

# Moody's Corporation

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## Oil slump hurts provinces in Nigeria far more than Mexico

Global oil prices may be at their highest since December on Tuesday but they are still crushing not only sovereign borrowers but also regional governments, according to a report from Moody's Investors Service.

Oil prices, at around \$41 a barrel, are a third of what they were back in 2011. But the incapacity that oil economies face - at least on a sub-sovereign scale - varies wildly among different nations the credit ratings agency said.

The report found that Nigerian states are the most reliant on oil for revenue, while states in Mexico were the least dependent.

The analysis looked at oil-dependent sub-sovereign borrowers in five countries: Nigeria (Ba3 review for downgrade), Brazil (Ba2 negative), Russia (Ba1 review for downgrade), Mexico (A3 stable), and Canada (Aaa stable).

"The ability of oil-producing states to cope with falling crude prices depends on the extent of their reliance on oil revenues, and on whether they have sufficient financial flexibility to absorb a drop in income," said Maria del Carmen Martinez-Richa, a Vice President and Senior Analyst at Moody's.

"Sub-sovereign issuers in Nigeria are very dependent on oil and have a limited capacity to absorb fiscal shocks."

In Nigeria, oil contributed, on average, to 42% of state coffers. In Mexico, the proportion of state revenues, that come from oil is just 8%.

While Canada's three oil producing provinces, Alberta (Aaa negative), Saskatchewan (Aaa stable) and Newfoundland & Labrador (Aa2 negative), are more reliant on oil revenue than Mexican states, they have a higher degree of financial flexibility. That means that they are well-equipped to withstand the drop in oil prices.

In Brazil, the impact on the two main oil producing states has varied. The state of Espirito Santo took measures to increase its tax base in early 2015. This limited the decline in its total revenues that year to only 2%, despite a 25% drop in its oil revenues.

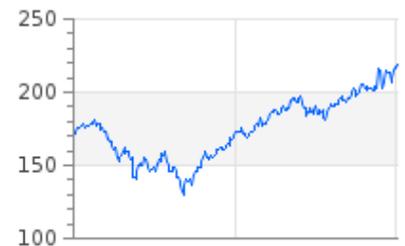
By contrast, the state of Rio de Janeiro has been unable to adjust at the same pace. In 2015, Rio's revenues from oil royalties dropped 28% and its total revenues fell 19%.

The impact of the oil slump on Russian states has been mitigated by an accompanying decline in the value of the rouble versus the US dollar, according to the report.

**Price:** US\$219.04

**Market Cap:** US\$41012900000M

### 1 Year Share Price Graph



August 2018 February 2019 August 2019

### Share Information

**Code:** MCO

**Listing:** NYSE

**52 week** **High** **Low**  
**\$220.46** **\$129.27**

**Sector:** Support Services [T3]

**Website:** v3.moody.com

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Moody's Corporation is a provider of credit ratings; credit and economic related research, data and analytical tools; risk management software, and quantitative credit risk measures, credit portfolio management solutions and training services. The Company operates in two segments: MIS and Moody's Analytics.

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Russian regions have been protected from the full impact of weaker oil prices by a devaluation of the rouble. This has shored up rouble-denominated earnings from oil exports, which are priced in dollars. The weaker rouble will limit the overall decline in Russian regions' corporate tax revenues in 2016 to between 6% and 10%, the report added.

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