

# PERFORMANCE OVERVIEW



## Market overview

### Russian economy in 2017

In 2017, the economic situation in Russia improved. The country's GDP grew by 1.5% following a two-year decline (-0.2% in 2016 and -2.5% in 2015). The return to growth was driven by increasing oil prices and quick expansion of global economy and trade. It stands to note that the Russian economy grew despite having to deal with a number of challenges, including international sanctions, modest public spending and persistently high real interest rates.

Strong domestic investment and consumer demand was an important driver behind the economic recovery. In 2017, capital

investments in Russia added 4.4% in annual terms (compared to a 0.2% decline in 2016).

External demand – a key factor for the Russian economy – began to play an even more crucial role. In 2017, Russian exports grew by 25.3% after losing 17.4% in 2016 (largely due to the price environment in global commodity markets), with certain export items also enjoying an increase in terms of volumes.

### Transport industry in Russia

In 2017, the Russian transport industry was riding the wave of national economic revival and improvements in global markets, both of which contributed to the rise in domestic and external demand for transportation services. Freight transportation volumes showed y-o-y growth across transport modes (excluding sea and inland waterways) bespeaking competition-driven structural changes.

Industrial growth in Russia was driven by the higher output of coal, coke, oil and rolled ferrous products, fertilisers and other goods, spurring a rise in shippers' transportation needs in 2017.

In 2017, international freight transportation volumes increased as Russia started to reclaim its position in global trade. The

performance of Russian sea ports which saw a y-o-y rise in the export and import transshipment volumes is a clear proof to that.

In 2017, growing trade between the European Union and Asia gave a further boost to the volumes of transit railway container transportation in Russia, heralding a bigger role for the transport industry in supporting the country's competitiveness.

In the passenger transportation segment, overall volumes increased only slightly. While railway and air transportation grew substantially, bus, inland waterway and sea transportation declined. The resulting increase was primarily driven by higher living standards and a rise in domestic and outbound tourism.

## Freight turnover

According to the Russian Federal State Statistics Service, in 2017, freight turnover in Russia increased by 5.4% y-o-y to 5,479.3 bn tkm.

Growth was reported across transport modes, the sole exception being inland waterways (-4%). Railway freight turnover added 6.4%, while air transport scored the highest increase of 15.4%.

Railway transport accounted for 45.5% of the country's total freight turnover (up 0.4 pp vs 2016), or 87.1% (up 0.6 pp vs 2016) if the pipeline transport is excluded.

### Freight turnover by transport mode in 2017

Transport mode	2017		Share in total freight turnover, %	
	bn tkm	+/- % 2016	2016	2017
Freight turnover	5,479.3	+5.4	100.0	100.0
Including:				
railway	2,493.4	+6.4	45.1	45.5
including Russian Railways' infrastructure <sup>1</sup>	2,491.9	+6.4	45.1	45.5
road	253.0	+2.1	4.8	4.6
sea <sup>2</sup>	45.9	+6.4	0.8	0.8
inland waterways <sup>2</sup>	64.5	-4.0	1.3	1.2
air (transport aviation)	7.6	+15.4	0.1	0.1
pipeline	2,614.9	+5.1	47.9	47.8
FOR REFERENCE: share of railway transport excluding pipelines			86.5	87.1

## Passenger turnover

In 2017, Russia's passenger turnover increased by 9% y-o-y to 499.1 bn pkm<sup>3</sup>, including:

- 123.1 bn pkm in railway transport,
- 116 bn pkm in road transport,
- 259.4 bn pkm in air transport.

### Passenger turnover by transport mode

Transport mode	2017		Share in total passenger turnover, %	
	bn pkm	+/- % 2016	2016	2017
Public transport <sup>3</sup>	499.1	+9.0	100.0	100.0
Including:				
railway	123.1	-1.2	27.2	24.7
including Russian Railways' infrastructure	122.9	-1.2	27.2	24.6
road (intercity bus service)	116.0	-0.7	25.5	23.2
sea	0.1	-6.0	0.02	0.02
inland waterways	0.5	-1.7	0.2	0.1
air	259.4	+20.3	47.1	52.0

<sup>1</sup> Based on Russian Railways' data and excluding empty turnover.

<sup>2</sup> For reference: freight transportation by sea and inland waterways includes shipments made under freight transportation contracts by the company's own and/or leased (chartered) vessels (including vessels leased to foreign companies (charterers) under time charter arrangements) flying the flag of the Russian Federation with the relevant shipping documents in place.

<sup>3</sup> Excluding urban transport (passenger taxis, buses, trams, trolleybuses, and subway).