

Leading Indicators

Key economic and financial metrics impacting property markets

Feb-26

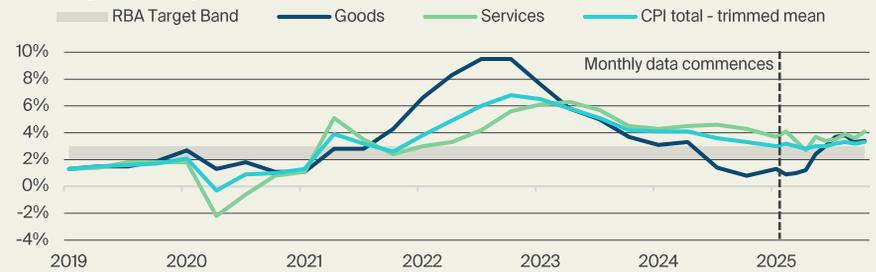
Persistently high inflation leads to RBA rate hike

INFLATION REMAINS ABOVE TARGET

The ABS's December monthly CPI data came in above expectations, with annual headline inflation rising 3.8% and trimmed mean inflation up 3.3%. Services inflation remains sticky and rents and new dwelling purchases are accelerating which will increase the RBA's concerns. The release also contained Q4 annual trimmed mean inflation data which the RBA focuses on during this transition to monthly CPI. This came in at 3.4%, which was above the RBA's November forecast of 3.2%.

Goods drive rise in inflation

Annual growth for goods and services inflation (%)



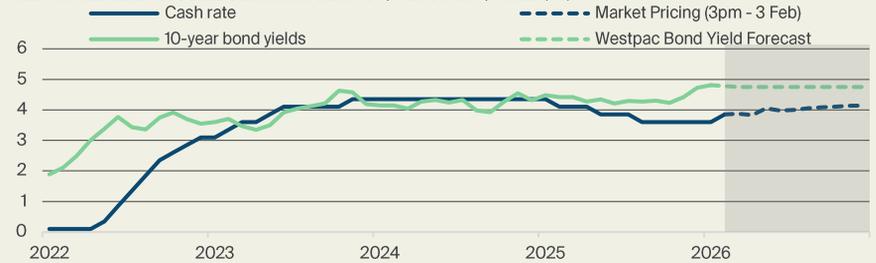
Source: Knight Frank Research, ABS

RBA HIKES INTEREST RATES

Elevated Q4 inflation, combined with a tightening of the labour market in December, led the RBA into 25bps rate hike in February. In their decision, the RBA noted that private demand had strengthened substantially more than expected while supply capacity remains limited. Bond yields have also risen to 4.8% and is expected to remain around this level for the remainder of the year.

RBA hikes interest rates in February

Historical and forecast cash rate and 10-year bond yields (%)



Source: Knight Frank Research, Macrobond, ASX, NAB

AUD STRENGTHENS SIGNIFICANTLY

The AUD appreciated substantially in February to above US\$0.70 for the first time since February 2023. This was largely driven by a sharp fall in the USD, down 10% over the past year against a basket of other currencies, as traders cited concerns over volatility and uncertainty in US economic, domestic and trade policy. The shift in expectations towards rate hikes in Australia has also contributed, with a larger interest rate differential between Australia and the US increasing demand for – and therefore placing upward pressure on – the AUD.

