

# Türkiye: Quarterly Debt Outlook 2Q 2024

Deniz Ergun  
Garanti BBVA Research

## Key messages

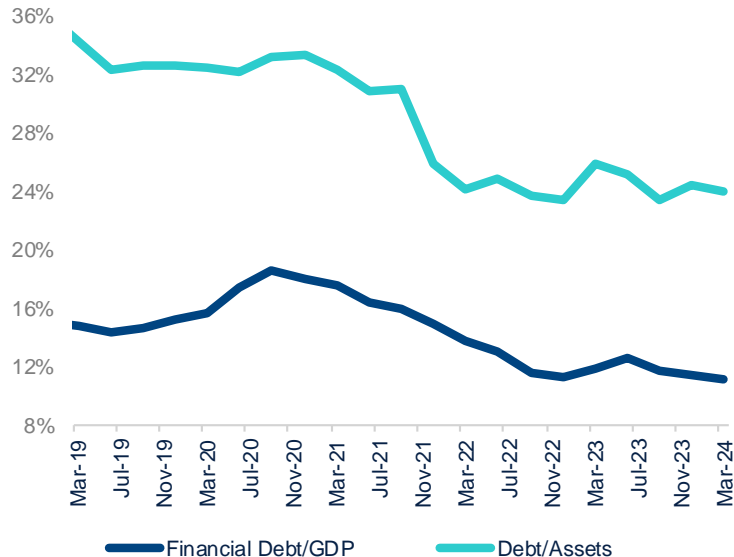
- The low level of household indebtedness to GDP ratio continues. Although still being much lower than the historical rates, the NPL ratios are moving upward for credit card and GPL segments. Historically shorter maturities of the GPLs pose a credit risk for households.
- The FC indebtedness of corporates to domestic banks is increasing. However, the introduction of regulatory limits for FC credit growth is expected to keep risks on this segment contained.
- After falling to its historical low deficit level of \$76.5bn in Oct23, net FX position of corporates has started to increase again and rose to \$102.5bn in Apr24. The recent increase stems from the FC credits provided by domestic banks.
- The corporate and banking sectors continue to roll-over their external debt at high ratios.
- The increase in banks' debt issuances gained pace in the first half of 2024, while the CBRT has almost finalized its right way swaps with the local banks. FC credit evolution and swap policies of the CBRT (potential wrong way swaps) will be decisive for banks' FX liquidity in the coming period.

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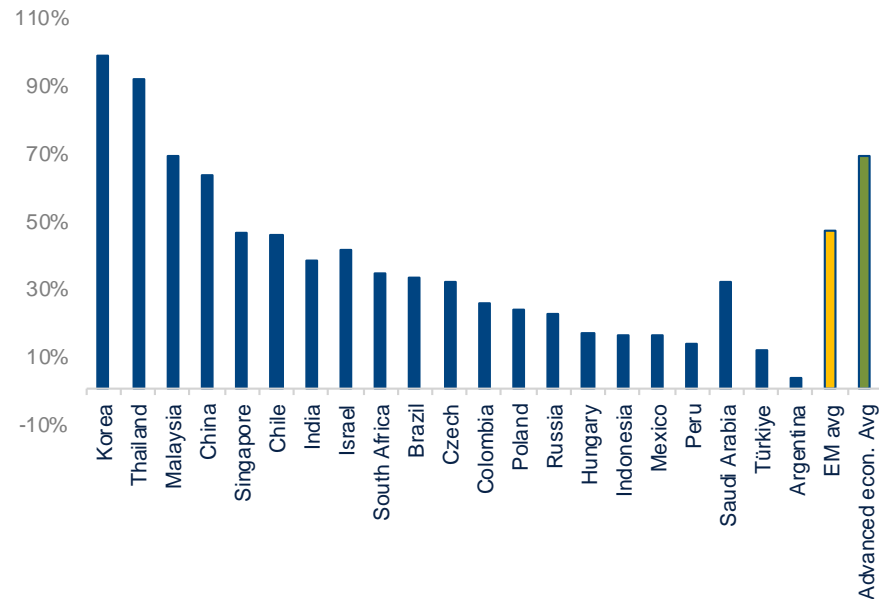
# Households Indebtedness

# Households' debt over GDP hovers around 11%. Debt to asset ratio declined with the increase in their assets mainly caused by the valuation and currency effects.

## HOUSEHOLD INDEBTEDNESS (% GDP)

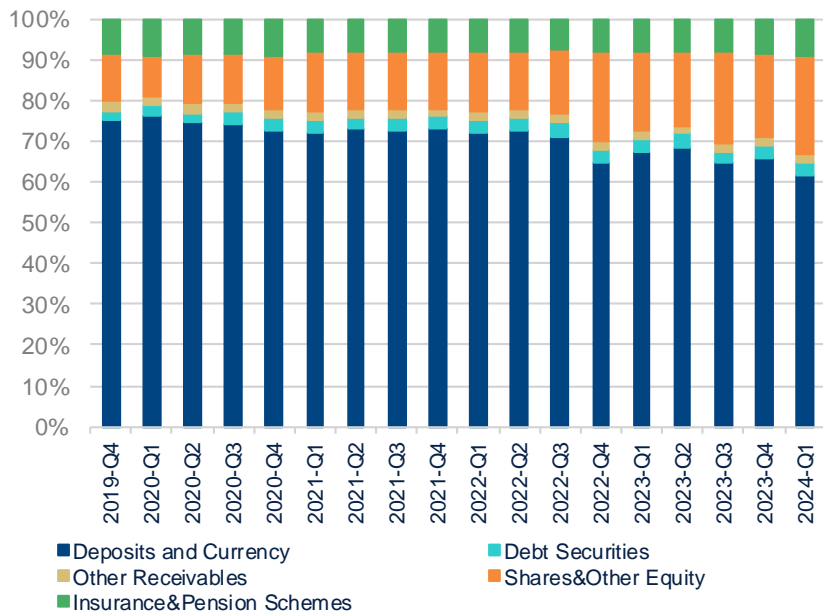


## HOUSEHOLD INDEBTEDNESS IN PEER COUNTRIES (% GDP, 1Q24)

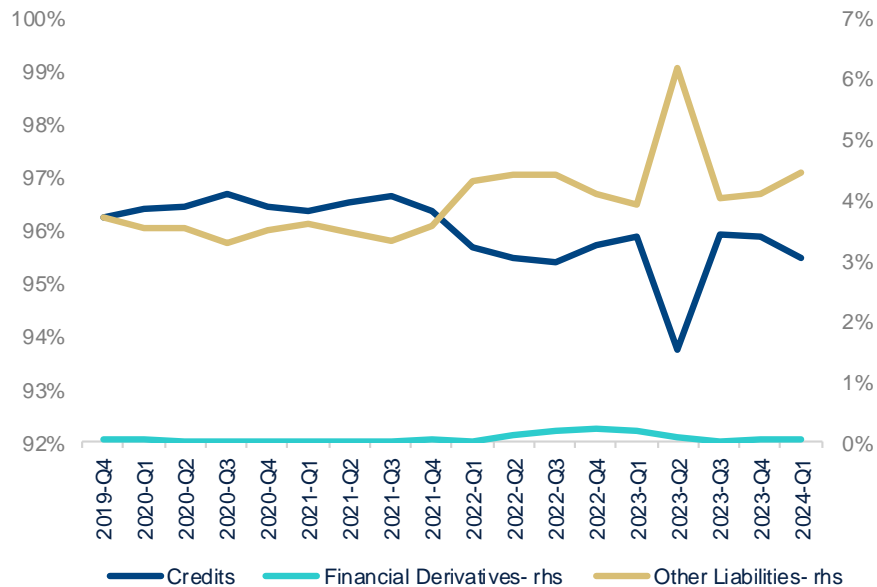


**Among their financial assets, households increased mostly their equity purchases in 1Q24, diversifying their savings. On liabilities, the share of credits among all liabilities decreased.**

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

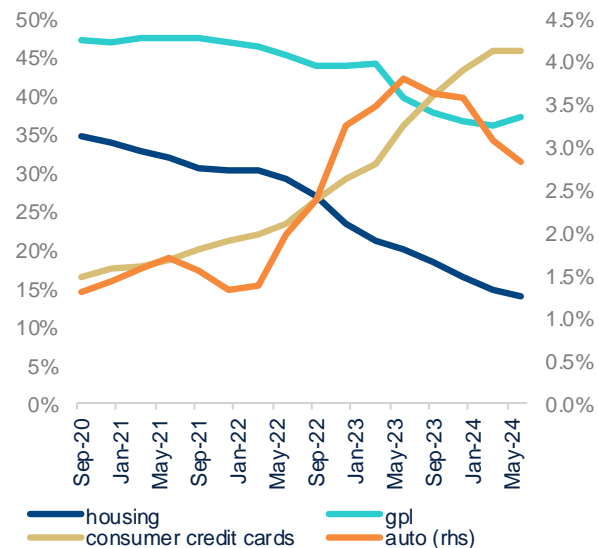


**BREAKDOWN OF LIABILITIES BY INSTRUMENTS (% share in total)**



# Composition of financial liabilities of households reveals an ongoing preference of retailers for consumer credit cards, however with some deceleration.

