

Report on Mortgage Loans Statistics, April - September 2022

Research and Statistics Department
Monetary Authority of Macao

1. New Approvals of Residential Mortgage Loans

New approvals of residential mortgage loans (RMLs) continued to contract in the period under review. Compared with the previous quarter, such loans declined by 41.7% and 9.0% in the second and the third quarter of 2022 respectively. On an annual basis, new approvals of RMLs decreased by 60.5% to MOP4.4 billion in the third quarter of 2022, after witnessing a drop of 48.2% in the preceding quarter (Table 1).

The resident component continued to dominate, occupying 98.8% of newly approved RMLs in the six months to September 2022. New approvals of RMLs dropped year-on-year by 47.2% for residents and 78.5% for non-residents in the second quarter of 2022, followed by further decreases of 60.4% and 67.4% respectively in the third quarter of 2022.

Analysed by loan usage, “financing purchase of residential properties” took up 58.5% of new RMLs approved during April to September 2022. Compared with the same period in 2021, approvals of new RMLs for the purchase of residential properties retreated by 56.0% in the second quarter of 2022, and further decreased by 73.7% in the subsequent quarter. At the same time, approvals of new RMLs for other purposes dropped by 24.2% and 13.5% respectively in the second and the third quarter of 2022.

Table 1: New RMLs Approved (Period Figures)

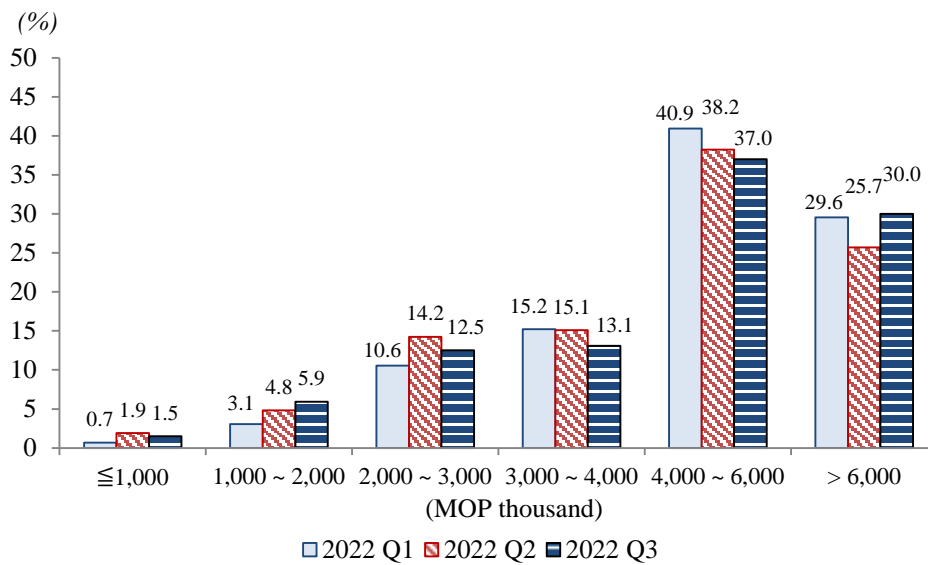
	2022			Quarter-to-quarter change		Year-on-year change	
	Quarter			2022 Q2	2022 Q3	2022 Q2	2022 Q3
	1	2	3				
	(MOP thousand, unless stated otherwise)			(%)		(%)	
1 New RMLs approved	8,206,040	4,787,267	4,357,395	-41.7	-9.0	-48.2	-60.5
- Residents	8,120,685	4,723,121	4,312,560	-41.8	-8.7	-47.2	-60.4
- Non-residents	85,355	64,146	44,835	-24.8	-30.1	-78.5	-67.4
2 New RMLs approved by sector of borrowers							
(a) To individuals	6,967,847	4,162,142	3,140,883	-40.3	-24.5	-50.2	-69.8
<i>Of which: collateralised by uncompleted units</i>	1,803,823	306,330	113,336	-83.0	-63.0	-57.4	-89.5
- Residents	1,769,961	281,476	103,831	-84.1	-63.1	-60.6	-90.3
- Non-residents	33,862	24,854	9,505	-26.6	-61.8	547.7	116.7
(i) to finance purchase of residential properties	5,419,885	3,070,295	2,263,727	-43.4	-26.3	-54.6	-73.7
(ii) others	1,547,962	1,091,847	877,156	-29.5	-19.7	-31.5	-50.3
(b) To enterprises	1,238,193	625,125	1,216,512	-49.5	94.6	-30.3	86.9
<i>Of which: collateralised by uncompleted units</i>	0	0	0	..	..	-100.0	..
- Residents	0	0	0	..	..	-100.0	..
- Non-residents	0	0	0	..	..	..	..
(i) to finance purchase of residential properties	17,140	10,300	7,210	-39.9	-30.0	-95.7	70.3
(ii) others	1,221,053	614,825	1,209,302	-49.6	96.7	-6.6	87.0

