

Leading Indicators

Key economic and financial metrics impacting property markets

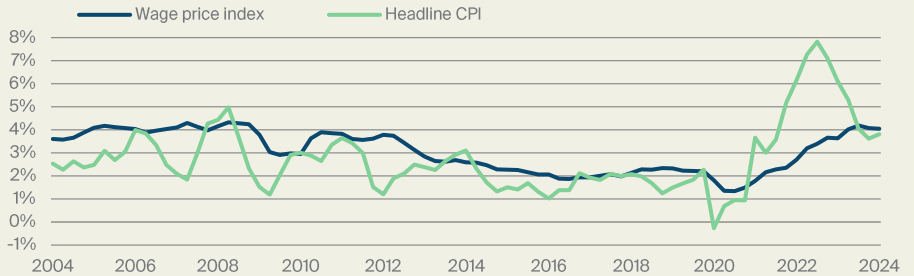
Aug-24

Better times ahead as real wage growth resumes

RETRUN TO REAL WAGE GROWTH WILL ENABLE ECONOMY TO ACCELERATE

After an extended period of weak growth, the Australian economy is finally on the cusp of acceleration, with rising government spending and improving household consumption likely to support faster growth over the next 12 months. Q2 wage and inflation data confirmed that real wages have returned to growth, which will provide welcome relief for households and should enable retail spending to gradually pick-up.

Return to real wage growth

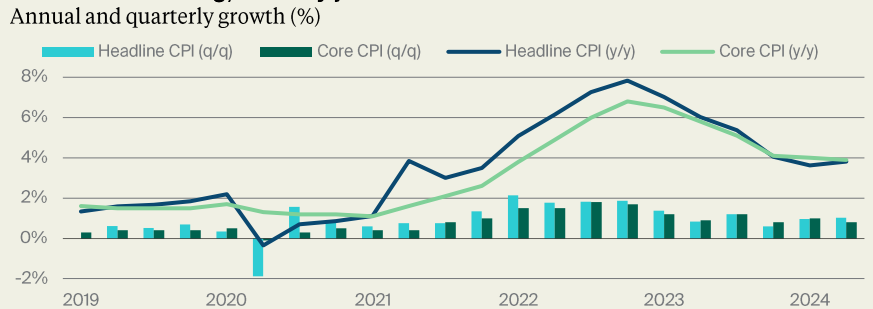


Source: Knight Frank Research, ABS

Q2 CPI NOT AS HIGH AS FEARED

Meanwhile, the battle against elevated inflation continues. However, Q2 data was not as high as markets feared, with the headline rate edging up slightly to 3.8% while core inflation fell slightly to 3.9%. Looking ahead, the Q3 release promises to see a further fall in the headline rate, as energy bill relief takes effect and the high Q3 2023 rate drops out of the calculation.

Inflation still easing, but only just

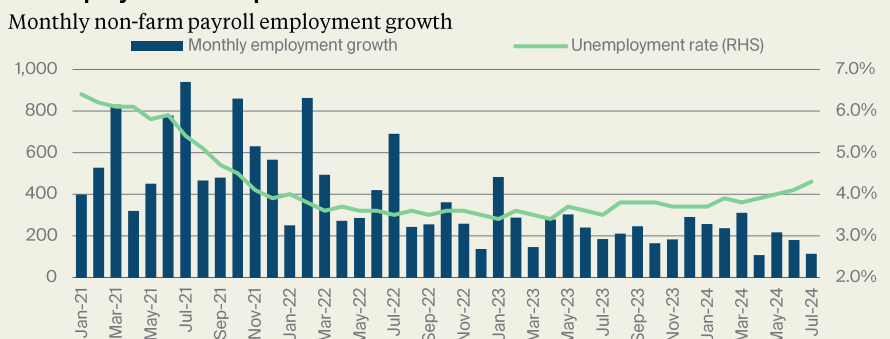


Source: Knight Frank Research, ABS

FEARS OF US SLOWDOWN BRINGS FORWARD EXPECTED RATE CUTS

The US unemployment rate has risen to 4.3% from 3.7% in January, triggering debate about whether the economy could be headed into recession, when viewed alongside other indicators of weaker activity. With inflation falling in the US and globally, the policy focus is shifting from inflation to safeguarding growth, and the Federal Reserve is widely expected to join other major central banks and start cutting interest rates in September.

