

Leading Indicators

Key economic and financial metrics impacting property markets

Dec-24

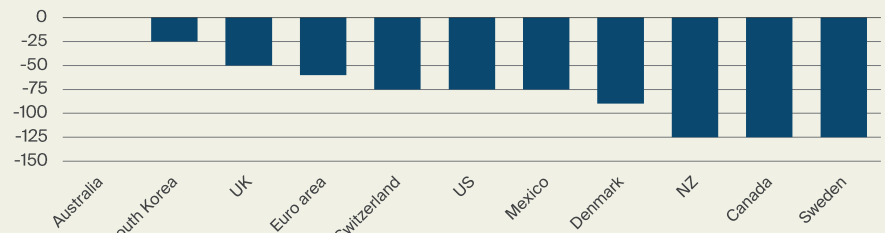
Improving outlook heading into 2025

POLICY RATES TURNING THE CORNER

Major central banks have started to cut policy rates since mid-year in a move toward a more neutral stance. New Zealand and Canada have seen cuts of 125bps to date, whilst the UK and US have seen 50bps and 75bps cuts respectively. Whilst the RBA is yet to cut rates in Australia, the global rate cuts are a positive sign for property markets and have buoyed investor sentiment.

Central banks cutting cash rates globally

Bps decline since peak



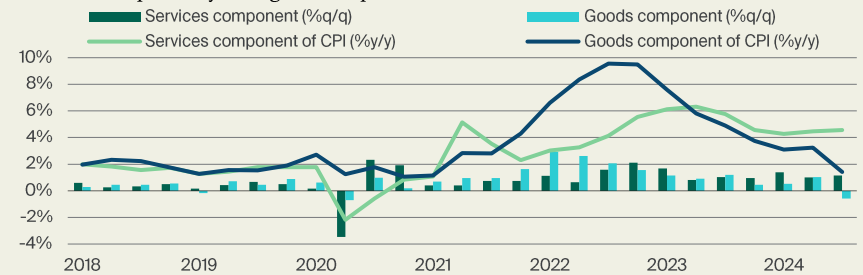
Source: Knight Frank Research

Q3 CPI FALLING BUT STILL NOT ENOUGH FOR THE RBA

The battle against elevated inflation continues, with the headline rate dropping to 2.8%, while core inflation fell to 3.5%. While the drop in inflation is encouraging, elevated inflation in service industries remains a concern and will need to edge down to provide more assurance that price pressures have abated before the RBA cuts rates.

Services inflation remains elevated

Annual and quarterly change in components of inflation



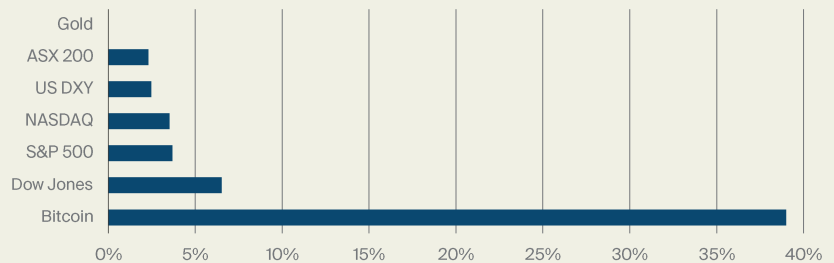
Source: Knight Frank Research

MARKET REACTION POST TRUMP VICTORY

The immediate aftermath of the Trump election victory saw a rally in equities and other asset classes partly driven by optimism over the likelihood of a deregulatory agenda and pro-growth policies. The standout asset class has been Bitcoin which has surged over 35% since the election as investors anticipate a more favourable environment for crypto assets. However, bond yields have risen reflecting the belief that rates may not be cut by as much under the new administration.

Asset class performance since trump election victory

Monthly % change since 27/10/24



Source: Knight Frank Research

Australia key forecasts

	GDP growth (Q3 2024, y/y %)	Unemployment rate (October 2024, %)	Core CPI inflation (Q3 2024, y/y %)	Cash rate target (November 2024, %)	10 year bond yield (2 December 2024, %)
Latest	0.8	4.1	3.5	4.35	4.3
Year-end 2025 (f)*	2.4	4.4	2.8	3.60	4.1

