

China is apparently not content to let the Macau casino industry enjoy a full recovery, as it looks to be intent on killing the six-month rally in the gambling enclave. Like a death by a thousand cuts, Beijing keeps implementing policies that by themselves seemingly don't amount to much, but cumulatively undermine the foundations upon which future growth is based.

Analysts also think investors are oblivious to the risk. As they say, bullish sentiment on the peninsula is running too hot. Levels of optimism, as measured by options trades, haven't been this high since 2014 -- since just before the government took away the punch bowl the first time and Macau tumbled into a 26-month-long recession.

With the recovery already looking to be [fading](#), it might not take much to push the industry over the edge once more.



Image source: Getty Images.

### A major fingerprinting effort

The latest effort by China to thwart the casinos' recovery is the decision to begin fingerprinting all foreigners entering the country. According to a story in the UK's *Independent*, the Ministry of Public Security said all foreign passport holders between 14 and 70 arriving at the Shenzhen Bao'an International Airport in the Guangdong Province will have their fingerprints collected. The policy will be rolled out nationally by the end of the year.

At first glance, this isn't a concern, because, as China notes, many countries around the globe fingerprint foreign visitors, including the U.S., which has done so since 2004. Yet because tourists are supposed to be the driving force for Macau's future growth, it could have a chilling effect on the industry.

Macau's Statistics and Census Service says visitors who stay at least a night in Macau -- typically considered tourists -- rose 18.9% in January and accounted for 47% of total arrivals. Although most of those visitors were from mainland China, or 2 million of the near 2.9 million who came, Macau also saw a surge of visitors from Korea and Hong Kong, both of which rose 17.6% year over year. Visitors from the U.S. also jumped 10.7% last month.



Image source: Getty Images.

### Planning for tourist season□

The casino operators are obviously counting on these visitors for their own future profit. The Cotai Strip off Macau is predicated on creating a more tourist-friendly atmosphere, like a Las Vegas East. When **Wynn Resorts'** ( [NASDAQ:WYNN](#) ) new Palace resort opened last August, in addition to some 1,100 slot machines and 350 table games, it also featured over 1,700 hotel rooms, 69% more than its existing Wynn Macau offered.

#### Las Vegas Sands

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new Parisian casino features 3,300 rooms, about equal to the combined total of its existing Venetian and Four Seasons resorts.

#### MGM Resorts

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[NYSE:MGM](#)  
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planned MGM Cotai casino will have 1,500 rooms, or two and a half times as many as its current MGM Macau resort offers.

In all, there are 107 hotels and guest houses in operation in Macau featuring 36,000 guest rooms, and [thousands of more rooms](#) will be added this year and next as additional hotels open hoping to cash in on the recovery and rising tourist volumes. That might not happen now if China scares them away.

### Under a microscope

Coupled with the arrest of 18 foreign casino employees last year for purportedly advertising gambling on the mainland -- you can mention resort amenities in China; you just can't say the reason anyone would want to go to Macau -- as well as changes made to how much money can be withdrawn at any one time from Macau ATMs, the decline of VIP gambling on the peninsula, a continuing crackdown on luxury and gift-giving under the guise of an anti-corruption campaign, and the rise of a [potentially lucrative](#) competing market in Japan, and you have a recipe for bringing the Macau casino rally to a screeching halt.

None of these things alone can shake Macau's recovery, but taken together as a whole, they may bleed the life out of the rally. And just one or two more cuts could be enough to kill it off for good.

*[Rich Duprey](#) has no position in any stocks mentioned. The Motley Fool has no position in any of the stocks mentioned. The Motley Fool has a [disclosure policy](#).*

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