

Leading Indicators

Key economic and financial metrics impacting property markets

May-25

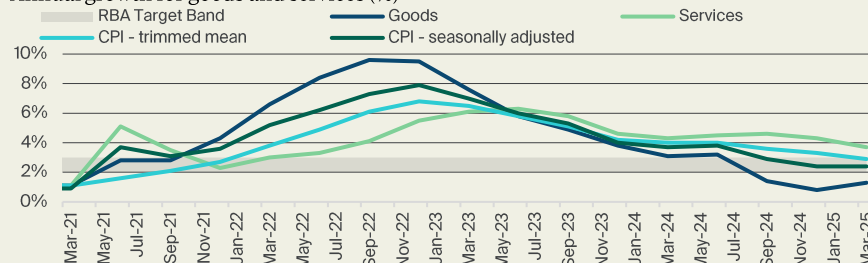
Lower inflation boosts prospect of second rate cut in May

INFLATION RETURNS TO RBA TARGET

Disinflationary pressures continued in Q1 2025 with the annual rate down to 2.4% (headline) and 2.9% (trimmed mean) according to the ABS quarterly indicator. The trimmed mean is now within the target band. Slowing inflation in key market services such as insurance and housing rent is important. It indicates that inflationary pressures will continue to subside, meaning that further rate cuts will likely be needed to keep inflation within the target range. The RBA held rates steady in April, but markets are expecting a 0.25% cut at the May meeting, and 1.1% of cuts by the end of 2025.

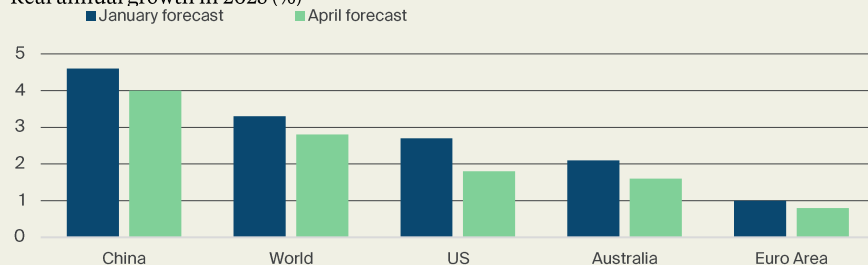
Trimmed mean inflation returns to target

Annual growth for goods and services (%)



IMF downgrades 2025 GDP growth forecasts

Real annual growth in 2025 (%)



TARIFFS WEIGH ON WORLD GROWTH

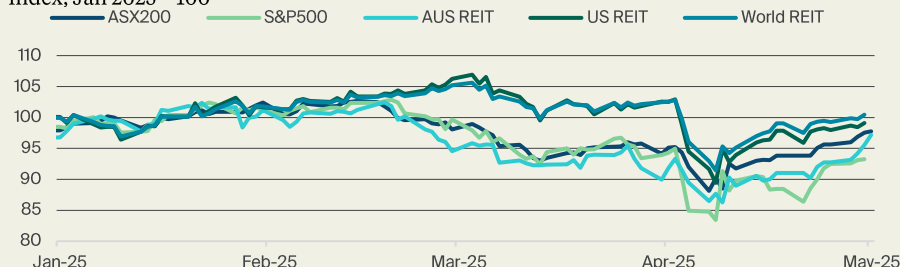
The implementation of tariffs by the US, and retaliatory tariffs by China, are forecast to weigh heavily on economic growth in 2025. Economic growth forecasts have been downgraded across the world, with the US the most impacted. The tariffs are expected to impact Australia by slowing Chinese growth and demand for Australian exports. The IMF downgraded Australian GDP growth forecast from 2.1% to 1.6% in 2025.

RESILIENCE IN LISTED REIT PRICES

Australian equity and listed REIT prices rallied in recent weeks to be higher than they were before the US tariff announcement on April 2. US equities and REIT prices have also shown resilience. However, US prices have not recovered to the same extent as those in Australia as the US market will be the most impacted by the tariffs.

