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Estimating Casino Revenues and Transfers for the Philippine Balance of Payments Statistics

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I. Background and Objective

The revitalized casino and gaming industry is turning out to be of growing importance for the Philippines and its economy, having generated about ₱158 billion (US\$3.3 billion) in gross gaming revenues in 2016 and ₱172 billion (US\$3.4 billion) in 2017.¹ In 2016, data from the Philippine Statistics Authority (PSA) indicated that tourism contributed 8.6 percent to nominal GDP. A study conducted by Technavio Research noted that in 2015, over 67 percent of foreign tourists in the Philippines visited a gambling hub in Manila.² Euromonitor International also estimates that casinos in the country account for about 60 percent of tourism-related activities in terms of their total value.³ Conceptually, gambling expenditures of non-residents while on travel (or other non-residents by definition, such as foreign diplomats and military stationed in foreign territories) are recorded under travel services. Meanwhile, revenues from online gambling (in which non-resident gamblers are not travelling to a foreign territory) are recorded under personal, cultural, and recreational services of the trade-in-services account of the balance of payments (BOP). In addition, non-residents' winnings in gambling activities are recorded as current transfers. Currently however, such receipts and transfers are data gaps in the Philippines' BOP.

This paper aims to discuss the profile of the country's casino and gaming industry, describe the nature of casino transactions, and recommend an estimation methodology to measure the contribution of this industry to the trade-in-services and secondary income account of the country's BOP.

II. Introduction

Since 1976, the Philippine Amusement and Gaming Corporation (PAGCOR) was mandated with regulatory and operational oversight over all casino and gambling activities in the country. In 1983, it was mandated to act as the only government corporation with the exclusive authority to conduct and establish gaming pools and casinos in the country. The firm operates its own casinos and several VIP slot clubs. It also oversees and regulates privately owned casinos, bingo parlors as well as e-games cafes across the country. In 2007, under Republic Act (RA) 9487, PAGCOR was mandated to regulate games of chance, to issue licenses, and enter into joint venture, management, or investment agreements with private entities. Realizing the potential upside of having a vibrant casino industry from neighboring gambling enclaves such as Macau, Singapore and Malaysia, the Philippine government liberalized the casino industry in 2008 to the private sector and foreign industry players.⁴ Amid the relaxed policy, businesses engaged in

¹ PAGCOR, *Philippine Gaming Industry Data 4Q 2017*

² Technavio Research, "Changes in Player Demographics to Create Opportunities for the Casino Gaming Market in the Philippines Through 2020", June 14, 2016.

³ Euromonitor International. (2017, September). *Passport: Travel in the Philippines*. Retrieved from <http://www.euromonitor.com/>

⁴ Shead, Bob. "Gaming Industry in the Philippines." *Gaming Industry in the Philippines*, 12 Feb. 2018, www.aseanbriefing.com/news/2017/09/20/gaming-industry-philippines-part-casinos.html.

gambling operations must be affiliated with PAGCOR, become subject to its regulatory powers, and operate under a PAGCOR license. The casino gross gaming revenue (GGR) grew markedly from ₱41.63 billion (US\$0.88 billion) in 2008 to ₱152.46 (US\$3.02 billion) as of end 2017.⁵ In a 2013 ruling, the Supreme Court upheld the exemption of PAGCOR, its contractees and licensees from the corporate income tax of 30 percent as income from gaming operations is only subject to the 5% franchise tax under Presidential Decree 1869.⁶ Casino GGR represents around 5 percent of the annual budget of the National Government (NG) as generated funds from gambling operations are used to augment the NG's budget for infrastructure and various socio-civic projects.⁷

The liberalization of the gaming industry and preferential tax treatment the industry enjoyed led to the entry of foreign investments from non-resident casino and hotel operators, giving rise to the establishment of integrated casino resorts inside and outside Metro Manila. Citing data from PAGCOR, there are a total of 50 operational casinos in the Philippines as of 2017 - of which 27 are exclusively owned and operated by PAGCOR, 14 are co-owned and operated by PAGCOR through joint ventures, and 9 privately owned and operated casinos.

