Rating Action: **Moody's changes outlook for Turkey's Ba3 ratings to positive**

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New York, September 18, 2009 -- Moody's Investors Service has today changed the outlook on the Turkish government's Ba3 bond ratings to positive from stable. The move reflects the economy's improved resilience in the face of shocks, as illustrated by its unassisted performance during the global crisis of the past two years.

"The positive outlook acknowledges that the Turkish economy was better prepared to face the credit crunch and the resulting global recession than would have seemed possible given its dependence on external capital," says Kristin Lindow, the Regional Credit Officer for Europe and Africa in Moody's Sovereign Risk Group. "Moreover, the government did not have to rely on external support from the IMF or other official sources as it had needed in past crises."

Moody's says that the 10% contraction in Turkey's GDP during the first half of 2009 was severe, even by comparison to the 2001 financial crisis. Nonetheless, Lindow says that the local financial market handled well the scarcity of external capital inflows and the tightening of credit conditions. This has been evidenced by the government's ready access to both domestic and external credit and the rapid decline in market interest rates from their peak. Heavily indebted private sector companies were able to roll over or repay their own external obligations without government intervention.

"The crisis has not passed for Turkey; its effects continue to reverberate across the economy. At least three years' of improvements in government debt affordability metrics (i.e. government interest payments to revenues) have been lost. Moreover, there are indications that the recovery reported in the second quarter GDP has slowed," says Lindow. "Still, the impact on the public finances, inflation and the financial market generated by this recession is not as negative as the impact of past crises, despite the headline hit to growth."

Lindow notes that the new update to the Medium Term Expenditure Plan provides some assurance that the deterioration in the public finances that occurred in 2009 will gradually start to reverse through spending discipline and revenue enforcement.

"Given the depth of the recession and expectations of slower growth in a less benign global economy in coming years, the restoration of favorable debt dynamics will depend on maintaining lower interest rates and a gradual tightening of the structural fiscal stance," explains Lindow.

In Moody's opinion, determined action to regain fiscal credibility and an ongoing commitment to low inflation will be crucial to avoid undermining the progress made earlier in this decade. For instance, the passage and implementation of supporting legislation for the proposed fiscal rule could be beneficial to improve debt affordability.

Moody's has today also changed the outlook on Turkey's B1 foreign currency bank deposit ceiling to positive from stable. The outlook on the Ba1 foreign currency debt ceiling remains stable, as do the outlooks on the local currency country ceilings (A2 for bonds, A3 for bank deposits).

Moody's last rating action on Turkey was taken on May 24, 2006, when the country ceiling for foreign currency debt was upgraded to Ba1 from Ba3. Prior to that, Moody's last changed the debt ratings of the Turkish government on December 14, 2005, when they were upgraded from B1 to Ba3.

The principal methodology that Moody's uses in rating the government of Turkey is its Sovereign Bond Methodology, published in September 2008 and available on www.moodys.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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