Weakening USD supports rising AUD

AUD vs USD (LHS) and DXY US dollar index(RHS)



Source: Knight Frank Research, Macrobond

Australia key forecasts

	Real GDP growth (Q3 2025, y/y %)	Unemployment rate (December 2025, %)	Core CPI inflation (December 2025, y/y %)	Cash rate target (3 February 2025, %)	10-year bond yield (30 January 2026, %)
Latest	2.1	4.1	3.2	3.85	4.8
Year-end 2026 (f)	2.5*	4.5*	2.7*	4.1^	5.0^

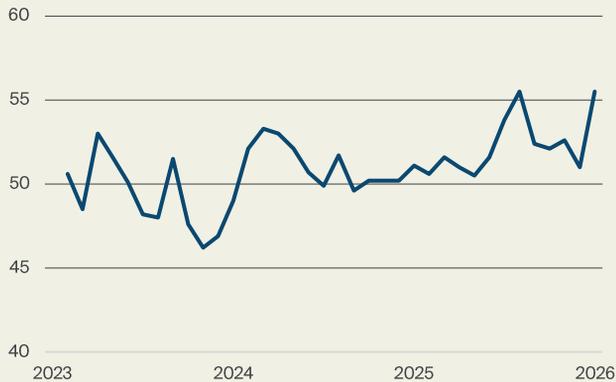
Source: Knight Frank Research, *Oxford Economics, ABS, RBA, ^NAB

Business indicators

Higher interest rate expectations weigh on business confidence and forward orders

PMIs rise in January

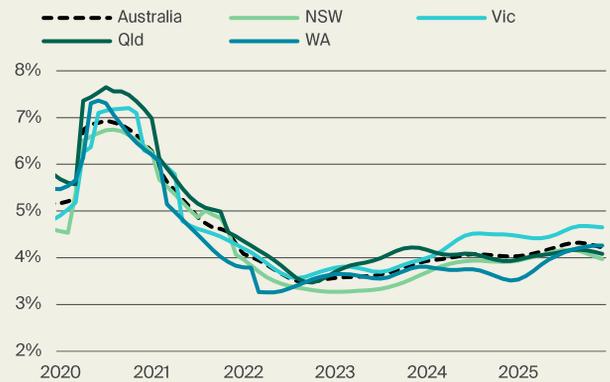
Composite PMI Output Index (above 50 indicates expansion)



Source: Knight Frank Research, Macrobond

Unemployment rate falls

Unemployment rate (trend adjusted)



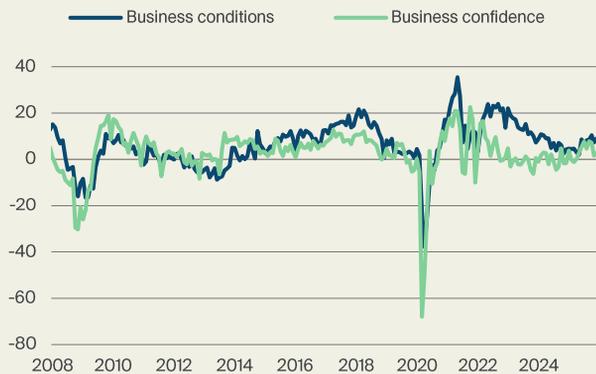
Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Jan-26	Oct-25	Jul-25	Apr-25	Jan-25
Australia	55.5	52.1	53.8	51.0	51.1
China	0.0	51.8	50.8	51.1	51.1
Euro Area	51.5	52.5	50.9	50.4	50.2
Japan	52.8	51.5	51.6	51.2	51.1
UK	53.9	52.2	51.5	48.5	50.6
US	52.8	54.6	55.1	50.6	52.7

	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
Australia	4.2	4.3	4.2	4.1	4.0
NSW	4.0	4.1	4.1	4.0	3.9
Vic	4.7	4.7	4.5	4.4	4.5
Qld	4.1	4.2	4.1	4.0	3.9
WA	4.3	4.2	4.0	3.7	3.5