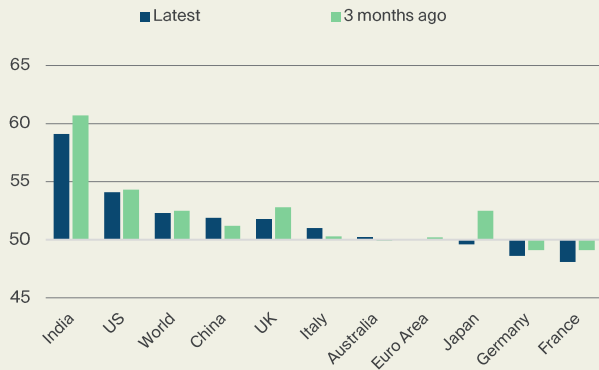
Source: Oxford Economics, RBA

Business indicators

Business conditions providing mixed signals for the RBA

PMIs show sluggish growth momentum

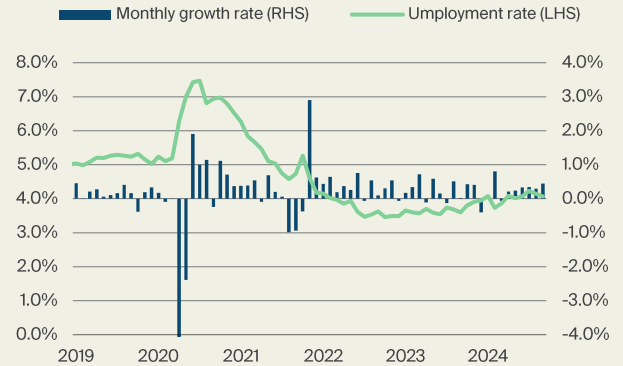
Composite PMI indicator (above 50 indicates expansion)



Source: Knight Frank Research, Macrobond

Labour market remains tight

Per cent



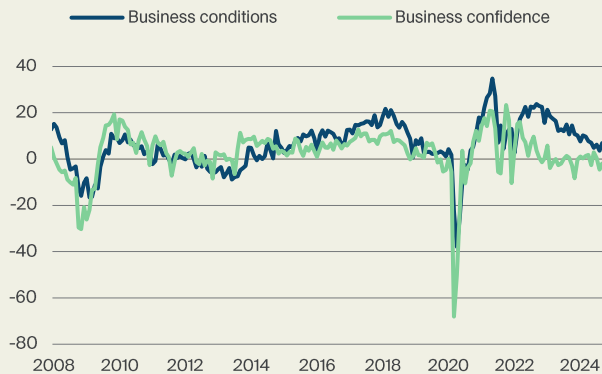
Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Oct-24	Jul-24	Apr-24	Jan-24	Oct-23
Australia	50.2	49.9	53.0	49.0	47.6
China	51.9	51.2	52.8	52.5	50.0
Euro Area	50.0	50.2	51.7	47.9	46.5
Japan	49.6	52.5	52.3	51.5	50.5
UK	51.8	52.8	54.1	52.9	48.7
US	54.1	54.3	51.3	52.0	50.7

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

Business conditions see slight uptick

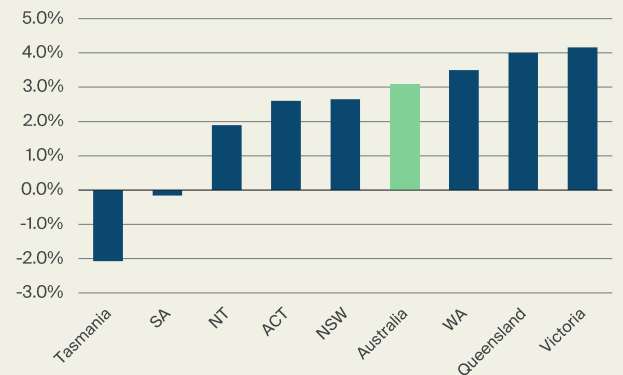
NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Strong employment growth in Vic and QLD

Per cent, annual change to Sep-24



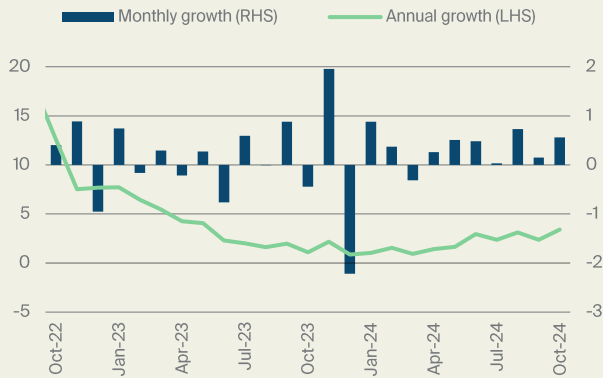
	TAS	SA	NT	ACT	NSW	Australia	WA	QLD	VIC
y/y growth (%)	-2.1	-0.2	1.9	2.6	2.6	3.1	3.5	4.0	4.2

