

Unhappy New Year? Macau Casino Revenue Falls Flat

Written by Administrator
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Macau casino revenue was down slightly for the Chinese New Year period. Two key trends loom along the road to sustainable success. (Photo credit: Getty)^{Getty}

Macau casino revenue rose 4.4% in February from a year earlier, roughly matching expectations. After a [5% drop in January](#), gross gaming revenue for the combined January-February Chinese New Year period fell 0.5% compared to a year ago. Welcome to Macau Is Flat 2019.

February gaming revenue rose to 25.37 billion patacas (MOP; US\$3.17 billion). Credit Suisse analyst Cameron McKnight characterizes the month's 4.4% revenue growth as "above depressed expectations." Union Gaming Group managing director in Macau Grant Govertsen cites a more favorable calendar this year, with the Chinese New Year holiday beginning on February 5 instead of February 16, minimizing the pre-New Year lull and enjoying more of post-holiday premium player boom falling. Mass revenue likely grew in the low double digits, while VIP revenue fell.

For January and February combined, gaming revenue totaled MOP50.31 billion. The shortfall from last year averaged just over US\$500,000 a day. Sanford Bernstein senior analyst Vitaly Umansky attributes the decrease to slower Chinese economic growth and the smoking ban extension to VIP areas that took effect January 1. The GGR numbers are in line with the projected flat gaming revenue for the year, but two other Macau trends merit watching.

Macau visitor numbers keep growing, but their per capita spending fell in the fourth quarter. (Photo credit: Getty)^{Getty}

For the fourth quarter, visitor arrivals rose 14% but visitors' non-gaming expenditure grew just 1.3%. The numbers were skewed by big increases in same day visitors that seemingly want to try the newly opened [Hong Kong-Macau-Zhuhai Bridge](#) – a trend that continued in January – and not much else in Macau. Even though overnight visitors also continued to increase, per capita non-gaming spending contracted by 11% across the board. Per capita day tripper spending decreased 17%, and overnight visitor spending fell 4%.

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From February 1, Chinese authorities implemented judicial reinterpretations of rules on illegal foreign exchange transfers, mainly targeting shadow banking, and spelled out stiffer penalties for violations. Credit Suisse analyst in Hong Kong Kenneth Fong took a deep dive into new provisions, found there was no immediate impact, but flagged potential to crimp the high end of the market. Sanford Bernstein took its own look and emphasized the rules targeted activities that were already illegal.

Both analyst teams concluded that the most important aspect of the reinterpretation will be the extent to which authorities choose to enforce the tightened provisions. So far, there are no reports of increased scrutiny over foreign exchange movements in recent weeks.

With more places offering casino gambling, Macau needs to get the shopping and other supporting elements right to keep tourists coming and spending. (Photo credit: Paul Yeung/Bloomberg)© 2019 Bloomberg Finance LP

One is consumer taste: Macau must keep offering what its customers want, or find customers that want what it has. In a region with more and more casino gambling destinations, [Macau needs to get the food, shopping, entertainment and other elements right](#). The other is public policy: mainland China authorities must continue to tolerate Macau's casino industry and not seek to restrict it, as happened with the anti-corruption crackdown that cratered gaming revenue from mid-2014 through mid-2016. Gaming revenue growth that roughly tracks China's GDP expansion seemingly defines tolerable, at least for now.

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