

Leading Indicators

Key economic and financial metrics impacting property markets

Apr-26

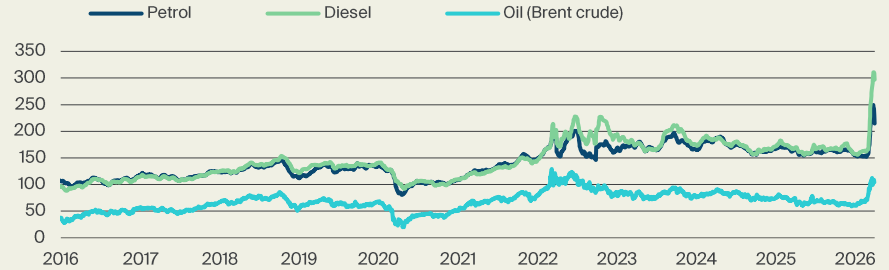
RBA raises rates as energy prices drive inflation higher

IRAN WAR DRIVES SPIKE IN OIL PRICES

The onset, and ensuing escalation, of the Iran conflict has been the key driver of financial markets in March. The effective closure of the Strait of Hormuz by Iran has led to a sharp rise in the price of oil (around +50% since the start of the conflict), as well as prices for oil derivatives in Australia such as petrol (+48%) and diesel (+87%). Much of the world is currently trading on oil stocks accumulated before the war. However, these stocks are depleting, presenting a large downside risk to Australia's economy. The key risk for the RBA is the second-round effects of higher transport and material costs being passed through to other prices, as well as keeping longer-term inflation expectations anchored.

Steep rise in fuel prices

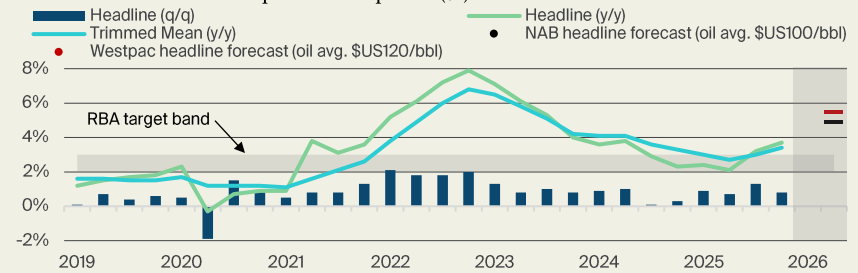
Oil price (USD per barrel) versus terminal (wholesale) petrol and diesel price (c/litre)



Source: Knight Frank Research, Macrobond

Oil prices expected to drive spike in inflation in Q2

Growth headline inflation (sa) and trimmed mean inflation, and NAB and Westpac inflation forecasts with oil price assumptions (%)



Source: Knight Frank Research, ABS, NAB, Westpac

INFLATION EXPECTED TO RISE

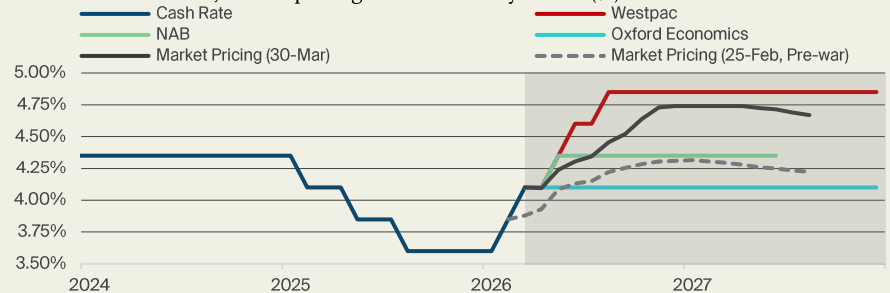
The spike in oil prices will cause higher inflation. Initially, inflation will be driven by higher fuel prices, followed by broader cost-push inflation as businesses pass through higher costs to consumers. NAB's baseline forecast is for Q2 annual inflation of 4.90% if Brent oil prices average US\$100/bbl in Q2, while Westpac's baseline forecast is for 5.5% inflation in Q2 with Brent oil averaging US\$120/bbl.

