Leading Indicators

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Key economic and financial metrics impacting property markets — Aug-26

Q2 inflation lower than expected, RBA to hold in August

INFLATIONARY PRESSURES SLOW

June monthly inflation data was softer than expected with headline inflation falling to 3.8% over the year and trimmed mean inflation falling to 3.6%. Q2 inflation, which is the important measure for the RBA's August meeting, was also 0.1% below market consensus at 3.9% headline and 3.6% trimmed mean. Despite the Q2 trimmed mean rising, the data was encouraging. Some of the most explicit and concerning signs of cost-push pressure in May look to have faded in June. This suggests the recent rise in inflation may be a result of narrow cost-push dynamics rather than broader inflationary pressures across the economy.

RBA EXPECTED TO HOLD IN AUGUST

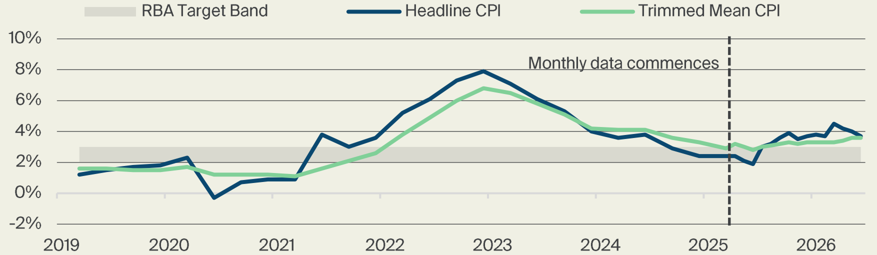
Following the Q2 inflation release, market pricing for an August rate rise fell from a 21% chance to 4%, and the market is currently pricing in no chance of a rate rise. Conflict in the Middle East remains a threat to inflation, inflation expectations and hence the cash rate outlook, but Q2 data will allow the RBA to watch and see the impact of the competing influences from the Middle East, the slowing housing market and the 75bps of cash rate rises this year.

US BOND YIELDS RISE

US 10-year bond yields rose to their highest level since 2007 in July as investors appeared to price in the risks around geopolitics, growing US government deficits and perhaps reduced investor confidence that the new US Federal Reserve chair Kevin Warsh will act aggressively lower inflation quickly towards the Fed's target.

Inflation remains above the RBA target

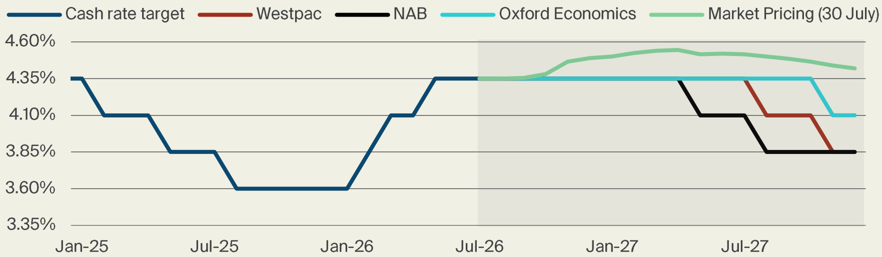
Annual growth headline and trimmed mean inflation (y/y %)



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

RBA expected to hold in August

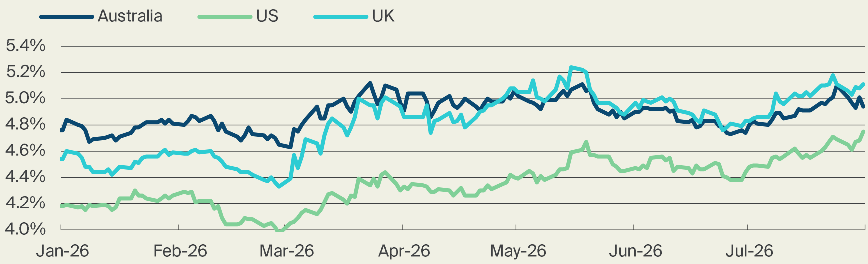
Historic rates and forecasts by source (%)



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

US 10-year bond yields rise to highest level since 2007

10-year government bond yields (%)



Source: Knight Frank Research, Macrobond

Australia key forecasts

	Real GDP growth *(Q1 2026, y/y %)*	Unemployment rate *(June 2026, %)*	Core CPI inflation *(June 2026, y/y %)*	Cash rate target *(July 2026, %)*	10-year bond yield *(31 July2026, %)*
Latest	2.5	4.4	3.7	4.35	4.94
Year-end 2026* (f)	1.6	4.6	3.6	4.35	5.0