US employment data point to a slowdown



Australia key forecasts

	GDP growth (Q1 2024, y/y %)	Unemployment rate (June, %)	CPI inflation (Q2 2024, y/y %)	Cash rate target (August, %)	10 year bond yield (1 July, %)
Latest	1.1	4.2	3.8	4.35	3.9
Year-end 2024 (f)*	1.6	4.4	3.0	4.35	4.2

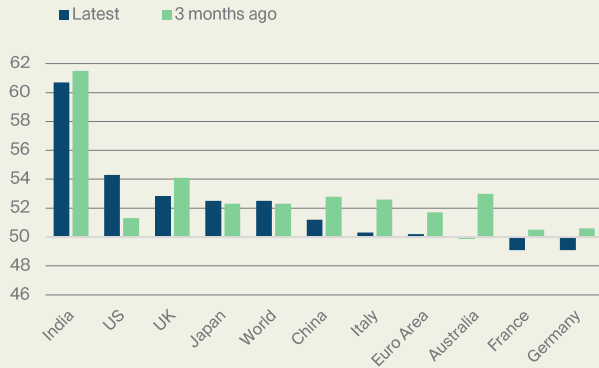
Source: Oxford Economics

Business indicators

Business conditions have deteriorated as higher interest rates take a toll

PMIs show slowing growth momentum

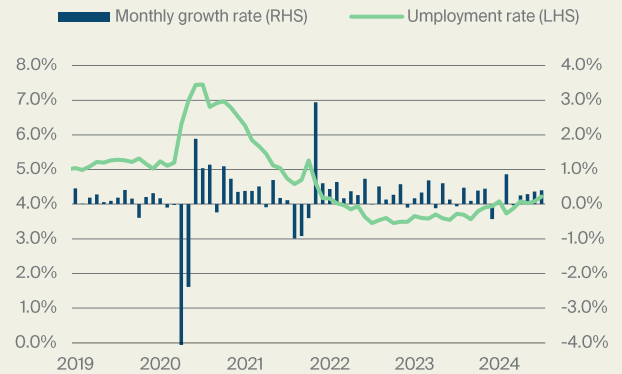
Composite PMI indicator (above 50 indicates expansion)



Source: Knight Frank Research, Macrobond

Unemployment rate edging up

Per cent



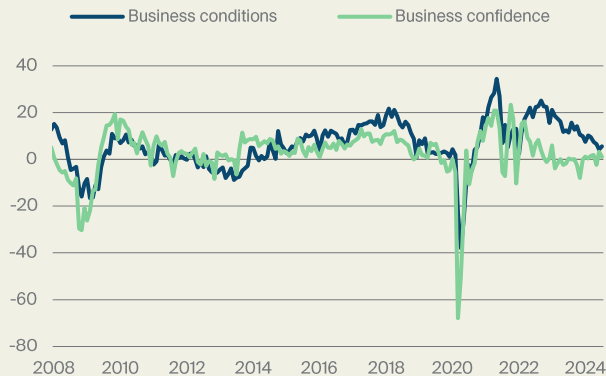
Source: Knight Frank Research, Macrobond

	Latest Jul-24	Last quarter Apr-24	Jan-24	Oct-23	1 year ago Jul-23
Australia	49.9	53.0	49.0	47.6	48.2
China	51.2	52.8	52.5	50.0	51.9
Euro Area	50.2	51.7	47.9	46.5	48.6
Japan	52.5	52.3	51.5	50.5	52.2
UK	52.8	54.1	52.9	48.7	50.8
US	54.3	51.3	52.0	50.7	52.0

