

# Leading Indicators

Key economic and financial metrics impacting property markets

Aug-25

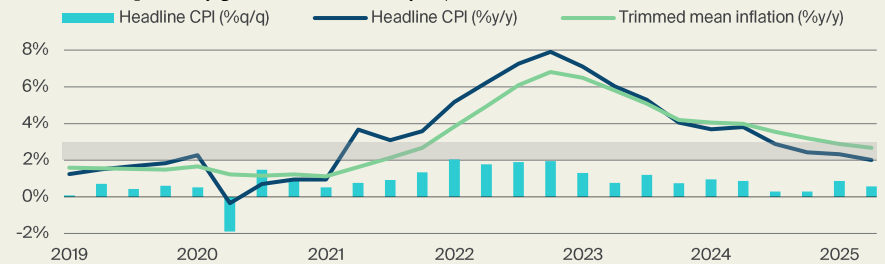
## Q2 inflation quells risks and supports August rate cut

### INFLATION IS COMFORTABLY WITHIN THE RBA'S TARGET BAND

Disinflationary pressures continued in Q2 2025 with the annual rate down to 2.1% (headline) and 2.7% (trimmed mean) according to the ABS quarterly indicator. Inflation in Q2 was largely in line with the RBA's expectations, with the previously flagged upside risks to building costs and durable goods not being realised. This data should provide the RBA with confidence that there is further room to ease monetary policy back to a more neutral setting.

### Core inflation back in the target band

Annual and quarterly growth (% seasonally adjusted)



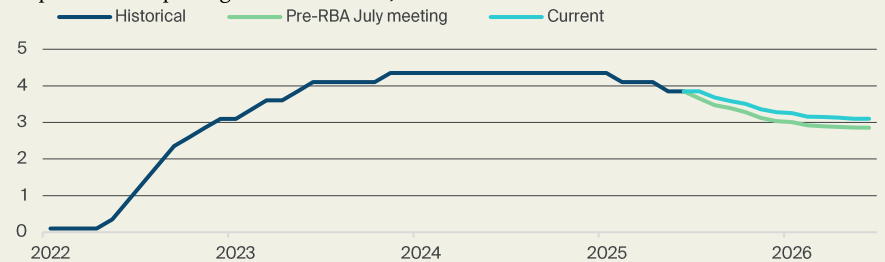
Source: Knight Frank Research, ABS

### RBA SURPRISES MARKET IN JULY

The RBA surprised the market at their July meeting, holding rates steady at 3.85%. Markets have priced in a 25bps at the August meeting and a 50% probability of a 50bps cut. The unexpected hawkishness of the RBA board has also seen markets unwind their expectations for the terminal interest rate from 2.9% to 3.1%.

### RBA surprise lowers market expectations for rate cuts

Implied market pricing of RBA cash rate, %



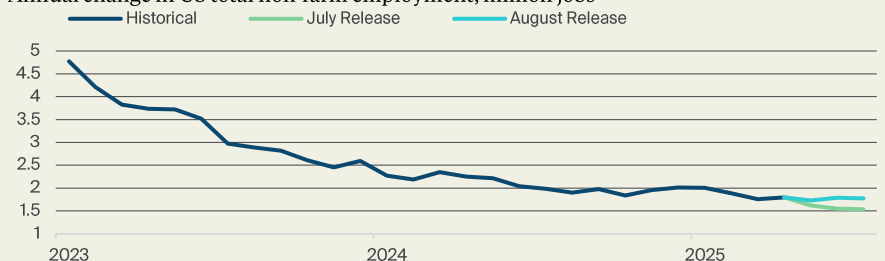
Source: Knight Frank Research, ASX

### US ECONOMY SHOWS SIGNS OF WEAKNESS

The US Bureau of Labor Statistics reported that a lower than expected 73,000 jobs were added to the US economy in July. However, the more significant component of the release was the larger than usual 258,000 downwards revision to total job growth over May and June.

### US jobs growth revised sharply lower

Annual change in US total non-farm employment, million jobs



Source: Knight Frank Research, Macrobond

This signals a sharp deterioration in the US labour market and a weaker than expected US economy. Following this release, a September interest rate cut by the Federal Reserve now appears to be back on the table with markets pricing an 80% probability of a 25bps cut.