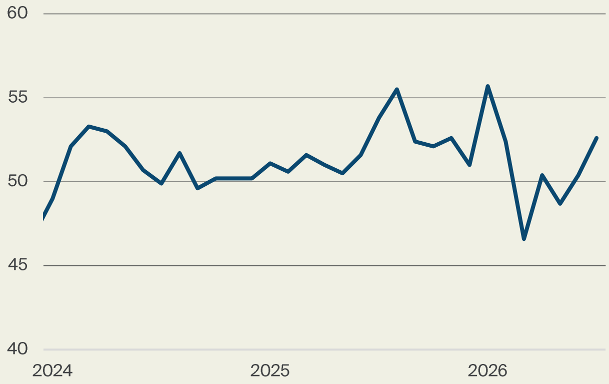
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Businesses conditions continue slowly improve despite elevated tensions in Middle East

PMIs return to expansion

Composite PMI Output Index (above 50 indicates expansion)



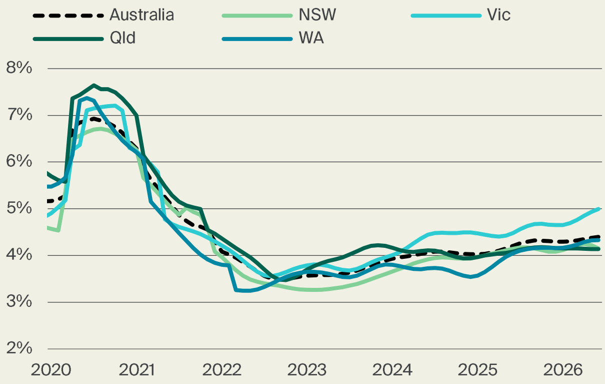
Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Jul-26	Apr-26	Jan-26	Oct-25	Jul-25
Australia	52.6	50.4	55.7	52.1	53.8
China	53.6	53.1	51.6	51.8	50.8
Euro Area	51.9	48.8	51.3	52.5	50.9
Japan	53.1	52.2	53.1	51.5	51.6
UK	52.1	52.6	53.7	52.2	51.5
US	53.6	51.7	53.0	54.6	55.1

*June-26

Unemployment rate steady, but higher in VIC

Unemployment rate (trend adjusted)

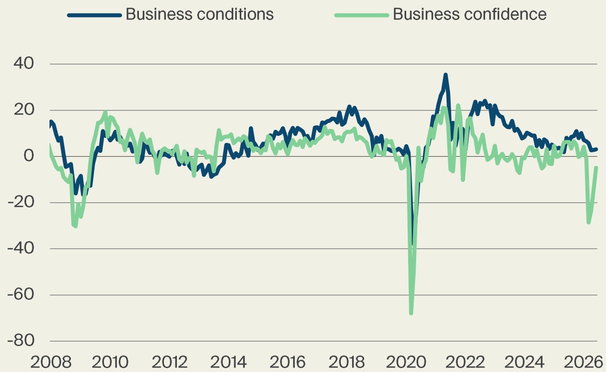


Source: Knight Frank Research, Macrobond

	Jun-26	Mar-26	Dec-25	Sep-25	Jun-25
Australia	4.4	4.3	4.3	4.3	4.2
NSW	4.2	4.2	4.1	4.2	4.1
Vic	5.0	4.8	4.6	4.7	4.5
Qld	4.1	4.2	4.2	4.2	4.1
WA	4.3	4.2	4.2	4.2	4.0

Business confidence rebounds but remains weak

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders lift marginally in June

Forward orders index, balance of positive and negative

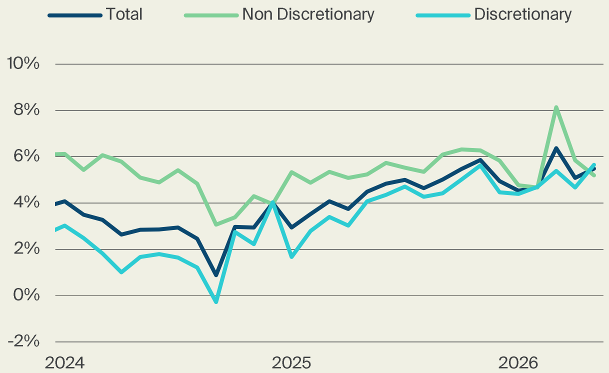
Source: Knight Frank Research, NAB

Consumer indicators

Consumer confidence remains weak however household spending remains resilient

Household spending rises in May

Annual growth in household spending by type (%)

