

Leading Indicators

Key economic and financial metrics impacting property markets

Jun-26

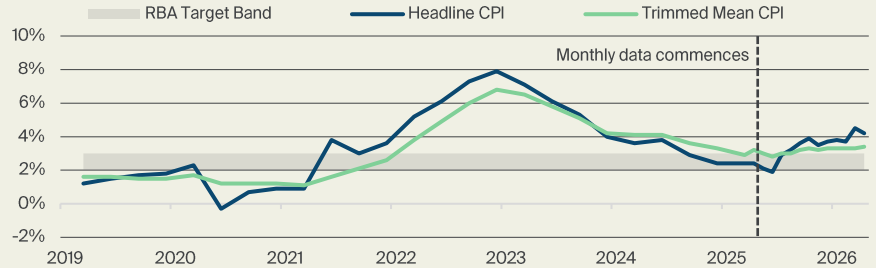
RBA expected to hold rates in June, awaiting more data

INFLATION SLOWS, BUT YET TO PEAK

Monthly inflation eased in April with headline inflation rising by 4.2% over the year, while the trimmed mean rose slightly to 3.4%. This outcome was slightly weaker than expected and broadly in line with the RBA's forecast. There has been some acceleration in categories most exposed to cost-push inflation, however the breadth of inflation remains narrow for now with the second-round impacts of the fuel shock expected to materialise in the coming months. Market pricing now has a 0% chance that the RBA will raise interest rates in their June meeting.

Inflation remains above the RBA target

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



Source: Knight Frank Research, ABS

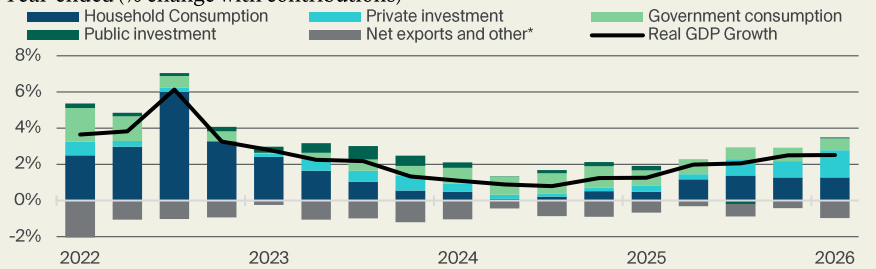
Note: Data transitions from quarterly to monthly in April 2025.

ECONOMIC GROWTH SLOWED IN Q1

Real GDP growth remained steady at 2.5% over the year to Q1 2026. However, within the quarter there are signs of slowing growth in this data which largely predates the Middle East conflict. Economic growth in Q1 was largely driven by private investment in data centres, while household consumption remained relatively robust, rising by 0.5% in Q1.

Economic growth slows in Q1

Year-ended (% change with contributions)



Source: Knight Frank Research, ABS

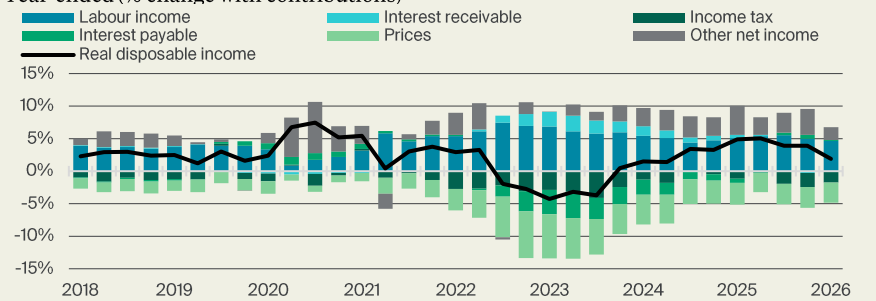
*Other includes changes in inventories and statistical discrepancies

HOUSEHOLD SPENDING RESILIENT BUT RISKS AHEAD

Australian consumer spending has remained relatively resilient to date despite the headwinds from three consecutive interest rate hikes and a spike in fuel prices. However, there are risks ahead for consumer spending and consumption. Higher inflation, interest rates and bracket creep are likely to see real disposable incomes contract in Q2. While falling house prices in Sydney and Melbourne may start to weigh on household wealth, driving a pullback in household consumption.