Note: .. Not applicable.

Equitable mortgage, which represented 4.6% of new RMLs approved in the six months to September 2022, shrank by 59.5% and 89.5% year-on-year in the second and the third quarter of 2022 respectively. Equitable mortgage to residents, occupying 91.8% of the respective total for the six months ending September 2022, fell by 62.6% and 90.3% year-on-year in the respective quarters. On the other hand, after surging by 547.7% year-on-year in the second quarter of 2022, the non-resident portion expanded by 116.7% in the third quarter of 2022.

Chart 1 depicts the distribution of new approvals of RMLs by loan amount. Within the MOP2.3 billion of new RMLs approved for the purchase of residential properties in the third quarter of 2022, 37.0% were loans ranging between MOP4.0 million and MOP6.0 million, lower than a share of 38.2% in the previous quarter. Loans with the amount above MOP6.0 million formed the second-largest group with a share of 30.0%, up from 25.7% in the second quarter of 2022. Meanwhile, the share of loans amounting between MOP3.0 million and MOP4.0 million decreased 2.0 percentage points from the preceding quarter to 13.1%.

Chart 1: Approvals of New RMLs* by Loan Amount

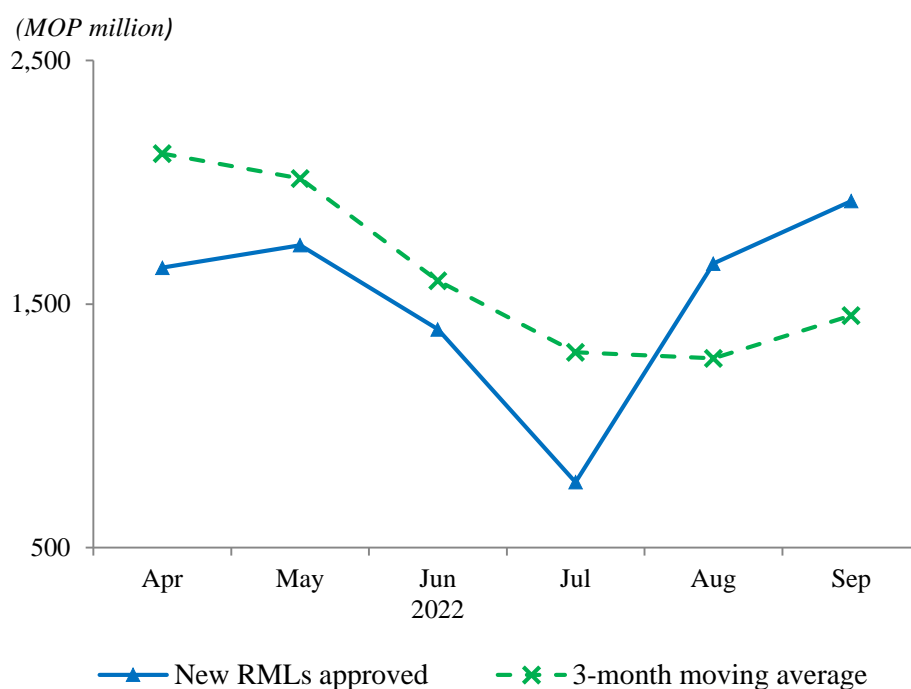


Note: *New RMLs approved in this chart include new RMLs approved to finance the purchase of residential properties only.