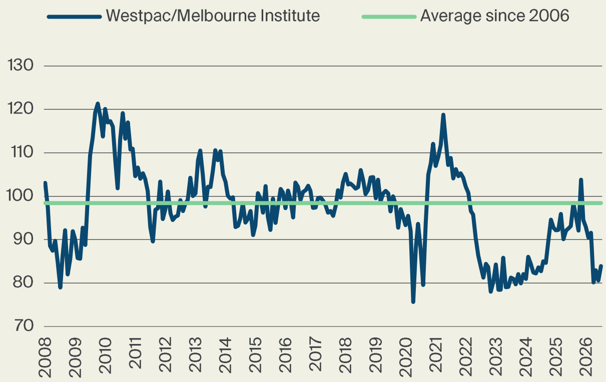


Source: Knight Frank Research, Macrobond

	May-26	Feb-26	Nov-25	Aug-25	May-25
Household spending, current prices (m/m)	1.3	0.3	0.9	-0.1	0.9
Household spending, current prices (y/y)	5.5	4.7	5.9	4.6	4.5

Consumer confidence remains weak

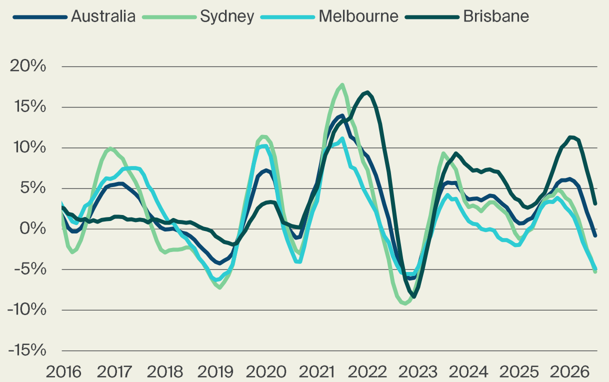
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

House prices fall in Sydney and Melbourne

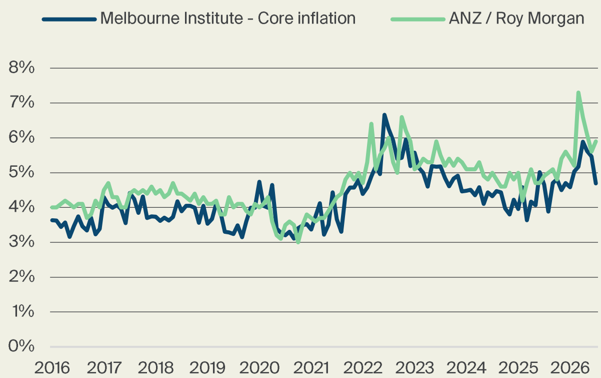
Rolling 6-month median dwelling price growth - major cities (%)



Source: Knight Frank Research, Cotality

Inflation expectations ease but remain elevated

Survey indicators of household inflation expectations (y/y, %)



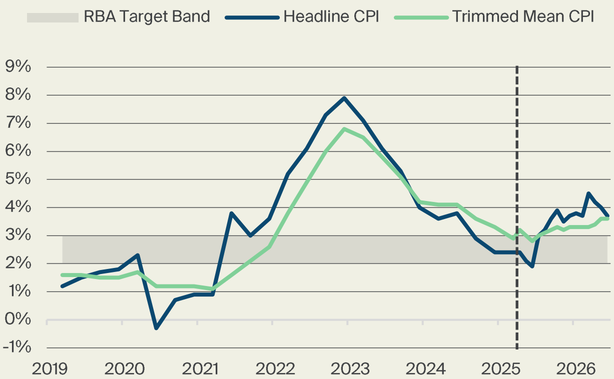
Source: Knight Frank Research, Macrobond