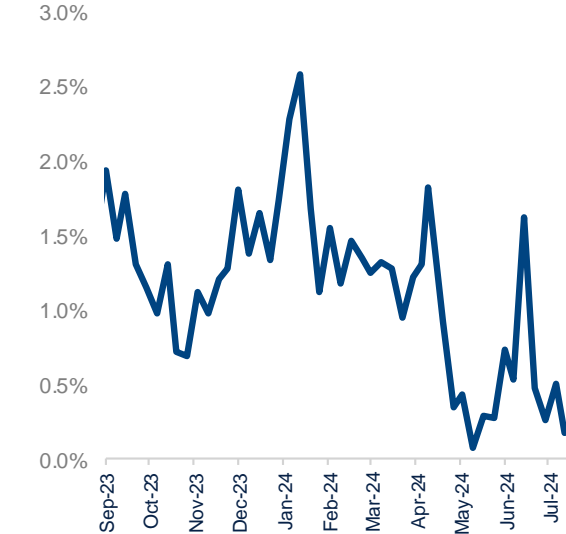
## SHARE IN CONSUMER CREDITS (%)



## GENERAL PURPOSE LOANS (4w avg)

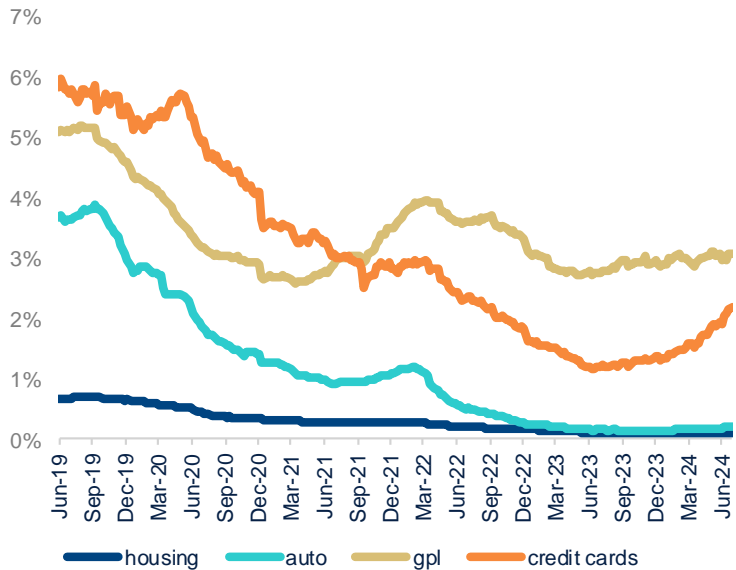


## CONSUMER CREDIT CARDS (4w avg annualized)

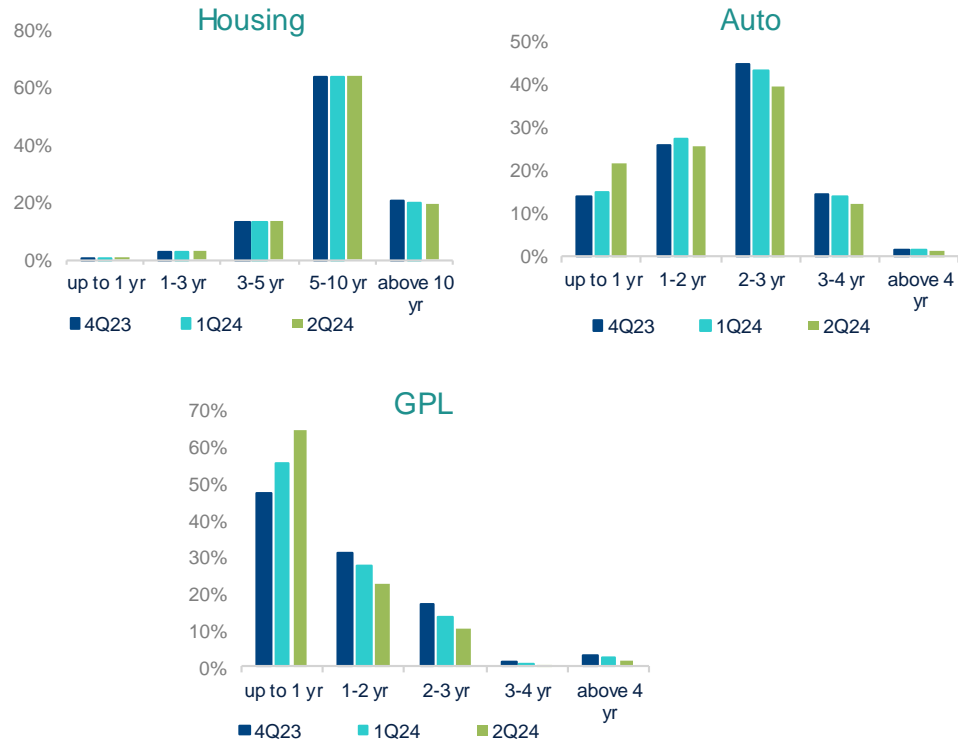


# NPL ratio has been accelerating in credit cards, which is still limited in the case of general purpose loans.

## NPL RATIO IN RETAIL CREDITS (%)



## MATURITY COMPOSITION OF RETAIL CREDITS (% share in total)



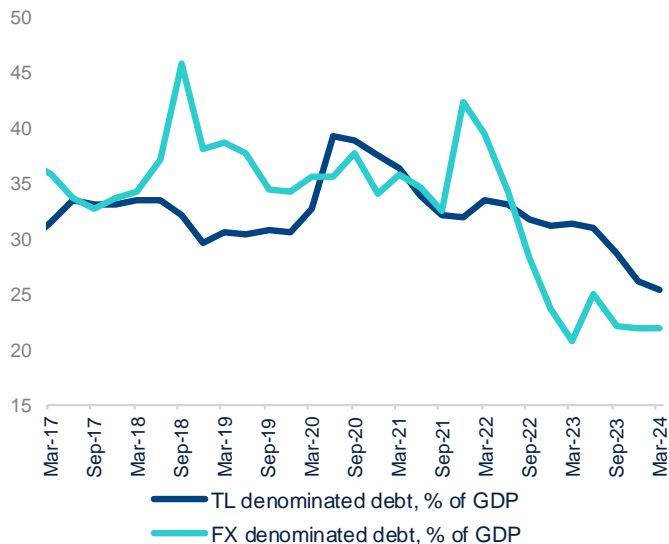
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# Corporates Indebtedness

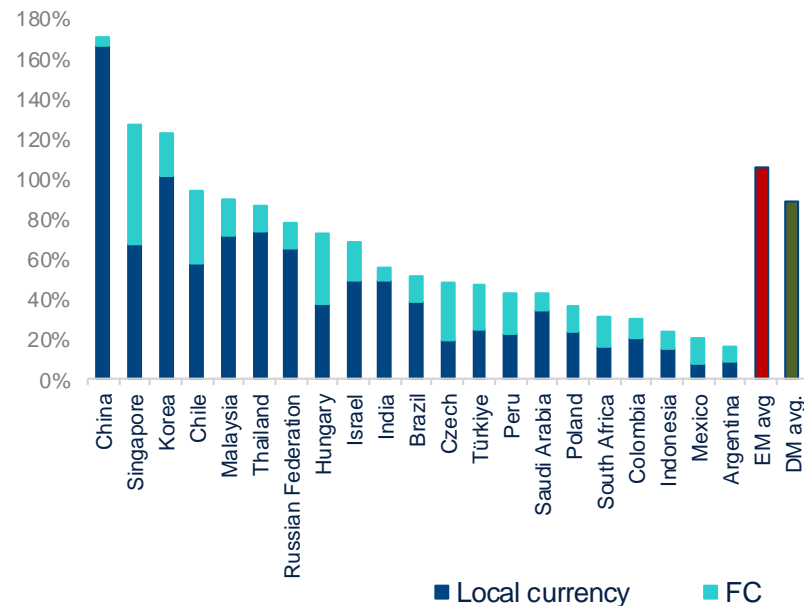


# Corporates' FX debt to GDP ratio remains stable. Total debt to GDP ratio is low among the peers.

DEBT/GDP RATIO OF THE CORPORATE SECTOR (%)