Real disposable income is slowing

Year-ended (% change with contributions)



Source: Knight Frank Research, ABS

Australia key forecasts

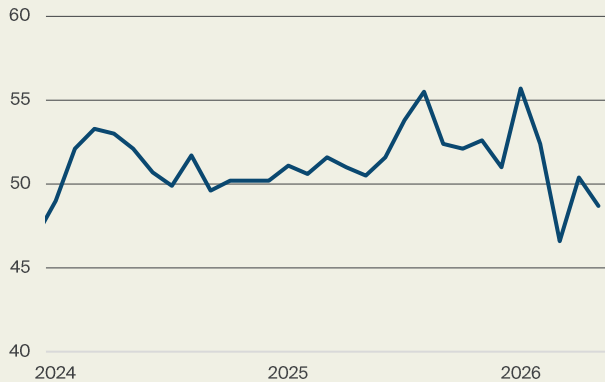
	Real GDP growth (Q1 2026, y/y %)	Unemployment rate (April 2026, %)	Core CPI inflation (April 2026, y/y %)	Cash rate target (May 2026, %)	10-year bond yield (1 June 2026, %)
Latest	2.5	4.5	3.4	4.35	4.9
Year-end 2026* (f)	1.7	4.6	3.7	4.35	5.0

Business indicators

Businesses conditions weaken as the impacts from the Middle East conflict emerge

PMIs soften in May

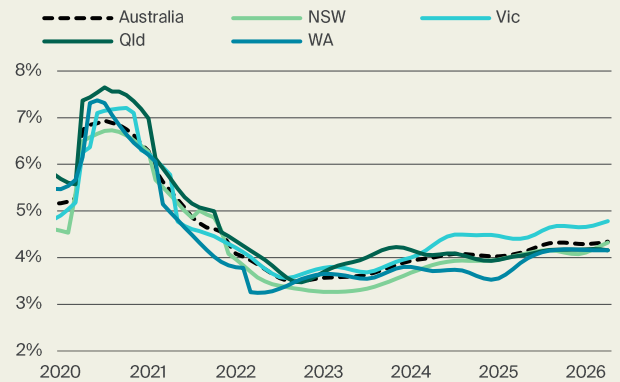
Composite PMI Output Index (above 50 indicates expansion)



Source: Knight Frank Research, Macrobond

Unemployment rate rises

Unemployment rate (trend adjusted)



Source: Knight Frank Research, Macrobond

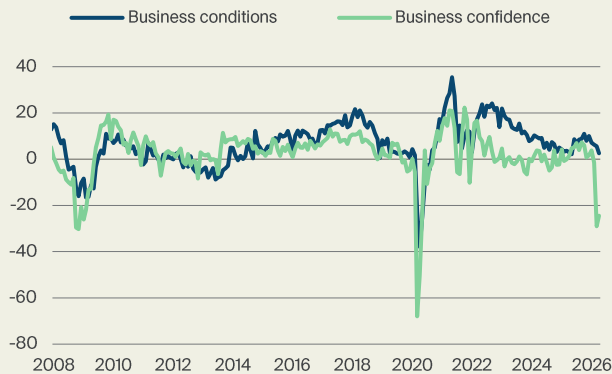
	Latest	Last quarter			1 year ago
	May-26	Feb-26	Nov-25	Aug-25	May-25
Australia	48.7	52.4	52.6	55.5	50.5
China	53.1	55.4	51.2	51.9	49.6
Euro Area	47.5	51.9	52.8	51.0	50.2
Japan	51.1	53.9	52.0	52.0	50.2
UK	48.5	53.7	51.2	53.5	50.3
US	51.7	51.9	54.2	54.6	53.0

*Apr-26

	Apr-26	Jan-26	Oct-25	Jul-25	Apr-25
	Australia	4.3	4.3	4.3	4.3
NSW	4.3	4.1	4.1	4.2	4.1
Vic	4.8	4.7	4.7	4.6	4.4
Qld	4.2	4.2	4.2	4.1	4.0
WA	4.2	4.2	4.2	4.1	3.9

