Leading Indicators

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Key economic and financial metrics impacting property markets

Jul-26

RBA holds rates in June, inflationary pressure broadens

INFLATION PRESSURES BROADEN

Headline inflation fell to 4.0% over the year to May which was softer than expected. However, trimmed mean inflation rose to 3.6% signalling a widening of inflationary pressures since April. This reflected emerging second-order effects from the Middle East supply shock becoming more visible in consumer prices. Looking ahead, the RBA will have a particular focus on the acceleration in housing inflation and rents that was evident in May given they are a sticky and large component of the CPI basket.

RBA HOLDS RATES IN JUNE

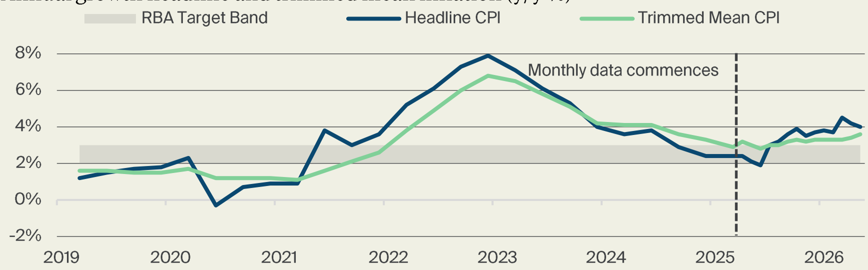
A key watch point for the RBA will also be how persistent and broad these second-round effects become, and how fast higher costs are passed-through to prices in Q2 and Q3 inflation data. However, the RBA will welcome the recent fall in oil prices which will reduce inflationary pressures. The RBA decided unanimously to keep the cash rate steady at 4.35% in June. However, post-meeting comments emphasised that the risks are skewed towards further interest rate rises. Market pricing reflects this, with around a 65% chance of one more hike by December.

OIL PRICES FALL SHARPLY

The US and Iran had a first round of negotiation talks in June as they seek to reach a deal to end the war. On 25 June, the US stated that crude oil flows through the Strait of Hormuz are now similar to what they were before the start of the Iran war. Together this has eased supply concerns and driven a sharp fall in oil prices to the lowest level since the conflict started.

Inflation remains above the RBA target

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

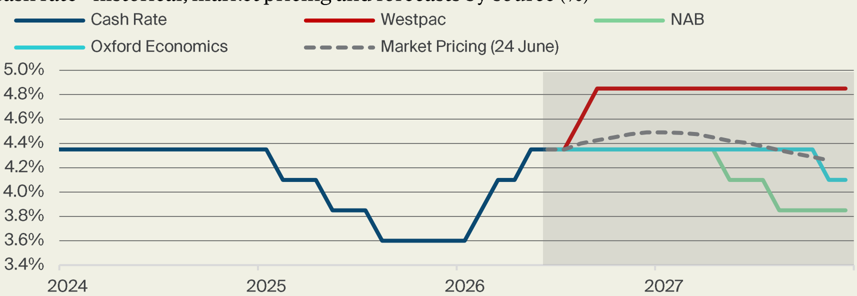


Source: Knight Frank Research, ABS

Note: Data transitions from quarterly to monthly in April 2025.

Markets base case is no more rate hikes, but there is upside risk

Cash rate - historical, market pricing and forecasts by source (%)



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

Oil prices fall sharply with US-Iran talks and higher oil flows

Brent crude oil ($US/b)

Source: Knight Frank Research, Macrobond

Australia key forecasts

	Real GDP growth *(Q1 2026, y/y %)*	Unemployment rate *(May 2026, %)*	Core CPI inflation *(May 2026, y/y %)*	Cash rate target *(June 2026, %)*	10-year bond yield *(23 June 2026, %)*
Latest	2.5	4.4	3.6	4.35	4.8
Year-end 2026* (f)	1.2	4.6	3.5	4.35	5.0

