Leading Indicators

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Key economic and financial metrics impacting property markets

Dec-25

Rising inflation clouds direction of next rate move

INFLATION SURPRISES AGAIN

The ABS's new monthly CPI data came in much higher than expected with annual headline inflation rising 3.8% in October and trimmed mean inflation rose by 3.3%. Although the RBA will place more weight on the quarterly CPI reading during this data transition, elevated and broad-based inflation pressures in this new monthly inflation measure will not be ignored. This data indicates upside risk to the RBA's recent inflation forecasts.

RISE IN CASH RATE EXPECTATIONS

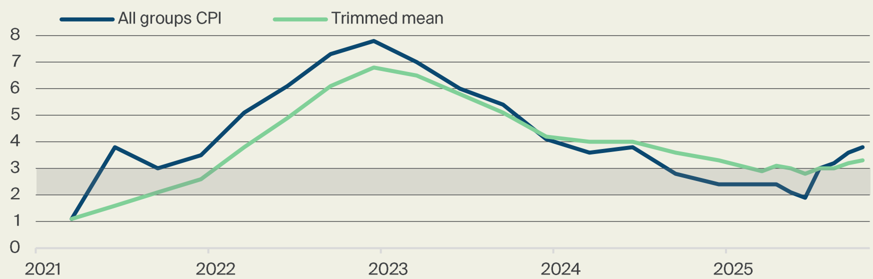
Over 2025, cash rate expectations fell to a low of 2.9% following the US tariff announcement in April. However, these have substantially unwound over H2 2025 with the RBA now more hawkish on the outlook for inflation and employment easing in line with expectations. Following the October inflation print, market pricing indicates that the next move in the cash rate may be a hike, not a cut.

HOUSE PRICE GROWTH MAY SUPPORT CONSUMPTION REBOUND

New lending for dwellings rose sharply in Q3, driven by increased demand from investors. This indicates growing housing demand, which has already begun to translate into house prices which grew 7.5% in the year to Nov-25. Another cyclical upswing in house prices could boost household wealth, consumption, and support GDP growth. Modelling in the RBA November SoMP estimated that a 10% increase in house prices increases GDP by 0.7% (all other aspects held constant), of which around 0.4% reflects increased consumption.

Inflation is gathering momentum with second upward surprise

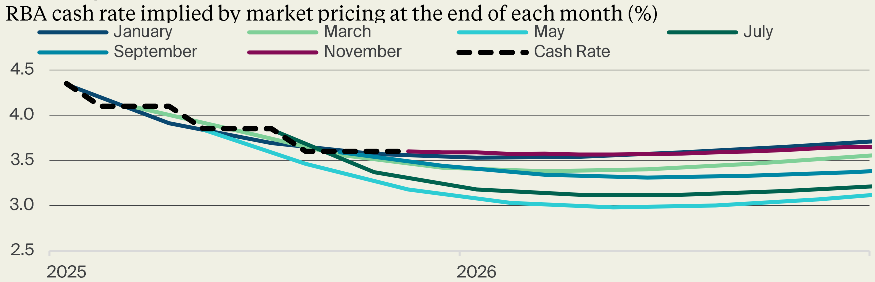
Annual consumer price index inflation (%)



Source: Knight Frank Research, ABS

The progressive rise in cash rate expectations

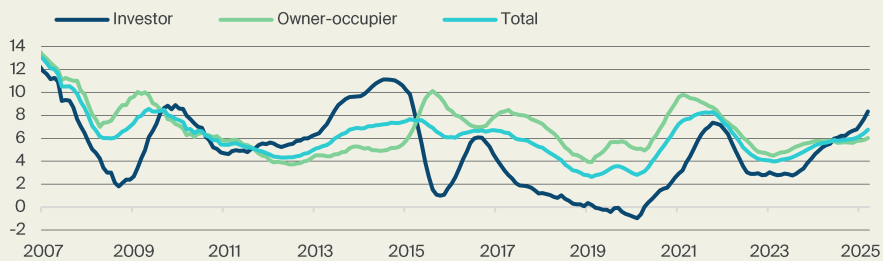
RBA cash rate implied by market pricing at the end of each month (%)



Source: Knight Frank Research, RBA, Macrobond, ASX

Rising investor loans signal pent up housing demand

Housing credit growth, six-month-ended annualised, seasonally and break adjusted (%)



