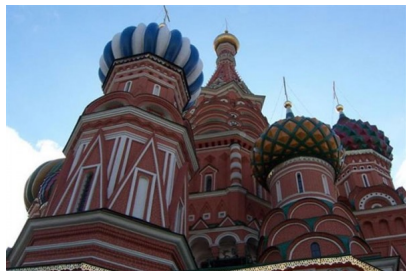


EUROPEAN AND U.S. TOURISTS AVOID RUSSIA



The current tensions between the West and Russia over Ukraine crises take its toll on the tourism sector. The Russian travel agencies reported that about 40-60% fewer US and European holiday makers travelled to Russia in the first six months of this year compared with the number that went there in 2013 during the same period and 3 times fewer Russian tourists traveled abroad.

The head of inbound tourism department of a Russian tour operator, Alexander Maklyarovsky, said that between January and June, **90% fewer Spaniards traveled to Russia and there was also a 60% drop in the number of Italians and 40% for Germans.** The first deputy head at Russian Tour Agents Association Vladimir Kantorovich also added that the overall flow of tourists into the country could end up dropping a further 60% in the month of September.

According to JLL, a professional service company, hotels have already started to feel the pinch. During the first half of the year, those located in Moscow registered only 59% occupancy, which is a 4% decrease. In St. Petersburg, things were not different as bookings also registered 3% drop to 53%.

The report also revealed that Rosstat or **Russia's State Statistics Service has tweaked the methods used to calculate the number of tourists getting in and out of the country painting a much rosier picture of the industry.** The figures from this service state that during the first half of 2014, the number of tourists visiting Russia increased by more than ten times from 1 million to about 10.7 million and the number of Russian tourists increased from 7.8 million to 20.1 million in a country that has a population of around 140 million.

The new tallying techniques that are used by the statistics service are behind these disparities. This is because it is not only counting individuals with tourist visa but anyone foreign who gets into Russia with exception of labor immigrants and students. As for the Russian tourists, the service also includes people who are traveling for medical purposes and those going out on business. The report said that the changes were in line with the government's tourism development strategy to increase the number of tourists to 40 million by the year 2020.

This may be an issue for tour agents in Russia as there are many travel companies that are out of business. One of the largest tourism firms in Russia, Labyrinth had to suspend its operations in August blaming the negative economic and political situation and the government's recommendations for people not to travel abroad. During summer, Russia's oldest tour agent, Neva also went bankrupt.

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