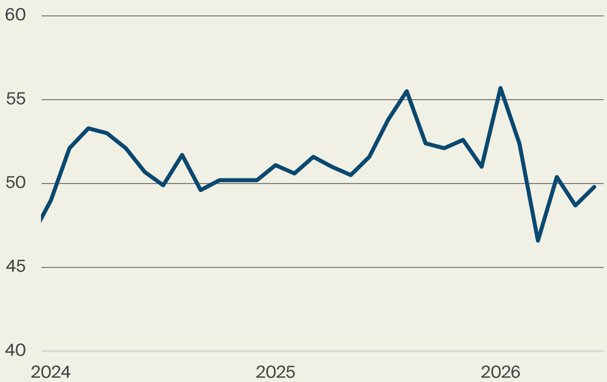
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Businesses conditions stabilise as tensions in the Middle East ease further

PMIs strengthen

Composite PMI Output Index (above 50 indicates expansion)



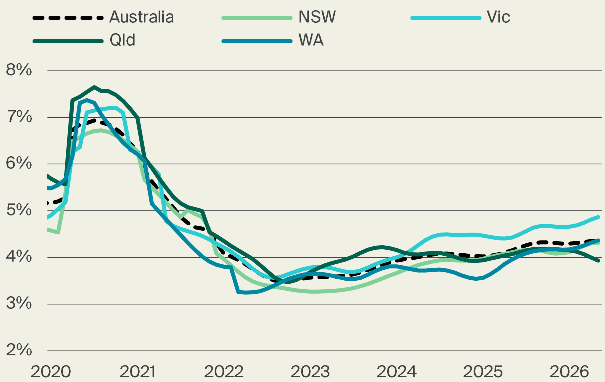
Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Jun-26	Mar-26	Dec-25	Sep-25	Jun-25
Australia	49.8	46.6	51.0	52.4	51.6
China	54.0*	51.5	51.3	52.5	51.3
Euro Area	49.5	50.7	51.5	51.2	50.6
Japan	52.5	53.0	51.1	51.3	51.5
UK	49.4	50.3	51.4	50.1	52.0
US	52.2	50.3	52.7	53.9	52.9

*May-26

Unemployment rate remains steady

Unemployment rate (trend adjusted)

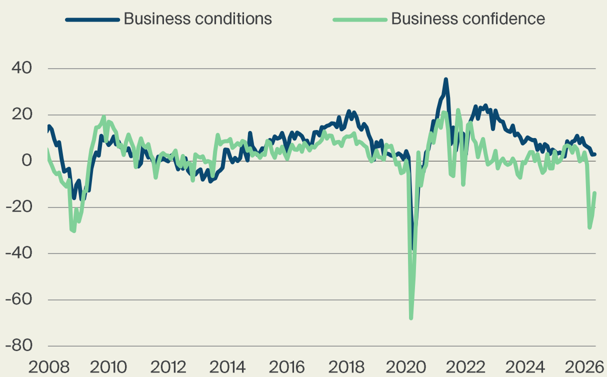


Source: Knight Frank Research, Macrobond

	May-26	Feb-26	Nov-25	Aug-25	May-25
Australia	4.4	4.3	4.3	4.3	4.2
NSW	4.3	4.2	4.1	4.2	4.1
Vic	4.9	4.7	4.7	4.6	4.4
Qld	3.9	4.1	4.2	4.2	4.1
WA	4.4	4.2	4.2	4.1	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 in May

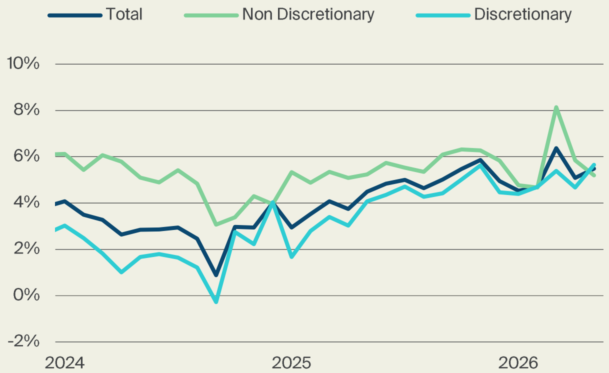
Forward orders index, balance of positive and negative