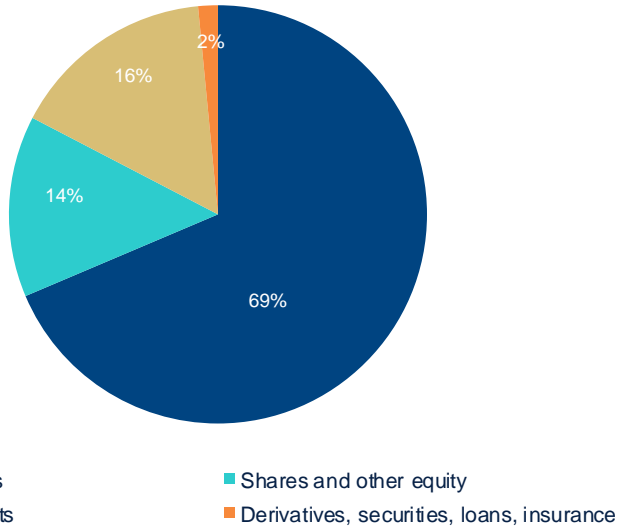


DEBT/GDP RATIO OF THE CORPORATE SECTOR PEER COUNTRIES (% GDP, 1Q24)

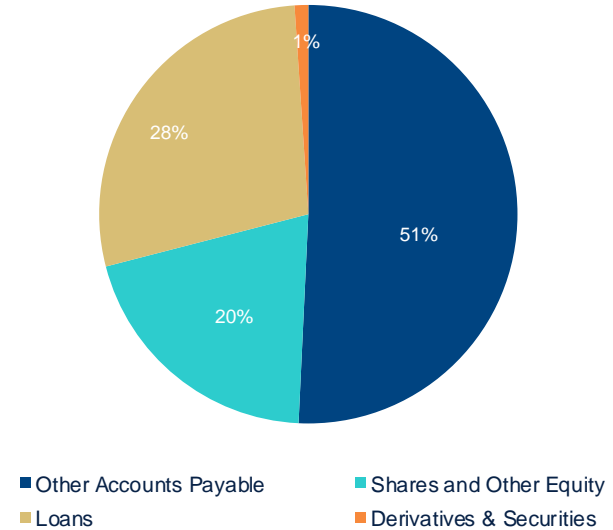


# Among its liabilities, shares & other equity growth of corporations has been highest in 1Q24 followed by debt securities.

**BREAKDOWN OF CORPORATES' ASSETS BY INSTRUMENTS (% , 1Q24)**

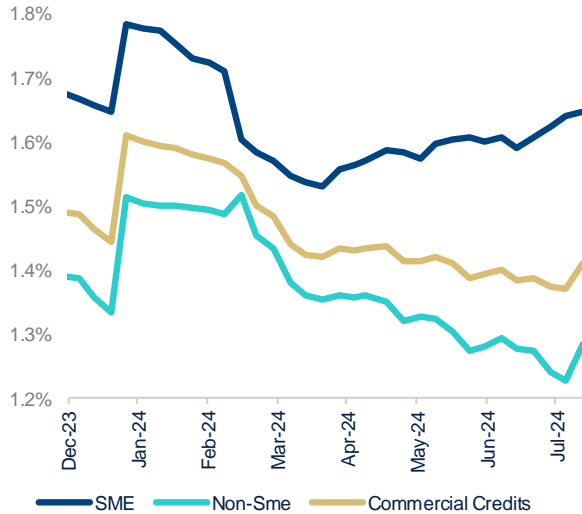


**BREAKDOWN OF CORPORATES' LIABILITIES BY INSTRUMENTS (% , 1Q24)**

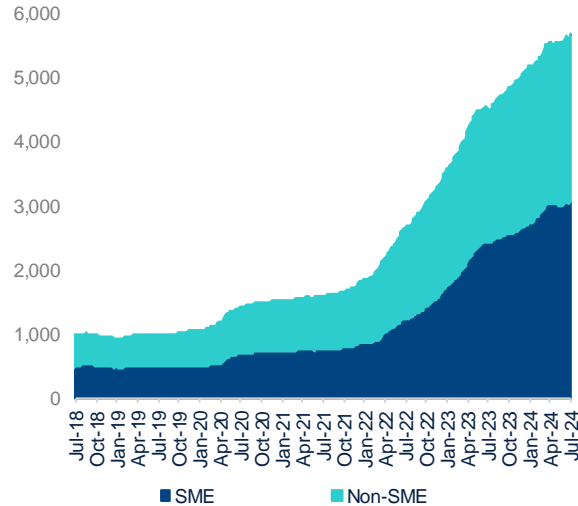


# NPL ratios in commercial credits started to move upward just recently.

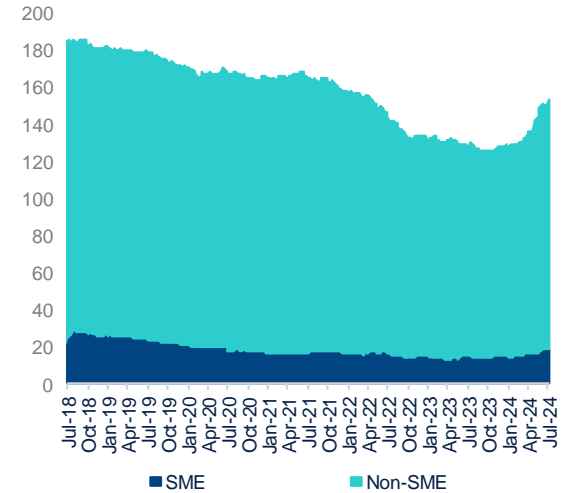
## NPL IN COMMERCIAL CREDITS (%)



## BREAKDOWN OF TL COMMERCIAL CREDITS (bn TL in local banks)

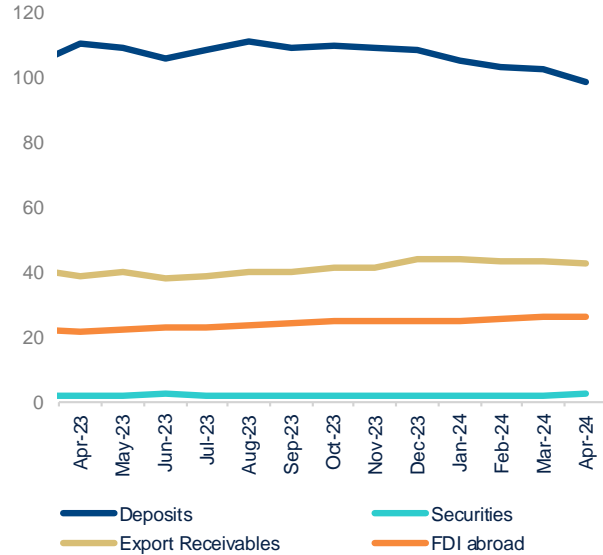


## BREAKDOWN OF FC COMMERCIAL CREDITS (bn USD in local banks)

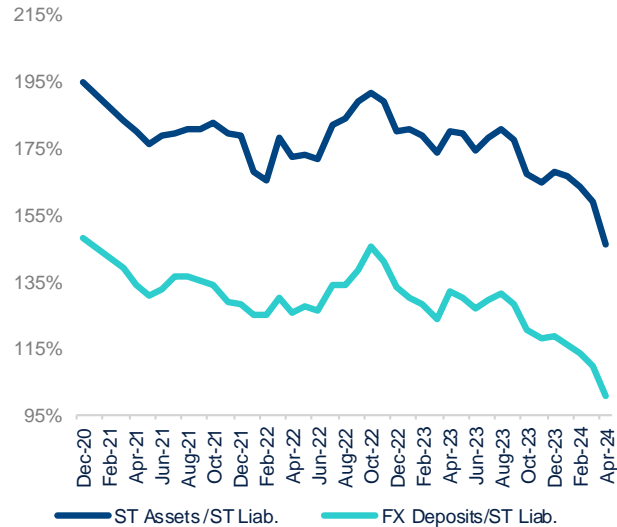


# With declining FX deposits, liquidity ratios of corporates came down. The short-term net FX position declined further to \$44.8bn.