Table 1: Number and Gross Gaming Revenue of PAGCOR-Operated and Licensed Casinos

Year	Number of Casinos			Gross Gaming Revenue (in billion Php)		
	PAGCOR-Operated Casinos	Licensed Casinos	Total	PAGCOR-Operated Casinos	Licensed Casinos	Total
2008	37	4	41	27.47	14.17	41.63
2009	42	6	48	27.51	30.22	57.73
2010	41	7	48	25.75	36.38	62.13
2011	42	7	49	28.43	46.24	74.67
2012	46	7	53	31.30	44.44	75.73
2013	47	8	55	27.93	53.26	81.19
2014	46	9	55	25.70	69.91	95.61
2015	44	9	53	25.26	82.44	107.70
2016*	44	10	54	31.82	102.23	134.05
2017*	41	9	50	34.38	118.18	152.56

Sources: NTRC Tax Research Journal

* Latest PAGCOR data

The majority of gaming tables are concentrated in casino hubs such as Entertainment City and Newport City in Metro Manila, where the four-operational integrated casino resort projects

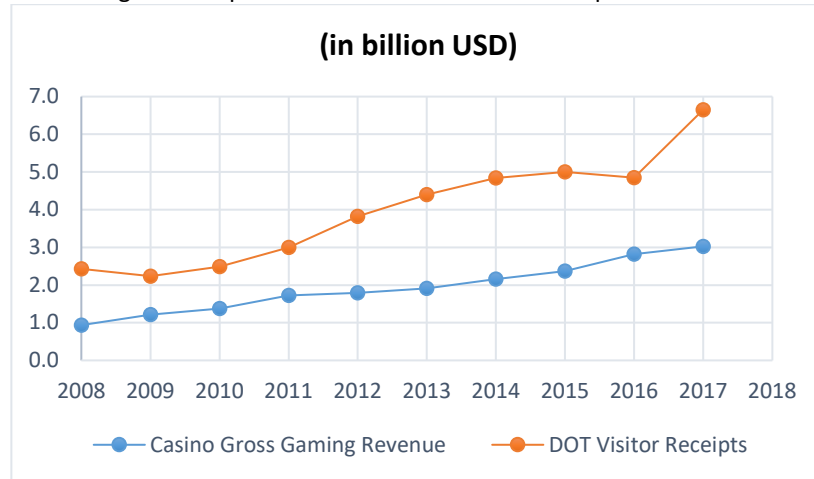
⁵ Nejar, Eva Marie T. "Proposed Imposition of Casino Entrance Fee." *NTRC Tax Research Journal*, Edited by Monica G Rempillo, XXIX, no. 5, 2017, pp. 1–11., www.ntrc.gov.ph/images/journal/2017/j20170910a.pdf.

⁶ Catanjal, Alyssa Mari G. "An Exploratory Study on the Casino Industry in the Philippines for Data Improvement on the Balance of Payments Statistics Compilation." *Academia.edu*, 22 Aug. 2016,

⁷ Anti-Money Laundering Council. "The Philippines Second National Risk Assessment on Money Laundering and Terrorist Financing, 20 Dec. 2017. www.amlc.gov.ph/images/PDFs/NRARReport20152016.pdf.

are situated namely: City of Dreams Manila, Solaire Resort & Casino, Okada Manila, and Resorts World Manila. In effect, the bulk of casino GGR in the country are from the noted casino enclaves. Of the ₱152.56 billion casino GGR in 2017, around 72 percent are from Entertainment City and Newport City combined, 23 percent are from PAGCOR casinos, 5 percent are from casinos in Clark, Pampanga and 1 percent from Thunderbird casinos in Binangonan, Rizal and San Fernando, La Union.

Figure 1: Department of Tourism Visitor Receipts vs Casino GGR



Sources: Department of Tourism, NTRC Tax Research Journal

From the graph above, it can be observed that the growth in visitor receipts is aligned with the casino GGR growth. However, upon validation with the statistics division of the Department of Tourism (DOT), it was learned that the DOT's visitor sample survey on visitor receipts does not specifically identify gambling-related spending of foreign visitors to the Philippines. Furthermore, it is highly likely that the DOT's data on visitor receipts do not capture those derived from gambling activities.