Business conditions and confidence rebound

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders slow in December

Forward orders index, balance of positive and negative



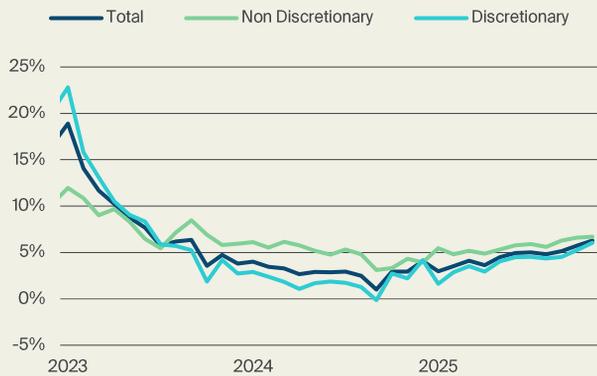
Source: Knight Frank Research, NAB

Consumer indicators

Household spending continues to improve, but potential rate hikes weigh on confidence

Discretionary items drive spending growth

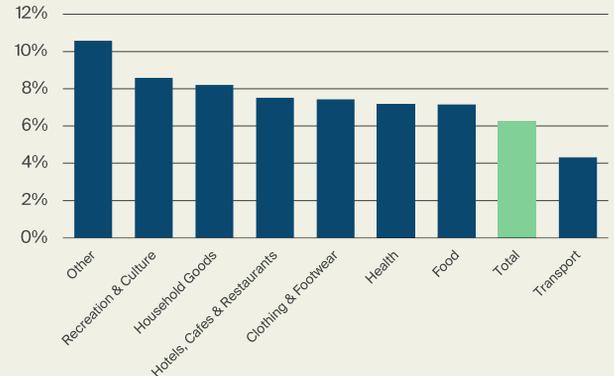
Annual growth in household spending by type (%)



Source: Knight Frank Research, Macrobond

Broad-based rise in household spending

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



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

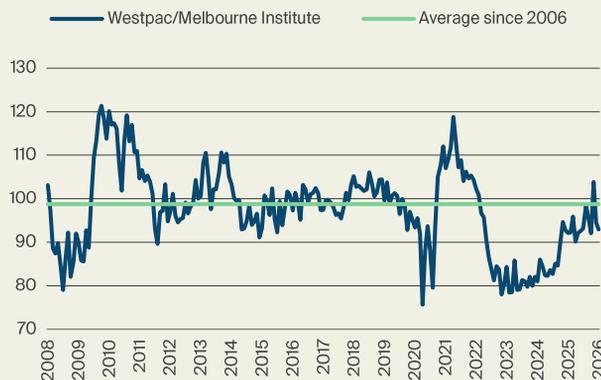
	Nov-25	Aug-25	May-25	Feb-25	Nov-24
Household spending, current prices (m/m)	1.0	0.1	1.1	0.2	0.5
Household spending, current prices (y/y)	6.3	4.8	4.5	3.5	2.9

Latest in Nov-25

	m/m (%)	y/y (%)
Other	0.6	10.6
Recreation & Culture	1.7	8.6
Household Goods	2.2	8.2
Hotels, Cafes & Restaurants	1.2	7.5
Clothing & Footwear	2.0	7.4
Health	0.5	7.2
Food	0.7	7.2
Total	1.0	6.3
Transport	1.0	4.3
Alcohol & Tobacco	-1.8	-16.4

Consumer sentiment falls as rates outlook shifts

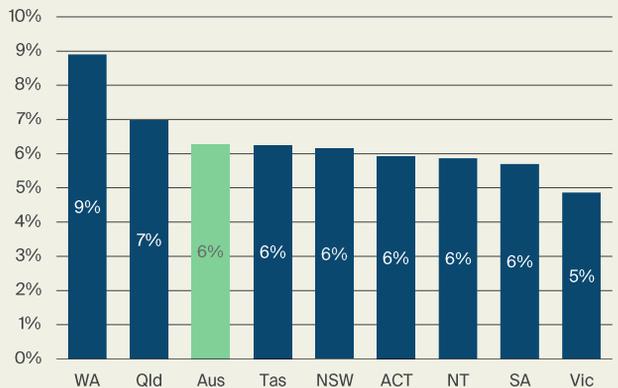
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

WA and QLD drive household spending

Annual growth in value of spending by state (%)



