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Alexander Gushchin
Associate Director,
Corporate Ratings Group
+7 (495) 139-0489
alexander.gushchin@acra-ratings.ru

Contacts for Media:

Alexey Churilov
Manager, External Communications
+7 (495) 139-0480, ext. 169
media@acra-ratings.ru

Spread of coronavirus in China may affect Russian air passenger market

In case the coronavirus outbreak lasts for long, it may impact some air carriers and affect Asia transit target indicators in 2020

China is a popular winter holiday destination for Russian tourists. According to Rosstat, in 2018, China ranked sixth in terms of the number of tourists from the Russian Federation. In the first nine months of 2019, 1.7 million Russian citizens visited China, which is 18% more than in the same period of 2018. On the other hand, the number of Chinese tourists visiting Russia has been also growing (+13% over the same period) and reached 1.4 million people. However, the ongoing campaign aimed at preventing the spread of coronavirus affects the tourism sector (as the largest tour operators are suspending their sales, while tourists abandoning tours they bought earlier) and, indirectly, the aviation market.

The impact on the Russian aviation market can be considered in two aspects. The first is transit. The largest Russian airlines and airports focus on the transit of passenger traffic between Europe and Asia, where one of the largest shares is generated by China. Restrictive measures introduced to fight coronavirus can prevent airlines and air infrastructure operators from achieving their transit performance targets set for 2020.

The second aspect is tourism. A decreasing passenger traffic from Russia to China will hit primarily those tour operators that focused on China, but it can also affect large players. The high season for tourism in China lasts from October to May, and the coronavirus outbreak has occurred in the middle of it. Taking into account early booking, losses will be partially limited, but for small companies, losses may turn out to be severe enough to exit the market. This, in turn, can affect airlines, mostly air charter carriers. The Russian aviation market profitability had become extremely low after the increase in kerosene prices, and any negative impact on air carriers' cash flow may be critical for their ability to pay.

Summing up, the coronavirus outbreak may affect the Russian transportation market, but the outcome will depend primarily on the duration of the epidemic.

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75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

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