

MARKET OVERVIEW

The spread of the novel coronavirus has had a significant impact on the Russian economy and long-distance passenger transport.

Macroeconomic environment

Key economic growth indicators, % as compared to 2019

Indicators	2020
GDP	96.9
Consumer Price Index, average for the year	103.4
Investment in fixed assets	95.9
Real household disposable income	96.5
Unemployment (as at the end of December)	5.9
Retail sales	95.9
Sales of paid retail services	82.7

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In 2020, the consumer price index was 103.4% (vs a 104.5% inflation rate in the previous year), real disposable income dropped (96.5%), as did retail sales (95.9%) and sales of paid retail services (82.7%).

Unemployment increased from 4.6% in December 2019 to 5.9% in December 2020.

Russian transport market

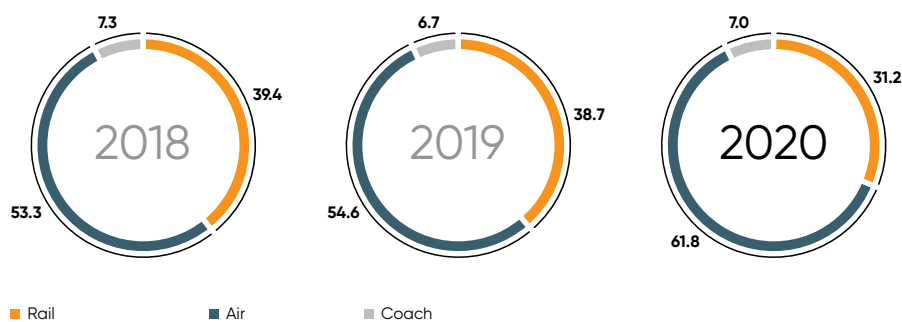
FPC's main competition in the long-distance passenger market is from airlines, coach service operators, and private road transport.

In recent years, competition in the long-distance passenger market has increased significantly. Rail transport has ceased to dominate the long-distance passenger market as airline industry grew, the number of private vehicles increased, modern car-sharing services developed, government support was rolled out to promote regional aviation, and new highways and airports were constructed and upgraded.

In 2020, due to measures taken to combat the spread of the novel coronavirus, significant restrictions were imposed on passenger transport arrangements, affecting the performance of all modes of transport.

In addition, population mobility was affected by a decrease in passengers' solvency.

Passenger-kilometres travelled on domestic long-distance routes, %



¹ Estimate.
² 9M 2020 compared to 9M 2019.
³ Estimate.

Share of passenger-kilometres travelled on domestic long-distance routes by rail carrier, %

Carrier	2018	2019	2020
FPC	36,4	35,5	27,7
Directorate for Higher-Speed Services, a branch of Russian Railways	1,6	1,8	1,8
Other	1,4	1,4	1,7

Source: Statistical Reporting Forms TsO-33 and TsO-32 for rail transport, Federal Agency for Air Transport (Rosaviatsiya) (<http://www.favt.ru>) for air transport, expert estimates based on Rosstat's data (www.gks.ru) for road transport

In 2020, the share of rail in total passenger-kilometres decreased to 31.2% (38.7% in 2019), along with FPC's share, which shrank to 27.7% (35.5% in 2019). This trend is due to an accelerated absolute growth in air traffic since June 2020, which was driven by a significant reduction in air fares, redistribution of traffic flows, and the launches of new domestic destinations, including routes to the South of Russia, as well as government support for airlines amid the COVID-19 pandemic.

In addition, many airlines refused refunds for cancelled flights and offered vouchers to passengers. The use of these vouchers by the public is one of the drivers of the accelerated growth in passenger traffic. At the same time, rail passengers who wished to cancel their journey due to COVID-19 were offered full fare refunds with no fees or charges.

In addition, since June 2020, there has been a downward trend in the average distance travelled by rail passengers, indicating a shift away from longer distance travels.

FPC accounted for 89.3% of long-distance passenger traffic on domestic routes operated by Russian rail carriers in 2020.

In 2020, the number of passengers carried on FPC trains on domestic routes was 58.1% of the 2019 level – 57.6% in the regulated segment and 58.9% in the deregulated segment.

Overall, passenger traffic in the domestic long-distance passenger market decreased by 31.4% year-on-year in 2020. FPC's passenger-kilometres on domestic routes stood at 53.6% of the 2019 level, with 53.3% in the regulated segment and 54.2% in the deregulated segment.

According to the Federal Agency for Air Transport (Rosaviatsiya), in 2020, air passenger-kilometres on domestic routes was 77.7% of the 2019 level.

As COVID-19 restrictions in Russian regions were lifted, population mobility started to increase. To meet travel demand, train services were restored, with fares set to ensure the affordability of services, and marketing promotions and discounts were rolled out for both all passengers and certain groups, including in third-class open sleeping carriages.

International transport market

International long-distance passenger services

In 2020, before restrictions were imposed, FPC provided direct and transit passenger services to and from 23 European and Asian countries: Germany, France, Poland, Austria, the Czech Republic, Monaco, Italy, Finland, China, Mongolia, North Korea, Latvia, Lithuania, Estonia, Ukraine, Moldova, Belarus, Abkhazia, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Azerbaijan.

In March 2020, all international passenger trains were suspended upon agreement with foreign railway authorities as part of the COVID-19 response.

Overall, in 2020, international passenger traffic amounted to 19% of the 2019 level, with 19% for the CIS and Baltic states, 23% for Abkhazia, and 18% for non-FSU countries.

International passenger traffic, million people