III. Gaming Market

The casino gaming market in the Philippines is divided into the three major market segments namely: 1) Very Important Person (VIP); 2) Mass; and 3) Electronic Gaming Machines (EGM).⁶ The VIP segment caters to high net-worth individuals who wager huge sums of money in casino establishments. Also referred to as junket players, VIPs are mostly foreign passport-holding players who are brought into the country by third-party junket operators to play in junket rooms that are separate from the general or mass market casino patrons. Meanwhile, mass and EGM segments cater to ordinary players who walk into casinos and play at mass gaming tables or slot machines.

Technically, anyone over the age of 20 can engage in casino gambling with the exception of Filipino civil servants who are prohibited to engage in any form of gambling activity. PAGCOR

also has the authority to ban or exclude players from gaming venues or sites if and when they are assessed to be unfit to gamble.⁸

In the particular case of online casinos, there is a distinction between the target market of offshore gaming establishments and e-games. Philippine Offshore Gaming Operators (POGO), are not accessible in the Philippines and Filipinos are not allowed to participate wherever they may be located. Aside from requiring some primary proof-of-identity upon registration, only foreign Internet Protocol (IP) addresses are allowed to play in internet casinos. On the contrary, e-games is an online gaming platform being offered by PAGCOR to online players in the Philippines. 7 E-games cafes are PAGCOR-licensed brick and mortar establishments that provide a computer based online casino service to both Filipino and foreign clients.

The market for land-based casinos is a mix of both domestic and foreign players. In the case of Solaire Resort and Casino, Chinese nationals are said to contribute at least 30 percent of its GGR and about 50 percent of its VIP volumes.⁹ Analysts are also upbeat on Chinese players being growth drivers of the local casino market amidst the prevalence of proxy betting and resurgence of Chinese visitor arrivals in the country. Proxy betting is a practice that permits a gambler to place bets via telephone or the internet rather than being physically present in a casino. More than the Chinese, however, Grant Govertson of advisory firm Union Gaming mentions that the Philippines actually enjoys a wide mix of nationalities that play in its casinos. The client mix of foreign players also widely consists of Koreans, Japanese and Malaysians among others. Data from regulators revealed that in 2015 and 2016, the revenue earned from foreign players was at 28.14 percent and 30.46 percent, respectively.⁷ However, other industry reports note that the VIP segment, which comprises mainly of foreign players constitute about 50 percent of the industry GGR.²

Nature of Transactions

In land-based casinos, players gamble via cash or casino chips depending on the type of play.⁸

- For EGMs or slot machines, casino tokens are used but newer machines already accept cash. Players insert cash notes into the bill acceptor of slot machines in order to play. If the player wins and opts to cash out, the slot machine will issue a printed coupon or a card that can either be used in another machine or can be redeemed for cash at the casino's cashier.
- For table games, casino chips are used. Cash is exchanged at the cashier into their equivalent value in casino chips by one or more of the following methods of payment:
 1. in cash;
 2. in exchange for chip purchase vouchers issued by the licensee;
 3. by charging to the patron's credit card, where a transaction involving a credit card is permitted under the regulations made thereunder;

⁸ PAGCOR. "Casino Regulatory Manual", 2016.

www.pagcor.ph/regulatory/pdf/Casino/Casino%20Regulatory%20Manual%20for%20Entertainment%20City%20Licensees%20Version%203.0.pdf.

⁹ Gonzales, Iris. "China gamblers fuel growth of Philippine casinos." *The Philippine Star*, 25 Sept. 2017, philstar.com/business/2017/09/25/1742253/china-gamblers-fuel-growth-philippine-casinos.

4. by direct debit from the amount standing to the credit of the patron's deposit account or cheque cashing account with the licensee;
5. by an amount debited against the patron's credit account with the licensee, where the licensee is permitted to issue chips on credit to the patron; or
6. by such other mode of payment as PAGCOR may approve.

