



Crowds are sparse in Macau as border crossings are strictly controlled by China, Hong Kong and other countries

Asian Recovery or More of the Same?

Heading into 2020, it looked as though the gaming world would continue on its track of expansion in Asia. Macau was two years out from concession renewal. The Philippines was seeing strong growth in gaming and tourism. Jurisdictions such as Cambodia, Vietnam and others were seeing strong growth in their existing facilities with new projects being announced along the way.

Yet, it was shortly after the start of that year that the world began to change, and change rapidly. Macau initially shut down for two weeks, and the rest of the world soon followed with what still remains for many jurisdictions that are in Great Shutdown mode. Gaming revenue evaporated quickly. Timelines for expansion disintegrated. Concession renewals in Macau were put in limbo other than a two-year extension to put all of the concessionaires on the same timeline for renewals. Heading into 2022, there are just as many uncertainties as portions of Asia finally began to reemerge from nearly two years of lockdown.

One of the overarching issues as one looks at the Asian market with a focus on southeast Asia, and specially Macau, is understanding these markets are fueled by the flow of visitors in and out of China. The country still believes in a zero-Covid policy, which has kept the flow of visitors from Guangdong exceptionally slow at times and limited visitation to nearby Macau. A disappointing Golden Week along with Macau implementing mandatory testing for a period of time did not bode well for the last quarter of 2021, and news that the Hong Kong border would be open “by June” as stated in November is less than optimistic as the world’s largest gaming market tries to regain its prowess.

There are two other hindrances to an early recovery that stem at the root of Beijing’s control over the flow of Chinese tourists in and out of the country. The first of these is the hosting of the 2022 Winter Olympics in Beijing in February. China wants to make sure this goes off without a hitch, and that will include making sure that the number of Covid-19 cases does not flare up. The only way that happens is if they keep the country in lockdown mode.

The second is China’s policy toward gaming in general and the mysterious “blacklist.” President Xi Jinping clearly believes that gaming breaks up the “social harmony” of China. He has used the pandemic as a tool to further solidify this position with a supposed blacklist that would ban Chinese visitors from certain jurisdictions that the PRC finds to be exploiting visitors by luring them to participate in gaming.

While it is still unknown who is on this list, the reach is far and has wide implications—from preventing citizens from visiting certain areas to

the recent arrest of over 140 individuals that were illegally marketing for Tigre de Cristal in Vladivostok.

The challenges for Southeast Asia, and any other jurisdiction that relies heavily on Chinese tourists, is not only when they may return, but if they will be allowed to return at all. Some of these outposts will continue to have some traffic because of settlements of Chinese nationals in these countries to support the Belt and Road Initiative.

However, some of these jurisdictions may not see the return and, in some cases, might not be able to use the same tactics with junkets to allow customers and gaming dollars to flow in and out of the country. With all of these challenges on the horizon, gaming will start to materially recover closer to the second half of 2022 as the world reopens. Granted, one new variant of the virus could cause another shutdown, but countries and individuals are realizing that the world cannot shut down forever.

As 2021 closed out, the gaming industry started to reopen in key Southeast Asia markets as capacity constraints and borders have started to reopen. This will bode well for markets including Cambodia, Vietnam and the Philippines that have struggled through most of the last two years. It likely means that these markets will continue to rebound and likely start to see some of the expansion that was sought after two years ago, before the pandemic began.

The biggest item that will bring some clarity through 2022 is the concession renewals for Macau. While there are still many questions that need to be answered, renewals for all operators seem more likely than they did when the process was initially launched in the fall of 2021. However, the conditions and process to achieve these renewals may make it difficult for the market to return to its previously held records.

The challenge will be to find a path forward that allows operators that have invested billions of dollars into a market to continue to operate in a manner that benefits all parties. As the world watches what will happen in the largest gaming market in 2022, significant opportunity lies across all of Asia along with the potential risks that remain for the industry should parameters change.

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