

Announcement: Moody's changes outlook on Turkey's ratings to positive from stable

Global Credit Research - 05 Oct 2010

London, 05 October 2010 -- Moody's Investors Service has today changed the outlook on Turkey's Ba2 local and foreign currency government bond ratings to positive from stable.

Moody's decision to change the outlook was prompted by improvements in the country's economic and fiscal resilience, relative to when the rating agency last upgraded Turkey's rating in January 2010.

In a related action, Moody's has today also changed the outlooks on Turkey's Ba1 foreign currency bond ceiling and the Ba3 foreign currency deposit ceiling to positive from stable. The foreign currency bond and deposit ceilings are the highest possible ratings that may be assigned to Turkish foreign currency bonds and deposits, respectively.

RATIONALE FOR OUTLOOK CHANGE

"Turkey's economy has proven to be unexpectedly robust and has recovered to pre-crisis levels," says Sarah Carlson, Moody's Vice President - Senior Analyst and lead sovereign analyst for Turkey. "Moody's is revising upwards its forecasts for real GDP growth to 6.5% this year and 5% in 2011." Accordingly, the country's deficit and debt levels have improved beyond the targets set in the government's 2010-12 Medium-Term Plan.

Ms. Carlson explains that a potential upgrade to Ba1 is contingent upon a further strengthening of Turkey's fiscal fundamentals, particularly in light of the country's significant external vulnerabilities, such as its large current account deficit and its reliance on portfolio investment flows, rather than foreign direct investment, to fund the current account deficit. "The challenge now is for Turkey to once again register larger primary surpluses and continue to reduce its debt levels in order to further bolster its resilience to external shocks," says Ms. Carlson.

PREVIOUS RATING ACTION & METHODOLOGY

Moody's last rating action on Turkey was implemented on 8 January 2010, when the rating agency upgraded Turkey's government bond rating to Ba2 from Ba3, the foreign currency bank deposit ceiling was raised to Ba3 from B1, and the outlook on all the ratings and ceilings was changed to stable from positive. Prior to that, Moody's last rating action on Turkey was implemented on 18 September 2009, when the rating agency assigned a positive outlook to the Turkish government's Ba3 foreign and local currency ratings and the B1 country ceiling for foreign currency bank deposits.

The principal methodology used in rating the Government of Turkey is "Moody's Sovereign Bond Methodology", published in September 2008, which can be found at www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

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