Inflation & interest rates

Inflationary pressure from Middle East conflict is slowly subsiding

Inflation starts to pass-through economy

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

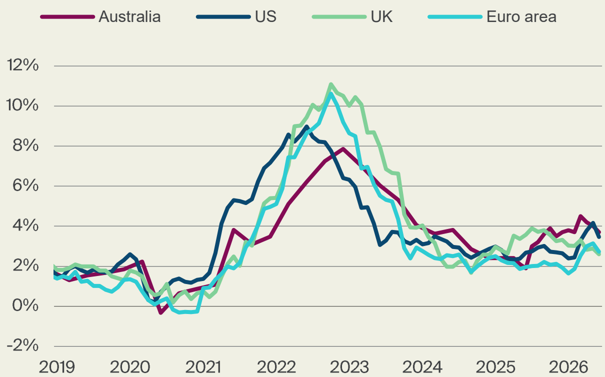


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	Jun-26	Mar-26	Dec-25	Sep-25	Jun-25
Headline CPI (m/m, %)	-0.1	1.0	0.2	0.3	0.2
Headline CPI (y/y, %)	3.7	4.5	3.7	3.6	1.9
Trimmed mean inflation (y/y, %)	3.6	3.3	3.3	3.2	2.8

Inflation below 4% in most economies

Headline CPI (y/y, %)

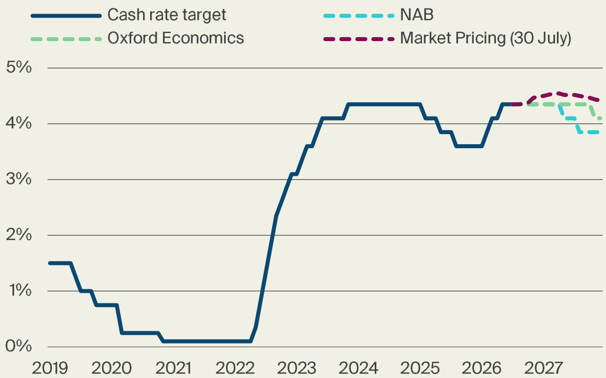


Source: Knight Frank Research, Macrobond

	Jun-26	Mar-26	Dec-25	Sep-25	Jun-25
Australia (y/y, %)	3.7	4.5	3.7	3.6	1.9
US (y/y, %)	3.5	2.1	2.7	3.0	2.7
UK (y/y, %)	2.6	3.3	3.3	3.8	3.6
Euro area (y/y, %)	2.7	2.5	1.9	2.2	2.0

RBA expected to hold rates steady in August

Historic rates and forecasts by source (%)



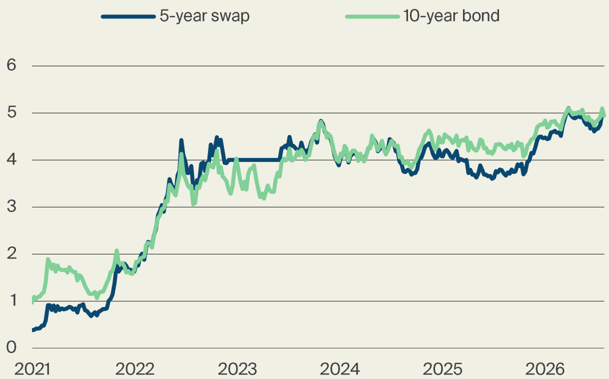
Source: Knight Frank Research, NAB, Oxford Economics, ASX

	Jul-26	Oct-26	Jan-27	Apr-27	Jul-27
Cash rate target	4.35				
Oxford Economics		4.35	4.35	4.35	4.35
NAB		4.35	4.35	4.35	4.10
Market pricing		4.38	4.50	4.55	4.52

Month-end

Rising US rates and conflict push yields up

Yield by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	Jul-26	Apr-26	Jan-26	Oct-25	Jul-25
5-year swap	4.77	4.92	4.49	3.81	3.73
10-year bond	4.92	5.00	4.77	4.21	4.30

