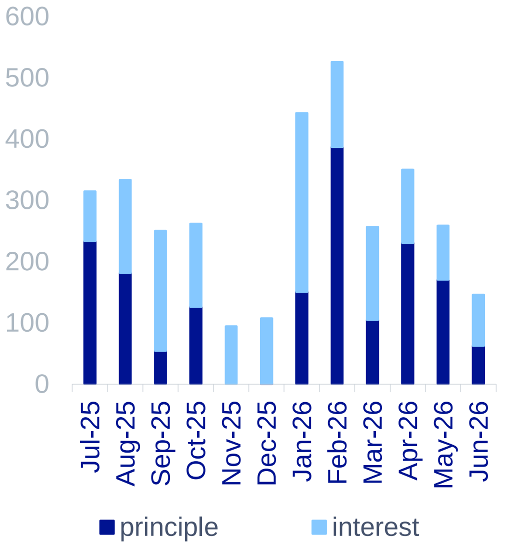
Source: Treasury and Garanti BBVA Research.

Highest TL debt redemptions will be in August in the remainder of this year; and at the start of next year.

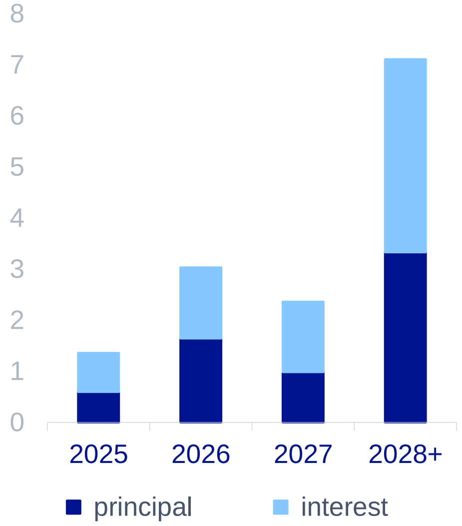
Domestic debt roll-over ratio is targeted to be 119% in 2025. It is realized 144% in June.

DOMESTIC DEBT ROLL-OVER RATIOS (12M ROLLING, %)

DOMESTIC DEBT REDEMPTION CALENDAR (Bn TL)



DOMESTIC DEBT REDEMPTION CALENDAR (trillion TL)



Source: Treasury and Garanti BBVA Research.

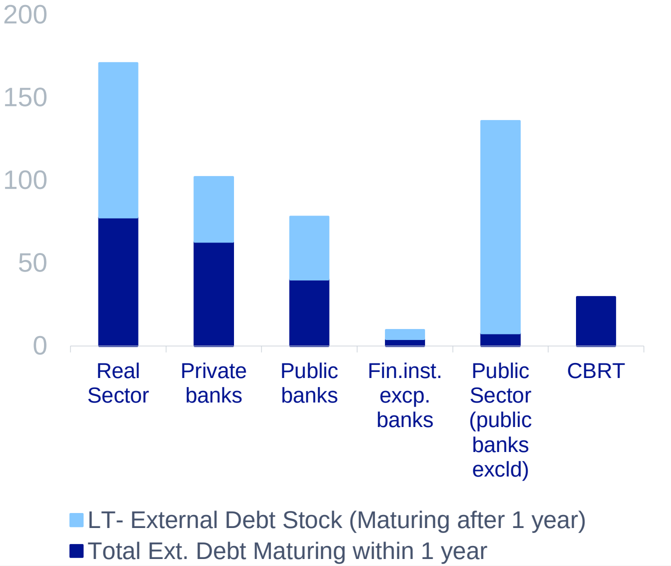
Research

04.

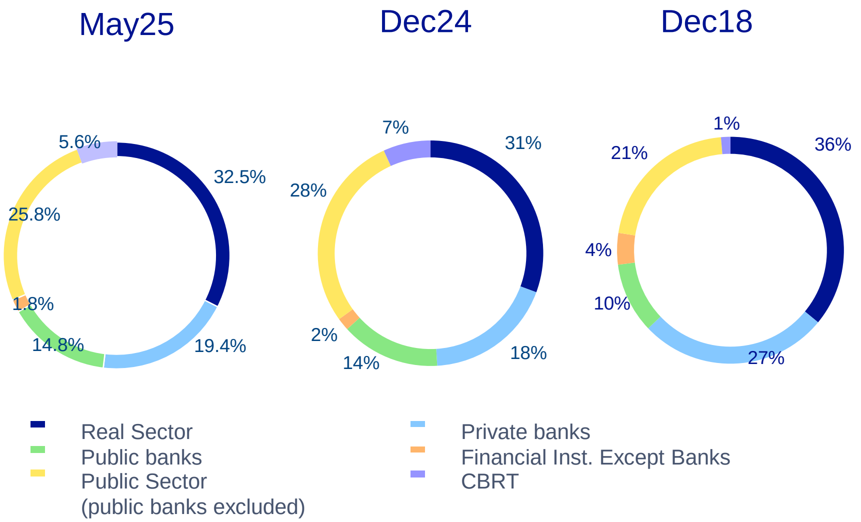
Türkiye's External Debt Stock

External debt has started to switch btw the real sector and the public sector (including the CBRT)