Source: Knight Frank Research, ABS APRA, RBA

Australia key forecasts

	Real GDP growth *(Q2 2025, y/y %)*	Unemployment rate *(September 2025, %)*	Core CPI inflation *(October 2025, y/y %)*	Cash rate target *(November 2025, %)*	10-year bond yield *(28 November 2025, %)*
Latest	1.8	4.5	3.3	3.60	4.5
Year-end 2025 (f)*	1.8	4.4	2.6	3.60	4.3

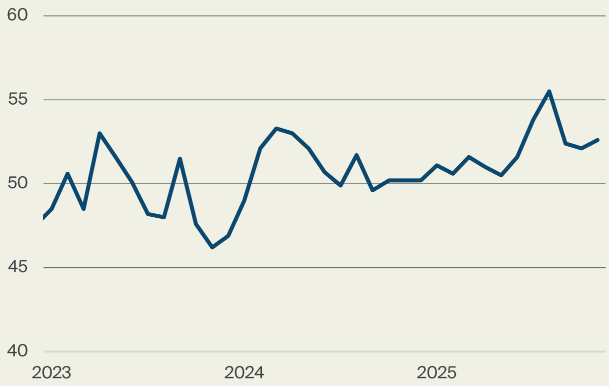
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Business confidence and conditions continue to show positive signs

PMIs lift in November

Composite PMI Output Index (above 50 indicates expansion)

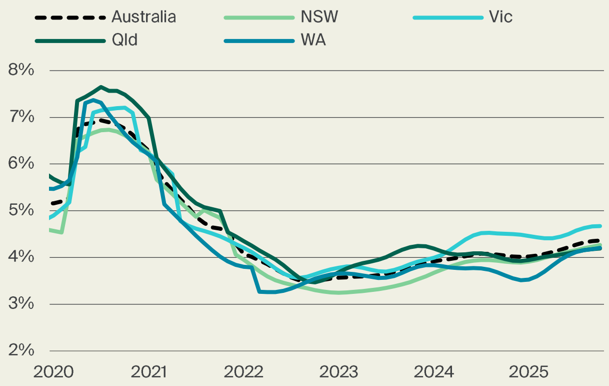


Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Nov-25	Aug-25	May-25	Feb-25	Nov-24
Australia	52.6	55.5	50.5	50.6	50.2
China	0.0	51.9	49.6	51.5	52.3
Euro Area	52.4	51.0	50.2	50.2	48.3
Japan	52.0	52.0	50.2	52.0	50.1
UK	50.5	53.5	50.3	50.5	50.5
US	54.8	54.6	53.0	51.6	54.9

Unemployment continues to rise

Unemployment rate (trend adjusted)

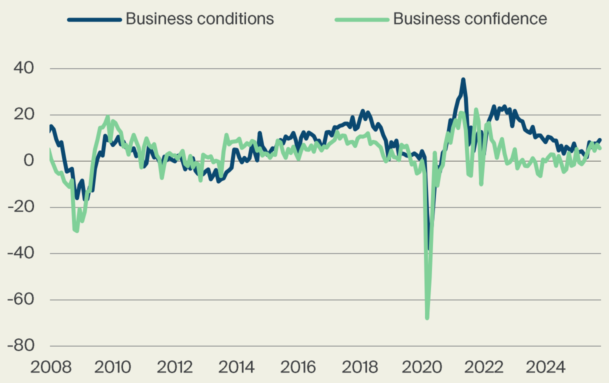


Source: Knight Frank Research, Macrobond

	Oct-25	Jul-25	Apr-25	Jan-25	Oct-24
Australia	4.4	4.3	4.1	4.0	4.0
NSW	4.3	4.2	4.0	3.9	3.9
Vic	4.7	4.6	4.4	4.5	4.5
Qld	4.2	4.1	4.0	3.9	4.0
WA	4.2	4.1	3.8	3.5	3.6

Business confidence and conditions rise

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders still trending up

Forward orders index, balance of positive and negative

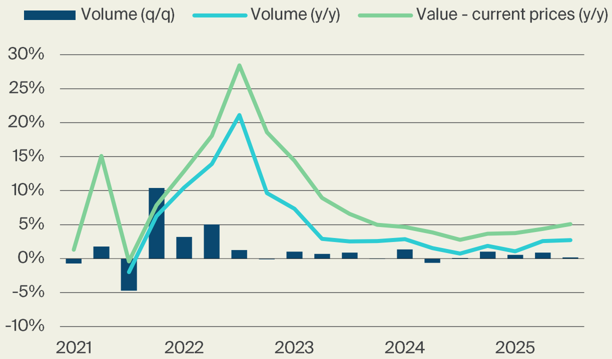
Source: Knight Frank Research, NAB

Consumer indicators

Household spending continues to steadily improve

Household spending slowly rising

Household spending growth (%)