Conversely, casino chips can be encashed at the casino's cashier via the following methods of payment:

1. cash;
 2. a cheque issued by the licensee payable to the patron or any other person named by the patron;
 3. an amount transmitted by telegraphic or electronic funds transfer from the licensee's account to an account of the patron's choice; or
 4. an amount credited, in accordance with the patron's instructions, into the patron's or any other patron's deposit account, cheque cashing account or credit account, with the Licensee.
- When VIP players come into a casino, they usually play on credit through a junket operator. VIP players who are brought in by junket operators are usually issued dead chips which they likewise purchase from the junket agents. Dead chips are non-negotiable playing chips used for the sole purpose of playing and cannot be exchanged for regular casino chips or cash. In Solaire Resort & Casino for instance, the minimum bet in VIP rooms is said to be 5,000 US dollars.¹⁰ When a VIP player wins at VIP betting tables using dead chips, the player is given chips which can then be encashed at the casino. In addition, casino establishments and junket operators split the earnings of gross gaming revenues from VIP play. With the sheer amount of money VIP players bring in, casinos have a variety of incentives for VIP players to purchase dead chips in large amounts from junket agents. These incentives vary from bonuses, refunds, discounts and accommodation gratuities.⁷
 - Junket financial transactions with VIP players are difficult to track because settlements are done in another jurisdiction; usually at the country of residence of junket players. Financial transactions of junket operators do not involve actual fund transfers but are undertaken through offsetting of balances with their respective agents abroad. Their financial transactions are similar to a hawala system of money remittance, an informal but cost-effective method for money transfer where parties are anonymous and transactions do not have paper trails, making transactions largely undetectable.⁷

¹⁰ Lema, K., & Marshall, A. (2016, April 01). *Don't ask where money came from, says Manila casino boss in heist probe*. Retrieved from reuters.com: <https://www.reuters.com/article/us-usa-fed-bangladesh-philippines/dont-ask-where-money-came-from-says-manila-casino-boss-in-heist-probe-idUSKCN0WY4UY>

- Transactions between the junket and casino operators, however, are done in cash and a small percentage representing the junket operations undertaken by the casino operators are transacted through the banking system.⁷

Online casino transactions make use of e-wallets of their players' pre-registered accounts. As a player, one needs to make a deposit to his or her e-wallet before he or she can start playing. There are various deposit methods online players can opt for in order to fund their e-wallets. Widely accepted methods include credit/debit cards, such as Visa, American Express and MasterCard; and use of e-wallets, such as Skrill, Neteller and Paypal. Other cash-in options are done through bank wires, checks and bank drafts, but also include Western Union and Moneygram. Recently, some online casinos have started accepting cryptocurrencies such as Bitcoin as payment options.

In withdrawing winnings, most of the cash-in options mentioned similarly apply in cashing out but among the most popular are done through e-wallet transfers via PayPal, Skrill, Neteller, and Bitcoin wallets. Online casinos are also said to have more restrictive withdrawal limits to dissuade account holders from using online games to park or launder illicit funds.

IV. Gross Gaming Revenue (GGR)

Some casino terminologies defined below would help in understanding the nature of casino gaming revenues.¹¹

Casino Win/GGR: Defined as the total amount of casino income. Win can also be defined as the difference between the total amount wagered or played and the amounts repaid to winners. The concept of win is similar to that of net sales revenue of a commercial business. Win is often referred to as gross gaming revenue (GGR).

Drop: A measure of total wagering activity in a casino. The term is commonly used for table games. When used in connection with a slot machine, drop refers to the total number of coins in the collection bucket or the total value of all currency in the slot machine's bill acceptor. There is no simple way to measure the total wagering activity in table games, and only the net effect of the wagering – that is, the win – can be measured. In most situations, the true drop cannot be accurately determined. It can only be estimated.