RBA RAISES INTEREST RATES

This positive inflation shock comes at a time when inflation in the economy was already above the RBA target. As a result, the RBA raised interest rates by 25bps in May to 4.1%. Market pricing has risen sharply, with two to three more rate hikes priced in by the end of 2026, up from around one in February.

Markets pricing in 2-3 rate hikes, but large divergence in forecaster views

Cash rate - historical, market pricing and forecasts by source (%)



Source: Knight Frank Research, ASX, RBA, NAB, Oxford Economics, Westpac

Australia key forecasts

	Real GDP growth (Q4 2025, y/y %)	Unemployment rate (February 2026, %)	Core CPI inflation (February 2026, y/y %)	Cash rate target (March 2026, %)	10-year bond yield (30 April 2026, %)
Latest	2.6	4.3	3.3	4.1	5.0
Year-end 2026* (f)	1.7	4.6	3.5	4.1	4.93

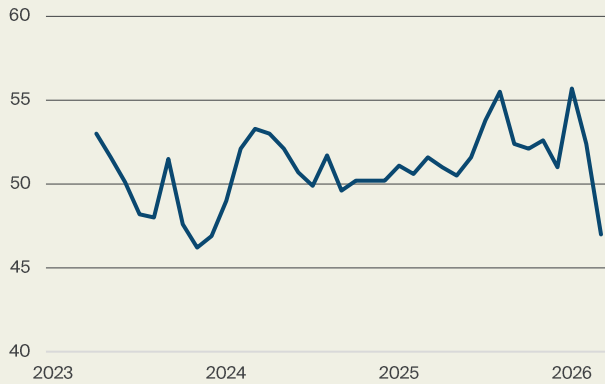
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Businesses were resilient before conflict, but rising costs and weakening demand a watchpoint

PMIs fall as conflict raises costs

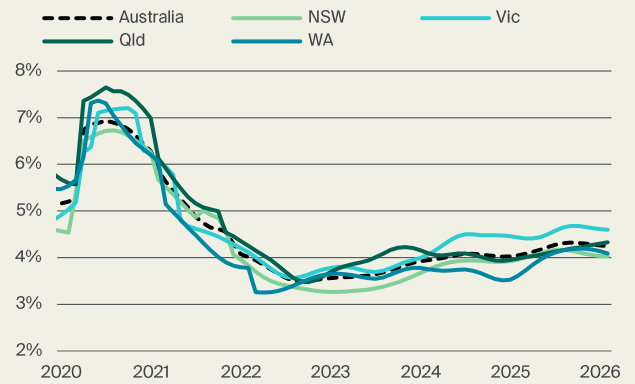
Composite PMI Output Index (above 50 indicates expansion)



Source: Knight Frank Research, Macrobond

Unemployment rate softens in February

Unemployment rate (trend adjusted)



Source: Knight Frank Research, Macrobond

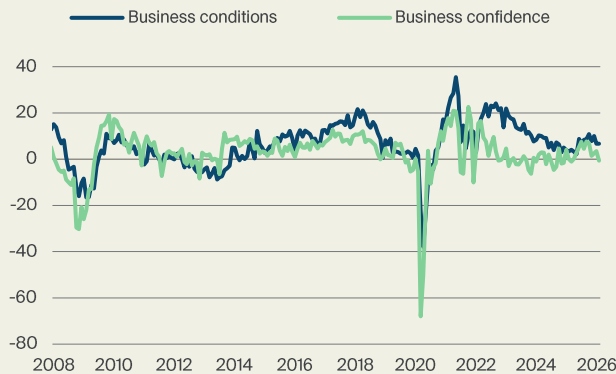
	Latest Mar-26	Last quarter Dec-25	1 year ago Mar-25
Australia	47.0	51.0	51.6
China	55.4*	51.3	51.8
Euro Area	50.5	51.5	50.9
Japan	52.5	51.1	48.9
UK	51.0	51.4	51.5
US	51.4	52.7	53.5