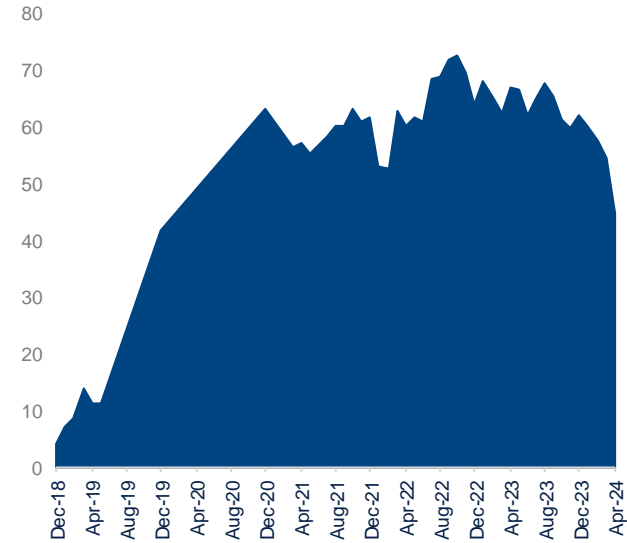
## FX ASSETS OF CORPORATES (bn USD)



## FX LIQUIDITY OF CORPORATES %

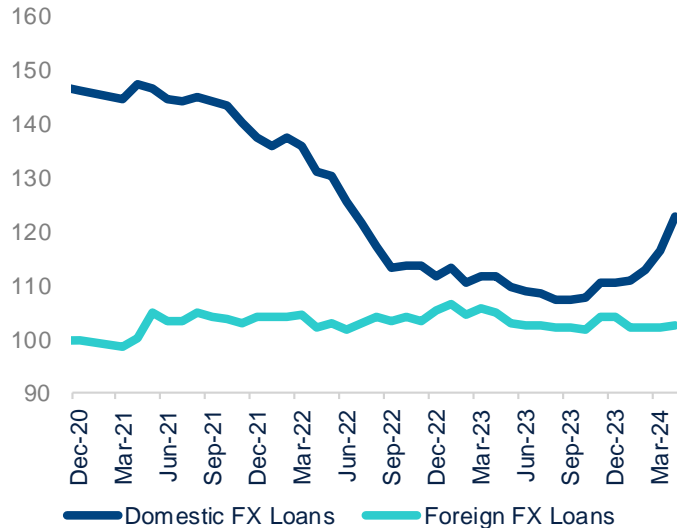


## SHORT-TERM NET FX POSITION OF THE CORPORATE SECTOR (bn USD)

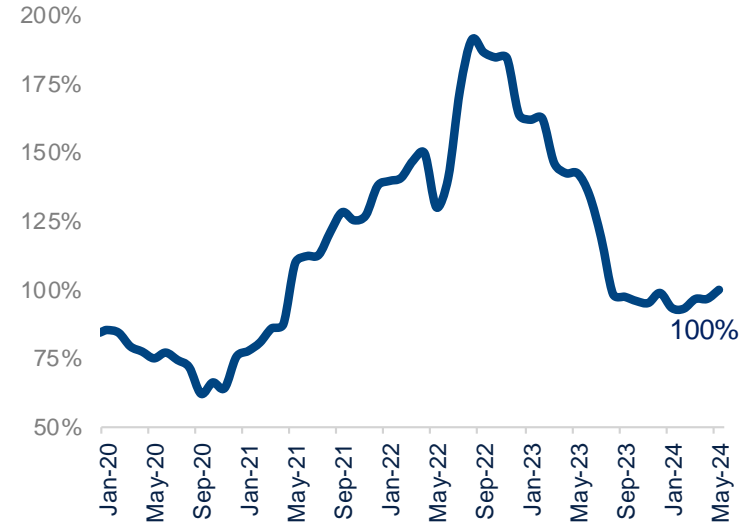


**With better financing conditions due to FC interest rates and the stability of the currency, firms' demand for domestic FC loans exceeded external loans. With this, external roll-over ratios stay around 100%.**

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

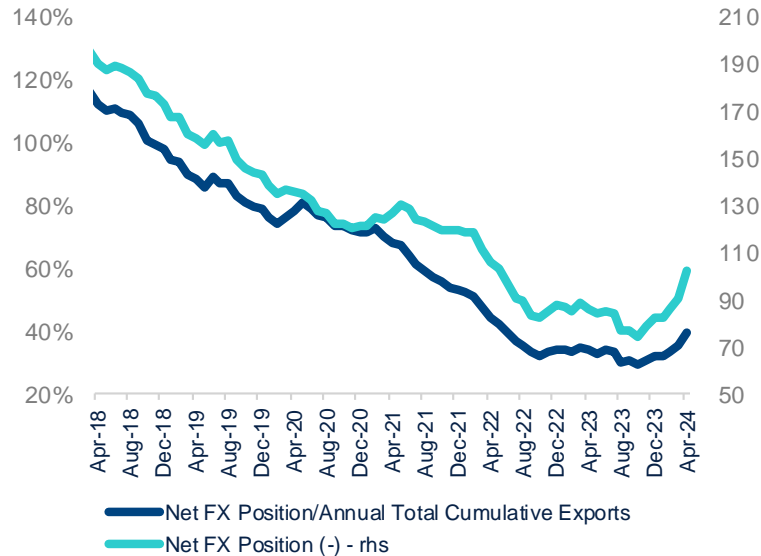


**LT EXTERNAL LOANS ROLL-OVER RATIO OF REAL SECTOR** (12 MONTH ROLLING, %)

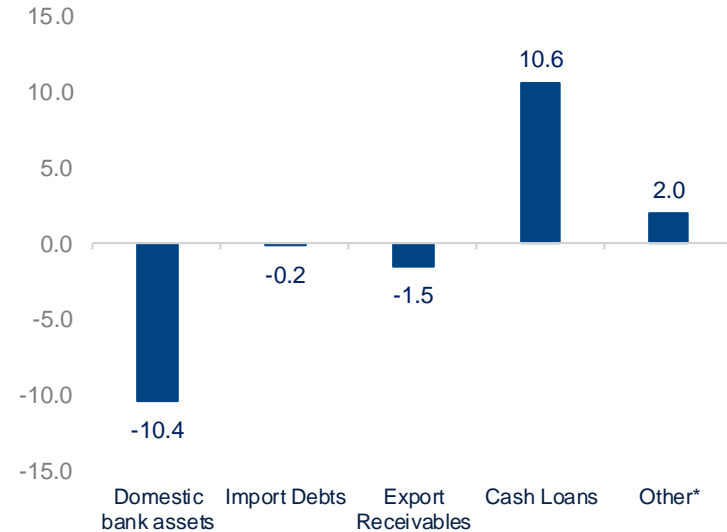


**Corporate sector's net FX short position slightly deteriorated due to increasing FX loans borrowed from domestic banks and decline in their FX deposits. The ratio of export revenues to cover the open position started to move up as well.**