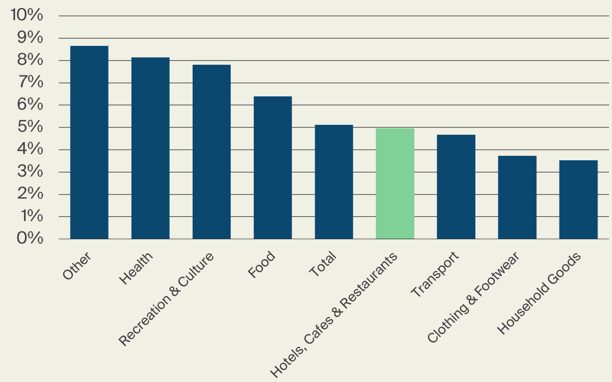


Source: Knight Frank Research, ABS

	Percentage change from				
	Sep-25	Jun-25	Mar-25	Dec-24	Sep-24
Household spending, volume (q/q%)	0.2	0.9	0.6	1.0	0.1
Household spending, volume (y/y%)	2.7	2.6	1.1	1.9	0.7
Household spending, value (y/y%)	5.1	4.4	3.8	3.7	2.8

Households spend on fun and health

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



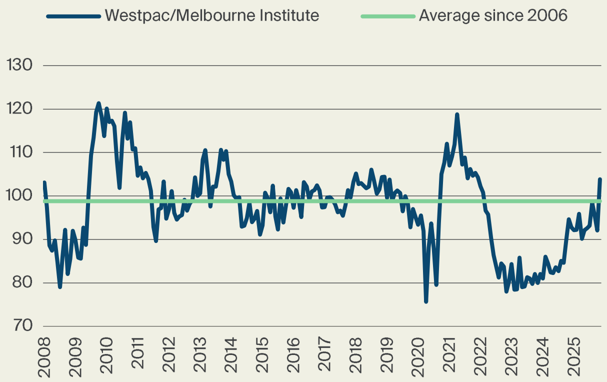
Source: Knight Frank Research, Macrobond
*Excludes Alcoholic beverages and tobacco

Latest in Sep-25

	m/m (%)	y/y (%)
Other	-0.1	8.7
Health	0.7	8.1
Recreation & Culture	1.1	7.8
Food	0.6	6.4
Total	0.2	5.1
Hotels, Cafes & Restaurants	-0.3	5.0
Transport	-0.4	4.7
Clothing & Footwear	-0.6	3.7
Household Goods	0.4	3.5
Alcohol & Tobacco	-0.8	-17.3

Consumer sentiment turns positive

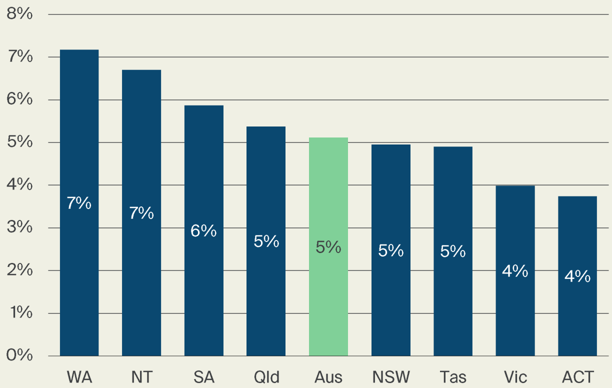
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

WA, SA and QLD drive household spending

Annual growth in value of spending by state (%)



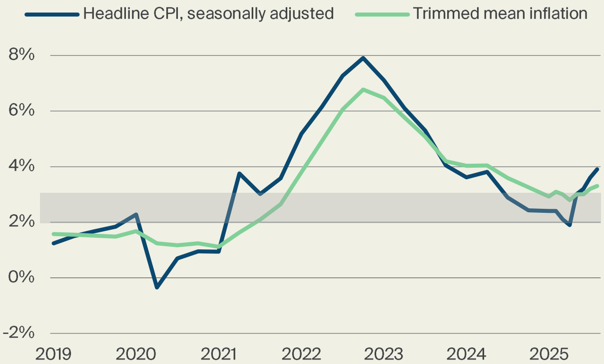
Source: Knight Frank Research, Macrobond

