

# Latin American Oil and Gas: Lower Prices to Reduce Sector Investment

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En el día de la fecha Fitch Ratings a publicado el informe especial en inglés titulado Latin American Oil and Gas, Lower Prices to Reduce Sector Investment. A continuación un extracto de dicho informe a modo de introducción. Fitch Ratings-Chicago-4 March 2009: Following the demise of Lehman Brothers and the significantly weaker hydrocarbon prices will lower free cash flow generation and deteriorate credit metrics across the oil and gas sector. A lower forward price curve will also negatively affect projected returns and put necessary investments to slow production declines at risk in many countries. In addition, the higher cost of capital and limited access to both the domestic and international debt markets are likely to drive downward revisions in national oil companies' (NOC) capital expenditures and limit increases in leverage to finance such investments. These could have a negative impact on the future reserves and production prospects in the region. The sovereigns supporting the NOC's ratings are vulnerable to the global recession and lower commodity prices, particularly in Mexico and Venezuela where fiscal accounts are highly dependent on oil prices. Late last year Fitch Ratings changed Mexico's issuer default rating (IDR) outlook to Negative from Stable and recently downgraded Venezuela's IDR one notch to 'B+'/Stable, among other things, due to lower oil prices. Other countries such as Brazil, Chile and Colombia have more flexibility to weather the economic slowdown in 2009 as these governments are not dependent on oil-related revenues to finance their budgets. The U.S. recession also affects the net exporting companies since it is the major market for oil producers in the region, while the domestic markets' oil and gas demand is also expected to deteriorate. Fitch expects GDP growth in Latin America to decelerate to -0.1% and 1.9% in 2009 and 2010, respectively, compared with 5.2% and 3.9% in 2007 and 2008(e), respectively. Contacts: Dan Kastholm, CFA: +1 312 368-2070, Chicago Ana Paula Ares - Cecilia Minguillon, Buenos Aires: +54 11 5235-8100 Media Relations: Laura Villegas, Buenos Aires, Tel: + 5411-5235-8139, Email: [laura.villegas@fitchratings.com](mailto:laura.villegas@fitchratings.com)