### Australia key forecasts

	GDP growth (Q1 2025, y/y %)	Unemployment rate (June 2025, %)	Core CPI inflation (Q2 2025, y/y %)	Cash rate target (July 2025, %)	10-year bond yield (31 July 2025, %)
Latest	1.3	4.3	2.7	3.85	4.3
Year-end 2025 (f)*	1.9	4.4	2.7	3.35	4.2

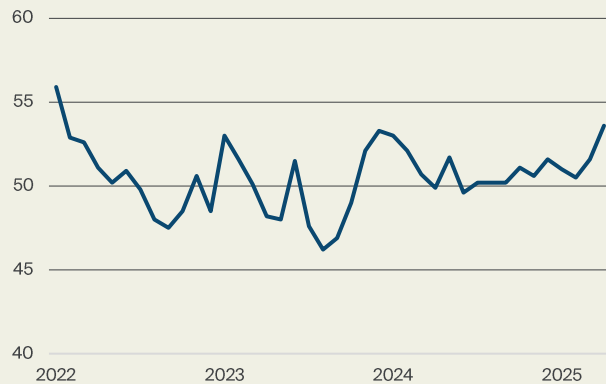
Source: Knight Frank Research, \*Oxford Economics, ABS, RBA

# Business indicators

## Business confidence and conditions improve

### Significant improvement in July PMI

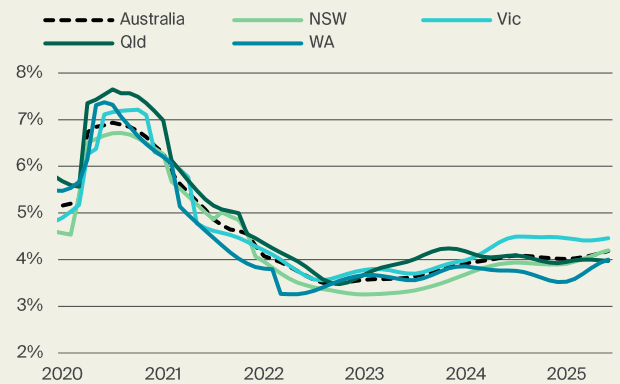
Composite PMI Output Index (above 50 indicates expansion)



Source: Knight Frank Research, Macrobond

### Unemployment rises in June

Unemployment rate (trend)



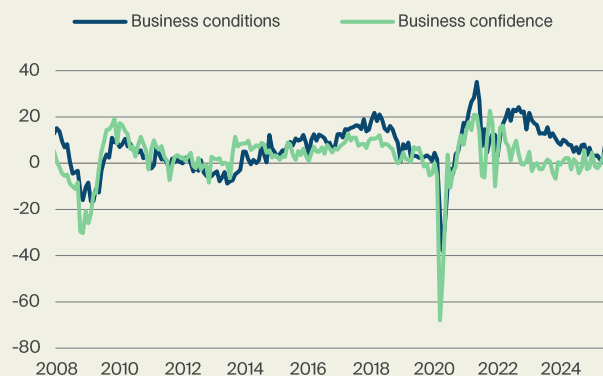
Source: Knight Frank Research, Macrobond

	Latest	Last quarter		1 year ago	
	Jul-25	Apr-25	Jan-25	Oct-24	Jul-24
Australia	53.6	51.0	51.1	50.2	49.9
China	0.0	51.1	51.1	51.9	51.2
Euro Area	51.0	50.4	50.2	50.0	50.2
Japan	51.5	51.2	51.1	49.6	52.5
UK	51.0	48.5	50.6	51.8	52.8
US	54.6	50.6	52.7	54.1	54.3

	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24
Australia	4.2	4.1	4.0	4.1	4.1
NSW	4.2	4.0	3.9	3.9	3.9
Vic	4.5	4.4	4.5	4.5	4.5
Qld	4.0	4.0	3.9	4.0	4.1
WA	4.0	3.7	3.5	3.7	3.8