*Feb-26

	Feb-26	Nov-25	Aug-25	May-25	Feb-25
Australia	4.2	4.3	4.3	4.2	4.0
NSW	4.0	4.1	4.2	4.1	4.0
Vic	4.6	4.7	4.6	4.4	4.4
Qld	4.3	4.2	4.2	4.1	4.0
WA	4.1	4.2	4.2	4.0	3.6

Business confidence was falling before conflict

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders strengthening pre-conflict

Forward orders index, balance of positive and negative



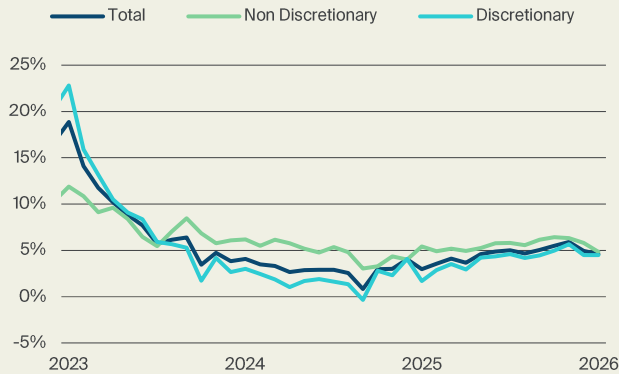
Source: Knight Frank Research, NAB

Consumer indicators

Consumer confidence falls as fuel prices spike, but spending impact is not yet realised in data

Household spending softens in January

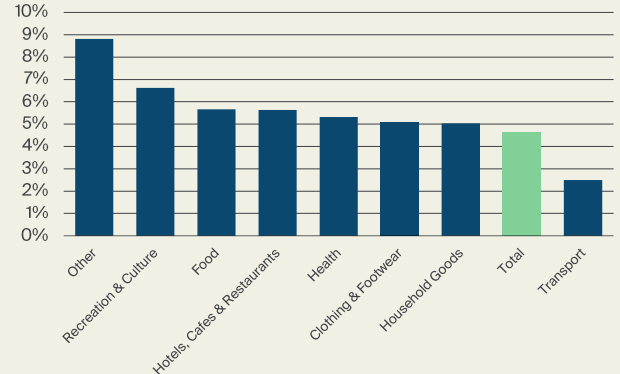
Annual growth in household spending by type (%)



Source: Knight Frank Research, Macrobond

Broad-based rise in household spending

Annual growth in value of spending by category* (%)



Source: Knight Frank Research, Macrobond
*Excludes Alcoholic beverages and tobacco

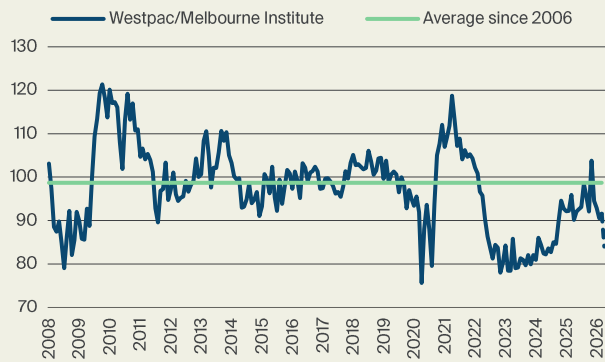
	Jan-26	Oct-25	Jul-25	Apr-25	Jan-25
Household spending, current prices (m/m)	0.3	1.4	0.4	0.0	0.6
Household spending, current prices (y/y)	4.6	5.5	5.0	3.7	3.0