Business confidence and conditions weaken

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders fall sharply in April

Forward orders index, balance of positive and negative



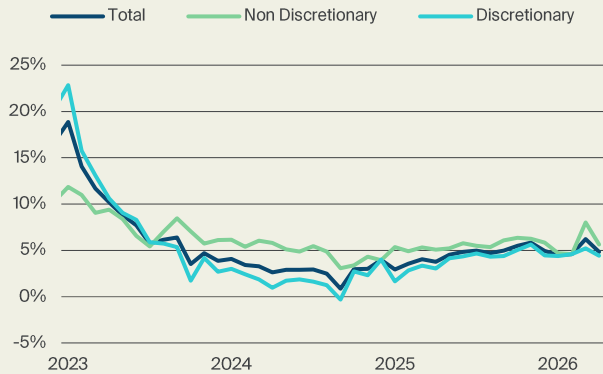
Source: Knight Frank Research, NAB

Consumer indicators

Consumer spending remains resilient despite very weak confidence levels

Household spending slows slightly

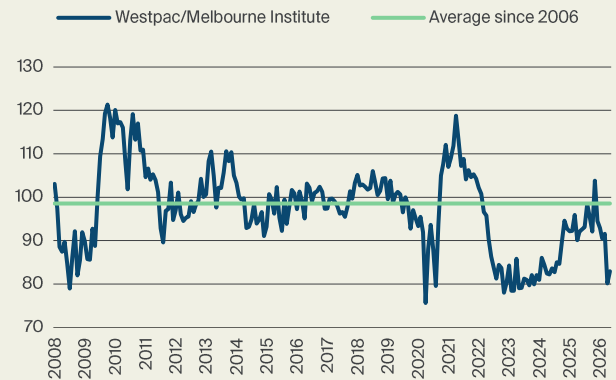
Annual growth in household spending by type (%)



Source: Knight Frank Research, Macrobond

Consumer confidence remains weak

Confidence index, value above 100 signal optimism

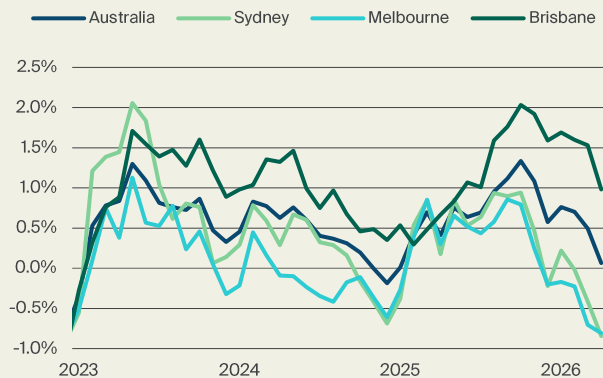


Source: Knight Frank Research, Macrobond

	Apr-26	Jan-26	Oct-25	Jul-25	Apr-25
Household spending, current prices (m/m)	-1.1	0.2	1.4	0.4	0.2
Household spending, current prices (y/y)	4.9	4.5	5.5	5.0	3.8

Dwelling prices fall in Sydney and Melbourne

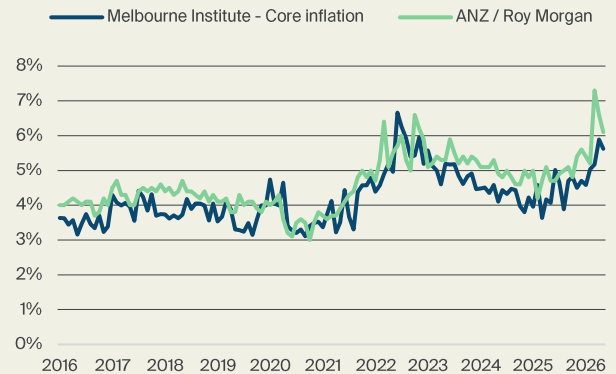
Monthly dwelling price growth - major cities (m/m, %)



Source: Knight Frank Research, Cotalty

Inflation expectations have risen sharply

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



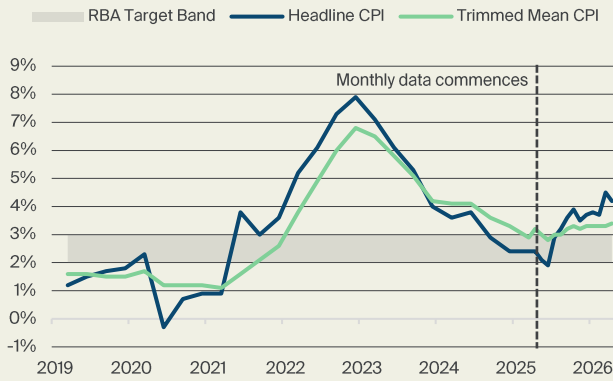
Source: Knight Frank Research, Macrobond