Source: Knight Frank Research, NAB

Consumer indicators

Consumer confidence remains weak however household spending remains resilient

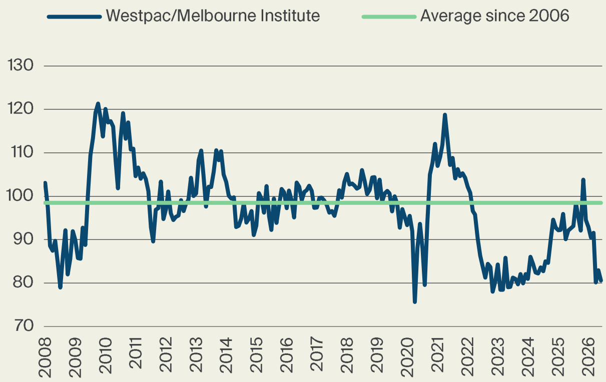
Household spending rises in May
Annual growth in household spending by type (%)



Source: Knight Frank Research, Macrobond

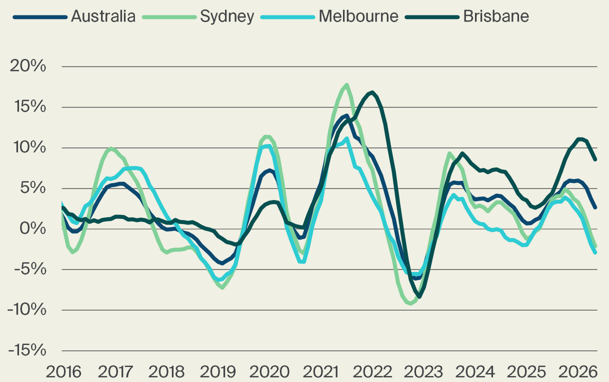
	May-26	Feb-26	Nov-25	Aug-25	May-25
Household spending, current prices (m/m)	1.3	0.3	0.9	-0.1	0.9
Household spending, current prices (y/y)	5.5	4.7	5.9	4.6	4.5

Consumer confidence remains weak
Confidence index, value above 100 signal optimism



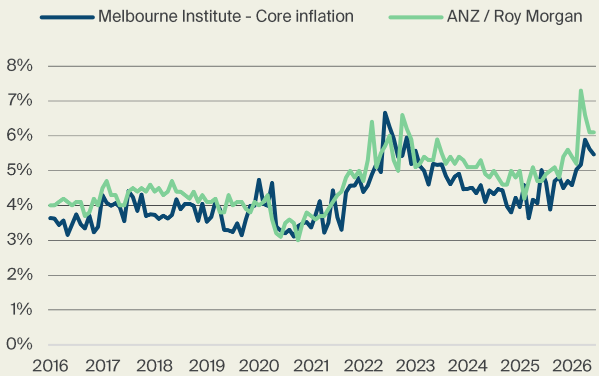
Source: Knight Frank Research, Macrobond

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, %)



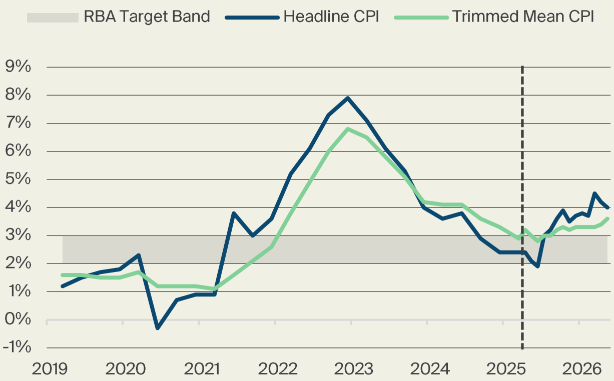
Source: Knight Frank Research, Macrobond

Inflation & interest rates

Impacts from the Middle East conflict flow through and drive inflationary pressure