Equity and REIT prices have recovered throughout April

Index, Jan 2025 = 100



Australia key forecasts

	GDP growth (Q4 2024, y/y %)	Unemployment rate (March 2025, %)	Core CPI inflation (Q1 2025, y/y %)	Cash rate target (April 2024, %)	10-year bond yield (1 May 2025, %)
Latest	1.6	4.1	2.9	4.10	4.2
Year-end 2025 (f)*	1.8	4.5	2.7	3.35	4.2

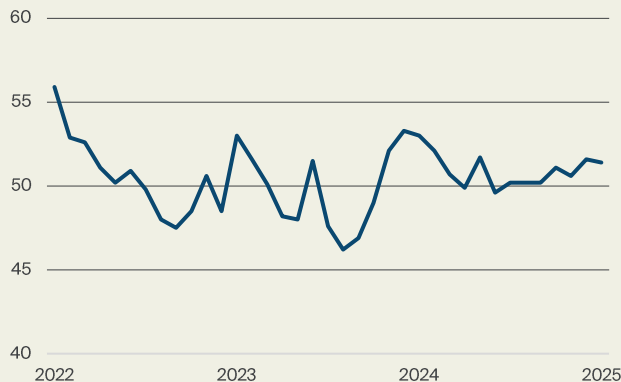
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Business confidence starting to respond to improving growth outlook

PMI shows early signs of momentum

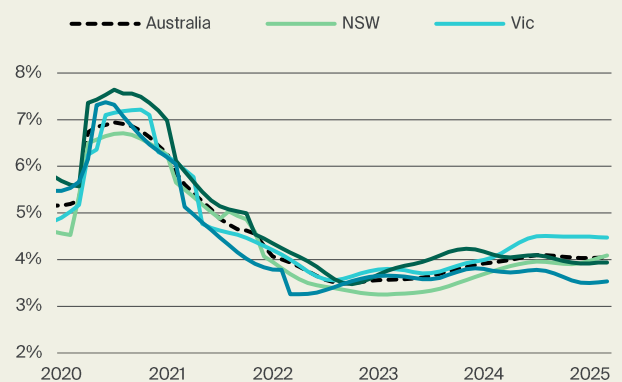
Composite PMI Output Index (above 50 indicates expansion)



Source: Knight Frank Research, Macrobond

Labour market remains resilient

Unemployment rate (trend)



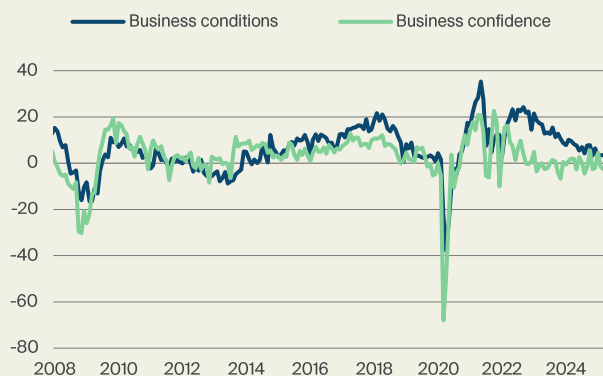
Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
Australia	51.4	51.1	50.2	49.9	53.0
China	0.0	51.1	51.9	51.2	52.8
Euro Area	50.1	50.2	50.0	50.2	51.7
Japan	51.1	51.1	49.6	52.5	52.3
UK	48.2	50.6	51.8	52.8	54.1
US	51.2	52.7	54.1	54.3	51.3

	Mar-25	Dec-24	Sep-24	Jun-24	Mar-24
Australia	4.0	4.0	4.1	4.1	4.0
NSW	4.1	3.9	3.9	3.9	3.8
Vic	4.5	4.5	4.5	4.5	4.1
Qld	3.9	3.9	4.0	4.1	4.1
WA	3.5	3.5	3.7	3.8	3.7