EXTERNAL DEBT BY MATURITY
(BN USD, MAY 25)



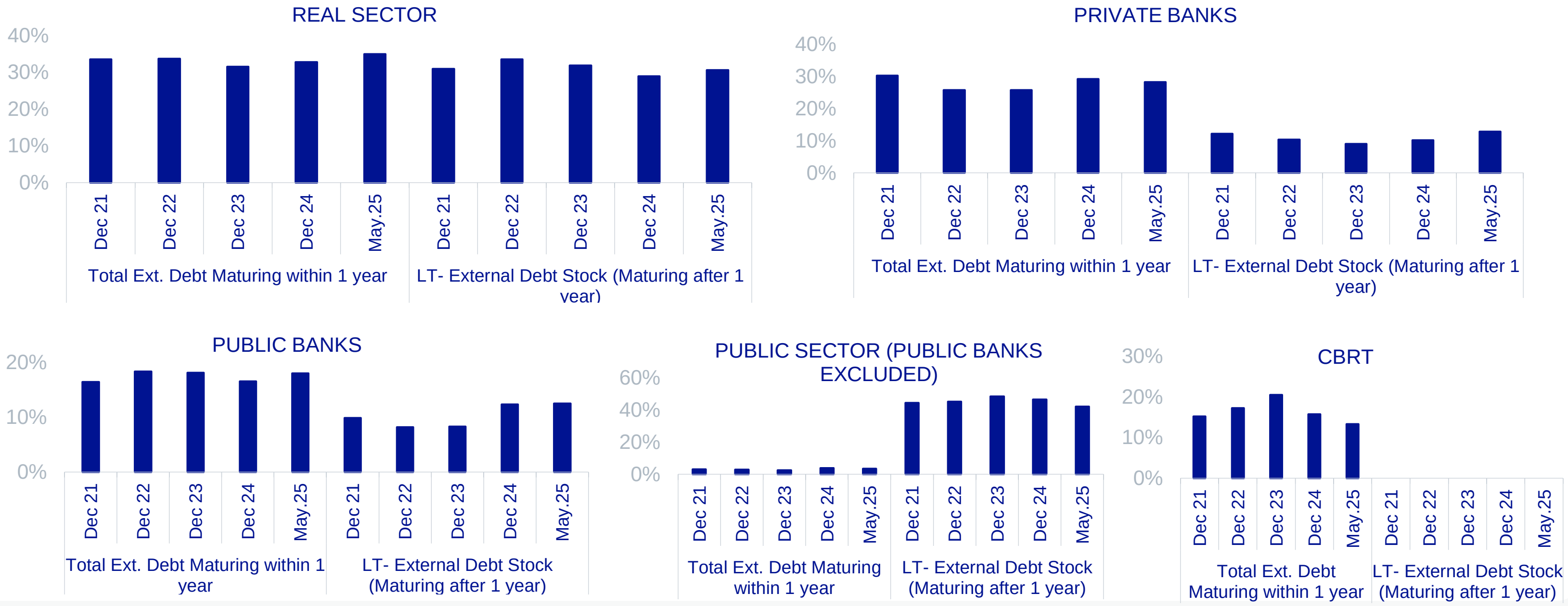
SHARE OF AGENTS IN TOTAL EXTERNAL DEBT (%, MAY25 & DEC24 & DEC18)



Source: CBRT and Garanti BBVA Research.

Share of ST external debt started to rise again in private sector.