### 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 April24 compared to Dec23)

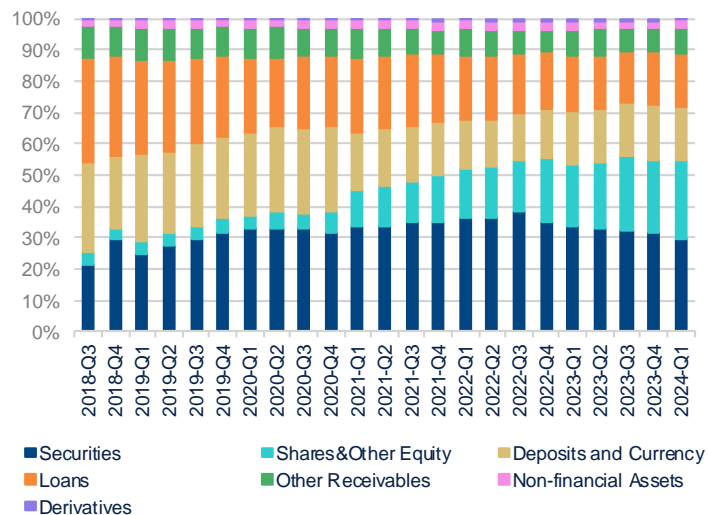


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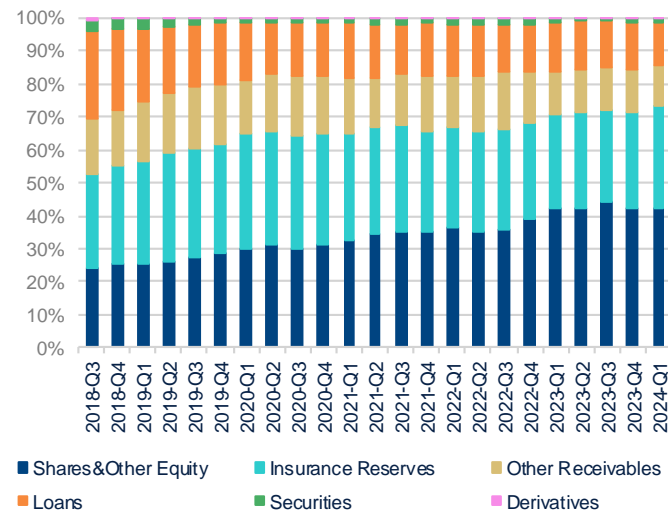
# Non-bank Financial Sector Indebtedness

# 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 (%)



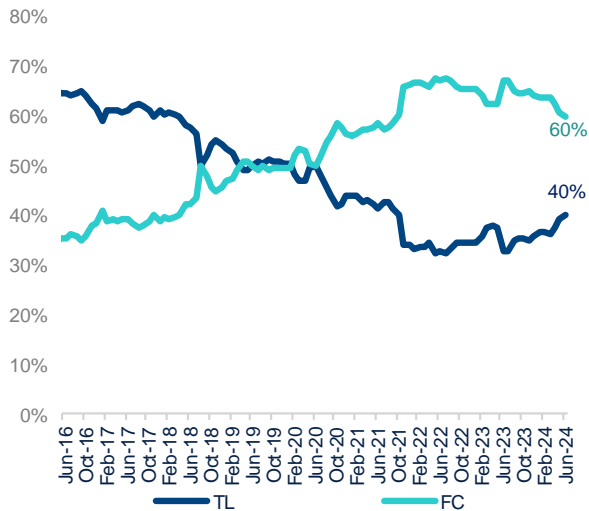


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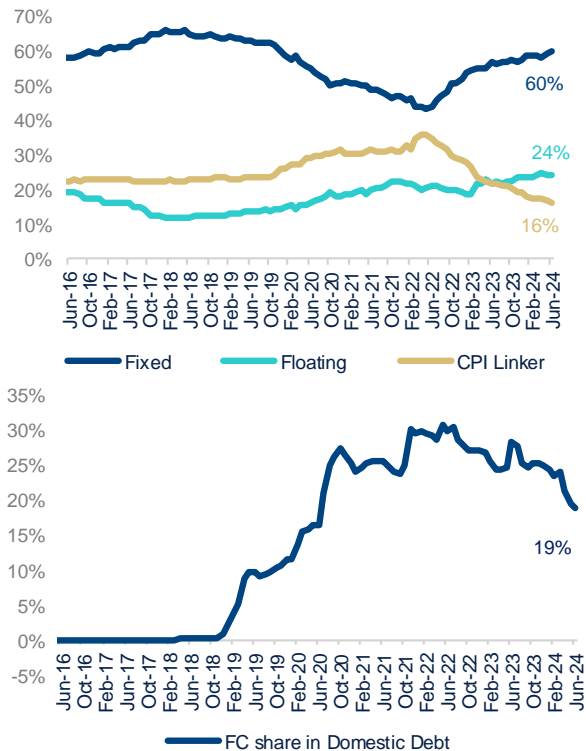
# Public Sector Indebtedness

# On fiscal front, FC share in public debt is coming down.

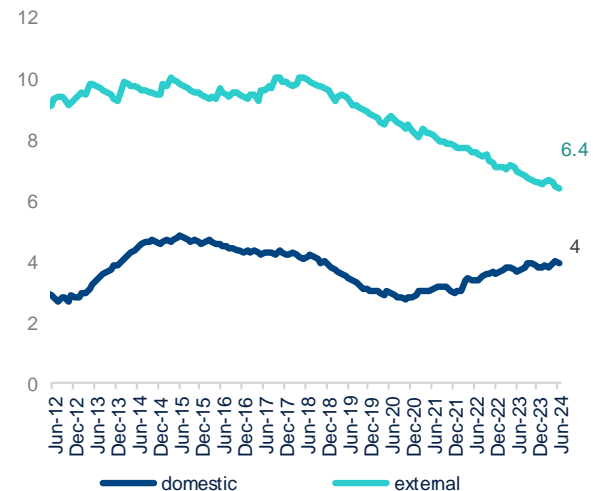
**PUBLIC DEBT DECOMPOSITION**  
SHARE IN TOTAL