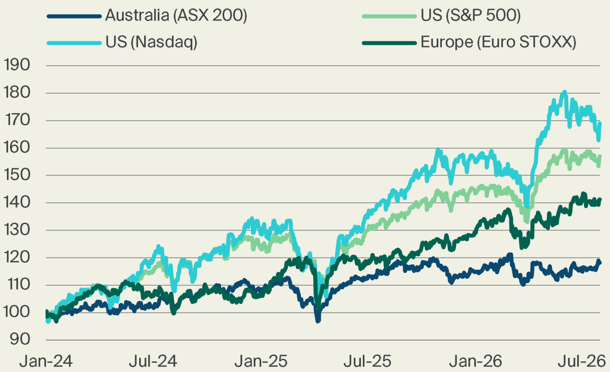
Monthly average

Financial markets

Renewed conflict in the Middle East drives oil prices back over US$100/bbl

Tech stock jitters drive equity volatility

Global equities, price indices, 1 Jan 2024 = 100



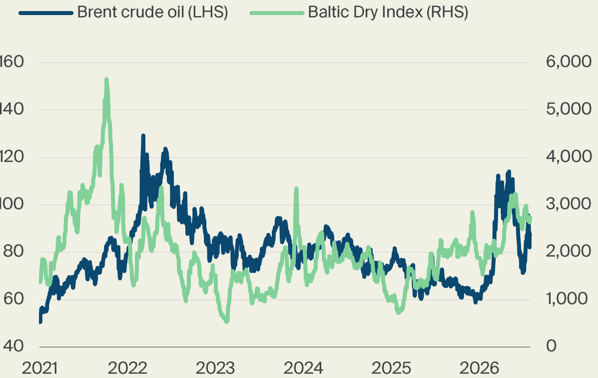
Source: Knight Frank Research, Macrobond

	Percentage change from				
	Jun-26	Apr-26	Jan-26	Oct-25	Jul-25
ASX 200	0.8	0.2	0.3	-1.5	2.3
S&P 500	0.4	7.8	8.0	11.1	18.8
Nasdaq	-1.8	8.6	9.0	11.4	23.4
Euro STOXX 50	1.1	6.2	6.3	12.2	17.7
FTSE 350	2.3	2.0	4.8	11.2	17.4

Monthly average

Oil prices rise with renewed conflict

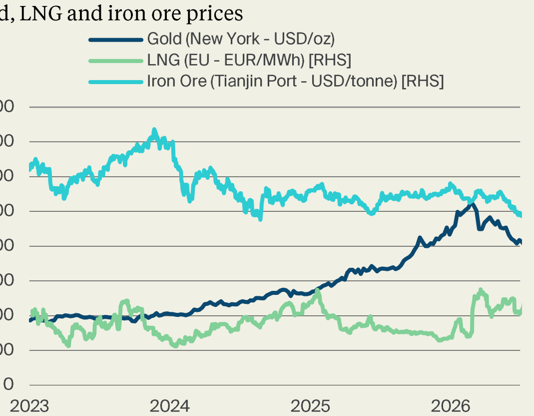
Brent crude $US/b (LHS), Shipping rates - Baltic Exchange Dry Index (RHS)



Source: Knight Frank Research, Macrobond

Iron ore prices trending lower

Gold, LNG and iron ore prices



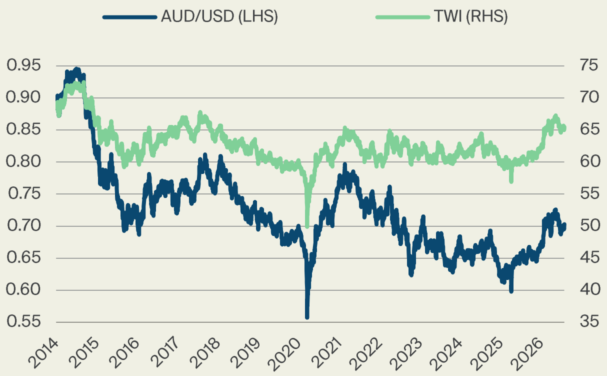
Source: Knight Frank Research, Macrobond

	Current	Percentage change from				
	Jul-26	Jun-26	Apr-26	Jan-26	Oct-25	Jul-25
Gold (US/t.oz)	4,056	-3.2	-14.2	-14.5	-1.0	21.0
LNG (EUR/MWh)	52.2	14.3	14.9	65.4	73.1	58.8
Iron Ore (US$/t)	98.1	-3.5	-9.0	-13.0	-10.3	-6.3

Monthly average

AUD strengthens in July

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



Source: Knight Frank Research, Macrobond

	Latest				
	Jul-26	Apr-26	Jan-26	Oct-25	Jul-25
USD per AUD	0.70	0.71	0.68	0.65	0.65
		Percentage change from			
Trade weighted index	65.2	-0.8	3.7	7.0	8.0

Monthly average

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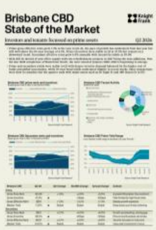

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