	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
Monthly growth (%)	0.3	0.0	-0.4	0.1	0.1
Unemployment rate (%)	4.1	3.9	3.9	3.6	3.5

Business conditions have deteriorated

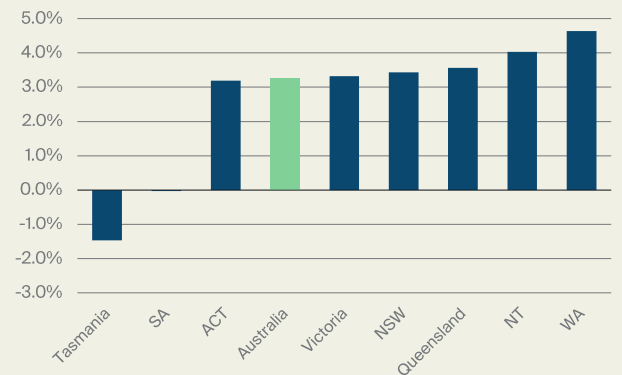
NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

WA still leading the way

Total employment growth, annual change to July-24



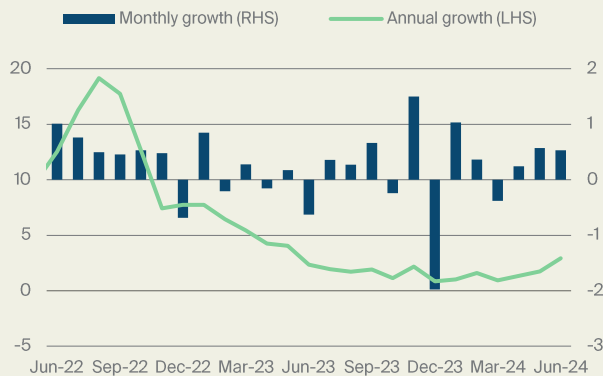
	TAS	SA	NSW	NT	Australia	VIC	ACT	QLD	WA
y/y growth (%)	-0.8	0.0	1.7	2.1	2.8	3.0	3.1	4.2	5.0

Consumer indicators

Rise in retail spending as consumers respond to EOFY discounting

Retail sales growth starting to pick up

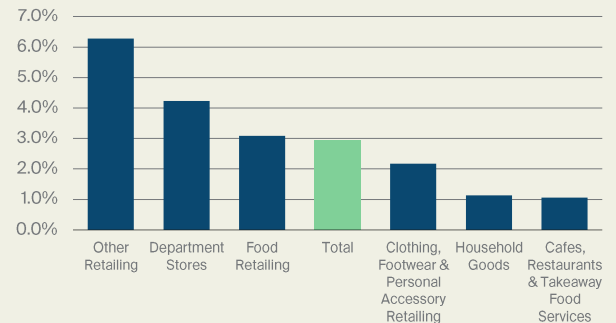
Annual and monthly growth rate (%)



Source: Knight Frank Research, Macrobond

Rise in discretionary spending

Annual growth in retail sales (values)



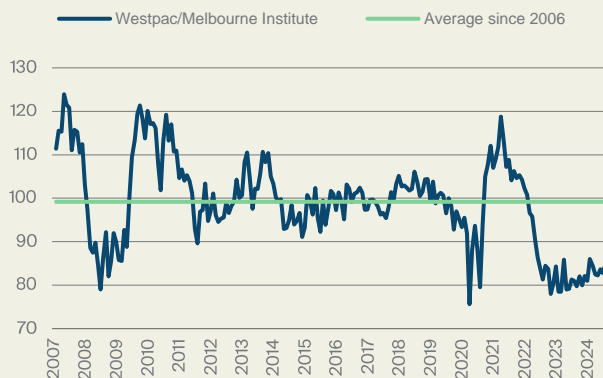
Source: Knight Frank Research, Macrobond