**DOMESTIC DEBT DECOMPOSITION**  
SHARE IN TOTAL



**PUBLIC DEBT AVERAGE MATURITY**  
YEAR



Source: Treasury and Garanti BBVA Research

# Highest TL redemptions of the central government are in October this year and in January, April and June next year.

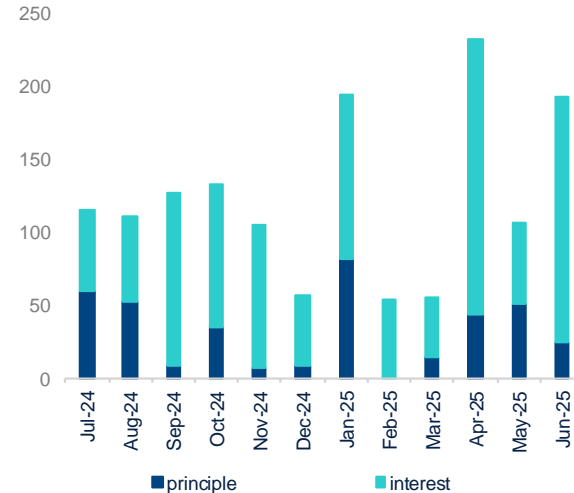
## DOMESTIC DEBT ROLL-OVER RATIOS

12M ROLLING, %



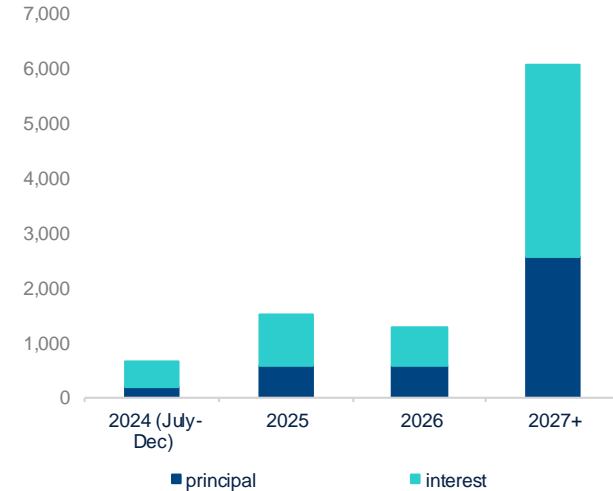
## DOMESTIC DEBT REDEMPTION CALENDAR

Bn TL



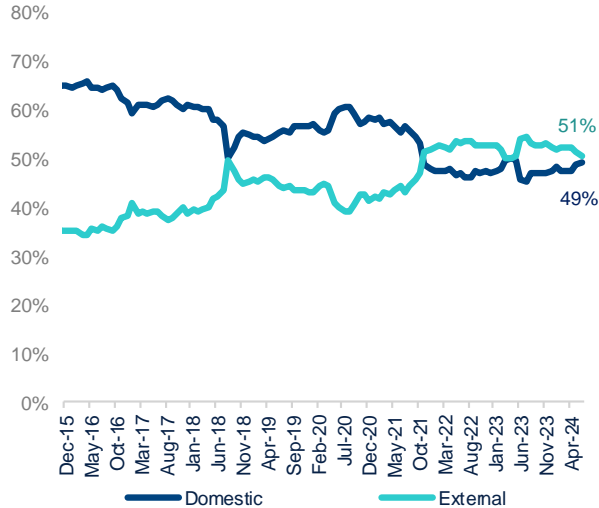
## DOMESTIC DEBT REDEMPTION CALENDAR

Bn TL



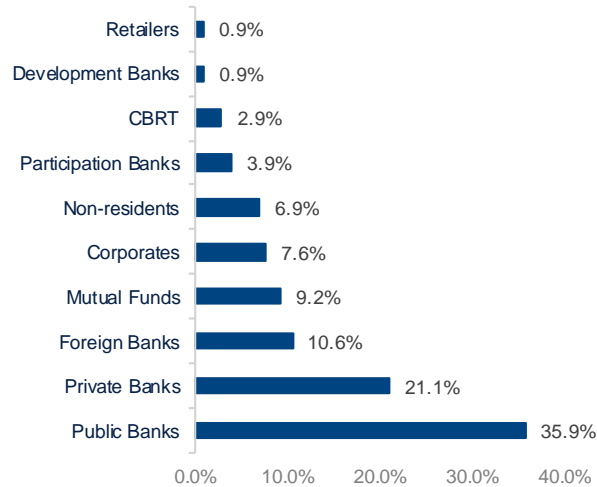
# Public banks continue to be the main borrowers of domestic public debt, while eurobond issuances are the main source of external public debt.

## PUBLIC DEBT COMPOSITION SHARE IN TOTAL



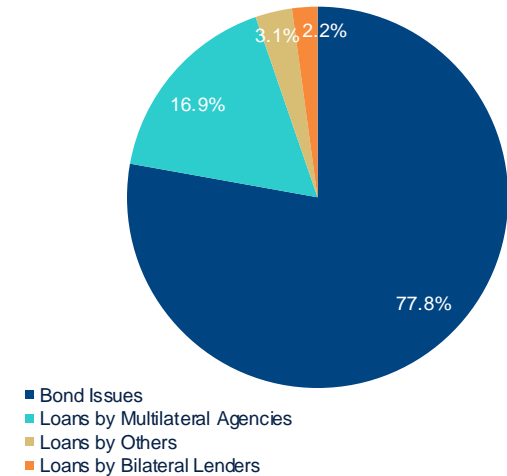
## DOMESTIC PUBLIC DEBT BY HOLDERS

Share in total as of Jun24



## EXTERNAL PUBLIC DEBT BY HOLDERS

Share in total as of Jun24

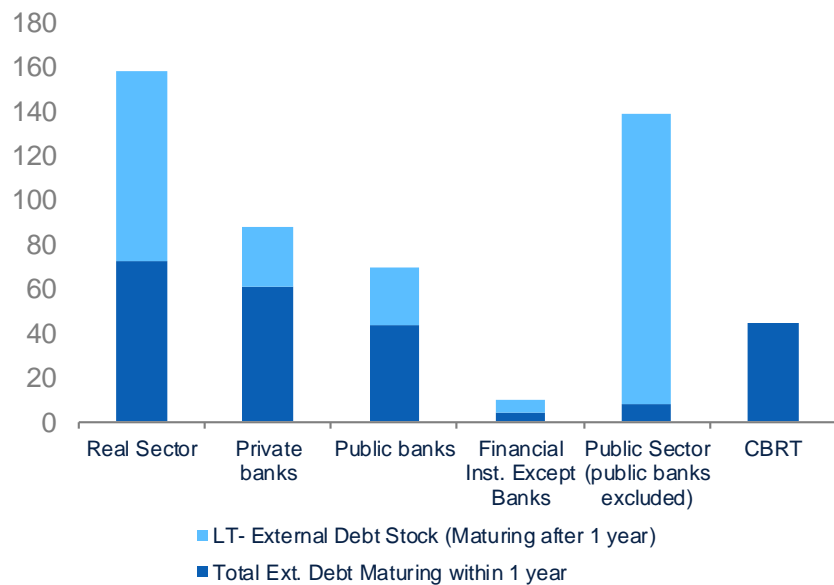


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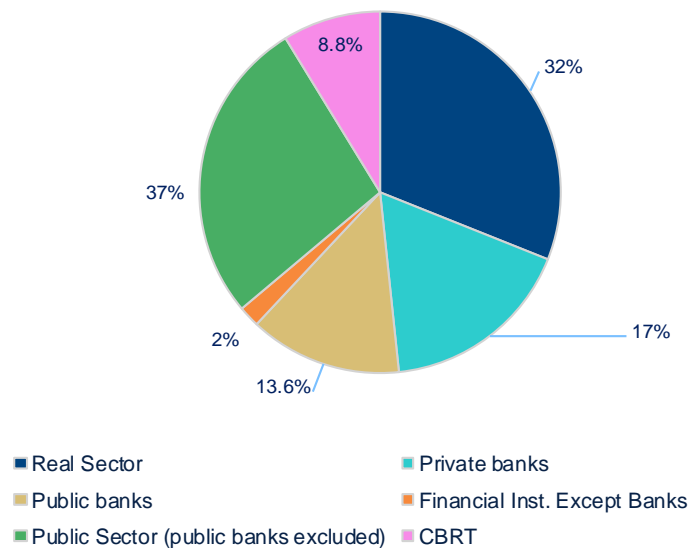
# Türkiye's External Debt Stock

