Market overview

Russian economy in 2019

In 2019, Russia saw its macroeconomic fundamentals deteriorate. The country's GDP growth dropped from 2.5% in 2018 to 1.3% in 2019 (hereinafter as per the data of the Russian Federal State Statistics Service, unless indicated otherwise). This was driven by:

- a slowdown of global economic activity;
- lower annual average prices of crude oil and some other major Russian exports;
- a drop in export volumes;
- continued sanctions pressure;
- a drop in the domestic consumer and investment demand;
- VAT increase;
- weaker than planned progress in implementing national projects.

The positives included strong performance of Russia's agriculture, low inflation contributing to a stable macroeconomic environment in the country, low unemployment rate and monetary easing, which should help boost economic activity, though in a somewhat deferred manner.

Transport industry in Russia

Industrial production growth, which is of critical importance to the rail freight transportation sector, dropped from 3.5% in 2018 to 2.3% in 2019 in no small part due to:

- a drop in the mining industry (from 3.8% in 2018 to 2.5% in 2019);
- a drop in the manufacturing sector (from 3.6% in 2018 to 2.6% in 2019).

External demand was another headwind for Russia's transport industry. In 2019, Russian exports declined by 5.5% in value terms after a 25.5% growth in 2018. Exports of certain cargoes accounting for a major share of export rail freight transportation also dropped in volume terms.

FREIGHT TRANSPORTATION MARKET

Freight turnover
According to the Russian Federal State Statistics Service, in 2019, freight turnover in Russia increased by 0.6% y-o-y to 5,670.9 bn tkm. Growth was reported across the transport modes, except for the sea (−1%) and air (−5.4%) transport and inland waterways (−4.9%). Loaded freight turnover in the railway segment added 0.2%.

Railway transport accounted for 45.9% of the country's total freight turnover (down 0.2 pp vs 2018), or 87.2% (down 0.3 pp vs 2018) with the pipeline transport excluded.

Russia's freight turnover by transport mode

Transport mode	2019		Share in total freight turnover, %	
	Bn tkm	Y-o-y change, %	2018	2019
All transport modes	5,670.9	0.6	100.0	100.0
Railway[1]	2,602.5	0.2	46.1	45.9
Including the infrastructure of Russian Railways and Yakutia Railways	2,601.9	0.2	46.1	45.9
Road	275.4	6.3	4.6	4.9
Sea[2]	36.5	−1.0	0.7	0.6
Inland waterways[2]	62.8	−4.9	1.2	1.1
Air (transport aviation)	7.4	−5.4	0.1	0.1
Pipeline	2,686.2	0.7	47.3	47.4
For reference:				
Share of railway trasport excluding pipelines			87.5	87.2
Share of Russian Railways excluding pipelines			87.5	87.2

PASSENGER TRANSPORTATION MARKET

Passenger turnover

In 2019, Russia's passenger turnover increased by 7.2% y-o-y to 570.5 bn pkm, including:

- 133.6 bn pkm in railway transport;
- 113.3 bn pkm in road transport;
- 323.0 bn pkm in air transport.

Passenger turnover growth in the public transport segment was mainly driven by a 12.6% increase in air transportation.

Despite a 3.1% y-o-y growth, railway transport saw its share in total passenger turnover go down by 1 pp to 23.4%. Passenger turnover in the road transport (bus service) segment decreased by 1.7% to 19.9%.

Passenger turnover by transport mode

Transport mode	2019		Share in total passenger turnover, %	
	Bn pkm	Y-o-y change, %	2018	2019
Public transport total	570.5	+7.2	100.0	100.0
Railway[3]	133.6	+3.1	24.4	23.4
Including Russian Railways' infrastructure[4]	133.4	+3.1	24.3	23.4
Road (bus service)	113.3	−1.3	21.6	19.9
Inland waterways	0.54	−5.4	0.09	0.1
Air	323.0	+12.6	53.9	56.6

[1.] Loaded freight turnover.

[2.] For reference: freight transportation by sea and internal 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.

[3.] Excluding intra-urban transport.

[4.] Russian Railways' data.