

Macau confirms its casinos overtake Las Vegas Strip

Macau confirmed Tuesday it had overtaken the Las Vegas Strip as the world's biggest casino draw, saying it raked in more than seven billion dollars in 2006.

The tiny southern Chinese enclave's 22 casinos generated 16.7 billion patacas in the final quarter, taking the year's total gross gaming revenues to 56.2 billion patacas (7.2 billion US dollars).

By comparison, the 40-odd casinos on Las Vegas' famous main strip – including the plush Venetian and MGM resorts – generated 6.6 billion dollars.

Analysts tipped in October that the city had overtaken Las Vegas, based on earnings projections.

But Tuesday's GDP figures are the first time that city officials have confirmed the historic development.

Gambling earnings have boomed in Macau since 2001 when the government ended tycoon Stanley Ho's 40-year monopoly on casinos in the city and allowed foreign operators to move in.

The result has been a sudden rush of up to 25 billion dollars of mostly American cash into the once-moribund century-old local industry.

„This once again showcases that Macau continues to have an upward trajectory of tourism activity being led by the casino gaming industry,“ said analyst Jonathon Galaviz, a partner of Las Vegas-based Globalysis, which tracks world gaming and travel trends.

„And Macau's combination of GDP growth and casino revenue growth is continuing to be driven by significant growth in

disposable income of mainland Chinese citizens," he said.

Growth has been fuelled by an explosive rise in tourism from China, following the relaxation of travel restrictions from the mainland in the wake of the former Portuguese enclave's reversion to Chinese rule in 1999.

A record 22 million people visited Macau in 2006, 12 million of them from mainland China and seven million from nearby Hong Kong.

Macau's renaissance from a crime-ridden territory with an ailing gaming sector was led by the Las Vegas Sands company, which opened the Macau Sands in 2004.

Other big American names to have taken advantage of the relaxed regulatory environment are Steve Wynn's resorts and MGM. Australia's Crown casinos and Hong Kong's Galaxy have also opened gaming centres, as has Ho, who remains a dominant figure in the industry.

Sands will open the Venetian Macau later this year, a 3,000-room hotel casino complex that will also feature a million square-feet of exhibition space and top-end retail.

It will be the centrepiece of the Cotai Strip, a 100,000 square metre gaming district built on a new reclamation that will eventually hold more than a dozen new casino resorts.

„Moving forward, the next major opportunity for upward growth will be with the Venetian opening in 2007," said Galaviz.

The gambling explosion has been a boon for the government too, which has reaped a goldmine in tax receipts, enabling the China-backed political leader Edmund Ho to cover his entire annual budget with casino revenue by the autumn.

„By all indications the Macau government is doing a good job of managing growth of the tourism sector and using the sector to generate macro economic GDP growth," said Galaviz.

Galaviz pointed out, however, that there are a few black spots on the horizon.

„Risks remain in 2007, such as increasing construction costs and tight labour markets – these are issues that will need to be addressed,“ he said.