### Business conditions improve

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

### Forward orders turn positive

Forward orders index, balance of positive and negative



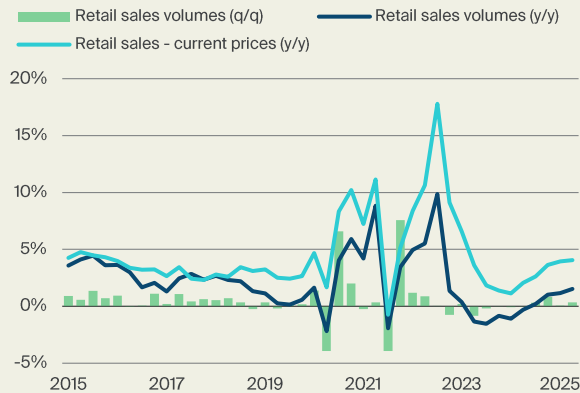
Source: Knight Frank Research, NAB

# Consumer indicators

## Retail spending strengthens in Q2

### Retail sales momentum slows

Retail sales growth - total volumes and in current prices

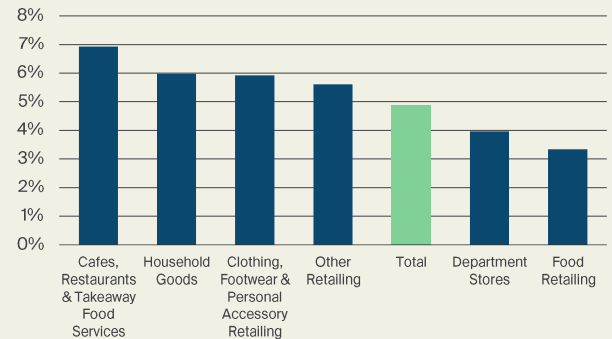


Source: Knight Frank Research, Macrobond

	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24
Retail sales volume (q/q, %)	0.3	0.1	0.8	0.3	0.0
Retail sales volumes (y/y, %)	1.5	1.2	1.0	0.2	-0.3
Retail current prices (y/y, %)	4.1	4.0	3.6	2.6	2.1

### Rebound in clothing and department stores

Annual growth in value of retail sales, %



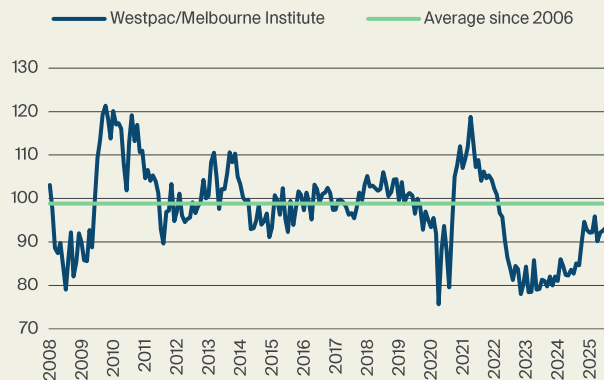
Source: Knight Frank Research, Macrobond

#### Latest in Jun-25

	m/m (%)	y/y (%)
Cafes, Restaurants & Takeaway Food Services	-0.4	6.9
Household Goods	2.3	6.0
Clothing, Footwear & Personal Accessory Retailing	1.5	5.9
Other Retailing	1.9	5.6
Total	1.2	4.9
Department Stores	1.9	4.0
Food Retailing	0.9	3.3

### Improving consumer sentiment has stalled

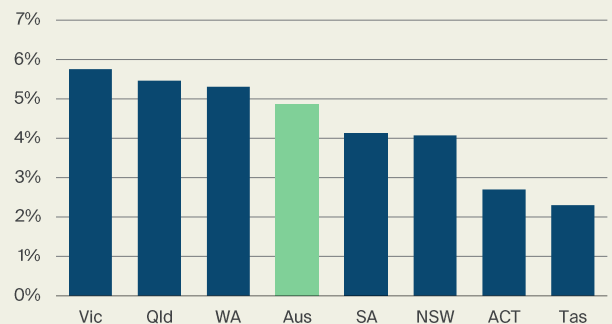
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

### Retail sales strongest in Vic

Annual growth in value of retail sales, %



Source: Knight Frank Research, Macrobond

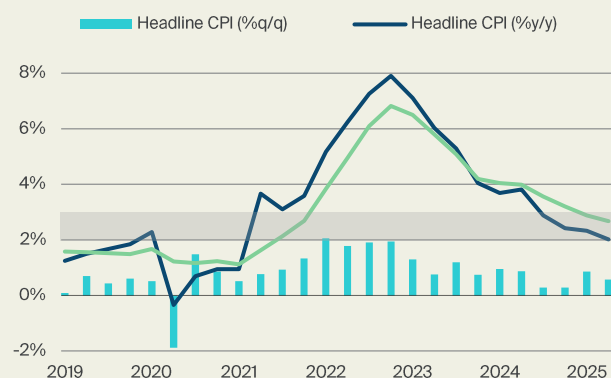
Latest in Jun-25	Mar-25	Dec-24	Sep-24	Jun-24
Vic	1.5%	3.0%	4.3%	5.8%
Qld	3.4%	3.2%	4.0%	5.5%
WA	1.7%	3.3%	4.3%	5.3%
Aus	1.7%	2.7%	3.7%	4.9%
SA	0.8%	2.1%	3.9%	4.1%
NSW	1.2%	2.0%	2.9%	4.1%
ACT	1.8%	3.1%	3.1%	2.7%
Tas	0.0%	1.0%	2.7%	2.3%

