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Trade war impact on Chinese economy main cause of VIP results downturn – Analysts

By Nelson Moura



Macau (MNA) – Gaming analysts have told MNA that the main cause of the downturn this year in VIP gross gaming revenues has been the impact created on the Chinese economy by the country's trade war with the US.

In the first quarter of this year, mass market results surpassed VIP results for the first time, increasing 16.1 per cent year-on-year to MOP38.9 billion (US\$4.9 billion), while VIP market results dropped 13.4 per cent to MOP37.2 billion.

Previously, the Director of the General Association of Administrators & Promoters for Macau Gaming Industry, Luiz Lam, stated that new smoking regulations and increases competition from Southeast Asian markets was driving this decrease.

New smoking regulations enforced from January 1 of this year mandated that smoking in all gaming areas can only take place smoking lounges that conform to enhanced technical standards and be approved by the authorities.

However, analysts contacted by MNA believed that VIP results are being mainly influenced by a multitude of factors and stricter, of which the US-China trade war sticks out as the most relevant

"I think a couple mixed factors affecting the VIP market: economic slowdown in Mainland China, crackdown on underground bank and organizing people to Macau for gambling, competitions from other jurisdictions, and the stricter regulations of DICJ," the Director of the Macau Polytechnic Institute (IPM) Gaming Teaching and Research Centre, Wang Xiangbin, told MNA.

However for Wang, the most significant factor would be the economic situation in Mainland China, and only after larger economic improvements are seen will the VIP business comeback.

For the Managing Partner at IGamiX Management & Consulting, Ben Lee, the "main critical underlying driver of the downward trend" is the ongoing trade war, which has caused and is still causing significant dislocation in Macau's "prime VIP rice bowl" at the manufacturing/export sector in Guangdong.

However, Mr. Lee believed that the trade war effects on VIP gaming would last until it is resolved, and even considered that its effects could trickle down to mass market results.

"The relocation of these entrepreneurs to other jurisdictions together with a drop in spending/gaming behaviour as a result of dropping business confidence will eventually trickle through to the premium mass as well as grind mass. The only thing propping up mass is the fact that China is letting more visitations into Macau," Mr. Lee added.

The number of Chinese visitors coming to Macau in the first five months of this year has jumped 22.7 per cent year-on-year to more than 12.2 million.

Concerning the competition from other gaming jurisdictions such as Cambodia and Vietnam, the gaming analyst considered that Cambodia's explosive growth, especially in the city of Sihanoukville was mainly due to online gaming.

"IGamiX recently conducted a market study into the city and we believe that an estimated US\$3.5 billion and US\$5 billion in gaming revenue there is driven primarily by online gaming and the people who are on the ground engaged in online operations," he added.

Meanwhile, Vietnam was just a "much more attractive physical destination" that attracted more Chinese visitors

"Any decisions by junket operators to divert their players to other gaming jurisdictions have to be seen as normal commercial decisions. The VIP players are just like any other tourists. They get bored with visiting the same place over and over again and are always looking for the next new destination," Mr. Lee added.


"The value proposition offered in terms of lower on the ground costs combined with potentially higher benefits conferred by lower tax rates are normal considerations for any player. To keep those players coming back, Macau either has to keep reinventing itself or lower its tax rate in order to compete against these other up and coming jurisdictions"



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