Inflation & interest rates

Interest rate expectations fall in May, leading to a pullback in bond yields

Inflation slows with cut to fuel excise

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

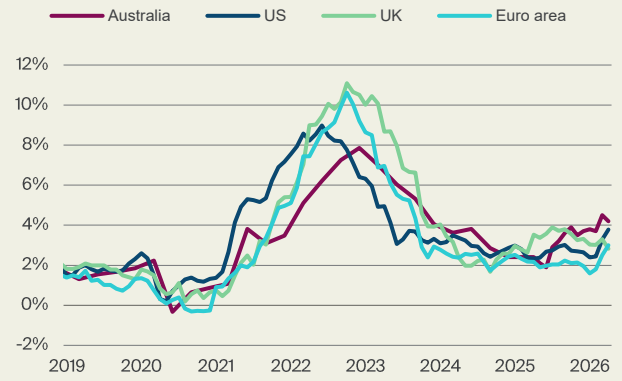


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	Apr-26	Jan-26	Oct-25	Jul-25	Apr-25
Headline CPI (m/m, %)	-0.1	0.5	0.4	0.9	0.2
Headline CPI (y/y, %)	4.2	3.8	3.9	2.9	2.4
Trimmed mean inflation (y/y, %)	3.4	3.3	3.3	3.0	3.2

Fuel prices instigate higher global inflation

Headline CPI (y/y, %)

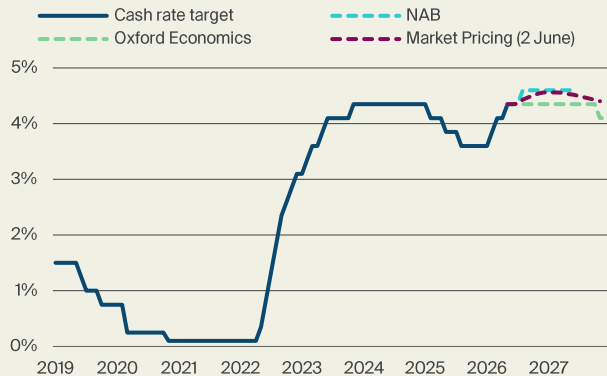


Source: Knight Frank Research, Macrobond

	Apr-26	Jan-26	Oct-25	Jul-25	Apr-25
Australia (y/y, %)	4.2	3.8	3.9	2.9	2.4
US (y/y, %)	3.8	2.1	2.7	2.7	2.3
UK (y/y, %)	2.8	3.0	3.6	3.9	3.5
Euro area (y/y, %)	3.0	1.6	2.1	2.0	2.2

RBA expected to hold rates steady in June

Historic rates and forecasts by source (%)



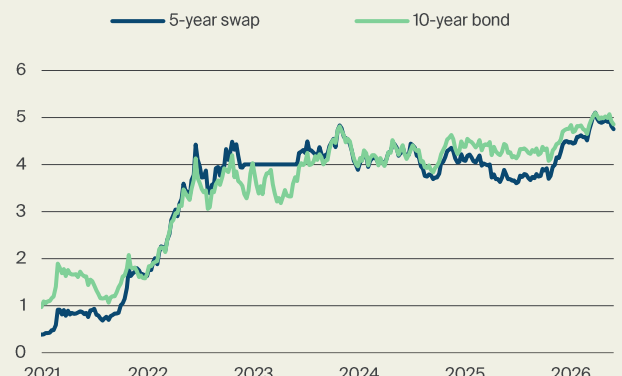
Source: Knight Frank Research, NAB, Oxford Economics, ASX

	May-26	Aug-26	Nov-26	Feb-27	May-27
Cash rate target	4.35				
Oxford Economics	4.35	4.35	4.35	4.35	4.35
NAB	4.60	4.60	4.60	4.60	4.60
Market pricing	4.43	4.54	4.56	4.53	

Month-end

Yields fall with pullback in rate expectations

Yield by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	May-26	Feb-26	Nov-25	Aug-25	May-25
5-year swap	4.95	4.60	4.10	3.72	3.75
10-year bond	5.02	4.78	4.42	4.27	4.33

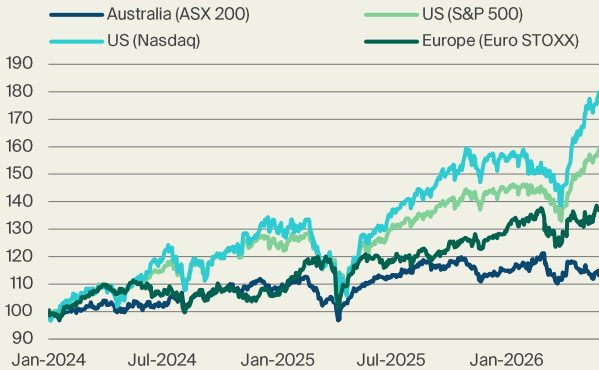
Monthly average

Financial markets

US equity markets focused on the positive AI story, shipping rates rise despite lower oil prices