Consumer indicators

Steady improvement in retail sales a positive sign for the economy

Retail sales growth heading in right direction

Annual and monthly growth rate (%)

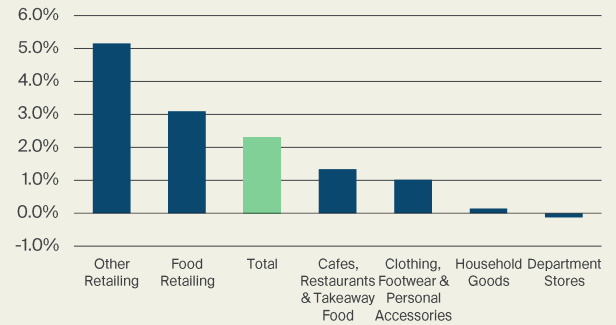


Source: Knight Frank Research, Macrobond

	Oct-24	Jul-24	Apr-23	Jan-23	Oct-23
m/m growth (%)	0.6	0.0	0.3	0.9	-0.4
y/y growth (%)	3.4	2.4	1.4	1.0	1.1

Discretionary spending improving

Annual growth in retail sales (values)



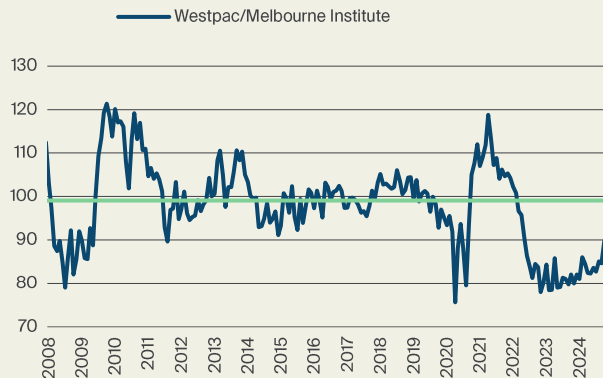
Source: Knight Frank Research, Macrobond

Latest in Sep-24

	m/m (%)	y/y (%)
Other Retailing	0.0	5.2
Food Retailing	-0.1	3.1
Total	0.1	2.3
Cafes, Restaurants & Takeaway Food	0.4	1.3
Clothing, Footwear & Personal Accessories	-0.1	1.0
Household Goods	0.5	0.1
Department Stores	-0.5	-0.1

Consumer pessimism easing

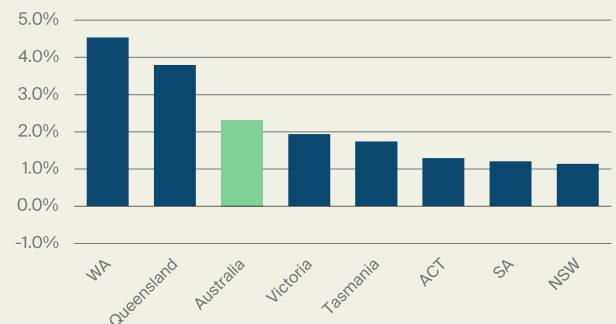
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

WA and QLD lead the way

Annual growth in retail sales, per cent



Source: Knight Frank Research, Macrobond

Percentage change since

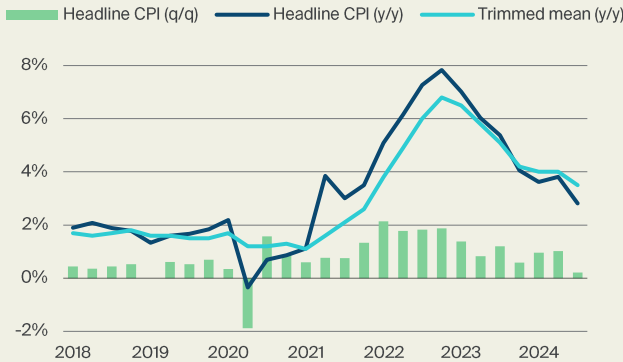
Latest in Sep-24	Jun-24	Mar-24	Dec-23	Sep-23
WA	0.8	3.0	4.1	4.5
Queensland	1.1	2.1	2.1	3.8
Australia	0.8	2.1	2.0	2.3
Victoria	0.9	2.1	2.2	1.9
Tasmania	-0.3	0.4	-0.5	1.7
ACT	-0.1	1.2	1.6	1.3
SA	0.1	0.8	0.5	1.2
NSW	0.9	2.1	1.7	1.1