Latest in Jan-26

	m/m (%)	y/y (%)
Other	2.5	8.8
Recreation & Culture	-0.1	6.6
Food	0.1	5.7
Hotels, Cafes & Restaurants	-0.6	5.6
Health	1.7	5.3
Clothing & Footwear	0.3	5.1
Household Goods	-0.7	5.0
Total	0.3	4.6
Transport	0.3	2.5
Alcohol & Tobacco	-1.7	-13.3

Conflict has significant impact on confidence

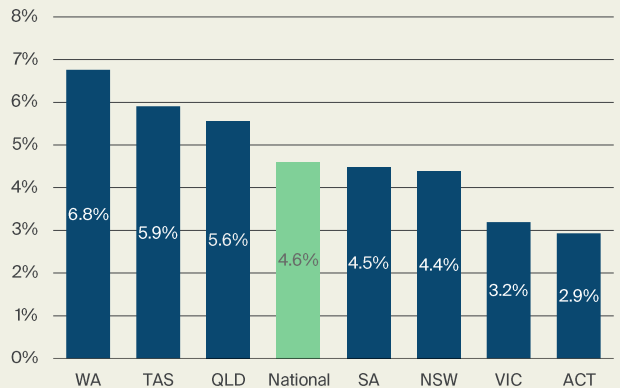
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond
Dashed line represents consumer sentiment in March for the last three days of the survey only.

WA and QLD drive household spending

Annual growth in value of spending by state (%)



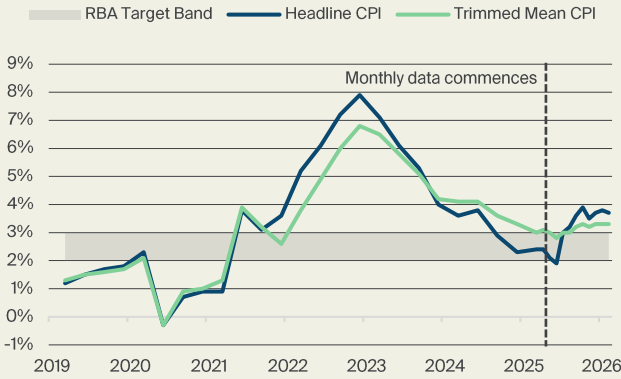
Source: Knight Frank Research, Macrobond

Inflation & interest rates

Impact of Iran war yet to flow through to inflation data, but interest rates and bond yields rise

Inflation was elevated before the war began

Annual growth headline and trimmed mean inflation (y/y %)

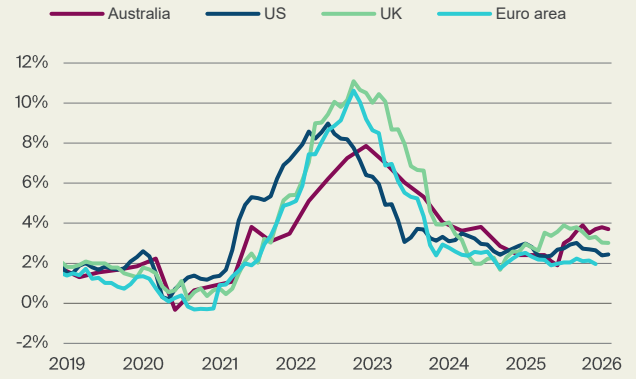


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	Feb-26	Nov-25	Aug-25	May-25
Headline CPI (m/m, %)	0.2	0.2	0.2	0.0
Headline CPI (y/y, %)	3.7	3.5	3.2	2.1
Trimmed mean inflation (y/y, %)	3.3	3.2	3.0	3.0

Global inflation was in check before conflict

Headline CPI (y/y, %)