	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
m/m growth (%)	0.5	-0.4	-2.0	0.7	-0.6
y/y growth (%)	2.9	0.9	0.8	1.9	2.4

Latest in Jun-24	m/m (%)	y/y (%)
Other Retailing	1.0	6.3
Department Stores	1.0	4.2
Food Retailing	0.2	3.1
Total	0.5	2.9
Clothing, Footwear & Personal Accessories	0.7	2.2
Household Goods	1.1	1.1
Cafes, Restaurants & Takeaway Food	0.0	1.1

Consumer confidence remains subdued

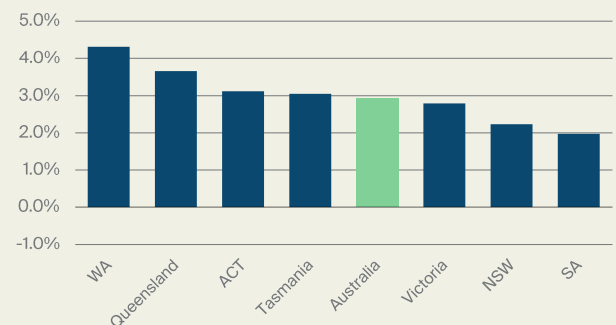
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

WA and QLD lead the way

Annual growth in retail sales, per cent



Source: Knight Frank Research, Macrobond

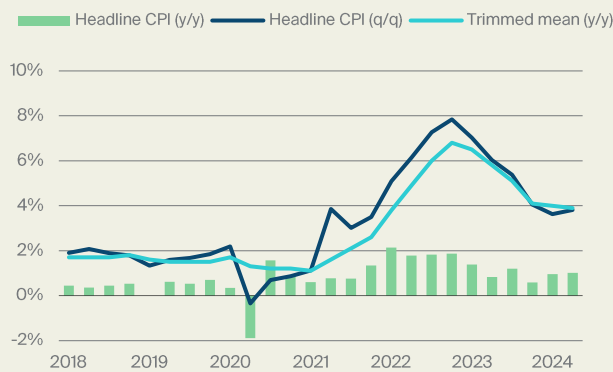
Latest in Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
WA	2.5	4.7	4.0	4.3
Queensland	1.1	2.0	2.7	3.7
ACT	1.5	3.6	1.8	3.1
Tasmania	0.7	1.0	2.4	3.0
Australia	1.3	2.4	1.6	2.9
Victoria	1.2	2.6	1.2	2.8
NSW	1.4	1.6	0.4	2.2
SA	0.9	2.3	1.5	2.0

Inflation & interest rates

Inflation still high but Q2 data was not as bad as feared with core inflation edging down

Core inflation edges below 4.0%

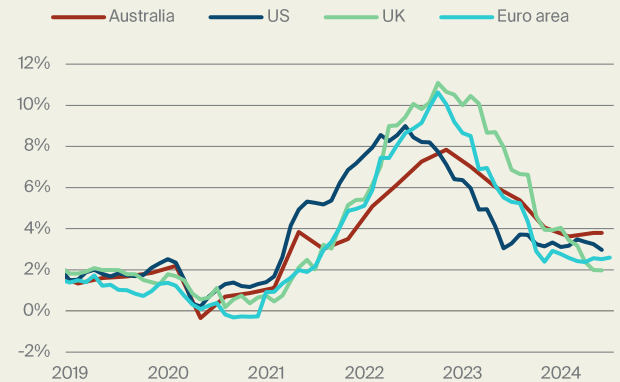
Annual and quarterly headline CPI growth (%)