Inflation & interest rates

Increased inflation risks drive a pullback in rate cut expectations

Inflation rises sharply to above RBA target

Annual growth in consumer price index (y/y %)

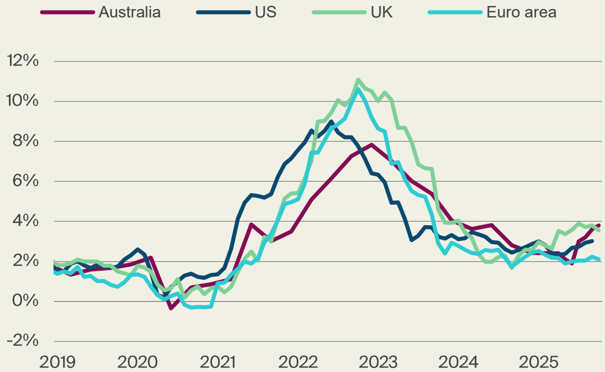


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	Oct-25	Jul-25	Apr-25
Headline CPI (m/m sa, %)	0.3	0.9	0.3
Headline CPI (y/y sa, %)	3.9	3.0	2.4
Trimmed mean inflation (y/y, %)	3.3	3.0	3.1

Global inflation has crept higher

Headline CPI (y/y, %)

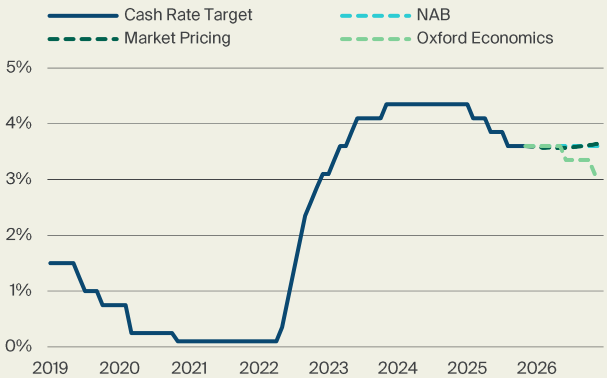


Source: Knight Frank Research, Macrobond

	Oct-25	Jul-25	Apr-25	Jan-25	Oct-24
Australia (y/y, %)	3.8	3.0	2.4	2.4	2.4
US (y/y, %)	0.0	2.1	2.3	3.0	2.6
UK (y/y, %)	3.6	3.9	3.5	3.0	2.3
Euro area (y/y, %)	2.1	2.0	2.2	2.5	2.0

Markets expect no further rate cuts

Historic rates and indicative RBA outlook



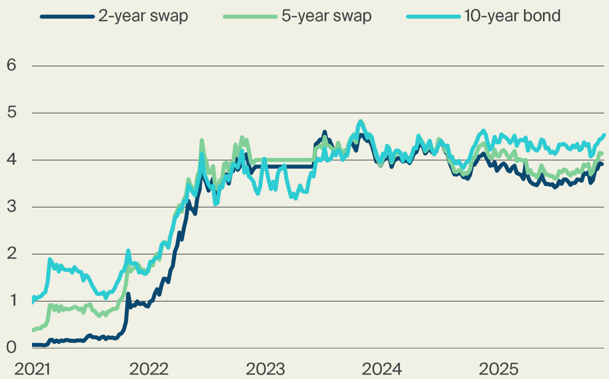
Source: Knight Frank Research, NAB, Oxford Economics, ASX

	Nov-25	Feb-26	May-26	Aug-26	Nov-26
Cash rate target	3.60				
Oxford Economics		3.60	3.60	3.35	3.10
NAB		3.60	3.60	3.60	3.60
Market pricing		3.57	3.57	3.59	3.64

Month-end

Yields rise with less rate cuts expected

Yield by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	Nov-25	Aug-25	May-25	Feb-25	Nov-24
2-year swap	3.86	3.53	3.57	3.81	4.10
5-year swap	4.06	3.72	3.75	4.11	4.31
10-year bond	4.42	4.27	4.33	4.43	4.57

