

Leading Indicators

Key economic and financial metrics impacting property markets

Apr-25

Lower inflation boosts prospect of second rate cut in May

DROP IN SERVICES INFLATION SIGNALS MORE EASING TO COME

Modest inflation in February 2025 brought the annual rate down to 2.4% (headline) and 2.7% (trimmed mean) according to the ABS's monthly indicator. The trimmed mean is now within the target band. Slowing inflation in key market services such as insurance and housing rent is arguably more significant than the headline numbers as this indicates that inflationary pressures continue to subside, even in areas that have proven more persistent.

The RBA held rates steady in April, but markets are still expecting 0.5-0.75% of further cuts over 2025, with strong prospects for a second cut in May.

GROWING REAL DISPOSABLE INCOME

Slowing inflation and wage growth is driving consistent growth in real disposable incomes and supporting the recovery in consumer spending. Real disposable incomes grew by 1.8% in Q4 2024. Given the importance of household consumption, the rise foreshadows an improving economic outlook for 2025 and beyond.

'NEUTRAL' FEDERAL BUDGET NOT A MARKET MOVER

The federal government's recent budget was widely seen 'neutral', and is not expected to materially impact the future path of interest rates. Deficits of \$35-45 billion are forecast to persist over the forward estimates, but markets will be mindful of the potential for further spending commitments during the election campaign.

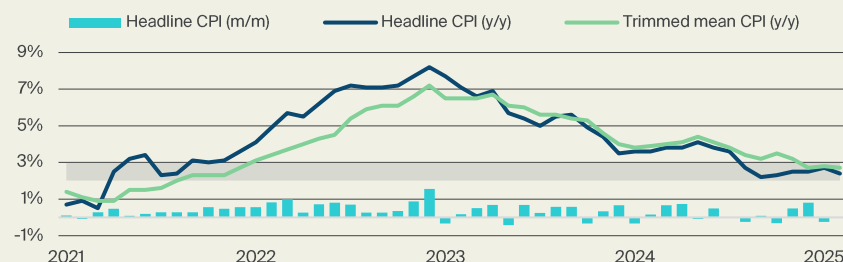
Australia key forecasts

	GDP growth (Q4 2024, y/y %)	Unemployment rate (February 2025, %)	Core CPI inflation (Q4 2024, y/y %)	Cash rate target (March 2024, %)	10 year bond yield (24 March 2025, %)
Latest	1.6	4.1	3.2	4.10	4.4
Year-end 2025 (f)*	2.4	4.4	2.6	3.85	4.2

Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Monthly headline and core inflation in RBA target band

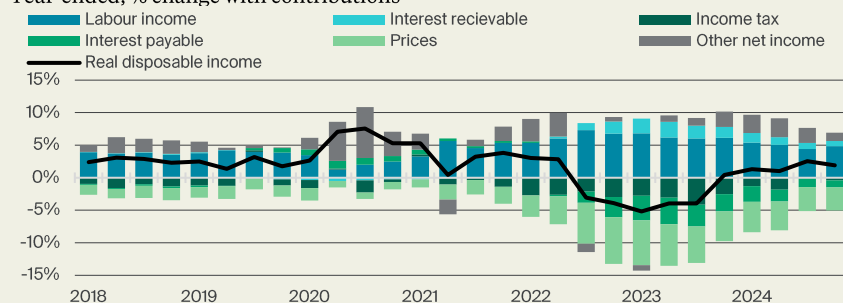
Annual and monthly growth – monthly CPI indicator