In the third quarter of 2022, virtually all new RMLs approved were arranged on a floating-rate basis. Among the newly approved RMLs, 46.5% were priced at more than 2.5% below the prime rate, down from 70.0% in the preceding quarter or 82.2% in the same period last year. Meanwhile, 4.0% were priced at the prime rate, higher than 1.1% or 0.8% respectively in the previous quarter and in the same period of 2021.

Chart 2 shows that monthly statistics of new approvals of RMLs fluctuated markedly during the six months ending September 2022. While newly approved loans rose by a wide range of 5.6%-116.9% in three individual months, monthly decreases ranging between 19.8% and 45.0% were logged in the other three months. During the period under review, the corresponding 3-month moving average generally exhibited a downward trend.

Chart 2: New RMLs Approved



2. New Approvals of Commercial Real Estate Loans

New commercial real estate loans (CRELs) contracted year-on-year by 36.0% to MOP22.4 billion during the sixth-month review period to September 2022. On an annual basis, after registering an increase of 1.1% in the second quarter of 2022, such loans dropped by 70.6% in the subsequent quarter. On a quarterly basis, new CRELs approved fell by 68.9% in the third quarter of 2022 to MOP5.3 billion (Table 2), after an increase of 9.1% in the preceding quarter. In the third quarter of 2022, new CRELs to residents, representing 95.9% of the total, decreased year-on-year by 71.4% to MOP5.1 billion. Meanwhile, those to non-residents fell by 7.4% from a year ago to MOP219.5 million, assuming a share of merely 4.1%.

Analysed by loan usage, new CRELs approved to finance property investment dropped year-on-year by 19.7% in the third quarter of 2022. Nevertheless, its share in total new CRELs rose to 16.7% from 6.1% in the same period of 2021. Meanwhile,

new CRELS approved to finance property development¹ and for other purposes made up 2.7% and 80.6% of the total respectively.

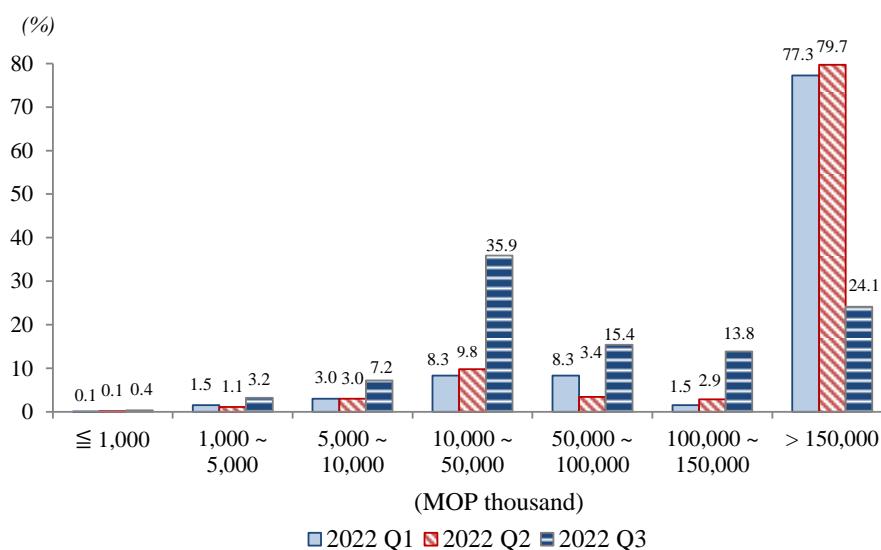
Table 2: New CRELS Approved (Period Figures)

