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ASIA



Focus on Asia: The return of Chinese gamblers

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January 6, 2023

It has been repeated both in this column and by other commentators that in order for Macau's gaming industry to begin its economic recovery and for other Asian nations to begin seeing gamers from China return, one of two events would have to occur: either Covid went away or

China's zero-Covid policy went away. For much of 2022, it was generally believed that neither would happen. Then in December, amidst protests throughout the People's Republic of China (PRC), government officials made an abrupt 180-degree change and abandoned their zero-Covid policy. Near daily testing of residents along with lockdowns of neighborhoods and even entire cities came to an abrupt end.

The PRC also announced that it would lift quarantine restrictions on inbound travelers from other countries, effective January 8, 2023, and restart issuing passports and visas to its citizens. The Chinese gaming market is about to come roaring back, and countries that had long relied on Chinese gamblers prior to the pandemic can soon expect their return, albeit at varying rates.

2023 will mark the return of Chinese gamblers, and after three years of near isolation, they are going to be eager to travel. One can also expect that, depending on the jurisdiction, their sudden return will cause a bit of chaos.

Macau

Within days of the PRC's change in policy, health authorities in Macau also ended most of their regulations aimed at stemming the spread of the virus. As was feared by health authorities, the abandonment of their zero-Covid policy allowed the virus to rapidly spread through the densely populated city, albeit in a form that had evolved into a far less lethal strain. By the end of December, it was reported that one-sixth of Macau's population had become infected, although unofficial estimates suggested a far-higher level of infection. During the waning days of 2022, the streets of Macau were nearly empty, public offices were closed, as were many of the city's dining and retail establishments. People were either self-quarantining at home or just playing it safe until the wave of infections subsided.

The challenge for Macau's gaming and hospitality industry, particularly during the next few months, will be staffing up to pre-pandemic levels in order to serve what will soon be an onslaught of visitors. Lunar New Year begins on January 22, and it is doubtful that there will be enough employees healthy enough to return to work.

In addition, Macau saw an exodus of foreign workers over the past three years. Many hospitality workers from the Philippines, mid-level casino managers from Oceania, and even senior executives from other nations, including the United States, resigned their positions and went home. Getting them to come back is going to be a challenge. Aside from convincing people to return to their old jobs, the bureaucracy associated with the issuance of worker visas could further slow their collective return. One can expect service levels to lag for the foreseeable future, much as it did in the United States when leisure travel resumed in the spring of 2021.

Cambodia

Two jurisdictions in the Kingdom of Cambodia are expected to benefit greatly from the PRC's change in Covid policy: Sihanoukville and Phnom Penh.

Prior to the pandemic, the port city of Sihanoukville had experienced frenzied growth in hotel and residential construction, fueled by Chinese investors and leisure travelers from the PRC. The region's infrastructure had struggled in keeping up with this growth, and the pandemic allowed the government to improve its road, water and sewer networks. Nevertheless, the loss of Chinese

visitors severely impacted the tourism economy. While the region did see an exodus of foreign workers, the majority of the tourism workforce were Cambodian. The market's recovery may be rocky during the first quarter of 2023, but service levels should quickly recover to better match expected demand.

When looking back at the end of 2023, one property is expected to stand out as the greatest beneficiary of the return of Chinese gamblers. NagaWorld, the sole integrated casino resort in Phnom Penh, is expected to benefit in a number of ways. While Nagaworld had been able to perform admirably without Chinese tourists, the return of Chinese travelers will fill in an important gap in the resort's customer mix.

It is the junket segment that will have the greatest positive impact on the company's fortunes. NagaWorld and in particular NAGA2, its newest resort offering, was designed and built to compete with Macau for a share of the junket segment. Now that Macau's gaming regulators have made it extremely difficult for junket operators to do business in Macau's casinos, their best option will be to send their customers to NagaWorld. Just as important, with greatly reduced junket table game capacity in Macau, NAGA's leadership will be able to enjoy a certain degree of pricing power over its junket operators.

South Korea

Sixteen out of South Korea's seventeen casinos are designated as foreigner-only, and they have suffered mightily from the loss of Chinese visitors. In particular, the resort city of Jeju was a favored vacation spot for Chinese nationals, owing in large part to favorable entry policies for Chinese visitors arriving by air. Unfortunately, the city will not see an immediate resumption of tourists from China. South Korea announced this week that it will require all inbound visitors to provide a negative test result prior to entry, and all visitors will have to enter via Seoul's Incheon International Airport. With the eventual relaxation of entry policies, Chinese tourists are expected to return to Jeju by the year's second quarter, and many of them will be very eager to gamble.

The last three years have been difficult for Asia's gaming industry, and it is gratifying to see all jurisdictions on a path to recovery. Like in other parts of the world, the restart of the region's hospitality and leisure industries will at first be chaotic. So let the chaos begin.

In Closing

This article represents my last submission to CDC Gaming Reports' Focus on Asia. It is time to let other writers offer their commentaries on gaming in Asia. I would like to thank Brooke Pierce, Cory Roberts and Jeffrey Compton for their support, and the opportunity they presented to share my insights with their readers.

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