

A little over a year ago, gambling revenue in Macau increased 40%. Now it is regularly falling by around that much, with revenue sliding for the 12th straight month in May.

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As gambling revenue plummeted for the 12th straight month in the world's biggest casino market, Macau's leader had a message for his people: Chill out.



“Stay calm and peaceful to observe trends with wisdom” was the title of an inaugural column by the city's Chief Executive Fernando Chui.

In an accompanying voice recording under an image of lush, green bamboo, Mr. Chui recited his message over a gentle piano instrumental.

The public therapy session, posted May 10, comes as casino operators forge ahead with the development of more than \$20 billion worth of new projects without knowing if Macau—where gambling revenue used to grow by the size of the Las Vegas Strip each year—will ever boom again.

A little over a year ago, in February 2014, gambling revenue rose 40% from a year earlier. Now it is regularly falling by around that much.

Monday brought more bad news as government data showed Macau gambling revenue had fallen 37% in May from the same period last year to 20.35 billion patacas (\$2.55 billion). It has fallen 37% so far in 2015 compared with the same period in 2014.

For years Beijing has urged Macau to quit its gambling addiction and become a more diversified tourism hub. Last year, China made it clear it was no longer asking. A series of government policies introduced by Beijing and Macau officials has abruptly ended the city's baccarat boom.

It has now even become taboo for Macau casino operators to talk about their main business. Instead they highlight attractions like a Batman virtual-reality ride and a replica Eiffel Tower. Last month, at a major annual regional casino conference in Macau, G2E Asia, the keynote speech was delivered by an MGM Resorts International executive whose primary role at the company has nothing to do with casinos—he is in charge of its hotel joint venture in mainland China.

Macau's problems started with highrollers. VIP gambling revenue began tumbling in May 2014 as China's intensifying corruption crackdown scared off big gamblers, just as the junket system that had financed them collapsed under the weight of its overly aggressive lending. Junkets bring highrollers to casinos, lend them money and then collect debts back home—generally in mainland China.

By October 2014, gambling revenue from lower-rolling but highermargin mass-market players started falling too.

In addition, fewer people are now coming to Macau—visitor arrivals fell 3.6% in the first four months of 2015 compared to the same period last year.

Mass-market tourists have been turned off by a range of policies including tighter visa restrictions for mainland Chinese visitors, increased oversight of UnionPay debit cards that many gamblers use to access funds in Macau, and new smoking restrictions at casinos.

Another problem was that, until recently, prices in Macau had been soaring. It wasn't uncommon to find hotel rooms that cost \$350 per

night or gambling tables requiring \$130 minimum bets—multiples of what could be found at Las Vegas casinos and other gambling hubs, according to brokerage CLSA.

"They came, they saw, they left with their money in their pockets," said Macau-based consultant Ben Lee, of value-seeking Chinese tourists to Macau. Though prices are falling now as tourist numbers decline, it could take years for people to think of Macau as an affordable place again, said Mr. Lee, managing partner at IGamiX.

Declining revenue from these lower-budget gamblers is particularly worrying for casino operators because this is precisely the group of customers they are building new resorts to attract.

Optimists hope the new round of projects and recently declining prices will bring customers back to Macau.

Pessimists say the new resorts will only compound Macau's woes as demand sags.

In a May 25 report, Morgan Stanley said minimum bets at Macau's gambling tables—which have already fallen more than 30% from their peak—and recreational facilities—which the new properties will offer—are the top two criteria for Chinese gamblers when choosing a casino.

Last week Galaxy Entertainment Group opened the second phase of its multibillion dollar flagship casino - resort, which includes such non-gambling amenities described as "a shopping destination and café society for the style community" and "the world's longest skytop aquatic adventure river ride." Just days before the opening, the government announced that it would only allow Galaxy an extra 150 gambling tables for the expansion compared with the 400-500 tables that could have been expected in the past.

Macau's other five casino operators—MGM, Las Vegas Sands Corp., Wynn Resorts Ltd., SJM Holdings Ltd. and Melco Crown Entertainment Ltd.—are also planning to open massive projects in the coming years.

Though Chief Executive Chui's column acknowledged that the pressures of modern society may spark "deep perplexity, generating feelings such as anxiety, restlessness, disturbance, disappointment [and] abandonment," he urged citizens to continue working toward diversifying Macau's economy away from gambling. "Our objectives are clear; our direction is right," he said.

China's leaders may be sending a similar therapeutic message through a bit of panda diplomacy, the country's long-established practice of gifting giant pandas to win hearts and minds. On Monday a pair of pandas named Kai Kai and Xin Xin, gifts to Macau from Beijing, were due to begin meeting the public at a local pavilion. When taken together, their names mean "Happy."