Source: Knight Frank Research, ABS

Real disposable income has returned to growth

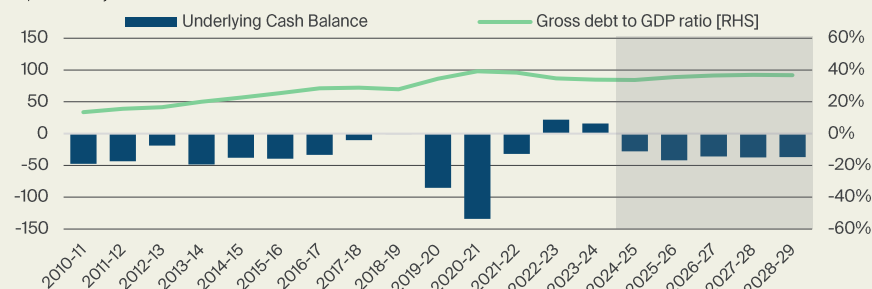
Year-ended, % change with contributions



Source: Knight Frank Research, ABS

Government budget forecast to remain in deficit

A\$ billion, % of GDP



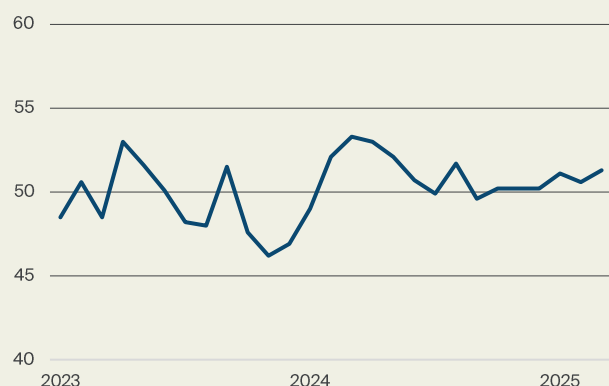
Source: Knight Frank Research; Treasury

Business indicators

Business confidence starting to respond to improving growth outlook

PMI shows early signs of momentum

Composite PMI Output Index (above 50 indicates expansion)

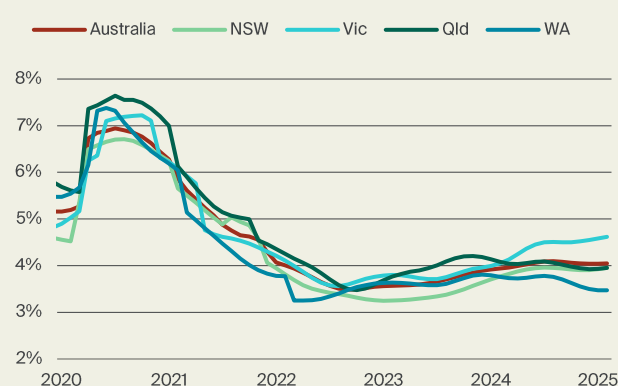


Source: Knight Frank Research, Macrobond

	Latest	Last quarter		1 year ago	
	Feb-25	Nov-24	Aug-24	May-24	Feb-24
Australia	50.6	50.2	51.7	52.1	52.1
China	51.5	52.3	51.2	54.1	52.5
Euro Area	50.2	48.3	51.0	52.2	49.2
Japan	52.0	50.1	52.9	52.6	50.6
UK	50.5	50.5	53.8	53.0	53.0
US	51.6	54.9	54.6	54.5	52.5

Labour market remains resilient

Unemployment rate (trend)

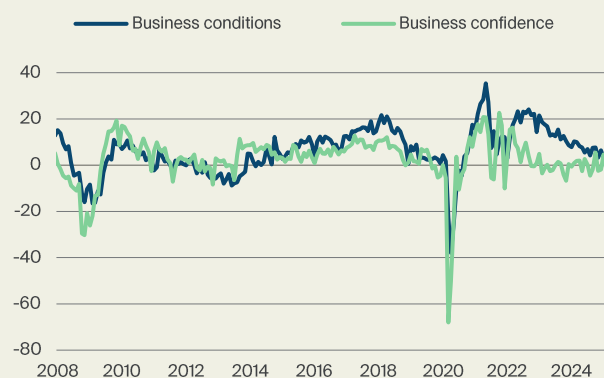


Source: Knight Frank Research, Macrobond

	Feb-25	Nov-24	Aug-24	May-24	Feb-24
Australia	4.0	4.0	4.1	4.0	3.9
NSW	4.0	3.9	4.0	3.9	3.8
Vic	4.6	4.5	4.5	4.4	4.0
Qld	3.9	3.9	4.1	4.1	4.1
WA	3.5	3.6	3.8	3.7	3.8