Inflation starts to pass-through economy

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

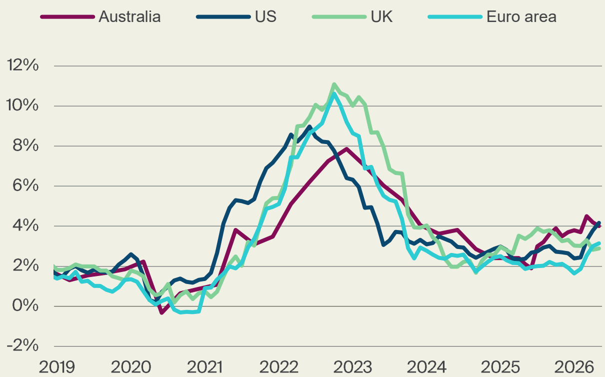


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	May-26	Feb-26	Nov-25	Aug-25	May-25
Headline CPI (m/m, %)	-0.1	0.2	0.3	0.2	0.0
Headline CPI (y/y, %)	4.0	3.7	3.5	3.2	2.1
Trimmed mean inflation (y/y, %)	3.6	3.3	3.2	3.0	3.0

Fuel prices instigate higher global inflation

Headline CPI (y/y, %)

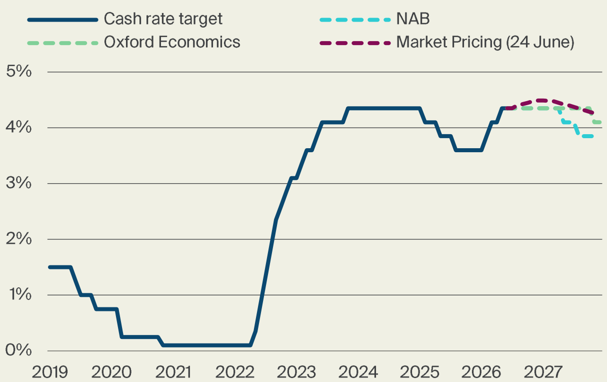


Source: Knight Frank Research, Macrobond

	May-26	Feb-26	Nov-25	Aug-25	May-25
Australia (y/y, %)	4.0	3.7	3.5	3.2	2.1
US (y/y, %)	4.2	2.1	2.7	2.9	2.4
UK (y/y, %)	2.9	3.0	3.3	3.7	3.4
Euro area (y/y, %)	3.1	1.9	2.1	2.0	1.9

RBA expected to hold rates steady in August

Historic rates and forecasts by source (%)



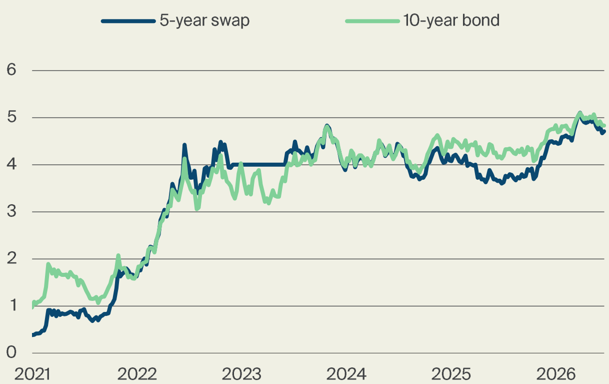
Source: Knight Frank Research, NAB, Oxford Economics, ASX

	Jun-26	Sep-26	Dec-26	Mar-27	Jun-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		4.43	4.49	4.48	4.41

Month-end

Yields fall with pullback in rate expectations

Yield by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	Jun-26	Mar-26	Dec-25	Sep-25	Jun-25
5-year swap	4.73	4.85	4.47	3.80	3.66
10-year bond	4.86	4.91	4.74	4.29	4.19

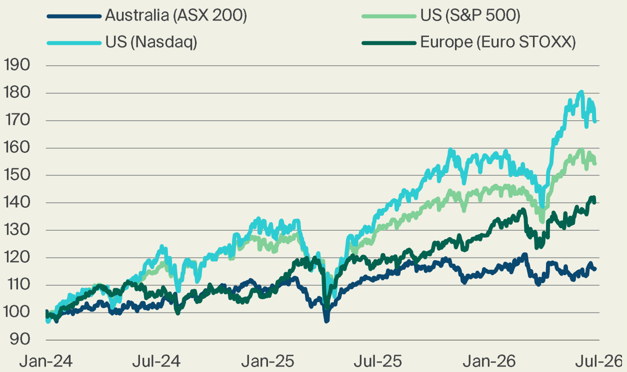
Monthly average

Financial markets

US-Iran peace talks and increased flows through Strait of Hormuz drive sharp fall in oil prices

