

Economy

Overview

Though a small economy, Macao pursues an open economic policy. It boasts one of the lowest tax regimes in the Asia Pacific region and sound financial stability. As a free port and a separate tariff zone, which has no foreign exchange controls, Macao is an active player in the regional economy and a vital link between the mainland Chinese and global markets.

Since the founding of the Macao Special Administrative Region, the economy has maintained rapid growth thanks to the development of the gaming industry. In 2017 Macao's economy gradually rebounded from a period of adjustment and consolidation. In the year its GDP stood at 404.2 billion patacas, an increase of 9.1 percent in real terms, putting an end to three years' economic contraction. The job market remained good and the financial system remained stable.

According to preliminary data from the Monetary Authority of Macao, the city's fiscal reserves were 514.89 billion patacas as of the first quarter of 2018, while its foreign reserves stood at 156.9 billion patacas.

According to the 2018 Index of Economic Freedom released by the US-based Heritage Foundation, Macao's economy is rated as "mostly free" for the tenth consecutive year, ranking 34th among 180 economies worldwide, and ninth among 43 economies in the Asia-Pacific region. Macao scored relatively well in the following categories: fiscal stability, government spending, trade freedom, investment freedom, tax burden, monetary freedom and financial freedom.

The MSAR Government continued to leverage on Macao's unique advantage in 2017 to press ahead with regional cooperation in building the world hub in leisure tourism and the services platform for trade cooperation between China and Portuguese-speaking countries. With a top-down approach, the government strived to enhance coordination capability to achieve synergy in the implementation of the five-year plan, supporting the Belt and Road initiative and participation in the development of the Guangdong-Hong Kong-Macao Greater Bay Area. The Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Greater Bay Area was signed, in a bid to turn the area into a more vibrant

economic zone, a high-quality area for living, employment and tourism, and a demonstration zone for deep cooperation between mainland China, Hong Kong and Macao

Gaming

The history of Macao's gaming industry can be dated to the mid-19th century. At the turn of the 20th century, the gaming industry and the tourism industry have become one of the mainstays of Macao's economy.

In 2002 the MSAR Government liberalised the gaming market, introducing new investors and operational models to the local market. This has injected new momentum and diversity to the development of the gaming industry and given rise to numerous job opportunities.

At present six gaming companies have been granted concessions to independently operate casino gaming in Macao. Each gaming operator has been striving to press ahead with building different facilities in a bid to transform Macao into a world hub of tourism and leisure.

As of the end of 2017, there were 40 casinos in Macao, employing a total of 56,634 gaming workers with an average monthly salary of 22,940 patacas.

Macao's gaming market began to recover in 2017. The annual gross gaming revenues stood at 266.607 billion patacas (with gross casino gaming revenues hitting 265.743 billion patacas), an increase of 19.1 percent over 2016. Macao remained the biggest gaming market in the world.

In the first five months of 2018, gross gaming revenues were 127.727 billion patacas, contributing to gaming tax revenues of 47.52 billion patacas.

Regional Cooperation and the Convention Industry

Leveraging on its unique advantages, Macao has sought to forge stronger economic links with the mainland. The implementation of the Mainland and Macao Closer Economic Partnership Arrangement (CEPA) in January 2004 and the framework agreement on Pan-Pearl River

Delta cooperation in June 2004 marked a new milestone for the economic relations between mainland and Macao.

In March 2017, the work report of the Central People's Government officially made the plan for the development of Guangdong-Hong Kong-Macao Greater Bay Area metropolis a national strategy. Later in July the National Development and Reform Commission signed with the governments of Guangdong, Hong Kong and Macao the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Greater Bay Area. In addition, the report of the 19th National Congress of the Communist Party clearly stated the nation's support for Hong Kong's and Macao's integration into national development, highlighting the Guangdong-Hong Kong-Macao Greater Bay Area, Guangdong-Hong Kong-Macao cooperation and Pan Pearl River Delta cooperation to press ahead with complementary cooperation between mainland China, Hong Kong and Macao.

In December 2017, mainland China and Macao signed the CEPA Investment Agreement and CEPA Agreement on Economic and Technical Cooperation to foster further cooperation among industries of the two sides. A new chapter on "Deepening Co-development of the Commercial and Trade Cooperation Service Platform between China and Portuguese-speaking Countries" has been incorporated into CEPA Agreement on Economic and Technical Cooperation. Macao will keep raising its international competitiveness while promoting commercial and trade cooperation between China and Portuguese-speaking countries. Another new chapter on "Deepening Commercial and Trade Cooperation in Development of Belt and Road" has also been added. Mainland China also supports Macao's participation in the development of the "Belt and Road" initiative through a wide range of measures, including the establishment of a work-related communication mechanism, sound information exchange channels and an exchange platform, cooperation in production capacity, and exploration of markets along the "Belt and Road".

In 2017, Macao's export value under CEPA totalled 94.70 million patacas, resulting in waived taxes of 5.2 million patacas. In the 14 years since the implementation of CEPA, goods worth a total of 861 million patacas have been exported to the mainland with zero tariffs, with waived taxes totalling 61.89 million patacas.