Business conditions stabilise

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders are soft but improving

Forward orders index, balance of positive and negative



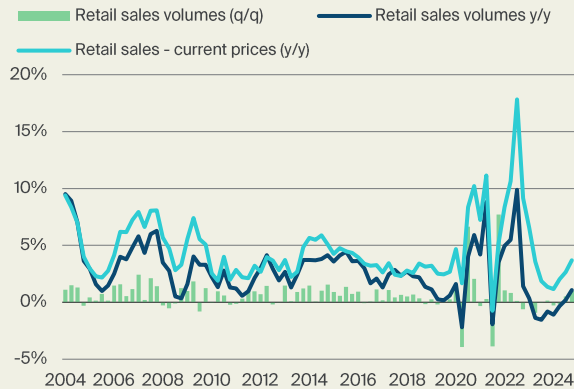
Source: Knight Frank Research, NAB

Consumer indicators

Retail sales improving off the back of a return to growth in disposable incomes

Rising growth in retail sales

Retail sales growth - total volumes and in current prices

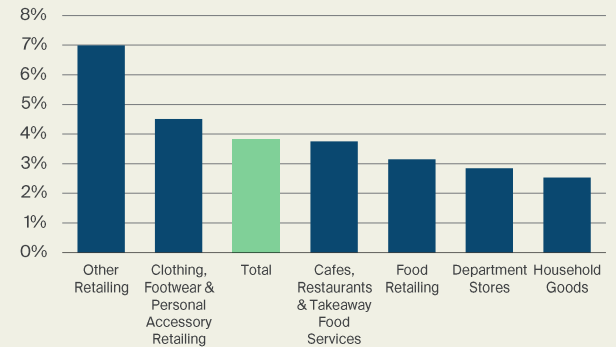


Source: Knight Frank Research, Macrobond

	Dec-24	Sep-24	Jun-24	Mar-23	Dec-23
Retail sales volume (q/q, %)	1.0	0.5	-0.2	-0.3	0.1
Retail sales volume (y/y, %)	1.1	0.2	-0.3	-1.1	-0.8
Retail current prices (y/y, %)	3.7	2.6	2.0	1.1	1.4

Discretionary spending improving

Annual growth in retail sales (values)

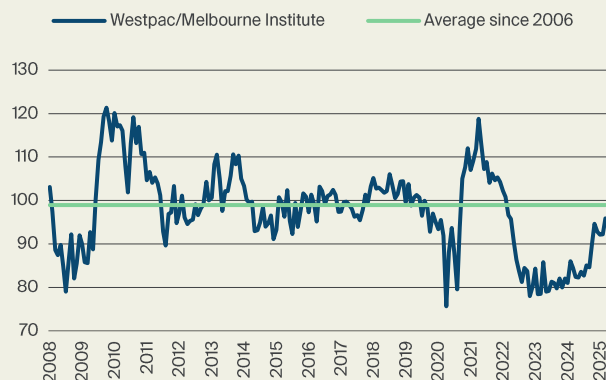


Source: Knight Frank Research, Macrobond

Latest in Jan-24	m/m (%)	y/y (%)
Other Retailing	2.4	7.0
Clothing, Footwear & Personal Accessory Retailing	2.0	4.5
Total	0.3	3.8
Cafes, Restaurants & Takeaway Food Services	1.1	3.8
Food Retailing	0.7	3.1
Department Stores	0.6	2.9
Household Goods	-4.4	2.5