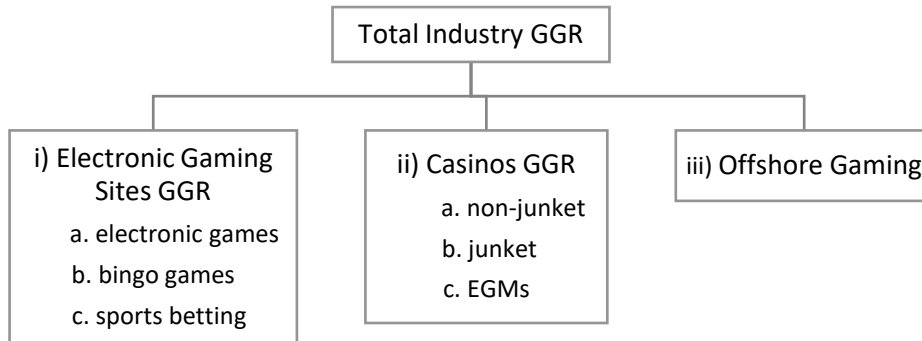
Hold: The total amount retained by the casino and actually represents the same concept as casino win.

Hold percentage: the percentage of gaming revenue retained by the casino, divided by the total amount of casino gaming activity (drop). It can be used to determine overall gaming efficiency, but it can also be used to compute the performance of various games, both by shift and by table.

¹¹ Greenlees, E. Malcolm. *Casino accounting and financial management*. University of Nevada Press, 2008.

Total industry GGR as published by PAGCOR consists of: 1) Electronic Gaming Sites GGR; 2) Casinos GGR; and 3) Offshore Gaming GGR. Electronic Gaming Sites GGR is made up of revenues from electronic games, bingo games, and sports betting, while Casinos GGR is broken down into non-junket, junket, and EGMs.

Figure 2. Industry Revenue Breakdown



A. Electronic Gaming Sites GGR

Electronic Gaming Sites GGR are derived from electronic games, bingo games, and sports betting. Players from this segment are a mix of Filipino nationals and foreigners.

B. Casinos GGR

Generally, there are three categories in the reporting of casino GGR: mass tables (non-junket), VIP tables (junket), and slots (EGMs). Mass table revenues are earnings from average gamblers who walk into a casino and play at ordinary betting tables. VIP table revenues are earnings from VIP players. Lastly, slot revenues are earnings from casino slot machines.

Table 2. 2016 -2017 GGR of Solaire Resort and Casino

<i>(in millions Php)</i>	2017		2016	
	Revenue	Hold	Revenue	Hold
VIP tables	20,712	2.61%	18,613	2.61%
Mass tables	12,059	32.80%	10,062	32.20%
Slots	11,749	6.40%	9,667	6.80%
Total	44,520		38,342	

Source: Bloomberry Resorts Corp. audited financial statement for the fiscal year end 31 Dec 2017

From the sample GGR report above, we can see hold percentages reported next to revenues. As the hold percentage approximates how much of the total amount wagered by players flow to the revenue line for a particular reporting period, we can therefore compute for the total amount wagered with the following formula:

$$\text{Total Amount Wagered} = \frac{\text{Gross Gaming Revenue}}{\text{Hold (\%)}}$$

conversely,

$$\text{Gross Gaming Revenue} = \text{Total Amount Wagered} \times \text{Hold (\%)}$$

C. Offshore Gaming GGR

The POGO system was initially implemented by PAGCOR in 2016 to shore up online casinos in the Philippines and serve large overseas gaming markets like China. However, not all licenses were said to be fully operational within the said year. Latest PAGCOR data notes that industry revenues from offshore gaming have netted over ₱319 million (US\$ 6 million), or about 0.18 percent of total industry GGR in 2017. In addition, as of end February 2018, 54 POGO licenses have already been issued despite previous pronouncements that PAGCOR could cap the number of POGO licenses to 50.

Table 3. Philippine Gambling Industry GGR

SECTOR	FY2016	FY2017
<i>(in million Php)</i>		
Electronic Gaming Sites	24,063	23,631
Casinos	134,056	152,554
Offshore Gaming	-	319
TOTAL	158,119	176,504
<i>(in million USD)</i>		
Electronic Gaming Sites	507	469
Casinos	2,823	3,027
Offshore Gaming	-	6
TOTAL	3,330	3,502

Source: PAGCOR

Latest administrative data from PAGCOR reports that the Philippine gambling industry GGR grew by 5.2 percent to reach US\$3.5 billion in 2017 from US\$3.3 billion in 2016. By revenue contribution, industry GGR in 2017 came mainly from Casinos (86.4 percent), followed by Electronic Gaming Sites (13.4 percent), and Offshore Gaming (1 percent).