Equity markets volatile but end flat in June

Global equities, price indices, 1 Jan 2024 = 100



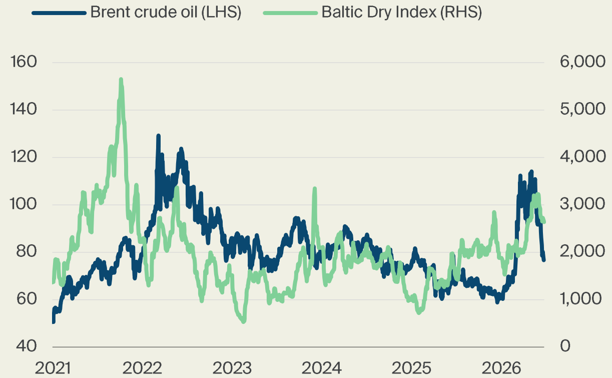
Source: Knight Frank Research, Macrobond

	Percentage change from				
	May-26	Mar-26	Dec-25	Sep-25	Jun-25
ASX 200	1.1	1.4	1.3	-0.7	2.8
S&P 500	0.6	12.1	8.8	13.4	23.8
Nasdaq	0.1	18.3	12.0	18.2	33.2
Euro STOXX 50	3.1	8.6	8.8	14.9	17.1
FTSE 350	0.3	1.8	6.1	11.8	16.8

Monthly average

Oil prices fall sharply with peace talks

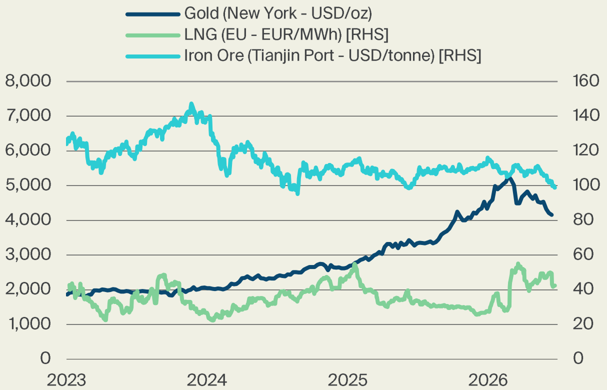
Brent crude $US/b (LHS), Shipping rates - Baltic Exchange Dry Index (RHS)



Source: Knight Frank Research, Macrobond

Gold remains elevated, gas prices rise

Gold, LNG and iron ore prices



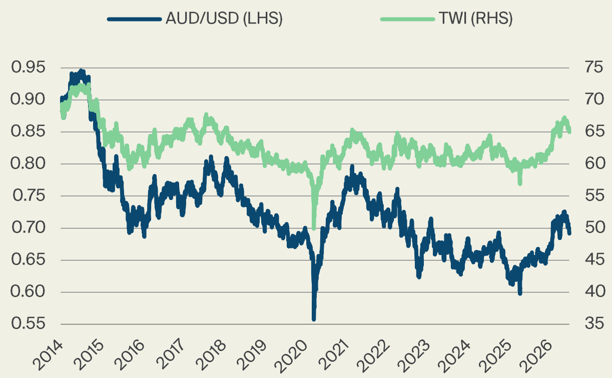
Source: Knight Frank Research, Macrobond

	Current	Percentage change from				
	Jun-26	May-26	Mar-26	Dec-25	Sep-25	Jun-25
Gold (US/t.oz)	4,232	-7.6	-11.3	-2.5	14.0	26.5
LNG (EUR/MWh)	46.5	0.1	-4.6	74.4	52.0	29.9
Iron Ore (US$/t)	102.2	-5.8	-6.5	-7.6	-6.8	0.8

Monthly average

AUD weakens in June

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



Source: Knight Frank Research, Macrobond

	Latest				
	Jun-26	Mar-26	Dec-25	Sep-25	Jun-25
USD per AUD	0.71	0.70	0.66	0.66	0.65
		Percentage change from			
Trade weighted index	65.9	0.8	6.4	8.0	9.9

Monthly average

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