PHL gaming market recovery depends on return of Chinese tourists

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Reporter

THE RECOVERY of the Philippine gaming market may be dragged by the slow return of Chinese tourists, analysts said.

In a recent report, S&P Global said that the absence of Chinese junket operators has "rocked some gaming markets and will continue to affect some gaming companies" in the Asia-Pacific.

"Not all gaming revenues in Asia-Pacific markets will recover to pre-pandemic levels (the period between 2017 and 2019), but earnings for most should normalize over the next 12-24 months," it added.

S&P Global also noted that the return of Chinese tourists to Asia-Pacific markets will be gradual.

"We expect Chinese tourists to take about 12-18 months to return to market more meaningfully. Except for Macau, Chinese visitation to other markets still has a lot of catching-up to do," it said.

S&P Global said Chinese tourists appear to be preferring shorter trips, and increasingly traveling within China "amid the depreciation of renminbi and government efforts to stimulate the weak economy by promoting domestic tourism."

"Travelers also have less appetite for spending, in our view, and pent-up demand is likely on a diminishing trend," it added.

In the Philippines, S&P Global said that they focused their analysis on Melco Resorts & Entertainment's City of Dreams Manila as this would "reflect the local gaming market."

"We expect City of Dreams Manila to see its overall gross gaming revenue (GGR) below 2019 levels in 2023-2024, due to softness in VIP. The absence of Macao junkets and fewer Chinese players should drag the property's VIP recovery," Aras Poon, associate director at S&P Global, said in an e-mail.

According to S&P Global, the GGR in the Asia-Pacific region has been recovering since 2022. "As of the second quarter of 2023, GGR has recovered to 71% of pre-pandemic levels. Singapore and the Philippines have already surpassed this; other countries continue to steadily recover," it added.

Data from the Philippine Amusement and Gaming Corp. (PAGCOR) showed that total industry GGR rose by 49% to P136.37 billion as of end-June from the P91.72 billion in the same period a year ago.

Meanwhile, Mr. Poon said it expects City of Dreams Manila's mass and slot GGR to surpass its pre-pandemic levels by 2024 and 2025 amid "higher exposure" to Chinese players due to the Melco's presence in Macau. The casino-resort's growth will also be driven by "solid local demand," he added.

"This should support the property's earnings before interest, taxes, depreciation, and amortization (EBITDA) and cash flow recovery," Mr. Poon said.

Meanwhile, Regina Capital Development Corp. Head of Sales Luis A. Limlingan said that the slow tourism recovery from China could continue to impact revenues of casino-resort operators in the Philippines.

"The absence of Chinese tourists in the Philippines could have a substantial adverse impact on the gaming sector, primarily due to their status as one of the most lucrative spenders within the Philippine casino industry," he said in a Viber message.

Data from the Tourism department showed the Philippines welcomed 4.04 million visitors during the January-to-September period. Among the 3.7 million foreign visitors during the nine-month period, only 5.1% or 207,932 visitors were from China.

"In my view, the GGR could be at risk of having sluggish growth should demand from the Chinese continue to decline," he added.

On the other hand, Mr. Limlingan also noted that the weakening peso could counterbalance the slowdown, as this could "attract foreign tourists to engage more in gaming activities within Philippine gaming hubs."

Antonio A. Ligon, a law and business professor at De La Salle University, said that the recovery of the Philippine gaming market will depend on the government's regulatory measures and policies on gaming schemes.

PAGCOR earlier said it is planning to let go of its operator role to fully become a regulatory body. The divestment of its gaming operations is expected to be complete by 2025.

The Department of Finance has said it is ready to privatize PAGCOR's gaming operations once it begins its transition.

Maharlika,
from S1/1

Enrico P. Villanueva, a senior lecturer at the University of the Philippines Los Baños, also fears that the suspension of the IRR may be aimed at allowing the President to have greater say on the choice of the Maharlika Investment Corp.'s top executives, "like choosing someone outside of the prescreened applicants."

"Political influence on sovereign wealth fund (SWF) affairs runs contrary to Santiago Principles governing SWFs," he said via Messenger chat.

Mr. Villanueva also noted that the law's IRR lacks guidance on how foreign or local private investors can participate or invest in the fund.

Malacañang may also be studying "some possible legal and operational loopholes of MIF to ensure that the possible benefits of the law will be achieved," according to Gary Ador Dionisio, dean of the De La Salle - College of Saint Benilde School of Diplomacy and Governance.

ACT Teachers Party-List Representative and Deputy House Minority leader France L. Castro said the suspension of the IRR proves that the law is "flawed in so many levels."

"It would be better if (Mr. Marcos) just scrapped the whole Maharlika law rather than just suspend it," she said in a statement, noting that the fiscal health of the LANDBANK and DBP are in "jeopardy because of the administration's obsession with MIF."

The creation of the Philippines' first sovereign wealth fund has been criticized by economists, who warned that using BSP's dividends as seed capital for the MIF would further delay the central bank's capital buildup.

The National Government is sourcing its P50-billion contribution to the MIF from 100% of the BSP dividends for the first two years.

Mr. Remolona said the BSP's contribution to the MIF should not be affected by the suspension of the IRR.

"We already did, so it doesn't affect that... It's a suspension of the IRR. It's not a cancellation of the fund," he said.

House Ways and Means Chair and Albay Rep. Jose Maria Clemente S. Salceda, one of the law's authors, said that despite the IRR's suspension, "we are still on track to get the ball rolling by the end of this year."

"Don't overthink this. It's the Executive Branch working things among themselves, as is proper at this stage of the law's implementation," he said in a statement.

He noted it would be better if the issues related to the law's IRR would be resolved before the fund gets off the ground.

Inflation,
from S1/1

In its Regional Economic Outlook Asia Pacific report, the IMF said central banks in the region should carry through with policies to ensure inflation is "durably at appropriate targets."

"However, with challenges from headwinds to the outlook and limited policy space, continued fiscal and financial policy normalization is essential to support disinflation, preserve financial stability, and rebuild fiscal buffers. In addition, structural reforms to mitigate the negative impact from pandemic scarring, global climate change, and geoeconomic fragmentation are urgently needed," the multilateral lender said.

The IMF said it projects inflation in Asia to ease towards central bank targets in 2024, ahead of the rest of the world where inflation is not seen to return to target at least until 2025.

"Risks to inflation from food (particularly rice) and fuel prices remain tilted to the upside; core inflation itself is susceptible to food, fuel, and shipping cost shocks, especially in emerging markets and developing economies. There is also considerable uncertainty around lags of policy transmissions and the relative size of supply and demand shocks," it added.

The IMF expects the Asia-Pacific region to grow by 4.6% this year from 3.9% in 2022. Asia's growth is expected to slow to 4.2% in 2024 and to 3.9% in the medium term, which it said was the lowest in the past two decades except for 2020.

"The Asia and Pacific region thus remains a relatively bright spot compared to 3% expected global growth this year... The slowdown in China's property sector will weigh on demand throughout the region," the multilateral lender said. — **AMCS**