



Economic Outlook. Our assessment of the Macau gaming market couldn't be complete without reviewing the prospects of the Chinese economy. We currently anticipate that China's economic growth will slow in 2018 as the government implements actions to slow its credit expansion. We based our view on commentary from China's deputy head of the Research Office of the State Council, who stated that GDP growth at 6.3% in 2018-2020 would be sufficient to achieve the Party's 2020 growth target. We also note that recent economic data suggest the economic cycle has indeed cooled down. We note that in Q3'17 fixed asset investment (FAI) growth turned negative in real terms for the first time since Q4'04. Further, growth of property sales for the nation turned negative in October (first time since 2015). Lastly, we note that the property market boom in Tier 3 cities seems to be losing momentum as well.

We believe that the slowdown of China's credit expansion is a positive message for the long term. In our view, GDP growth at 6.3% in 2018-2020 should support a healthy expansion of the Macau gaming market.