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

**EXTERNAL DEBT BY MATURITY**  
(bn USD, May24)

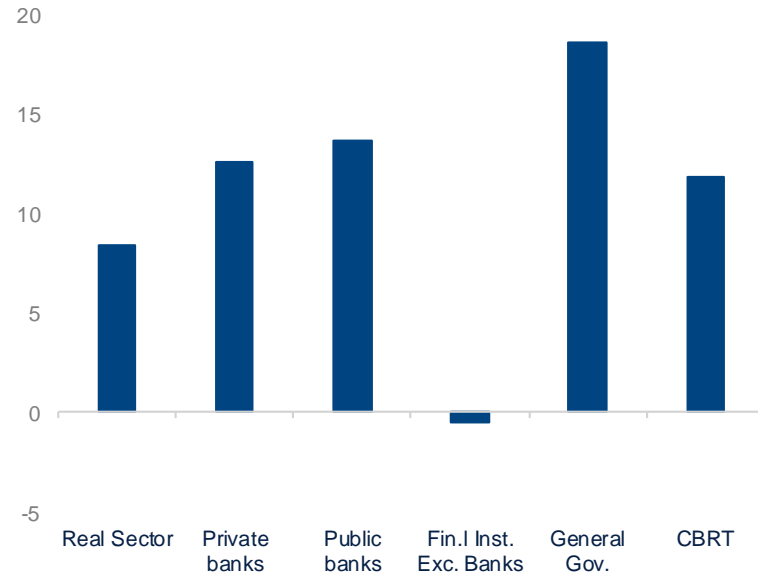


**SHARE OF AGENTS IN TOTAL EXTERNAL DEBT**  
(%, May24)

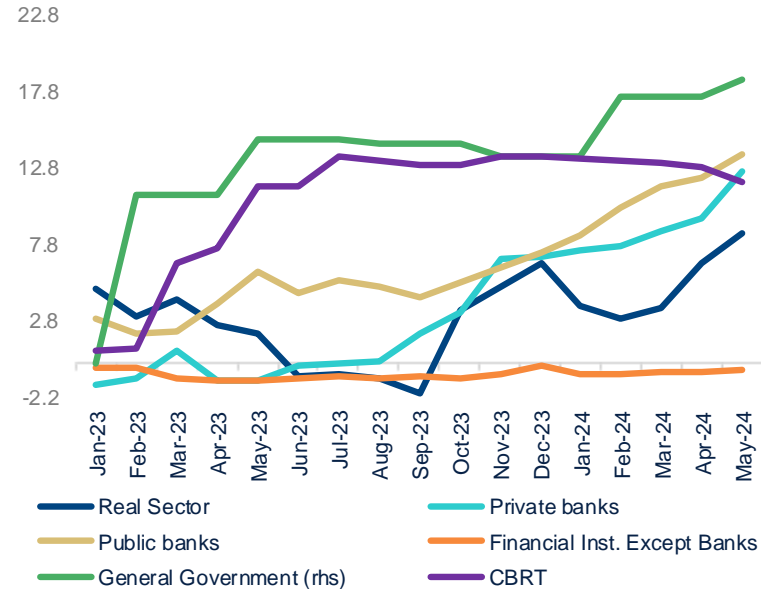


# The increase in external debt came from mostly the general government.

**CONTRIBUTION OF AGENTS TO INCREASE IN EXTERNAL DEBT** (bn USD, from Dec22 to May24)

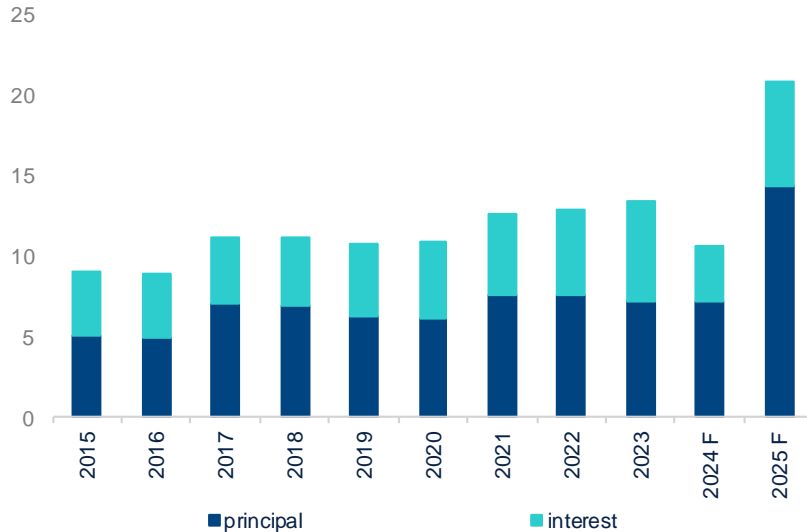


**CONTRIBUTION OF AGENTS TO INCREASE IN EXTERNAL DEBT** (bn USD, from Dec22 to May24)

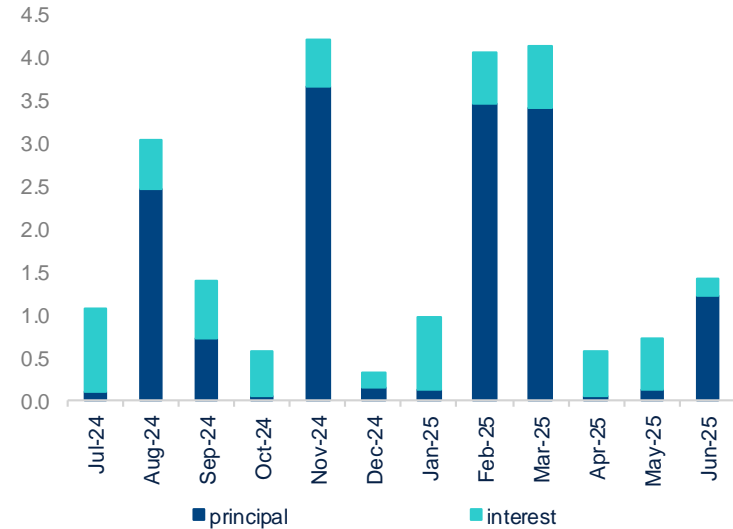


# Aug and Nov in 2024, Feb and Mar in 2025 will be important for external debt redemptions of the Government.

EXTERNAL DEBT REDEMPTIONS OF THE CENTRAL GOVERNMENT (bn USD)



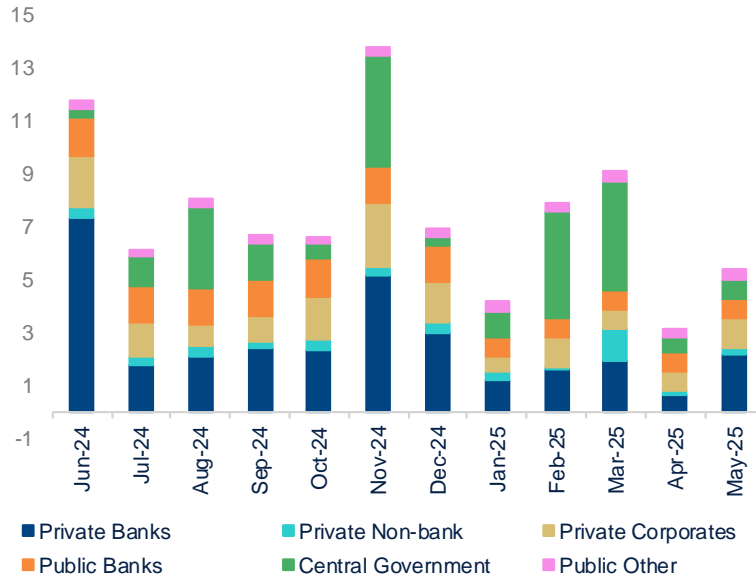
EXTERNAL DEBT REDEMPTIONS OF THE CENTRAL GOVERNMENT (bn USD)





# 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 MAY 2024)

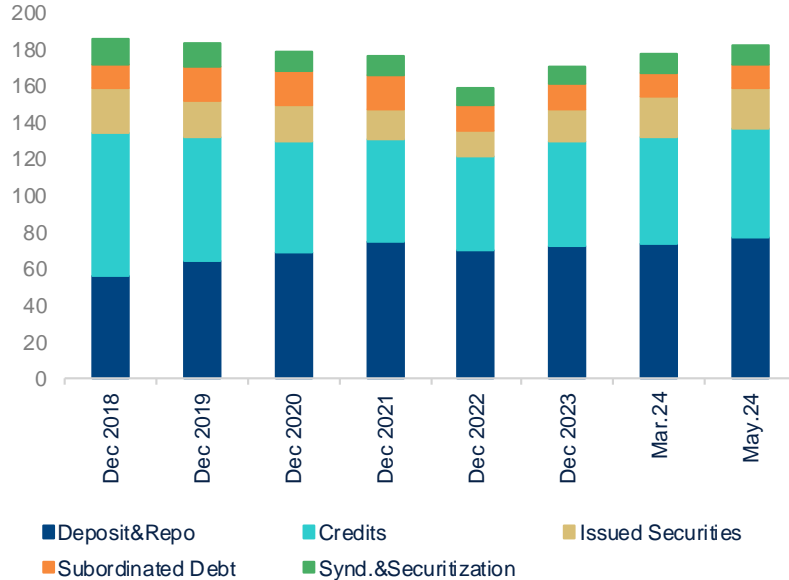


LT EXTERNAL LOANS ROLL-OVER RATIO OF BANKS & (12 MONTH ROLLING, %)

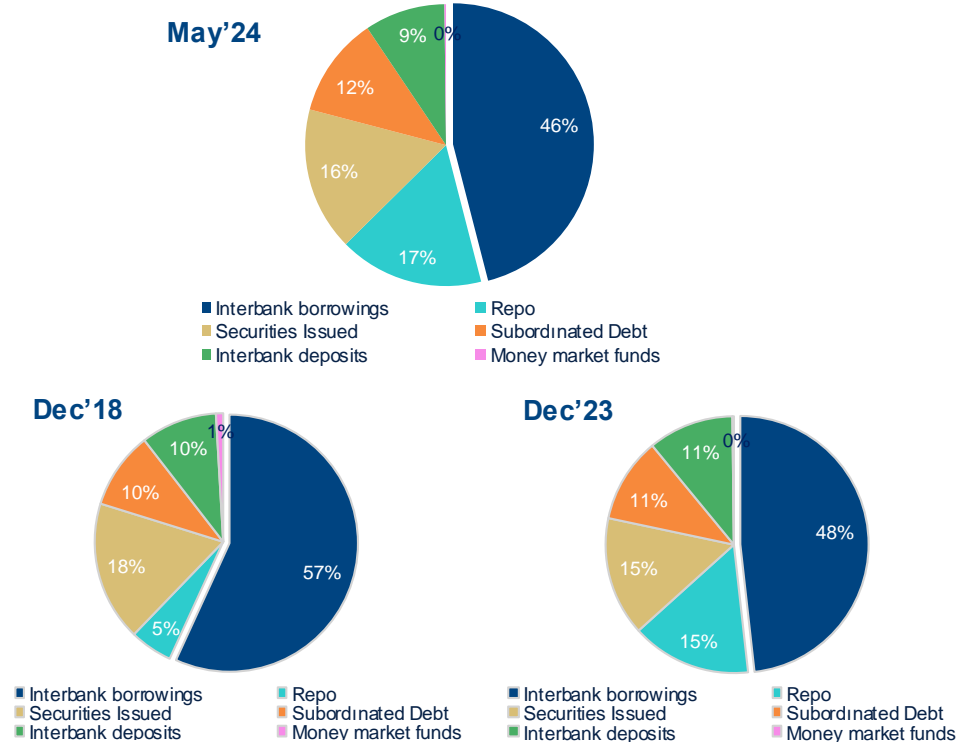


# Banks' external debt has started to pick up after a declining period since 2018. Interbank borrowings which constitute the bulk of FX funding decreased compared to increase in repo funding.