Source: Knight Frank Research, ABS

Inflation has eased globally

Headline CPI y/y



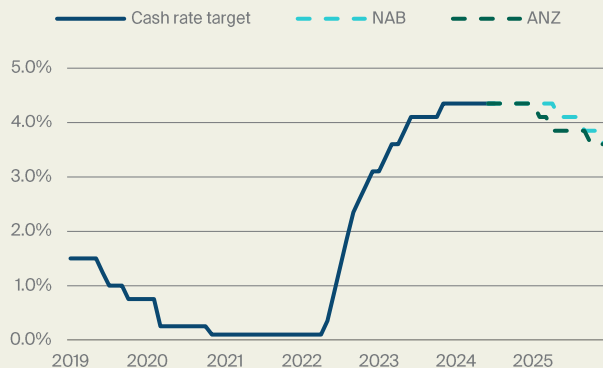
Source: Knight Frank Research, Macrobond

	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
Headline CPI (q/q, %)	1.0	1.0	0.6	1.2	0.8
Headline CPI (y/y, %)	3.8	3.6	4.1	5.4	6.0
Trimmed mean inflation (y/y, %)	3.9	4.0	4.1	5.1	5.8

	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
Australia (y/y, %)	3.8	3.6	4.1	5.4	6.0
US (y/y, %)	3.0	3.5	3.3	3.7	3.1
UK (y/y, %)	2.0	3.2	3.9	6.6	8.0
Euro area (y/y, %)	2.5	2.4	2.9	4.3	5.5

Rate cuts not expected until 2025

Historic rates and current forecasts of major banks

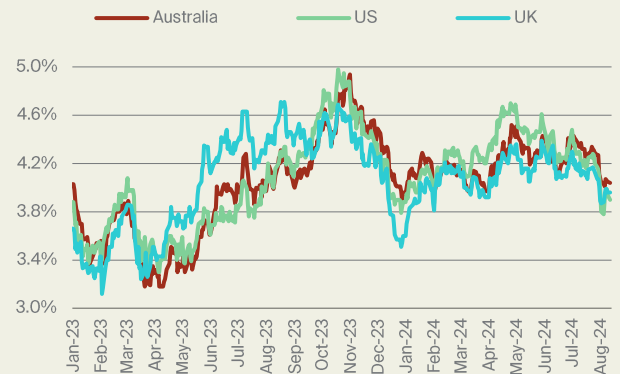


Source: Knight Frank Research, NAB, Rate City

	Jun-24	Sep-24	Dec-24	Jun-25	Dec-25
Cash rate target	4.35				
Oxford Economics		4.35	4.35	4.00	3.50
NAB		4.35	4.35	4.10	3.60
ANZ		4.35	4.35	3.85	3.60

Bond yields down as central banks cut rates

Ten year government bond yields



Source: Knight Frank Research, Macrobond

	Aug-24	May-24	Feb-24	Nov-23	Aug-23
Australia	4.08	4.51	4.01	4.94	3.97
US	3.99	4.63	3.87	4.77	4.05
UK	3.89	4.36	3.81	4.57	4.37

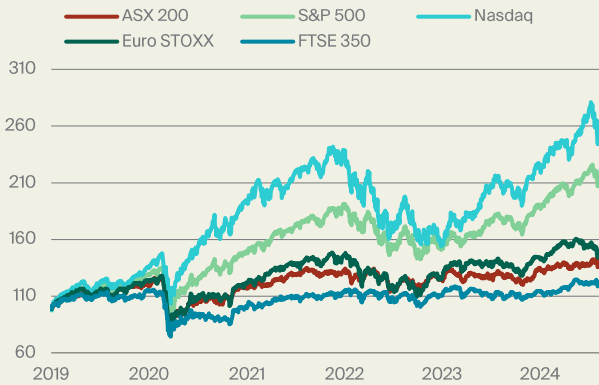
*as at the first business day of the month

Financial markets

Equity markets cool off on growth concerns in July but have bounced back quickly in August