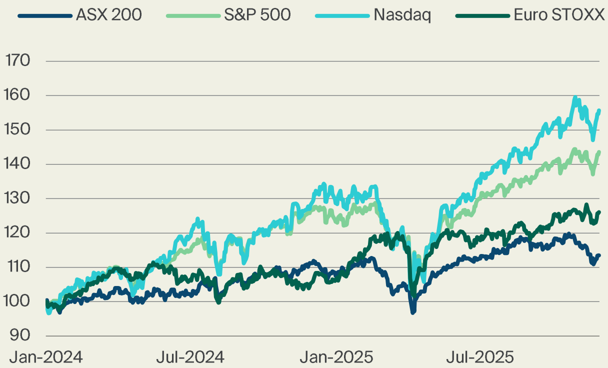
Monthly average

Financial markets

Global financial markets were volatile in November

Equitys fall sharply before rebounding

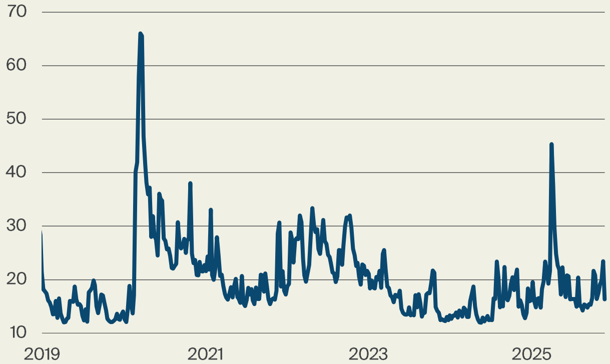
Global equities, price indices, 1 Jan 2024 = 100



Source: Knight Frank Research, Macrobond

Market volatility lifts with equity uncertainty

US VIX index - measure of market volatility (Index)



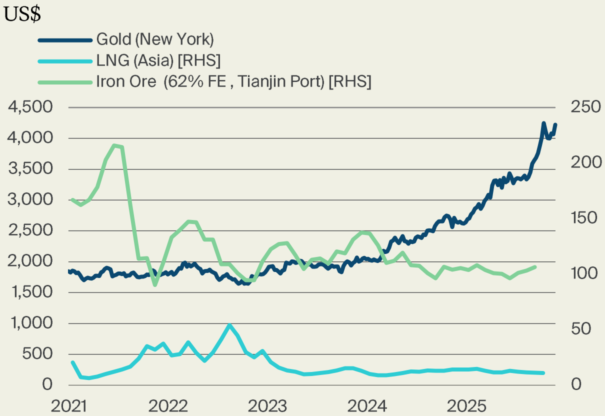
Source: Knight Frank Research, Macrobond

	Percentage change from			
	Aug-25	May-25	Feb-25	Nov-24
ASX 200	-2.4	4.5	3.1	4.5
S&P 500	5.2	16.1	11.6	13.7
Nasdaq	7.7	23.5	17.7	21.4
Euro STOXX 50	3.8	5.5	7.2	19.3
FTSE 350	4.8	11.1	10.5	17.2

Monthly average

Gold prices are rising again

US$



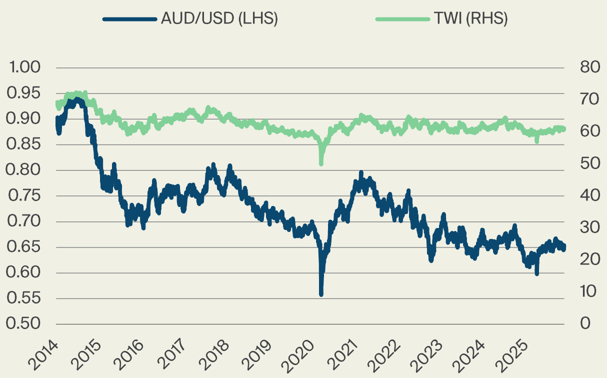
Source: Knight Frank Research, Macrobond

Index	Latest	Percentage change from			
	Jul-25	Apr-25	Jan-25	Oct-24	Jul-25
Gold	21.7	21.7	43.0	45.9	21.7
LNG	-11.6	-6.3	-23.2	-17.3	-11.6

Monthly average

AUD holds steady

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



Source: Knight Frank Research, Macrobond

	Latest				
	Nov-25	Aug-25	May-25	Feb-25	Nov-24
USD per AUD	0.65	0.65	0.64	0.63	0.65
		Percentage change from			
Trade weighted index	61.0	1.3	1.9	1.4	-1.2

Monthly average

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