The headquarters of the China-Portuguese-speaking Countries Cooperation

and Development Fund in Macao officially opened in Macao on 1 June 2017. This provides support services in investment and financing to Chinese enterprises (including Macao enterprises), and enterprises in Portuguese-speaking countries.

Figures show that the trade volume between China and Portuguese-speaking countries in 2017 stood at 117.588 billion US dollars, a year-on-year rise of 29.4 percent.

Convention and Exhibition Industry

In 2017, the Government continued to foster the development of the convention and exhibition industry through the “conventions as the priority” approach, by launching the Convention Ambassador programme and inviting six authoritative figures to be convention ambassadors, to help Macao with attracting more regional or international conventions to be held in Macao. The Government also implemented and optimised a series of supportive measures for the convention industry, and completed a revision of the Convention and Exhibition Incentive Programme and International Convention and Professional Exhibition Support Scheme. The effectiveness of these supportive measures was consistently monitored through pre-approval assessments and on-site inspections. The Government also took an active role in helping the industry to cope with human resource challenges. As at September, seven conventions in Macao were awarded certification by the Global Association of the Exhibition Industry (UFI). According to the 13th edition of the Annual Report on the Trade Fair Industry in Asia, published by the Global Association of the Exhibition Industry, Macao was ranked the most outstanding exhibition market in Asia in the past five years.

In 2017, a total of 1,381 events (1,285 meetings and 51 exhibitions) were held in Macao, attracting 1,901,000 visitors.

In the first quarter of 2018, a total of 328 meetings and exhibitions were held in Macao, attracting more than 278,000 visitors.

Traditional Chinese Medicine

The MSAR Government and the Guangdong government signed the Framework Agreement on Cooperation Between Guangdong and Macao on 6 March 2011 in Beijing in a bid to expand the scope for

Macao's development and to follow the national strategy of coordinated regional development. A five-kilometre plot of land in Hengqin, Zhuhai, has been allocated for joint industrial cooperation between Guangdong and Macao. On this allocated plot, a 0.5-kilometre plot of land has been designated for the Traditional Chinese Medicine Science and Technology Industrial Park – a landmark project of Guangdong-Macao cooperation. Meanwhile different projects on tourism, convention and exhibition, cultural industry and education have been rolled out in phases to provide enormous opportunities for Macao's economic diversification.

On 19 April 2011, the Traditional Chinese Medicine Science and Technology Industrial Park was inaugurated. In the area of traditional Chinese medicine, the Government consistently boosted efforts to attract capital and build infrastructure for the Guangdong-Macao Traditional Chinese Medicine Technology Industrial Park, driving more high-quality mainland China and Macao enterprises to establish a foothold there. It also fostered regional cooperation and international exchanges in the traditional Chinese medicine industry, including establishing partnerships with Guangdong and Sichuan, as well as expanding the scope of cooperation with Fujian. The Government also assisted Macao enterprises in promoting their products in Portuguese-speaking countries, such as Mozambique and Portugal, and followed up with matters concerning international product registration and import and export trade. In September 2017, the Government helped two patented Chinese medicines to complete their registrations with Mozambique; one of these is manufactured by a Chinese medicine factory in Macao.

Specialised Financial Service

Specialised financial service is a nascent industry which the Government has actively promoted in recent years. In this regard, the Government has revised two laws: Legal System for Financial Leasing Businesses, and Tax Incentives for Financial Leasing, thereby improving the legal foundation for the development of the industry. The Government also launched supportive measures – providing convenient business registration, application for non-resident workers, and temporary residence permit application for management-level staff and qualified technical specialists – with a view to inviting more high-quality financial leasing companies to establish businesses in Macao. Importing and training talented people will, it is hoped, enable specialised financial professional teams to be established more quickly.

The Government also strived to create a mechanism for exchanging information between the banking industry associations of Guangdong and Macao, regarding “Belt and Road” investment and financing needs, with a view to fostering regional financial cooperation and expanding room for development of the industry. In 2017, three Macao banks established businesses in mainland China. Through cross-departmental cooperation, the Government visited neighbouring regions, including Guangzhou, Zhongshan and Zhuhai, in the fourth quarter of 2017, to promote Macao’s specialised financial services.

Labour and Employment

In 2017 Macao’s economy rebounded and the unemployment rate stood at two percent.

The median monthly salary of the employed population was 15,000 patacas. The median monthly salary of local workers stood at 19,000 patacas, up by 1000 patacas from the previous year. As at the end of December 2017, the number of foreign employees imported to ease local labour shortage stood at 179,456, an increase of one percent compared with the figure in 2016.

The unemployment level during the first quarter of 2018 was 1.9 percent and underemployment rate was 0.6 percent. The labour participation rate was 70.6 percent; 75.2 percent was male and 66.7 percent was female. The total labour force was 388,000; of which 7,500 was unemployed. The total employed population was 380,500.

For more information:

Statistic and Census Service (<http://www.dsec.gov.mo>)

Macao Trade and Investment Promotion Institute (<http://www.ipim.gov.mo>)

Monetary Authority of Macao (<http://www.amcm.gov.mo>)

Economic Services (<http://www.economia.gov.mo>)

Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries (Macao) (<http://www.forumchinapl.org.mo>)

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