Table 4. Breakdown of Casino GGR

CASINOS	FY2016	FY2017
<i>(in million Php)</i>		
Non-Junket	54,078	59,831
Junket	37,330	41,746
EGMs	42,647	50,978
CASINO GGR	134,056	152,554
<i>(in million USD)</i>		
Non-Junket	1,139	1,187
Junket	786	828
EGMs	898	1,011
CASINO GGR	2,823	3,027

Source: PAGCOR

Looking at the breakdown of casino GGR, mass tables (non-junket) are its largest contributor, followed by slot machines (EGMs) and lastly, by VIP tables (junket). Latest data however runs contrary to pre-existing notions that VIP players are the primary driver of casino revenue such as in the current Philippine case, mass market play contributes to a larger share of casino GGR than the VIP segment.

V. Recording and Estimation

Framework

Based on the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6), non-residents' gambling expenditures while on travel in foreign countries are recorded under travel services. Paragraphs 10.88 and 10.172 outline the following provisions:

10.88 – *In the case of travel, the consumer moves to another territory to consume the goods and services that he or she acquires. For these reasons, travel is not identified as a service in the Central Product Classification (CPC). Goods and services provided to visitors while on their trips that would otherwise be classified under another item such as postal services, telecommunications, local transport, hire of equipment, or gambling are included under travel.*

10.172 – *Acquisition of other personal, cultural, and recreational services such as (education, health, museums, and gambling) by persons while outside their territory of residence is included in travel and excluded from this item.*

In this regard, non-residents' gambling activities while in the territory of their residence (i.e. online gambling) are recorded under other personal, cultural, and recreational services in the BOP. Subsequently, non-residents' winnings in gambling activities are recorded as current transfers as explicitly mentioned in paragraphs 12.25, and 12.26 of the BPM6 manual:

12.25 – *The amounts paid for lottery tickets or placed in bets consist of:*

a) a service charge to the unit organizing the lottery or gambling

b) current transfers that are payable from the gamblers to the winners, and in some cases, to charities.

The transfers are regarded as taking place directly from those participating in the lottery or gambling to the winners and charities. That is, they are not recorded as transfers to or by the unit operating the gambling. Some of the service charge at the purchasers' prices may include gambling taxes, which are shown as payable by the operator, not the customers.

12.26 – *When non-resident households take part in gambling, there may be net transfers between residents and non-residents. In some cases the winner of a lottery does not receive a lump sum immediately but a stream of payments over future periods. This arrangement should be recorded as the receipt of the lump sum as a current transfer equal to the present value of the payment stream and the immediate purchase of an annuity.*

Estimation Methodology

A. For Services

For the service charge receivable from gambling, this paper draws from Cambodia's Pilot Survey on International Trade in Services Enumerator's Manual which makes use of GGR as earnings of casinos on account of gambling (total amount bet by gamblers minus gamblers' winnings). However, non-gambling earnings of casinos derived room rentals and food and beverage expenses are excluded as they are already assumed to be part of DOT's data on visitor receipts which are captured under travel services.

The estimation methodology computes for GGR from non-residents from the three major revenue segments of Casinos, Electronic Gaming Sites, and Offshore Gaming. A more detailed estimation of casino GGR may be imputed based on data assumptions on hold rates and the share of non-residents per casino gaming activity. For Electronic Gaming Sites, the 30.46 percent share of non-residents to GGR was likewise assumed while Offshore Gaming GGR is understood to be entirely coming from non-residents. The estimation methodology is illustrated as follows:

$$i. \quad \text{Amount Wagered in Casinos} = \frac{\text{Casino GGR}}{\text{Hold Rate (\%)}}$$