	2022			Quarter-to-quarter change		Year-on-year change	
	Quarter			2022 Q2	2022 Q3	2022 Q2	2022 Q3
	1	2	3				
	(MOP thousand, unless stated otherwise)			(%)		(%)	
1 New CRELS approved	15,623,650	17,050,395	5,306,616	9.1	-68.9	1.1	-70.6
- Residents	15,601,277	16,813,305	5,087,135	7.8	-69.7	0.5	-71.4
- Non-residents	22,373	237,090	219,481	959.7	-7.4	81.3	-7.4
2 New CRELS approved by usage							
(a) To finance property development (including construction of residential, commercial and industrial buildings)	1,960,766	865,067	141,385	-55.9	-83.7	-56.3	-66.8
(b) To finance property investment (purchase of properties)	682,429	619,905	885,988	-9.2	42.9	-83.0	-19.7
(c) Others	12,980,455	15,565,423	4,279,243	19.9	-72.5	38.5	-74.1

Chart 3 depicts the distribution of new approvals of CRELS by loan amount. In the third quarter of 2022, 35.9% of new CRELS approved were in the range of MOP10.0 million to MOP50.0 million, higher than a share of 9.8% in the previous quarter. Loans over MOP150.0 million formed the second-largest group, with its share decreasing from 79.7% in the second quarter of 2022 to 24.1% in the third quarter. Meanwhile, the share of loans ranging between MOP50.0 million and MOP100.0 million rose from 3.4% to 15.4%.

¹ Including construction of residential, commercial and industrial buildings.

Chart 3: Approvals of New CRELs by Loan Amount

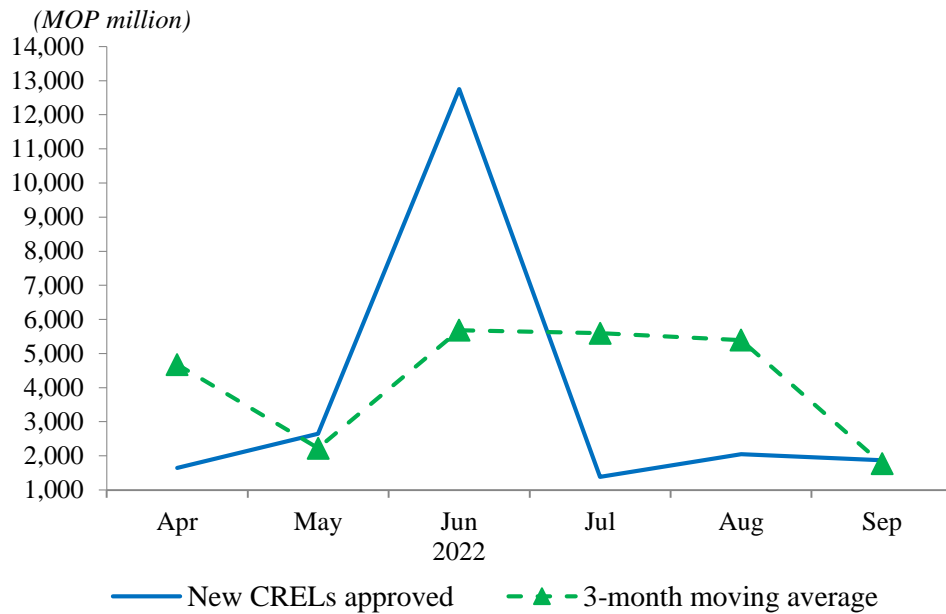


With respect to the lending rate, 35.5% of new CRELs approved were arranged on the HIBOR² basis in the third quarter of 2022, down from 69.2% in the previous quarter or 59.6% in the same period of 2021. Meanwhile, the share of newly approved CRELs priced at or below the prime rate marked at 59.4% in the third quarter of 2022, higher than 24.4% in the previous quarter or 39.3% in the same period of 2021.

As shown in Chart 4, new approvals of monthly CRELs were relatively volatile in the period under review. Monthly rises varying between 47.5% and 381.5% were recorded in three individual months whereas newly approved loans shrank by 8.4%-89.1% in the other three months. The corresponding three-month moving average has broadly trended down since July 2022.

² HIBOR refers to Hong Kong interbank offered rate.

Chart 4: New CRELs Approved



3. Outstanding RMLs and CRELs

As at end-September 2022, the outstanding balance of RMLs stood at MOP234.8 billion, down by 0.7% from three months earlier or 1.2% from a year ago. The resident sector remained dominant and reached MOP222.7 billion, representing 94.8% of total RMLs outstanding.