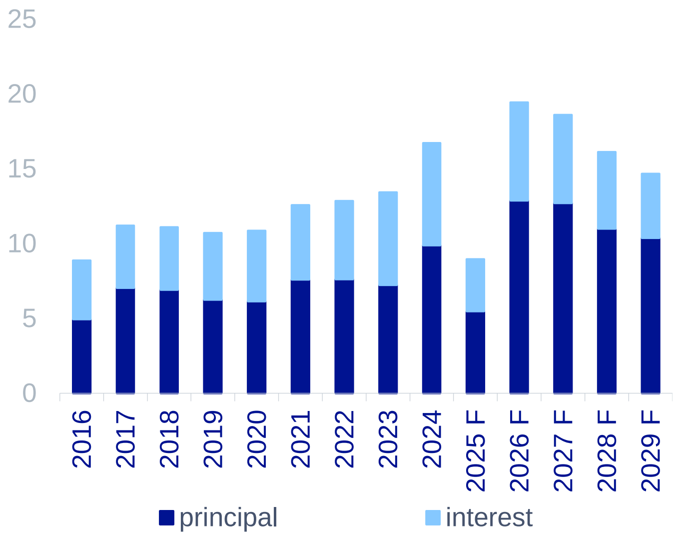
EXTERNAL DEBT BY MATURITY (SHARE OF LT AND ST EXTERNAL DEBT)



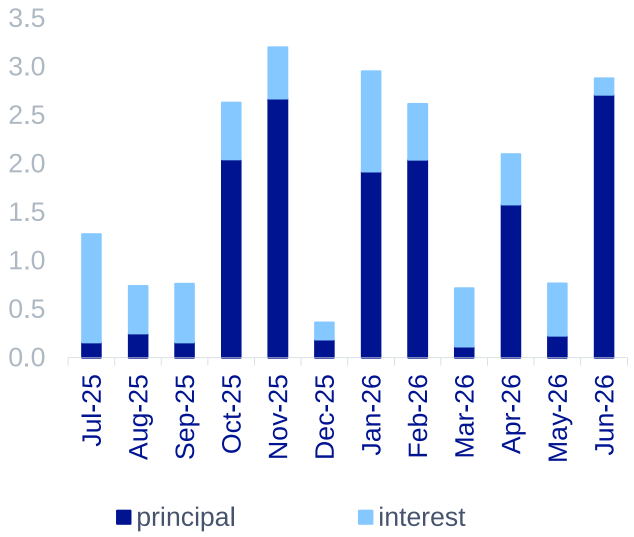
Source: CBRT and Garanti BBVA Research.

October ($2.6bn) & November ($3.2bn) in 2025 will be key for external debt redemptions of the Government

EXTERNAL DEBT REDEMPTIONS OF THE CENTRAL GOVERNMENT (BN USD)



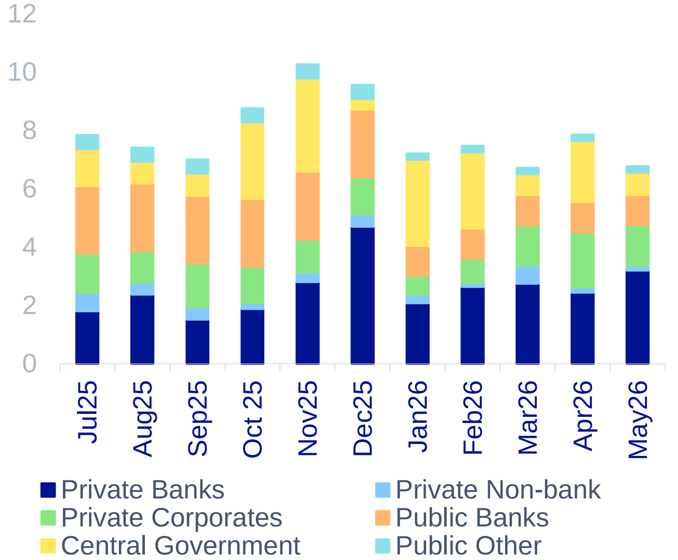
EXTERNAL DEBT REDEMPTIONS OF THE CENTRAL GOVERNMENT (BN USD)



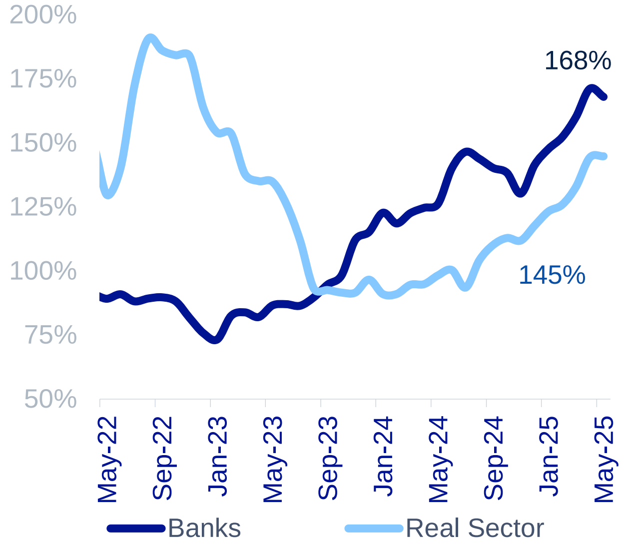
Source: Treasury and Garanti BBVA Research.