- ii. **Casino Wagers by Non-Residents** = Amount Wagered in Casinos x Share of Non-Residents to Wagers (%)
- iii. **Casino GGR from Non-Residents** = Casino Wagers by Non-Residents x Hold Rate (%)
- iv. **Electronic Gaming Sites GGR from Non-Residents** = Electronic Gaming Sites GGR x Share of Non-Residents to Revenues (%)
- v. **Offshore Gaming GGR from Non-Residents** = Offshore Gaming GGR x Share of Non-Residents to Revenues (%)
- vi. **GGR from Non-Residents** = Casino GGR from Non-Residents + Electronic Gaming Sites GGR from Non-Residents + GGR from Offshore Gaming

SERVICES (in million USD)

CASINO	FY 2016		FY 2017	
	Revenue	Hold	Revenue	Hold
Non-Junket	1,139	32.2%	1,187	32.8%
Junket	786	2.6%	828	2.6%
EGMs	898	6.8%	1,011	6.4%

	Amt. Wagered in Casinos	Share of Non-Residents	Amt. Wagered in Casinos	Share of Non-Residents
Non-Junket	3,536	30%	3,619	30%
Junket	30,117	100%	31,733	100%
EGMs	13,206	30%	15,803	30%

	Amt. Wagered by Non-Residents	Amt. Wagered by Non-Residents
Non-Junket	1,061	1,086
Junket	30,117	31,733
EGMs	3,962	4,741

	GGR from Non-Residents	GGR from Non-Residents
Non-Junket	342	356
Junket	786	828
EGMs	269	303
Casino GGR FROM NON-RESIDENTS	1,397	1,488

SERVICES (in million USD)

	FY 2016	FY 2017
	GGR	GGR
Casinos	1,397	1,488
Electronic Gaming Sites	152	141
Offshore Gaming	0	6
GGR FROM NON-RESIDENTS	1,549	1,635

From the estimates above, note that the sum of GGR from Casinos and Electronic Gaming Sites will be recorded under travel services, while GGR from Offshore Gaming will be recorded under other personal, cultural, and recreational services.

B. For Transfers

Meanwhile, given that there is no data available on the transfer component covering the winnings of both resident and non-resident gamblers, we may derive an estimated value of gamblers' winnings by using the following formulas:

$$\text{Total Amount Wagered} = \frac{\text{Gross Gaming Revenue}}{\text{Hold (\%)}}$$

$$\text{Gamblers' Winnings} = \text{Total Amount Wagered} - \text{Gross Gaming Revenues}$$

Estimating for non-resident gamblers' winnings would implicitly require an assumed hold percentage for the entire gambling industry (Casinos, EGMs, Offshore Gaming). Note however that an industry hold percentage is difficult to benchmark given that there are different hold rates for different gambling entities and activities. In addition, there are no available data of Electronic Gaming Sites and Offshore Gaming hold rates. For the purpose of this estimation, derivation of the transfers component is limited to estimates of casino transfers alone. Amount wagered in casinos by non-residents is given by (Winnings = Total Amount Wagered – Gross Gaming Revenues). The estimates are as follows:

TRANSFERS (in million USD)

	FY 2016	FY 2017
Non-Junket Wagers by Non-Residents	1,061	1,086
Junket Wagers by Non-Residents	30,117	31,733
EGM Wagers by Non Residents	3,962	4,741
TOTAL CASINO WAGERS OF NON-RESIDENTS	35,140	37,560
LESS: CASINO GGR ATTRIBUTABLE TO NON-RESIDENTS	1,397	1,488
CASINO WINNINGS OF NON-RESIDENTS	33,743	36,072

Table 5: Summary Table of Estimates

<i>(in million USD)</i>	FY2016	FY2017
Services Receipts - GGR from Non-Residents	1,549	1,635
<i>of which:</i> Travel	1,549	1,629
Personal, cultural, and recreational	-	6
Transfer Payments - Winnings of Non-Residents	33,743	36,072

From the table above, it can be observed that estimates for service receipts are at US\$1.5 to US\$1.6 billion from 2016 to 2017. In terms of percent shares to total industry GGR, estimated GGR from non-residents are at 46.53 percent in 2016 and 46.68 percent in 2017. Considering estimates for both years, calculated percentages are well within reported industry benchmark figures of 30 percent to 50 percent. Estimated figures can subsequently be incorporated as a credit item in travel, as well as in personal, cultural, and recreational services sub-account of the BOP.