Inflation & interest rates

Sticky inflation to keep rates on hold for now

Core inflation edges to 3.5%

Annual and quarterly growth (%)

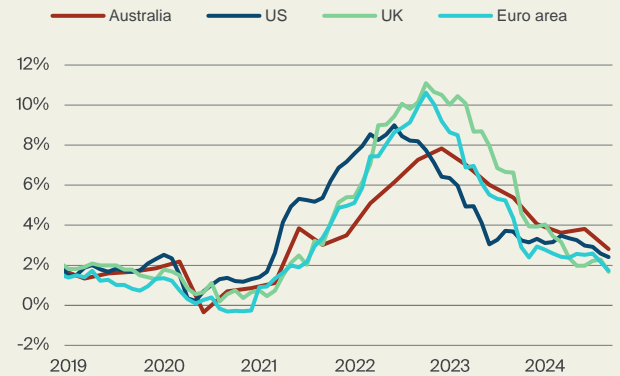


Source: Knight Frank Research, ABS

	Sep-24	Jun-24	Mar-24	Dec-23	Sep-23
Headline CPI (q/q, %)	0.2	1.0	1.0	0.6	1.2
Headline CPI (y/y, %)	2.8	3.8	3.6	4.1	5.4
Trimmed mean inflation (y/y, %)	3.5	4.0	4.0	4.2	5.1

Inflation has eased globally

Headline CPI y/y

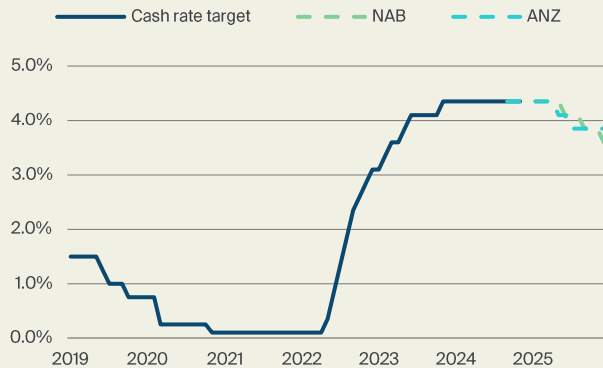


Source: Knight Frank Research, Macrobond

	Sep-24	Jun-24	Mar-24	Dec-23	Sep-23
Australia (y/y, %)	2.8	3.8	3.6	4.1	5.4
US (y/y, %)	2.4	3.0	3.5	3.3	3.7
UK (y/y, %)	1.7	2.0	3.2	3.9	6.6
Euro area (y/y, %)	1.7	2.5	2.4	2.9	4.3

Rate cuts not forecast until mid 2025

Historic rates and current forecasts of major banks

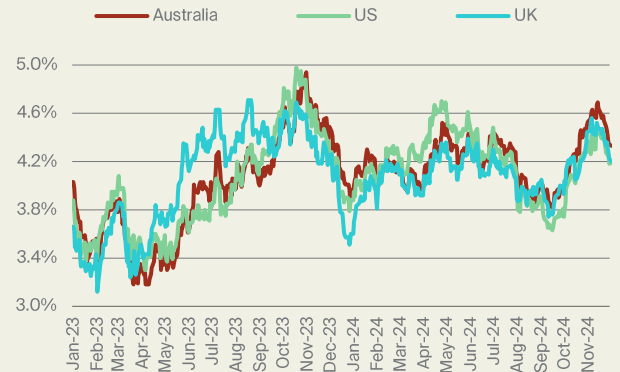


Source: Knight Frank Research, NAB, Rate City

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

Bond yields hold above 4%

Ten year government bond yields



Source: Knight Frank Research, Macrobond

	Nov-24	Aug-24	May-24	Feb-23	Nov-23
Australia	4.34	3.98	4.41	4.14	4.41
US	4.18	3.91	4.51	4.25	4.37
UK	4.22	4.00	4.33	4.11	4.25

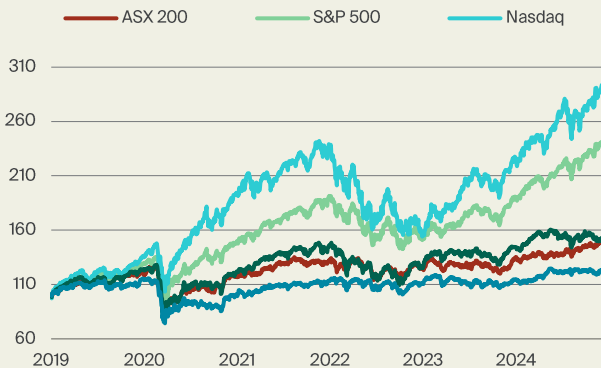
*as at the last business day of the month