Equities back above 2021 peak levels

Global equities, price indices, 1 Jan 2019 = 100



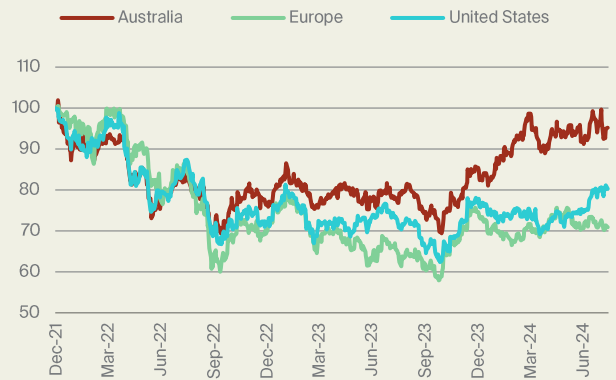
Source: Knight Frank Research, Macrobond

Index	Latest	Percentage change since				
		Aug-24	May-24	Feb-24	Nov-23	Aug-23
Original value and base	Aug-24					
ASX 200	7,814	0.8	2.6	12.4	7.4	
S&P 500	5,344	2.4	6.4	21.1	19.0	
Nasdaq	16,781	2.4	5.3	21.9	21.7	
Euro STOXX	4,672	-7.7	-1.0	9.1	5.8	
FTSE 350	4,530	-2.0	8.3	11.2	9.5	

* Latest 12th August

REIT prices reflect improving sentiment

Price index, 31 Dec 2021 = 100



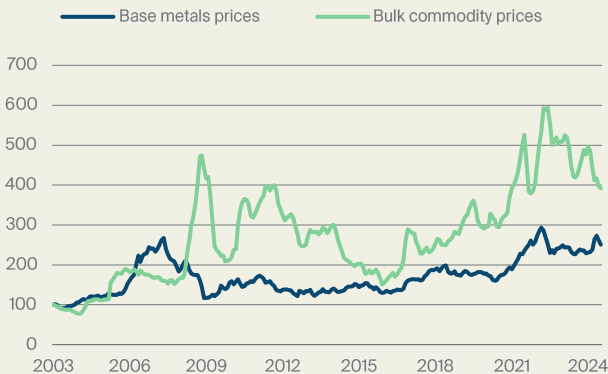
Source: Knight Frank Research, Macrobond

	Percentage change since			
	May-24	Feb-24	Nov-23	Aug-23
Australia	1.5	8.0	27.1	23.2
Europe	-2.9	1.8	10.6	8.8
United States	9.4	9.2	23.6	10.3

* Latest 12th August

China slowdown weighing on commodities

RBA commodity price index (Jan 2003 = 100)

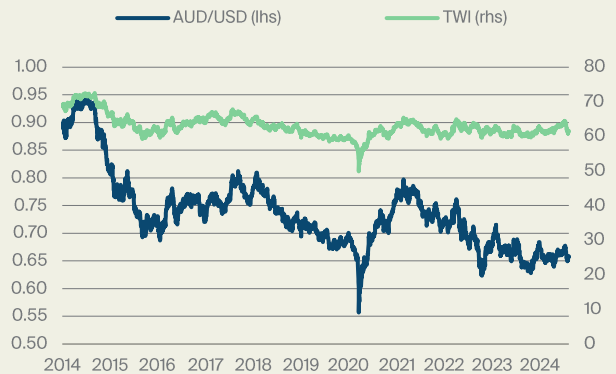


Source: Knight Frank Research, RBA

Index	Latest in Jul-24	Percentage change since			
		Apr-24	Jan-24	Oct-23	Jul-23
Base metals prices		-5.1%	8.5%	5.9%	10.5%
Bulk commodity prices		-4.9%	-21.0%	-15.7%	-6.6%

AUD rangebound vs USD

US\$ (lhs), index (rhs)



Source: Knight Frank Research, Macrobond

	Percentage change since				
	Aug-24	May-24	Feb-24	Nov-23	Aug-23
USD per AUD	0.66	0.66	0.65	0.64	0.65
Trade weighted index	61.5	-1.8	0.8	2.3	1.8

* Latest 12th August

Recent research

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Australian Industrial Review



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