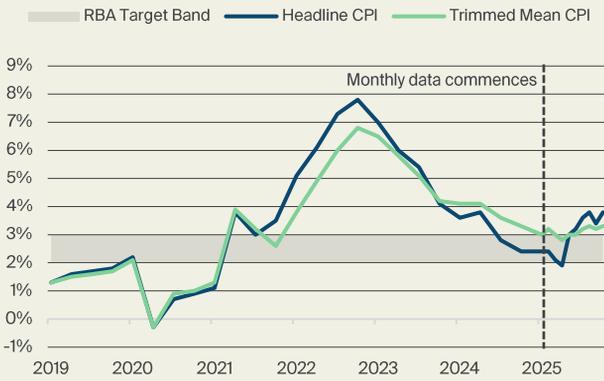
Source: Knight Frank Research, Macrobond

Inflation & interest rates

Elevated inflation is expected to drive the RBA to hike interest rates in 2026

Inflation remains above the RBA target

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

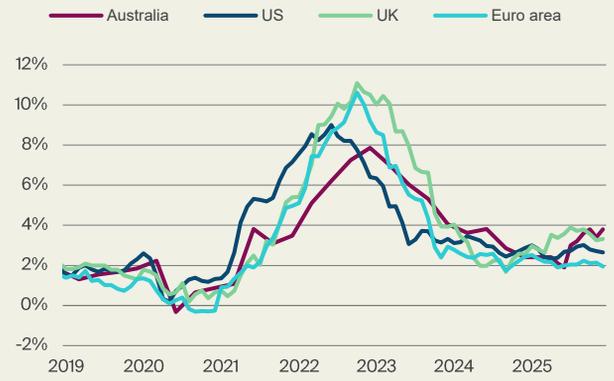


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	Dec-25	Sep-25	Jun-25
Headline CPI (m/m, %)	1.0	0.5	0.1
Headline CPI (y/y, %)	3.8	3.6	1.9
Trimmed mean inflation (y/y, %)	3.3	3.2	2.8

Recent uptick in global inflation weakens

Headline CPI (y/y, %)

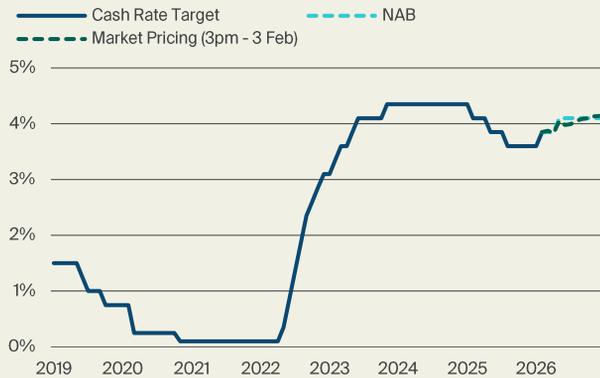


Source: Knight Frank Research, Macrobond

	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
Australia (y/y, %)	3.8	3.6	1.9	2.4	2.4
US (y/y, %)	2.7	2.1	2.7	2.4	2.9
UK (y/y, %)	3.3	3.8	3.6	2.6	2.6
Euro area (y/y, %)	1.9	2.2	2.0	2.2	2.4

RBA hikes interest rates in February

Historic rates and indicative RBA outlook (%)



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

	Feb-26	May-26	Aug-26	Nov-26	Feb-27
Cash rate target	3.85				
NAB		4.10	4.10	4.10	4.10
Market pricing		4.06	4.05	4.14	4.15

Month-end

Yields rise with higher cash rates expected

Yield by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	Jan-26	Oct-25	Jul-25	Apr-25	Jan-25
2-year swap	4.30	3.63	3.52	3.54	3.88
5-year swap	4.49	3.81	3.73	3.72	4.16
10-year bond	4.77	4.21	4.30	4.27	4.48