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



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

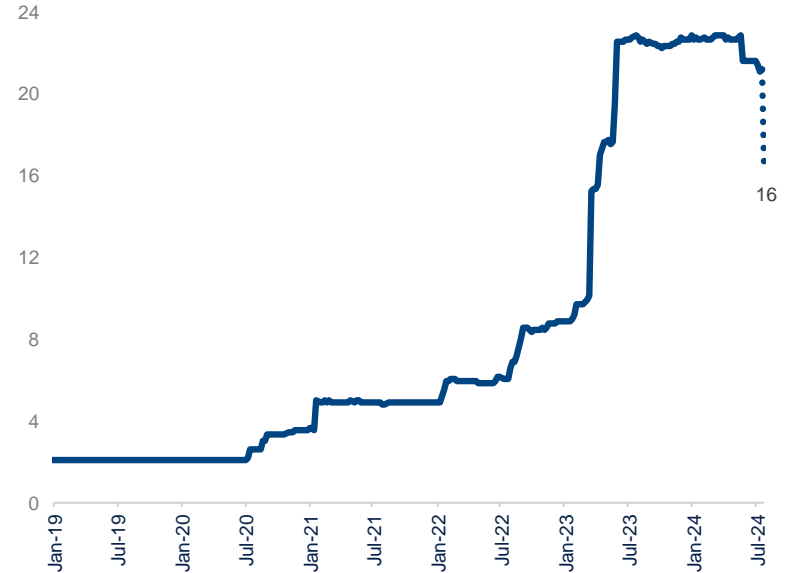


## Banks' FC swaps with the CBRT have been almost finalized, which was an important portion of the sector's FC liquid assets.

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

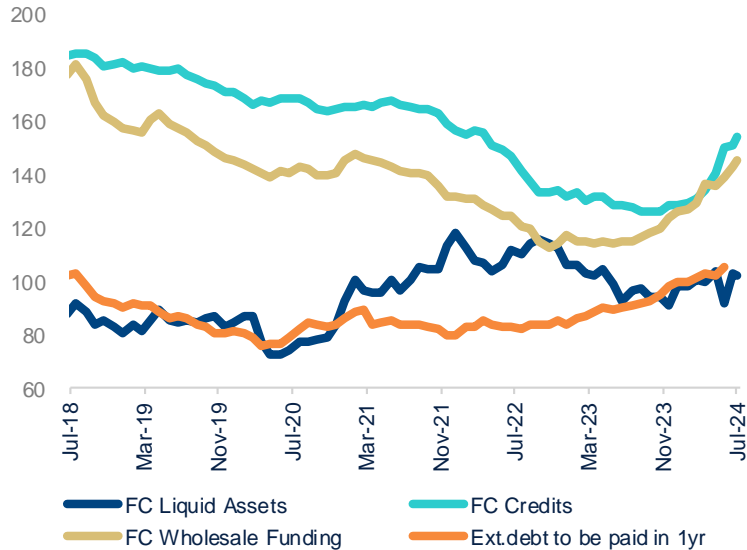


**FOREIGN BANKS' DEPOSITS AT CBRT**  
(bn USD)

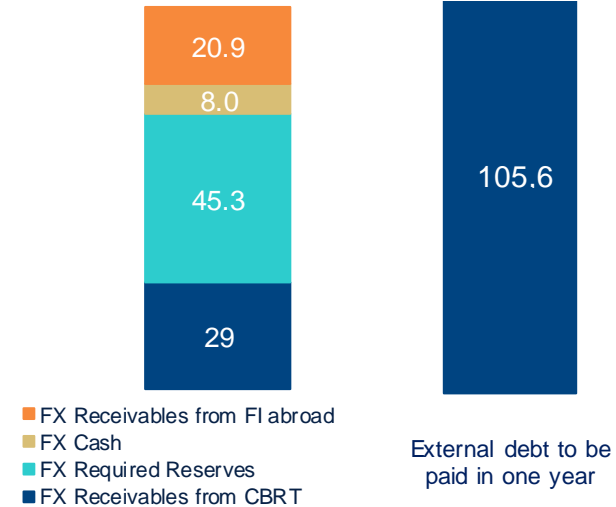


# The increase in bank debt issuances supported banks' FX liquidity and also contributed to the supply of FC credits.

**BANKS' FC ASSETS & FC LIABILITIES**  
(BN USD)

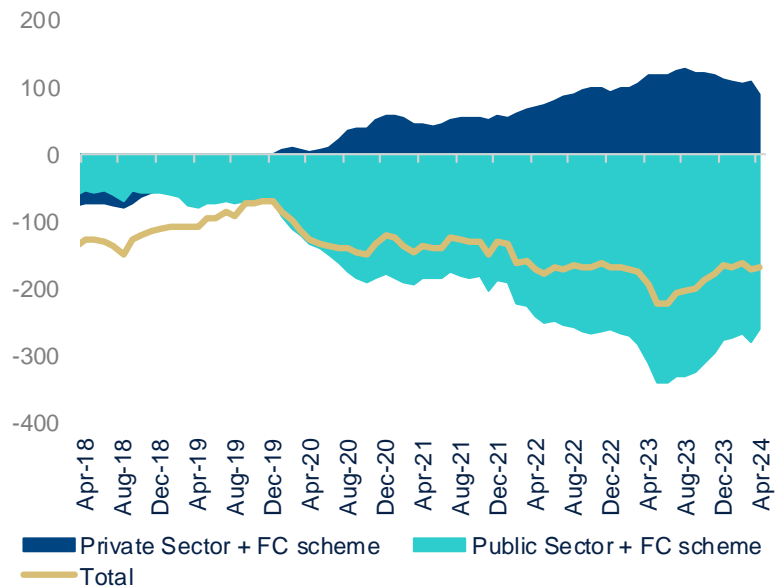


**BANKS' FC LIQUID ASSETS & ST EXTERNAL DEBT**  
(BN USD, May24)

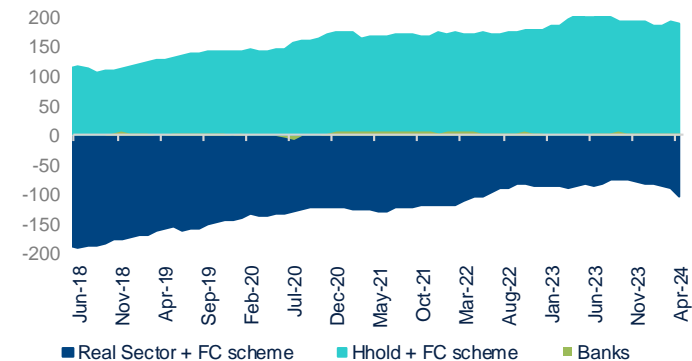


# The overall total FX position is not changing much since 2021, while the public sector is reducing its short position with an exit from the FC protected scheme

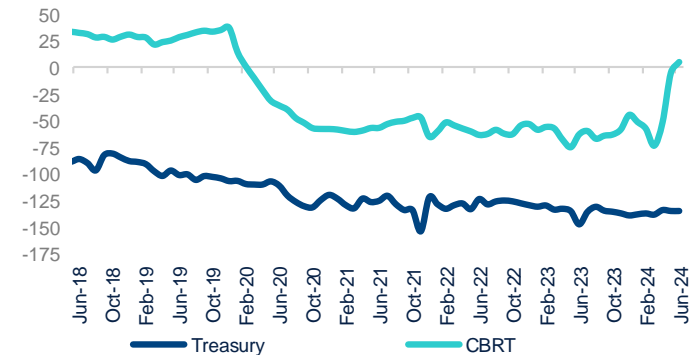
**TOTAL NET FX POSITION OF TURKIYE\***  
(bn USD)



**NET FX POSITION OF PRIVATE SECTOR**  
(bn USD)



**NET FX POSITION OF PUBLIC SECTOR**  
(bn USD)



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