Financial markets

Equity markets responding to rate cuts globally

A strong run in equity markets

Global equities, price indices, 1 Jan 2019 = 100



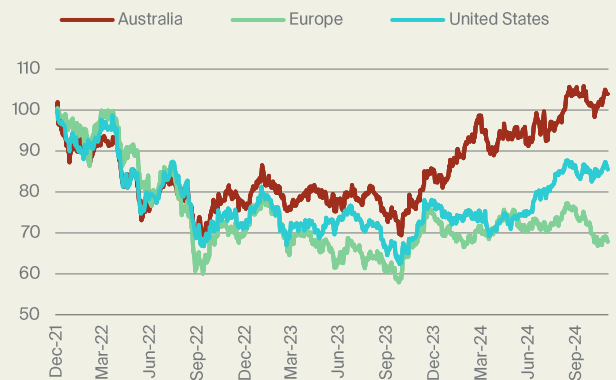
Source: Knight Frank Research, Macrobond

Index	Latest	Percentage change since				
		Nov-24	Aug-24	May-24	Feb-24	Nov-23
Original value and base						
ASX 200	8,436	4.3	9.5	10.1	19.0	
S&P 500	6,032	6.8	14.3	19.0	32.1	
Nasdaq	19,218	8.5	14.8	20.5	35.1	
Euro STOXX	4,804	-2.5	-3.4	-0.1	8.5	
FTSE 350	4,570	-1.1	0.2	8.8	11.6	

* Latest 29th November

Listed REITs stage a recovery

Price index, 31 Dec 2021 = 100



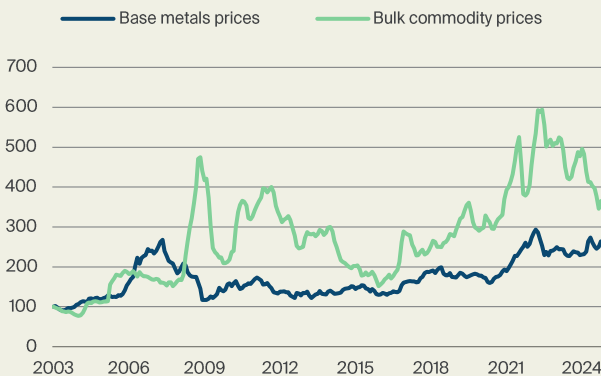
Source: Knight Frank Research, Macrobond

	Percentage change since			
	Aug-24	May-24	Feb-24	Nov-23
Australia	6.0	12.0	17.2	33.8
Europe	-5.3	-7.4	3.8	2.0
United States	2.0	17.9	18.1	23.7

* Latest 29th November

China slowdown weighing on commodities

RBA commodity price index (Jan 2003 = 100)

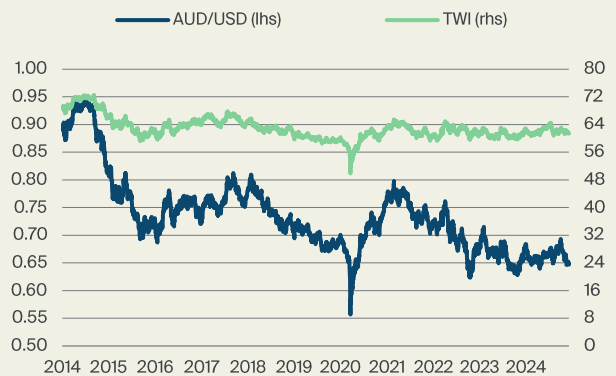


Source: Knight Frank Research, RBA

Index	Latest in Oct-24	Percentage change since			
		Jul-24	Apr-24	Jan-24	Oct-23
Base metals prices		5.3	0.1	14.4	11.7
Bulk commodity prices		-8.0	-11.6	-26.3	-21.4

AUD rangebound vs USD

US\$ (lhs), index (rhs)



Source: Knight Frank Research, Macrobond

	Percentage change since				
	Nov-24	Aug-24	May-24	Feb-24	Nov-23
USD per AUD	0.65	0.68	0.66	0.65	0.66
Trade weighted index	61.5	-1.8%	-2.5%	0.7%	0.0%

* Latest 29th November

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



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