Concurrently, the outstanding balance of CRELs amounted to MOP159.0 billion, representing an increase of 0.5% from end-June 2022 or 0.6% from a year earlier. The resident component, which accounted for 93.3% of the total at end-September 2022, rose by 0.5% from a year ago to MOP148.4 billion.

Table 3: Gross Outstanding RMLs and CRELs (End-of-period Figures)

	2022			Quarter-to-quarter change		Year-on-year change	
	Quarter			2022 Q2	2022 Q3	2022 Q2	2022 Q3
	1	2	3				
	(MOP thousand, unless stated otherwise)			(%)		(%)	
1 Gross outstanding RMLs	238,798,277	236,517,257	234,848,457	-1.0	-0.7	-0.1	-1.2
- Residents	226,504,521	224,438,406	222,691,387	-0.9	-0.8	0 [#]	-1.3
- Non-residents	12,293,756	12,078,851	12,157,070	-1.7	0.6	-2.0	0.3
2 Gross outstanding RMLs overdue	839,130	956,997	1,124,157	14.0	17.5	63.8	90.8
3 Gross outstanding CRELs	160,891,172	158,148,725	158,974,322	-1.7	0.5	-1.7	0.6
- Residents	150,636,917	147,693,641	148,388,835	-2.0	0.5	-1.8	0.5
- Non-residents	10,254,255	10,455,084	10,585,487	2.0	1.2	-0.9	2.2
4 Gross outstanding CRELs overdue	995,412	995,121	1,279,067	0 [#]	28.5	12.4	26.8
Real Estate-Related Loans (RMLs+CRELs)	(%)			(percentage points)			
5 Share in total loans to private sector	29.6	29.1	30.1	-0.4	1.0	-0.4	-0.1
- RMLs	17.7	17.4	17.9	-0.2	0.5	-0.1	-0.2
- CRELs	11.9	11.7	12.2	-0.2	0.5	-0.3	0.1
6 Delinquency ratio	0.5	0.5	0.6	0.0	0.1	0.1	0.2
- RMLs	0.4	0.4	0.5	0.1	0.1	0.2	0.2
- CRELs	0.6	0.6	0.8	0.0	0.2	0.1	0.2
7 Write-off ratio (Period figures)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- RMLs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- CRELs	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: 0[#] magnitude less than half of the unit employed.

At end-September 2022, the share of gross outstanding RMLs in total private-sector loans (including both residents and non-residents) dropped 0.2 percentage points from a year ago to 17.9%. Meanwhile, the share of property-related loans³ in total private-sector loans, a broad indicator of Macao banks' exposure to the real estate market,⁴ edged down from 30.2% at end-September 2021 to 30.1%. These data indicated a faster shrink of property-related loans compared to total private-sector loans during the period.

The **delinquency ratio**, defined as the ratio of total amount of overdue loans for more than three months to total outstanding loans, provides an indication of the asset quality of banks' loan portfolio. The ratio for RMLs grew from 0.2% a year ago to 0.5% at end-September 2022 while the delinquent amount rose by 90.8% year-on-year to MOP1.1 billion. Meanwhile, the value of delinquent CRELs increased by 26.8% from a year earlier to MOP1.3 billion. In this vein, the delinquency ratio of

³ RMLs and CRELs are combined to provide a measurement of banks' property-related lending.

⁴ This indicator, however, is a broad measurement in the sense that different types of real estate-related loans, such as RMLs, loans to construction companies and loans collateralised by commercial real estate, may have different risk characteristics.

CRELs went up 0.2 percentage points year-on-year to 0.8% at end-September 2022. The combined delinquency ratio of RMLs and CRELs rose to 0.6% at end-September 2022 from 0.4% a year ago.

4. Conclusion

During the six-month period under review, new approvals of RMLs and CRELs exhibited divergent developments in terms of yearly comparisons. New RMLs approved witnessed consecutive decreases in the two quarters under review, whereas new CRELs approved rose in the second quarter of 2022 but dropped in the subsequent quarter.