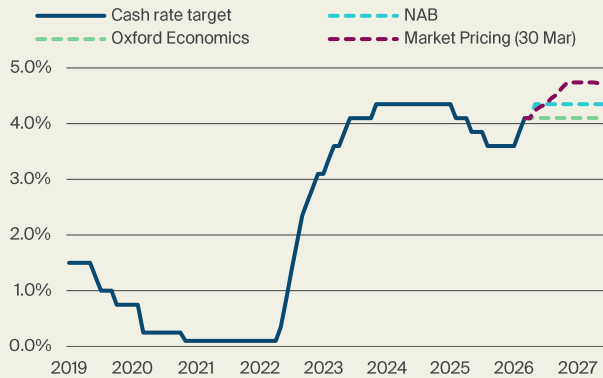
Source: Knight Frank Research, Macrobond

	Feb-26	Nov-25	Aug-25	May-25	Feb-25
Australia (y/y, %)	3.7	3.5	3.2	2.1	
US (y/y, %)	2.4	2.1	2.9	2.4	2.8
UK (y/y, %)	3.0	3.3	3.7	3.4	2.8
Euro area (y/y, %)	2.0*	2.1	2.0	1.9	2.3

*Dec-25

Markets pricing in 70% chance of May hike

Historic cash rate and forecasts by source (%)



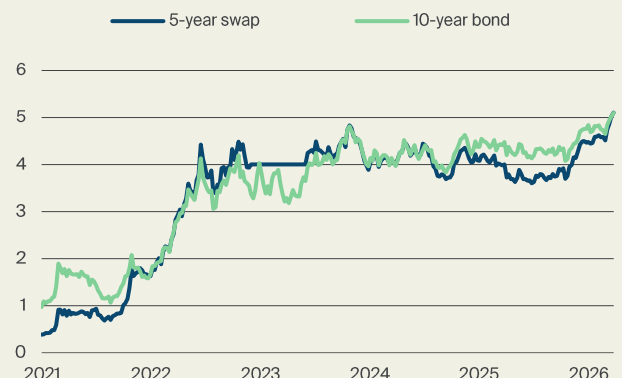
Source: Knight Frank Research, NAB, Oxford Economics, ASX

	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Cash rate target	4.10				
Oxford Economics		4.10	4.10	4.10	4.10
NAB		4.35	4.35	4.35	4.35
Market pricing		4.31	4.52	4.74	4.74

Month-end

Yields rise with higher expected cash rate

Yield by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25
5-year swap	4.85	4.47	3.80	3.66	4.00
10-year bond	4.91	4.74	4.29	4.19	4.41

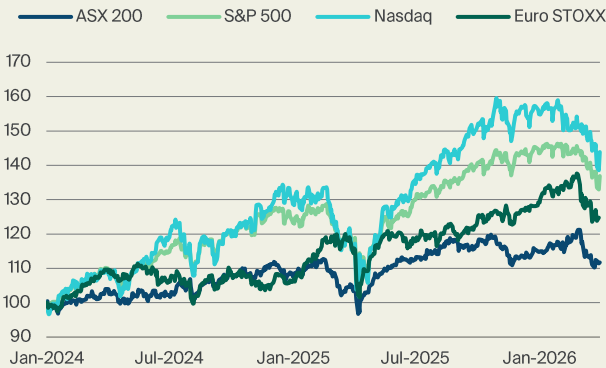
Monthly average

Financial markets

Global financial markets weaken with the sharp rise in risks and uncertainty from Iran conflict

Equities fall with higher risk and uncertainty

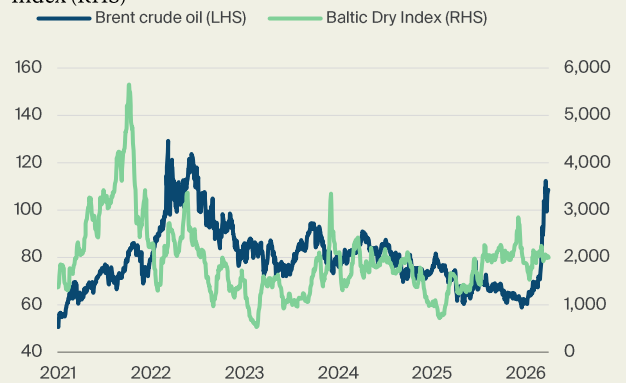
Global equities, price indices, 1 Jan 2024 = 100



