

# *HARTAMAS NOTES FOR THE WEEK*

*-Make Real Estate A Breeze-*

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Research

“One should count each day a separate life.”

**Seneca**

*(an ancient Roman philosopher)*

What you need to know this week:



**01** Banks' loan growth to stay at 5-6% in 2023 on economic stability



**02** Impact of OPR hike to be felt in 3-6 months



**03** GDP rises by 14.2% in Q3

# Healthy loan growth *expected next year*

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## **What's going on here?**

S&P Global Ratings expects the Malaysian banking sector's loan growth to stay at 5%-6% in 2023, on the back of the country's economic stability, which will support the creditworthiness of Malaysian businesses and consumers.

## **What does this mean?**

S&P Global highlighted that property market risks should stay contained, although oversupply issues in the real estate market remain a structural challenge. Nonetheless, the risks from the sector will be partly absorbed by modest growth in property prices in recent years, banks' prudent loan-to-value ratios, and cautious lending to the commercial segment.

## **Why should I care?**

Despite the moderate rise in credit stress and non-performing loan ratio due to the end of loan moratorium, Malaysian banks' solid capitalisation and provisioning buffers will help them to absorb these risks.

# Impact of the *OPR hike*

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## **What's going on here?**

Knight Frank Malaysia MD said that the fourth increase in the overnight policy rate (OPR), which corresponds to a 1% increase this year, will have a bigger impact on the real estate industry in the next 3 to 6 months.

## **What does this mean?**

For every 25 basis points increase in the OPR, the monthly instalment amount would increase by 2.2- 2.5%. Even though the sum is relatively small, it still has an impact on people with existing mortgages particularly the B40 and M40 group. On the bright side, loan requests for the acquisition of residential property remained steady after the third OPR hike, with the loan approval rate rising to 43% in July from 41% in June 2022.

## **Why should I care?**

Industry experts believe that the rise in OPR rates will not have a significant impact on real estate sales since it is still lower than the pre-pandemic level. However, the secondary market will more likely feel the pinch since it doesn't enjoy discount and incentives that its primary market counterpart does.

# Positive economic *growth*

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## What's going on here?

Malaysia's economy grew by 14.2% in 3Q22 compared to 5% and 8.9% in the first two quarters, supported by continued expansion in domestic and external demand, improved labour market, as well as ongoing policy support.

## What does this mean?

The growth was partly lifted by the low-base effect due to the strict containment measures in 3Q21. The unemployment rate declined to 3.7% in 3Q22 from 3.9% in 2Q22, while the domestic demand was driven by positive private consumption and business prospects. Outstanding household loans grew by 6.2% on account of high growth in loan disbursements to households for the purchase of houses and cars, reflecting continued loan demand amid the lapse of some measures such as the sales tax relief on new vehicles.

## Why should I care?

Moving forward, the Malaysian economy will continue to be driven by firm domestic demand, strong labour market, the realisation of large infrastructure projects, as well as higher tourist arrivals.

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