Highest external debt redemption of the private sector (banks, real sector & non-bank inst.) will be in Dec25 ($6.4bn)

EXTERNAL LOANS BY PRIVATE SECTOR ON A REMAINING MATURITY BASIS FOR THE NEXT 12 MONTHS (BN USD, AS OF MAY 2025)



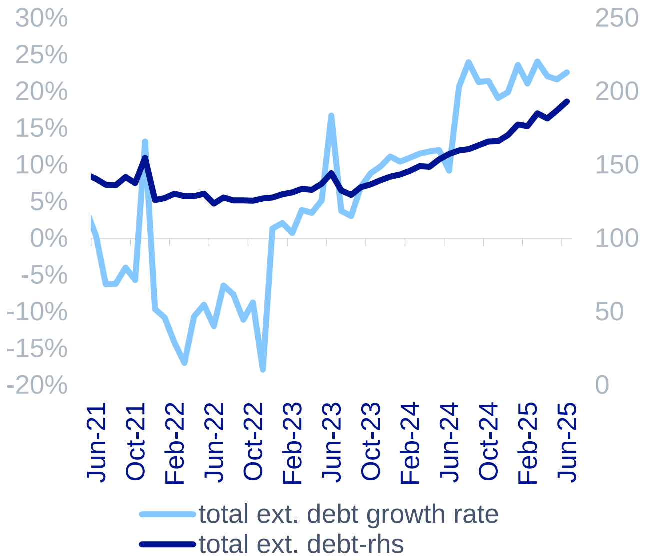
LT EXTERNAL LOANS ROLL-OVER RATIO OF BANKS & REAL SECTOR (12 MONTH ROLLING, %)



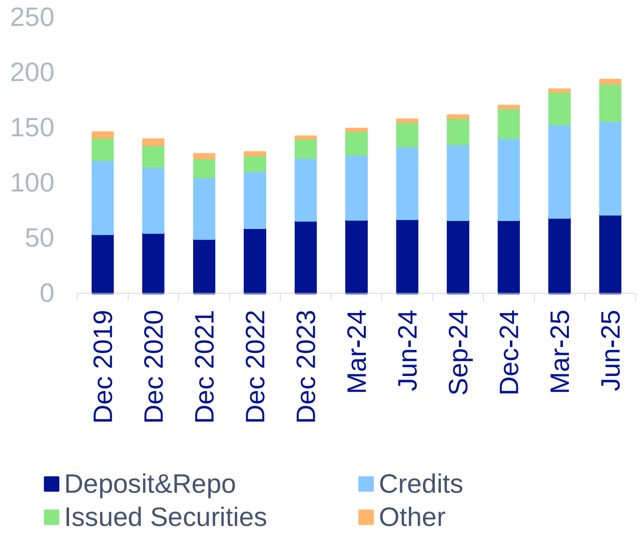
Source: CBRT and Garanti BBVA Research.

Banks' external debt rose to $193bn. In June25, the highest increase was in issued securites compared to Dec24.

BANKS' TOTAL EXTERNAL DEBT
(BN USD)



BANKS' TOTAL EXTERNAL DEBT
(BN USD)

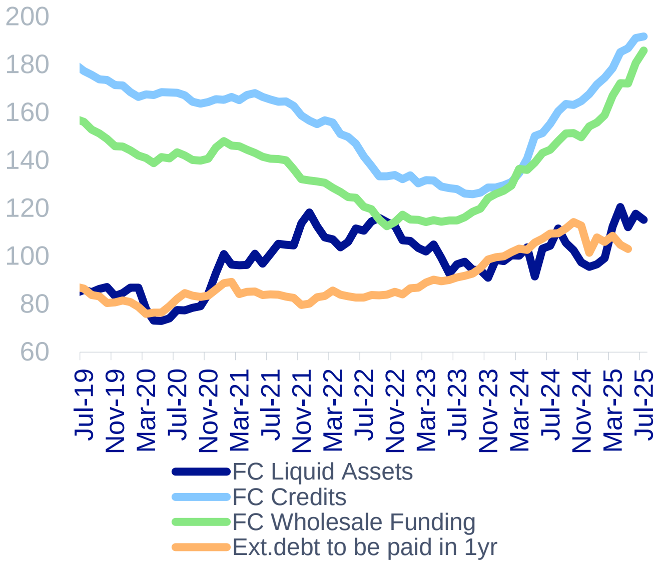


Source: CBRT, BRSA and Garanti BBVA Research.