Consumer pessimism continues easing

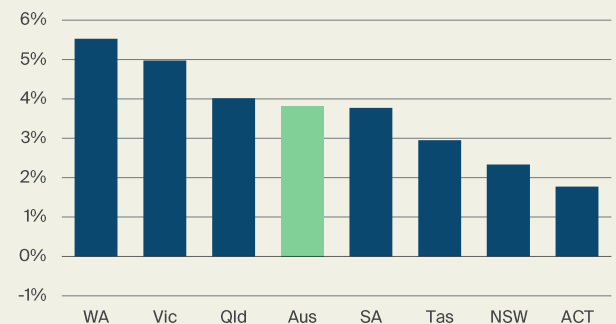
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

Retail sales strongest in WA, Vic and Qld

Annual growth in retail sales, per cent



Source: Knight Frank Research, Macrobond

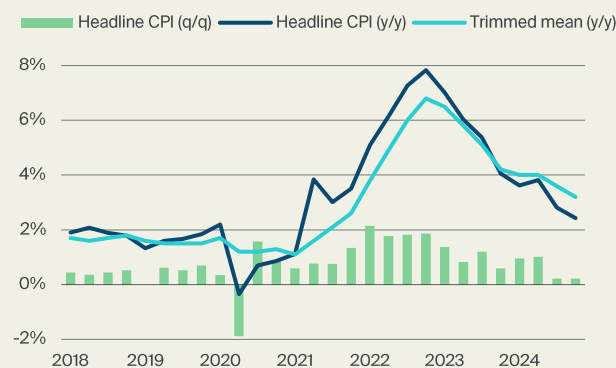
Latest in Jan-25	Oct-24	Jul-24	Apr-24	Jan-24
WA	1.3%	2.1%	4.4%	5.5%
Vic	1.3%	3.1%	5.1%	5.0%
Qld	1.0%	2.4%	3.8%	4.0%
Aus	0.9%	2.3%	3.5%	3.8%
SA	1.4%	3.4%	3.4%	3.8%
Tas	1.7%	3.5%	3.5%	2.9%
NSW	0.1%	1.6%	1.9%	2.3%
ACT	-0.1%	0.9%	1.4%	1.8%

Inflation & interest rates

Falling inflation likely to pave the way for further rate cuts

Core inflation fell to 3.2% in Q4

Annual and quarterly growth (%)

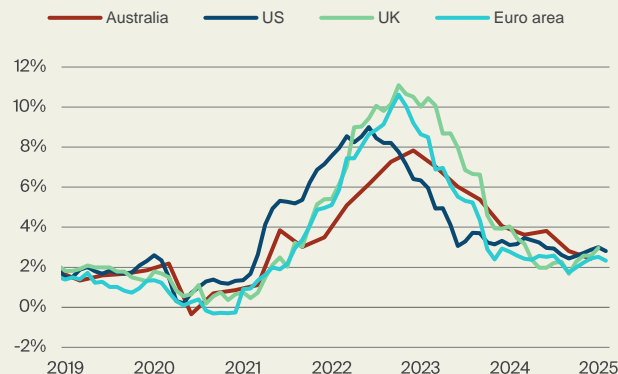


Source: Knight Frank Research, ABS

	Dec-24	Sep-24	Jun-24	Mar-24	Dec-23
Headline CPI (q/q, %)	0.2	0.2	1.0	1.0	0.6
Headline CPI (y/y, %)	2.4	2.8	3.8	3.6	4.1
Trimmed mean inflation (y/y, %)	3.2	3.6	4.0	4.0	4.2