AI driving strong growth in US equities

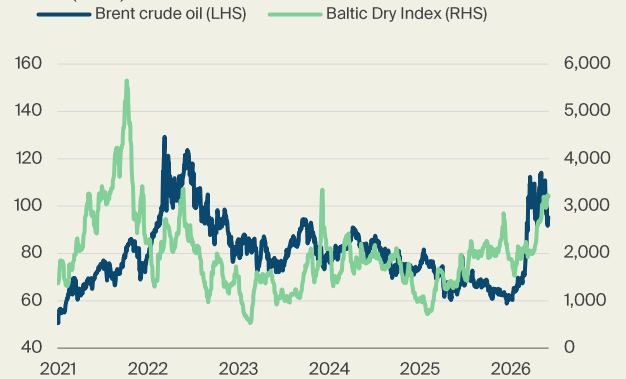
Global equities, price indices, 1 Jan 2024 = 100



Source: Knight Frank Research, Macrobond

Oil prices fall but shipping prices are rising

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



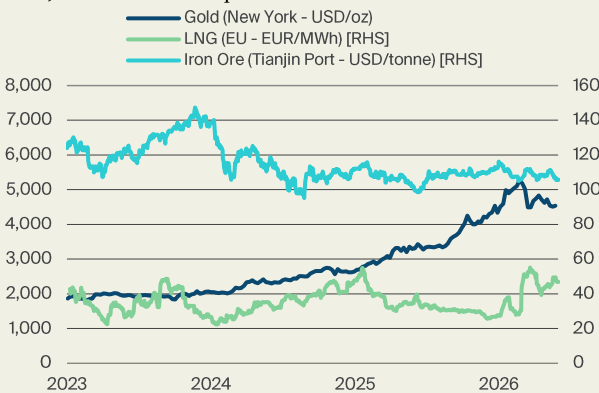
Source: Knight Frank Research, Macrobond

	Percentage change from				
	Apr-26	Feb-26	Nov-25	Aug-25	May-25
ASX 200	-1.7	-3.4	0.0	-2.4	4.5
S&P 500	6.9	7.6	9.9	15.7	27.6
Nasdaq	10.9	14.4	13.6	22.4	40.3
Euro STOXX 50	1.7	-0.4	7.5	11.6	13.4
FTSE 350	-0.8	-1.8	6.7	11.8	18.6

Monthly average

Gold remains elevated, gas prices rise

Gold, LNG and iron ore prices



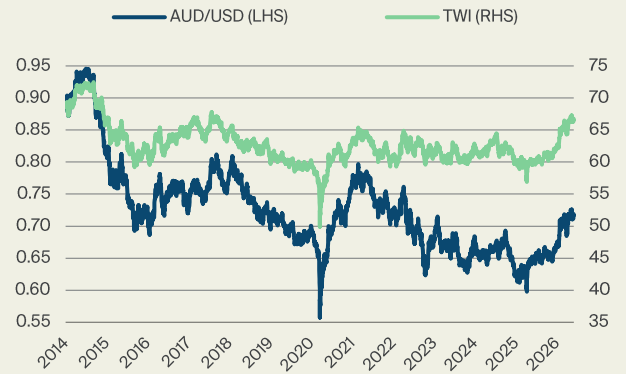
Source: Knight Frank Research, Macrobond

	Current	Percentage change from				
	May-26	Apr-26	Feb-26	Nov-25	Aug-25	May-25
Gold (US\$/t.oz)	4,578	-3.1	-10.2	11.9	35.1	39.0
LNG (EUR/MWh)	46.5	2.4	51.7	56.8	47.0	39.7
Iron Ore (US\$/t)	108.5	0.7	0.8	-0.2	0.5	1.9

Monthly average

AUD maintains strength

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



Source: Knight Frank Research, Macrobond

	Latest				
	May-26	Feb-26	Nov-25	Aug-25	May-25
USD per AUD	0.72	0.71	0.65	0.65	0.64

	Percentage change from				
	May-26	Feb-26	Nov-25	Aug-25	May-25
Trade weighted index	66.7	2.6	9.3	10.8	11.4

Monthly average

Recent research



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