# Inflation & interest rates

Inflation is now comfortably within the RBA target band, paving the way for further rate cuts

## Core inflation falls to 2.7%

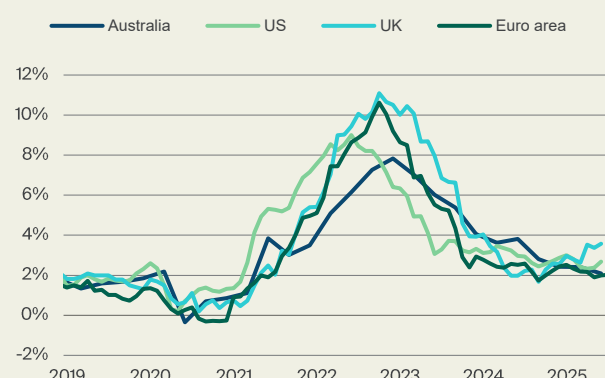
Annual and quarterly growth (% seasonally adjusted)



	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24
Headline CPI (q/q, %)	0.7	0.9	0.2	0.2	1.0
Headline CPI (y/y, %)	2.1	2.4	2.4	2.8	3.8
Trimmed mean inflation (y/y, %)	2.7	2.9	3.2	3.6	4.0

## Global inflation has largely stabilised

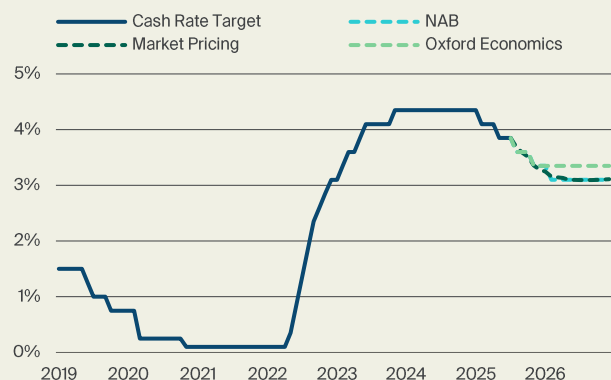
Headline CPI (y/y, %)



	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24
Australia (y/y, %)	2.1	2.4	2.4	2.8	3.8
US (y/y, %)	2.7	2.4	2.9	2.4	3.0
UK (y/y, %)	3.6	2.6	2.6	1.7	2.0
Euro area (y/y, %)	2.0	2.2	2.4	1.7	2.5

## Further rate cuts expected

Historic rates and indicative RBA outlook

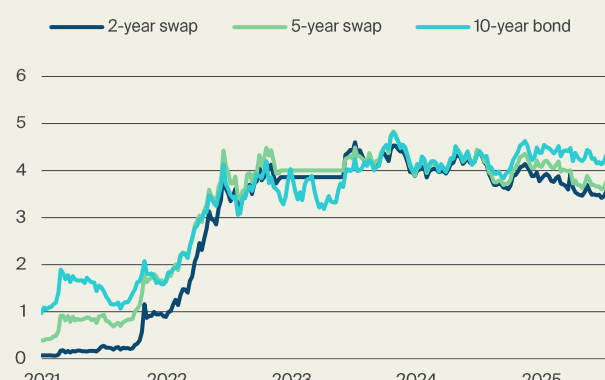


	Jul-25	Oct-25	Jan-26	Apr-26	Jul-26
Cash rate target	3.85				
Oxford Economics		3.60	3.35	3.35	3.35
NAB		3.60	3.35	3.10	3.10
Market pricing		3.51	3.25	3.14	3.10

Month-end

## Longer term borrowing rates rise in July

Yield by swap/bond duration (%)



	Jul-25	Apr-25	Jan-25	Oct-24	Jul-24
2-year swap	3.52	3.54	3.88	3.86	4.25
5-year swap	3.73	3.72	4.16	4.01	4.28
10-year bond	4.30	4.27	4.48	4.25	4.34