Global inflation is stabilising

Headline CPI y/y

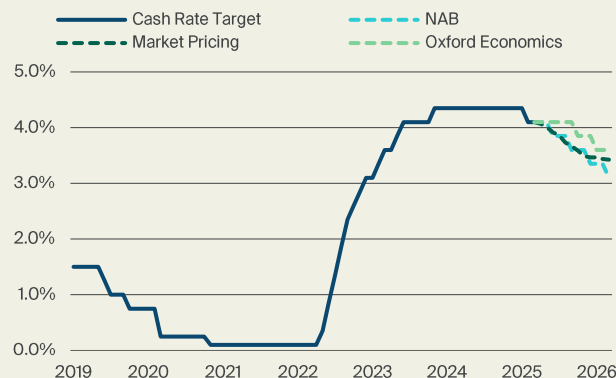


Source: Knight Frank Research, Macrobond

	Dec-24	Sep-24	Jun-24	Mar-24	Dec-23
Australia (y/y, %)	2.4	2.8	3.8	3.6	4.1
US (y/y, %)	2.9	2.4	3.0	3.5	3.3
UK (y/y, %)	2.6	1.7	2.0	3.2	3.9
Euro area (y/y, %)	2.4	1.7	2.5	2.4	2.9

Further rate cuts expected

Historic rates and indicative RBA outlook

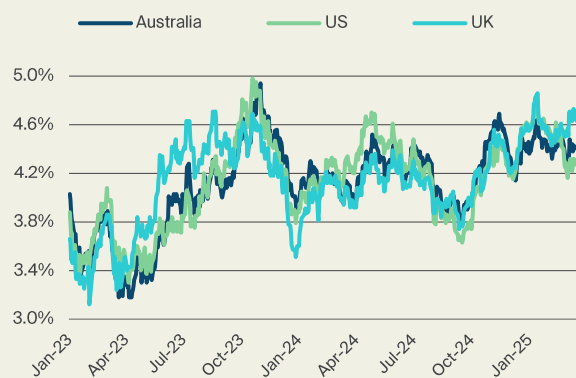


Source: Knight Frank Research, NAB, ASX

	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Cash rate target	4.10				
Oxford Economics		4.10	4.10	3.85	3.60
NAB		3.85	3.60	3.35	3.10
Market pricing		3.92	3.67	3.47	3.40

Bond yields have stabilised

Ten year government bond yields



Source: Knight Frank Research, Macrobond

	Mar-25	Dec-24	Sep-24	Jun-24	Mar-24
Australia	4.39	4.32	3.92	4.24	4.04
US	4.27	4.40	3.73	4.30	4.21
UK	4.66	4.41	3.89	4.17	4.00

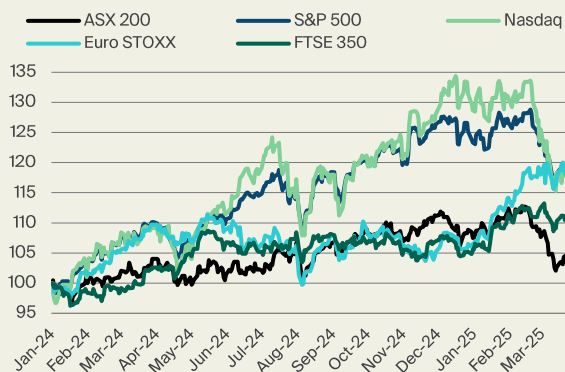
*average over the month, Mar-25 is the average to 24 March.

Financial markets

Expected rate cuts and trade policy uncertainty providing mixed signals to markets

US tariff policy weighs on equity markets

Global equities, price indices, 1 Jan 2024 = 100



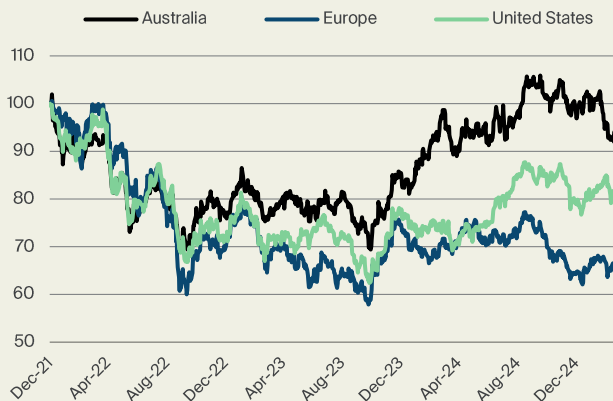
Source: Knight Frank Research, Macrobond