Source: Knight Frank Research, Macrobond

Brent oil has largest monthly rise on record

Brent crude \$US/b (LHS), Shipping rates - Baltic Exchange Dry Index (RHS)



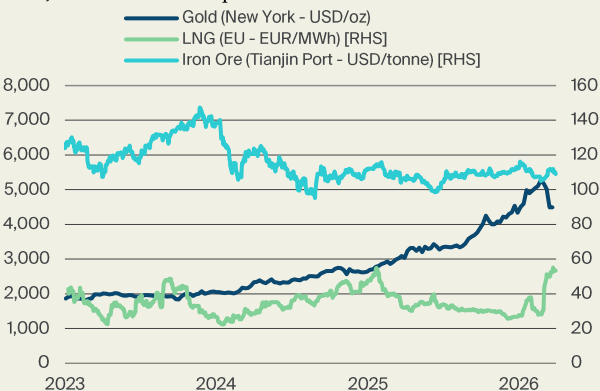
Source: Knight Frank Research, Macrobond

	Percentage change from				
	Feb-26	Dec-25	Sep-25	Jun-25	Mar-25
ASX 200	-3.6	-0.1	-2.0	1.4	8.8
S&P 500	-3.4	-2.9	1.2	10.4	17.1
Nasdaq	-3.3	-5.4	-0.1	12.5	24.1
Euro STOXX 50	-5.3	0.3	5.9	8.0	8.5
FTSE 350	-3.2	4.2	9.8	14.8	17.3

Monthly average

Gold has largest monthly fall since 2008

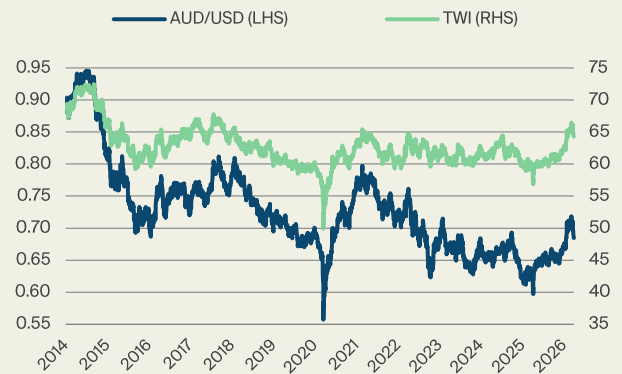
Gold, LNG and iron ore prices



Source: Knight Frank Research, Macrobond

Rising global risks weighs on AUD

AUD vs USD (LHS) and trade-weighted index (RHS)



Source: Knight Frank Research, Macrobond

	Percentage change from					
	Mar-26	Feb-26	Dec-25	Sep-25	Jun-25	Mar-25
Gold (US\$/t.oz)	4,795	-5.9	10.5	29.2	43.4	59.4
LNG (EUR/MWh)	48.8	59.3	82.8	59.3	36.1	21.8
Iron Ore (US\$/t)	109.4	1.6	-1.2	-0.3	7.8	0.7

Monthly average

	Latest				
	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25
USD per AUD	0.70	0.66	0.66	0.65	0.63

	Percentage change from				
	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25
Trade weighted index	65.4	5.6	7.2	9.1	9.5

Monthly average

Recent research



We like questions, if you've got one about our research, or would like some property advice, we would like to hear from you. You can also [subscribe](#) to our research.



Alistair Read
Senior Economist
+61 450 831 899
Alistair.Read@au.knightfrank.com



Ben Burston
Chief Economist
+61 2 9036 6756
Ben.Burston@au.knightfrank.com