For transfers on the other hand, the estimated values of winnings of non-residents are much larger than GGR, reaching US\$33.7 billion (in 2016) to US\$36.1 billion (in 2017). A 2017 Bloomberg article did however cite that Philippine casinos had as much as US\$27 billion in bets placed in 2016, and possibly far more if off-book betting were tallied. Given that GGR is theoretically the difference between total bets placed and total winnings, this could somehow support the large estimates of gambling winnings provided that total industry GGR is reported to be just around US\$3.0 billion.

BPM6 provides that transfers representing amounts payable from the gamblers to the winners are regarded as taking place directly from those participating in the lottery. Therefore, transfers will be recorded in the BOP only to the extent that the amounts payable to non-resident winners are sourced from amounts wagered by resident gamblers. In the above computations, the winnings of non-residents amounted to US\$33.7 billion in 2016 and US\$36.1 billion in 2017. Given that these levels are lower compared to the amounts wagered by non-residents (US\$35.1 billion in 2016 and US\$37.6 billion in 2017), it can be assumed that amounts paid to non-resident winners are all sourced from non-resident gamblers. Therefore, there will be no transfers from non-residents' winnings that will be recorded in the BOP.

VI. Limitations of the Study

Data Sources

Administrative data published by PAGCOR is the sole basis of total industry GGR used in the estimation of GGR and winnings of non-resident gamblers. The methodology as to how PAGCOR produced this data is unknown to the BSP and is assumed to represent the aggregate GGR for all physical and online gambling units in the Philippines. In addition, GGR was also assumed to represent the aggregate service charge receivable of all resident gambling units. Furthermore, estimates of Philippine residents' gambling expenditures and winnings in foreign territories are not available due to lack of data.

Estimation Methodology

The discussed estimation methodologies work under certain limitations such as the fixed assumptions on casino hold rates and share of non-residents to GGR. These figures are subject to change over time hence, it would be prudent to regularly update assumed values through correspondence with and data provision by gaming establishments and PAGCOR. Furthermore, estimates of transfers, or casino winnings of non-residents prove to be harder to determine given the non-availability of actual data.

VII. Recommendations

This study recommends that it may be better to direct questions relating to winnings of non-residents to PAGCOR or casino establishments. Some information used in the estimates can be extracted from administrative data, company financial statements, and industry reports however, reconciliation of available data sources prove to be difficult. In addition, there is also a need to disaggregate and thoroughly understand available data to come up with better estimates of related service revenues and winnings from non-residents. Given the existing limitations, filtering available administrative data with the help of the industry regulator can be worked on moving forward. Also, the proposed conduct of a casino survey in 2018 with the assistance of the ASEAN-Australia-New Zealand Free Trade Agreement Economic Cooperation Work Program (AANZFTA-ECWP) can help the Balance of Payments compilers of the BSP to collect more disaggregated, analytical, and accurate data to generate better estimates of casino and gambling service revenues.

VIII. Concluding Remarks

The Philippine gambling industry is on a trajectory of growth but the BOP statistics compiled by the Bangko Sentral ng Pilipinas (BSP) falls short in capturing service revenues from casino and gambling activities. Under this premise, the paper discussed a brief background of the growing Philippine casino industry, its current market, and some intricacies in the nature of casino transactions. The paper additionally discussed casino revenues and proposed a method on how to estimate gaming industry service revenues and casino winnings attributable to non-residents. As the industry is now reported to generate around US\$3.0 billion dollars in GGR annually, associated service revenues from non-residents is estimated to fall between 30 to 50 percent of total industry GGR or about US\$1.6 billion. Also, gambling winnings of non-residents are estimated to fall between US\$33.7 to US\$36.1 billion. However, since these amounts are assumed to be sourced from non-residents' wagers, this will not be recorded in the BOP. In addition, this paper recommends coordination and dialogue with the industry through PAGCOR in order to be able to navigate and understand other intricacies of the gambling industry that this paper may have failed to take note of. Coordination with PAGCOR may also help with the understanding, disaggregation, and improvement of administrative reports so as to cater to the data needs of the BSP for BOP statistics.