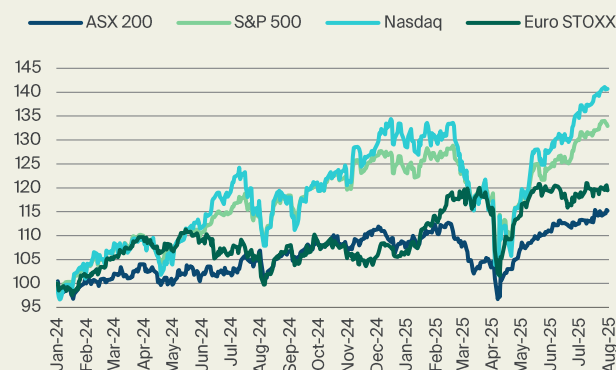
Monthly average

# Financial markets

Investors are increasingly looking through the impacts of US tariff policy

## Equity prices rise throughout July

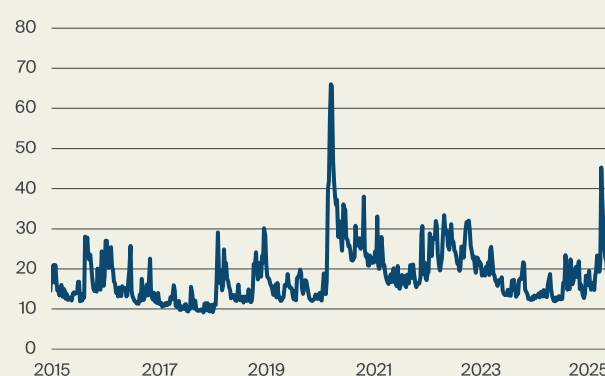
Global equities, price indices, 1 Jan 2024 = 100



Source: Knight Frank Research, Macrobond

## Market volatility remains elevated

US VIX index - measure of market volatility (Index)



Source: Knight Frank Research, Macrobond

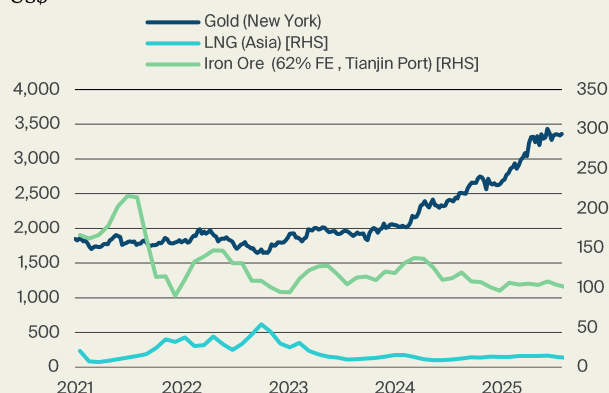
Percentage change from

	Apr-25	Jan-25	Oct-24	Jul-24
ASX 200	10.8%	3.7%	5.0%	9.3%
S&P 500	17.3%	5.4%	8.7%	13.7%
Nasdaq	24.7%	6.3%	13.4%	15.6%
Euro STOXX 50	8.9%	8.5%	10.9%	11.9%
FTSE 350	9.4%	6.8%	8.0%	8.6%

Monthly average

## Uncertainty supports record gold prices

US\$



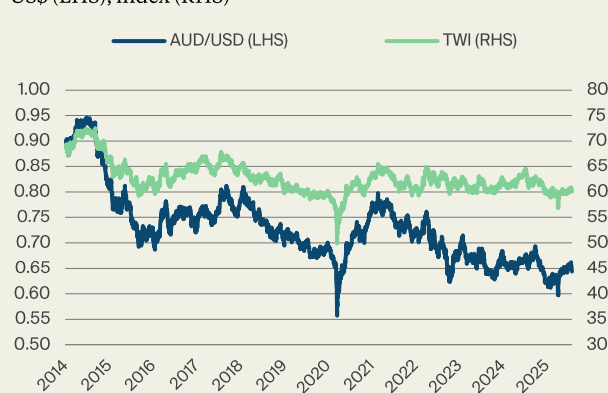
Source: Knight Frank Research, Macrobond

Index	Latest Jun-25	Percentage change from			
		Mar-25	Dec-24	Sep-24	Jun-24
Gold	3,303	5.7%	26.8%	25.4%	42.0%
LNG	13.0	-1.2%	-8.9%	-1.0%	4.8%
Iron Ore	96.2	-7.2%	-8.7%	-0.1%	-11.0%

Monthly average

## AUD has strengthened against the USD

US\$ (LHS), index (RHS)



Source: Knight Frank Research, Macrobond

	Latest				
	Jul-25	Apr-25	Jan-25	Oct-24	Jul-24
USD per AUD	0.65	0.63	0.62	0.67	0.67
	Percentage change from				
Trade weighted index	60.4	2.1%	0.9%	-3.0%	-4.8%

Monthly average

## Recent research

### Australian Capital View



### Is now the time to develop?



### Australian office indicators



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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