Monthly average

Financial markets

Global financial markets remain stable and the Australian dollar strengthens

Equities lift modestly in January

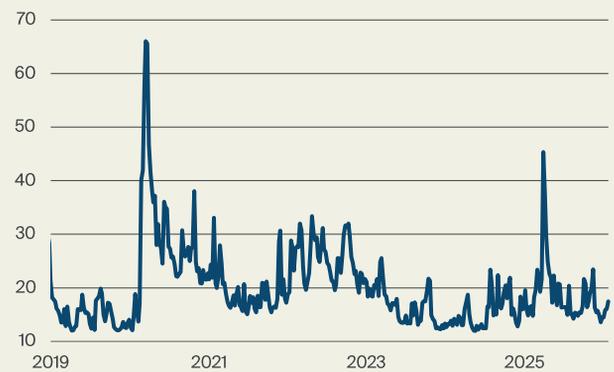
Global equities, price indices, 1 Jan 2024 = 100



Source: Knight Frank Research, Macrobond

Market volatility is below long-run average

US VIX index - measure of market volatility (Index)



Source: Knight Frank Research, Macrobond

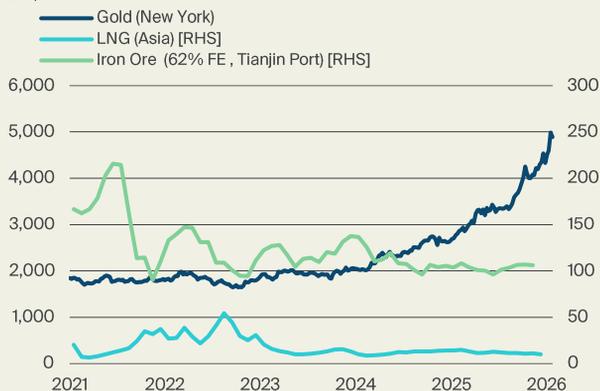
Percentage change from

	Oct-25	Jul-25	Apr-25	Jan-25
ASX 200	-1.8	2.0	13.0	5.8
S&P 500	2.8	10.0	29.1	15.9
Nasdaq	2.2	13.1	41.1	20.2
Euro STOXX 50	5.6	10.7	20.6	20.1
FTSE 350	6.1	12.1	22.6	19.7

Monthly average

Gold price rises, surpassing US\$5,000

US\$



Source: Knight Frank Research, Macrobond

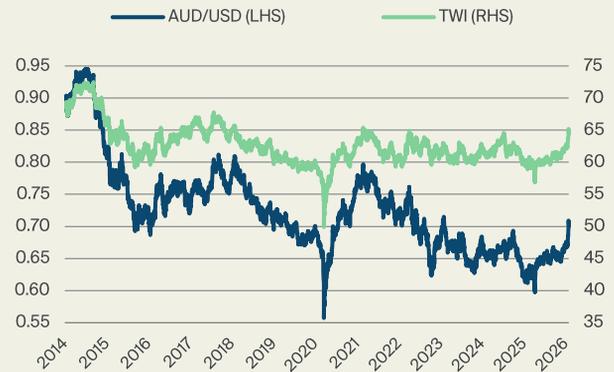
Percentage change from

	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
Gold (US\$/t.oz)	4,325	12.1	31.0	38.5	66.0
LNG (US\$/MMBtu)	9.9	-12.1	-23.6	-24.5	-30.3
Iron Ore (US\$/t)	107.6	1.1	11.9	3.8	2.1

Monthly average

USD weakness drives appreciation of AUD

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



Source: Knight Frank Research, Macrobond

Latest

	Jan-26	Oct-25	Jul-25	Apr-25	Jan-25
USD per AUD	0.68	0.65	0.65	0.63	0.62
Trade weighted index	63.0	3.2	4.2	6.4	5.1

Monthly average

Recent research



High economic rents drive Perth supply drought



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