Business conditions stabilise

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders are soft but improving

Forward orders index, balance of positive and negative



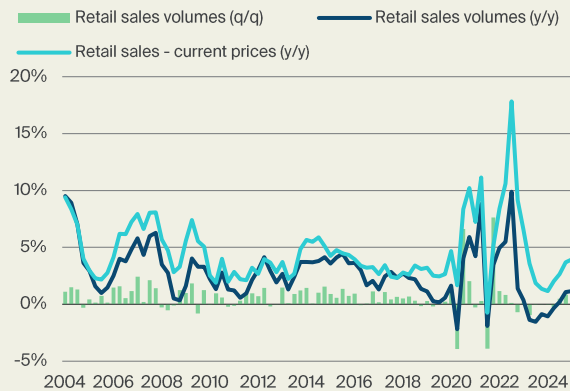
Source: Knight Frank Research, NAB

Consumer indicators

Retail sales improving off the back of a return to growth in disposable incomes

Rising growth in retail sales

Retail sales growth - total volumes and in current prices

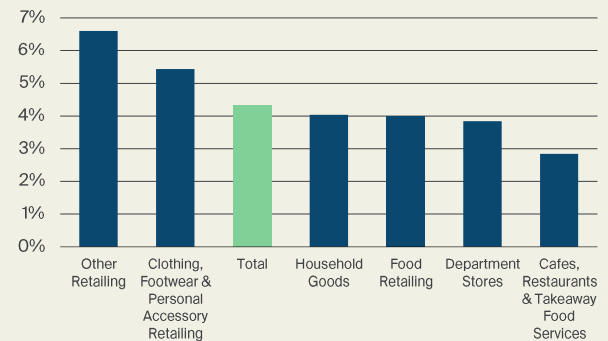


Source: Knight Frank Research, Macrobond

	Mar-25	Dec-24	Sep-24	Jun-24	Mar-24
Retail sales volume (q/q, %)	1.0%	0.5%	-0.2%	-0.3%	0.1%
Retail sales volume (y/y, %)	1.1%	0.2%	-0.3%	-1.1%	-0.8%
Retail current prices (y/y, %)	3.7%	2.6%	2.0%	1.1%	1.4%

Discretionary spending improving

Annual growth in retail sales (values)



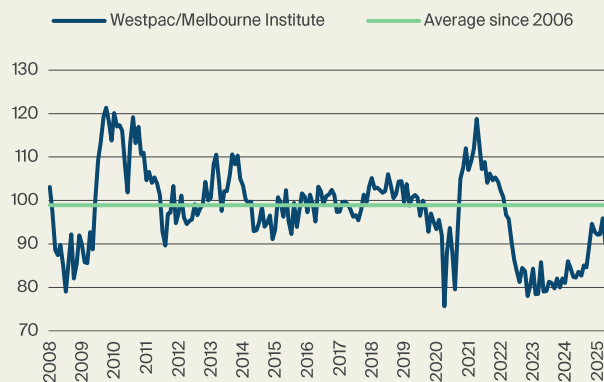
Source: Knight Frank Research, Macrobond

Latest in Mar-25

	m/m (%)	y/y (%)
Other Retailing	0.7	6.6
Clothing, Footwear & Personal Accessory Retailing	0.3	5.4
Total	0.3	4.3
Household Goods	0.0	4.0
Food Retailing	0.7	4.0
Department Stores	-0.5	3.8
Cafes, Restaurants & Takeaway Food Services	-0.5	2.8

Tariffs weigh on consumer sentiment in April

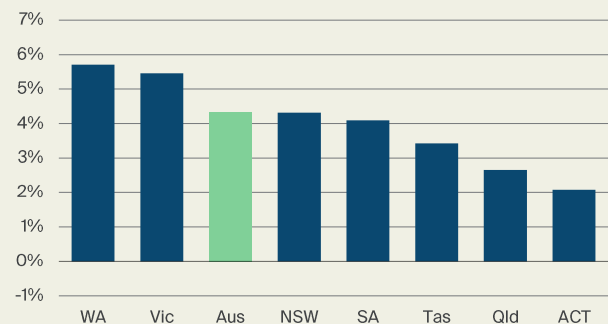
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

Retail sales strongest in WA and Vic

Annual growth in retail sales, %



Source: Knight Frank Research, Macrobond

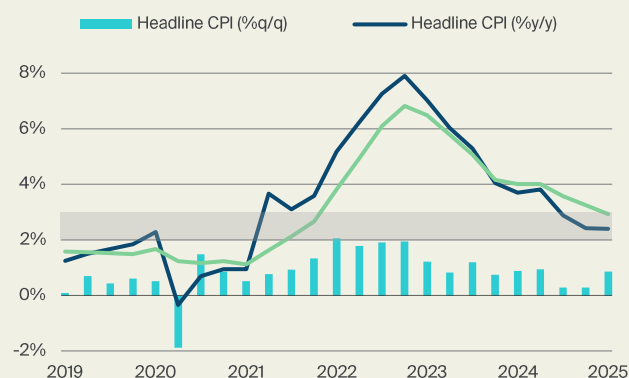
	Percentage change from				
Latest in Mar-25	Dec-24	Sep-24	Jun-24	Mar-24	
WA	1.5%	2.5%	3.4%	5.7%	
Vic	1.5%	2.7%	4.0%	5.5%	
Aus	0.9%	1.8%	2.9%	4.3%	
NSW	0.9%	1.6%	2.7%	4.3%	
SA	1.2%	3.0%	3.2%	4.1%	
Tas	1.1%	2.7%	2.6%	3.4%	
Qld	-0.3%	0.4%	1.6%	2.6%	
ACT	1.5%	1.1%	0.7%	2.1%	