In terms of outstanding loans, property-related loans continued to represent a significant portion of banks' lending business, especially for assets related to the resident sector. Nevertheless, their share in total customer loans inched down to 30.1% at end-September 2022 from 30.2% a year earlier, indicating a faster shrink of property-related loans relative to total private-sector loans. Meanwhile, the quality of property-related loans held up well though the combined delinquency ratio moved up slightly.

Annex: Glossary

Residency

An individual is classified as a resident if he/she has a centre of predominant economic interest in Macao Special Administrative Region (Macao SAR). He/she has, or will have, resided in Macao for over a consecutive period of at least one year. The individual's residency in Macao SAR should be supported by his/her Macao home address for the period of his/her residency. If the individual's residency cannot be ascertained, the holding of Macao Identity Card may be used as a proxy of residence.

A company is considered as a resident of Macao SAR if it has its place of operation (e.g. production of goods and/or provision of services) in Macao SAR for over a consecutive period of one year. The company's operations in Macao should be supported by its Macao business address for the period of its residency. If the company's residency cannot be ascertained, the holding of Registo da Sociedade (Company Registry) may be used as a proxy of residence.

Apart from this general definition, there are special cases where individuals or productive units should be considered residents of Macao SAR, they are:

- Students who study outside Macao or medical patients who seek medical treatment outside Macao remain residents of Macao SAR as long as they remain a member of a household in Macao SAR;
- Cross-border workers who work seasonally in other territories/countries or regularly cross the border (daily, weekly, etc.) to work in a neighbouring territory/country;
- Staff of international organisation or technical assistance personnel who live in Macao continuously for more than one year;
- Locally recruited staff of diplomatic representation;
- Pension funds of international organisation located in Macao SAR;
- Subsidiaries or branches of multinational conglomerate;

- Offshore enterprises;
- Construction companies operating a site office in Macao SAR for construction projects with a completion time over one year;
- Ancillary corporations⁵ or special purpose entities⁶ located in Macao SAR with their parent corporation located outside Macao;
- Nonprofit institutions maintaining a branch or unit for one year or more.

Residential mortgage loans (RMLs)

RMLs refer to credit facilities provided by banks to individuals and enterprises that are collateralised by residential real estate in Macao. They include loans to finance purchase of residential properties and other purposes (such as refinancing loans, working capital and trade financing).

Commercial real estate loans (CRELs)

CRELs refer to credit facilities provided by banks to individuals and enterprises that are collateralised by commercial real estate in Macao. They include loans to construction companies and loans to finance property development and investment (such as land development and construction of industrial, commercial and residential buildings for sale or for lease).

Commercial real estate encompasses buildings, structures, and associated land (including uncompleted units) used for offices, shops, industries, hotels and tourism facilities.

New loans approved (RMLs or CRELs) during the reporting period

New loans approved are loans approved (RMLs or CRELs) during the reporting period. It includes loans that are approved and drawn down as well as loans approved but not yet drawn during the reporting period.

⁵ A wholly-owned subsidiary whose productive activities are confined to providing services to the parent corporation and/or other affiliates owned by the same parent corporation.

⁶ Entities with flexible legal structures, which offer various benefits including concessional tax rates, speedy and low-cost incorporation, limited regulatory burdens, and confidentiality.

Equitable mortgage

Equitable mortgage refers to mortgage loans collateralised by uncompleted units. Uncompleted units are defined as properties which are planned to be constructed, under construction or completed but the developer has not yet obtained the occupation permit from the Government. If the properties are constructed by a stratified system of ownership, uncompleted units refer to properties with final registration of stratified system of ownership not yet completed, including individual units.

Delinquency ratio

Delinquency ratio is a ratio of total amount of overdue loans to total outstanding loans. Loans overdue refer to loans on which payments of interest and/or principal are overdue for more than three months.

Write-off ratio

Write-off ratio refers to the amount of RMLs or CRELs written off during the reporting period as a percentage of the average of RMLs or CRELs outstanding.

Negative equity

Negative equity refers to those RMLs with an outstanding loan amount which exceeds the current market value (CMV) of the collateralised property.