Index	Latest	Percentage change since			
		Mar-25*	Dec-24	Sep-24	Jun-24
Original value and base	Mar-25*				
ASX 200	7.931	-6.1%	-2.1%	2.2%	11.5%
S&P 500	5.718	-6.3%	2.5%	7.3%	34.3%
Nasdaq	18,046	-8.3%	3.8%	5.7%	35.7%
Euro STOXX	5,442	11.7%	10.7%	8.1%	24.8%
FTSE 350	4,718	3.0%	3.1%	3.4%	14.2%

*Latest 21st March

Australia has led the public market recovery

Global REIT price indices, 31 Dec 2021 = 100



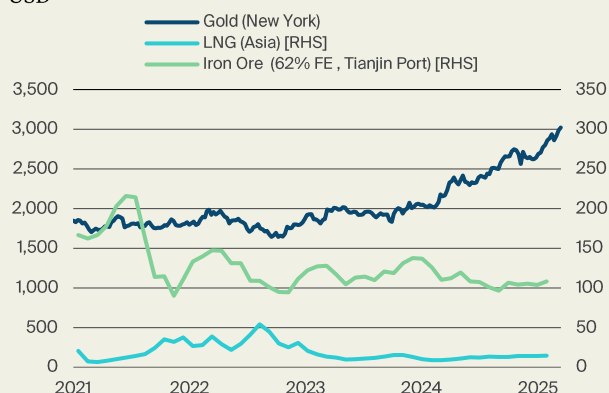
Source: Knight Frank Research, Macrobond

Latest in Mar-25*	Percentage change since			
	Dec-24	Sep-24	Jun-24	Mar-24
Australia	-9.5%	-4.5%	-0.1%	3.5%
Europe	-2.1%	-9.6%	-12.1%	-1.6%
United States	-6.6%	-6.1%	8.9%	7.1%

*Latest 21st March

Uncertainty support record gold prices

USD

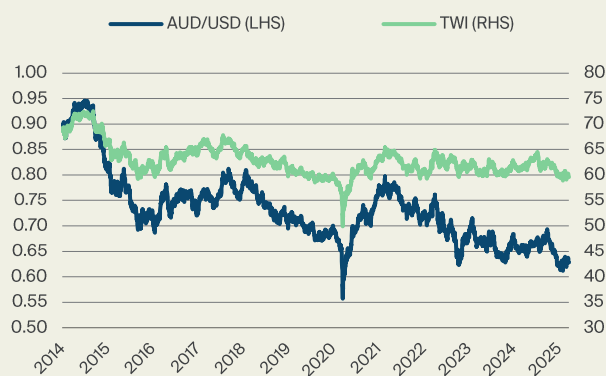


Source: Knight Frank Research, Macrobond

Index	Latest	Percentage change since			
		Feb-25	Nov-24	Aug-24	May-24
Gold	2,858	7.8%	14.2%	22.8%	39.8%
LNG	14.7	5.0%	11.4%	35.7%	66.9%
Iron Ore	108.2	4.1%	7.2%	-9.3%	-14.1%

AUD weaker against USD, TWI less affected

US\$ (LHS), index (RHS)



Source: Knight Frank Research, Macrobond

Latest	Percentage change since			
	Mar-25*	Dec-24	Sep-24	Jun-24
USD per AUD	0.63	0.65	0.68	0.66
Trade weighted index	59.6	-3.1%	-4.5%	-5.5%

*Latest 24th March

Recent research

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Australian Industrial Review



Brisbane Industrial State of the Market



We like questions, if you've got one about our research, or would like some property advice, we would like to hear from you



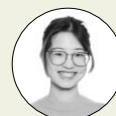
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