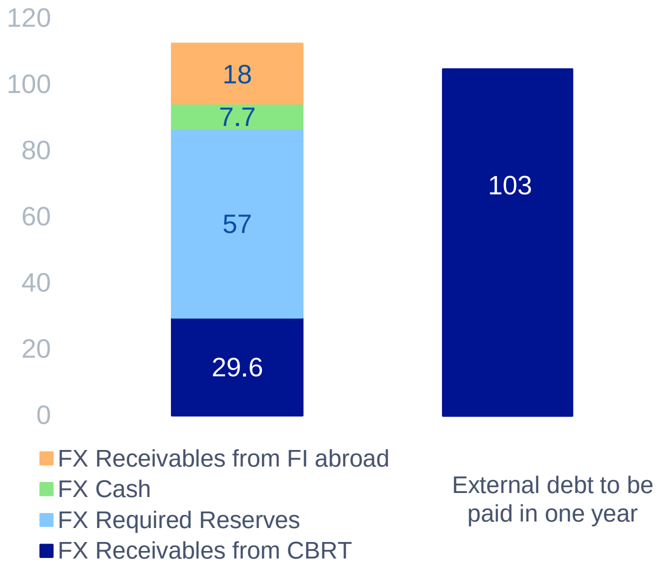
The increase in bank debt issuances continues to support banks' FX liquidity in terms of funding

Increase in FC liquid assets was due to FC RRs, mainly caused by the regulations.

BANKS' FC ASSETS & FC LIABILITIES
(BN USD)



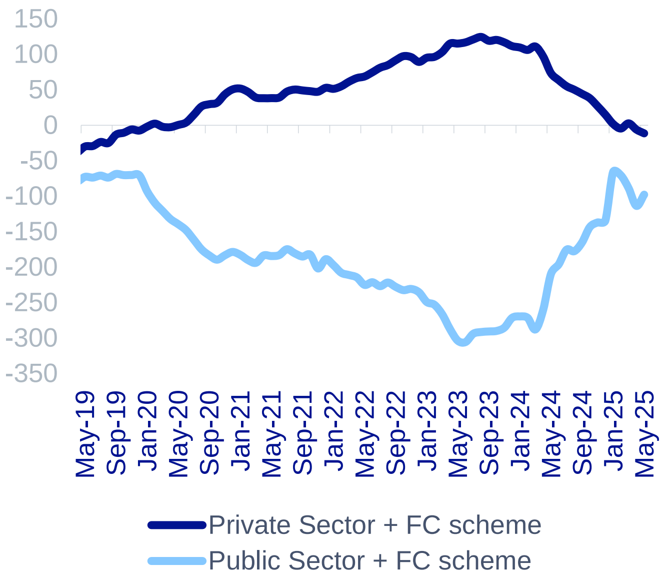
BANKS' FC LIQUID ASSETS & ST EXTERNAL DEBT (BN USD, May25)



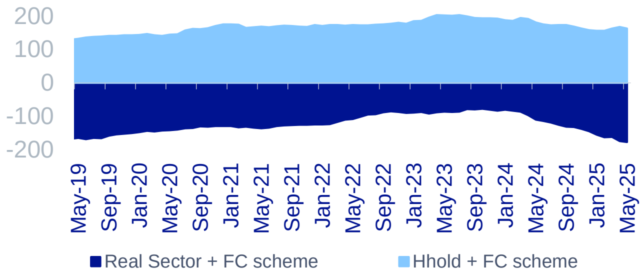
Source: CBRT, BRSA and Garanti BBVA Research.

Private sector net FX position turns into negative as of February, with the deterioration in the real sector

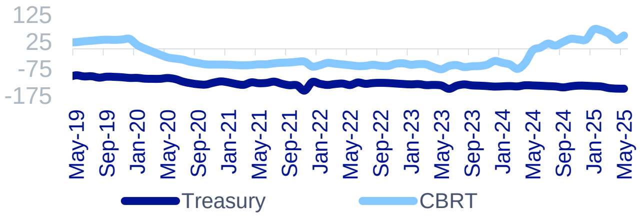
TOTAL NET FX POSITION OF TURKIYE
(bn USD)



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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