Inflation & interest rates

Return of inflation to RBA target band paves the way for further rate cuts

Core inflation fell to 2.9% in Q1

Annual and quarterly growth (% seasonally adjusted)

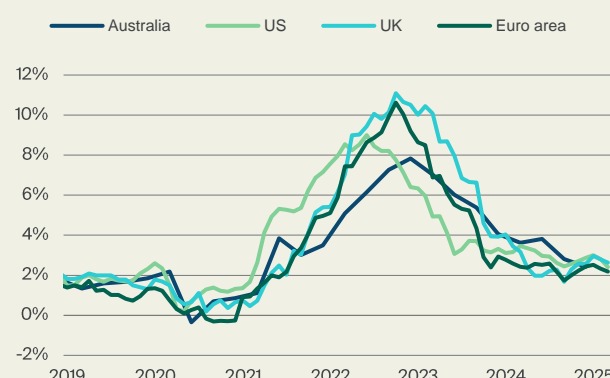


Source: Knight Frank Research, ABS

	Mar-25	Dec-24	Sep-24	Jun-24	Mar-24
Headline CPI (q/q, %)	0.9	0.2	0.2	1.0	1.0
Headline CPI (y/y, %)	2.4	2.4	2.8	3.8	3.6
Trimmed mean inflation (y/y, %)	2.9	3.3	3.6	4.0	4.0

Global inflation is stabilising

Headline CPI y/y

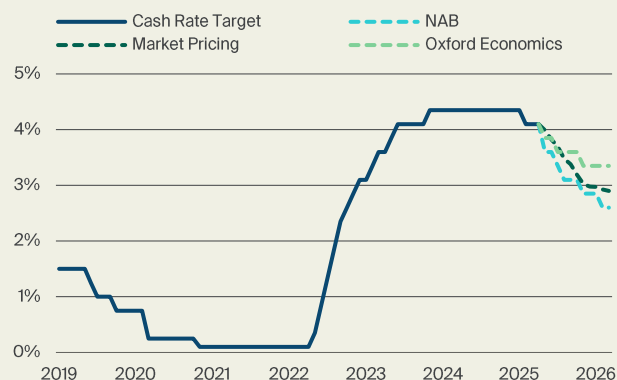


Source: Knight Frank Research, Macrobond

	Mar-25	Dec-24	Sep-24	Jun-24	Mar-24
Australia (y/y, %)	2.4	2.4	2.8	3.8	3.6
US (y/y, %)	2.4	2.9	2.4	3.0	3.5
UK (y/y, %)	2.6	2.6	1.7	2.0	3.2
Euro area (y/y, %)	2.2	2.4	1.7	2.5	2.4

Further rate cuts expected

Historic rates and indicative RBA outlook

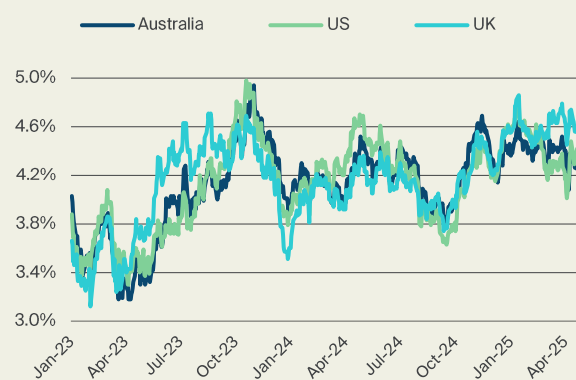


Source: Knight Frank Research, NAB, ASX

	Apr-25	Jul-25	Oct-25	Jan-26	Apr-26
Cash rate target	4.10				
Oxford Economics		3.60	3.60	3.35	3.35
NAB		3.35	3.10	2.85	2.60
Market pricing		4.10	3.85	3.85	3.85

Bond yields have stabilised

Ten year government bond yields



Source: Knight Frank Research, Macrobond

	Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
Australia	4.27	4.48	4.26	4.33	4.26
US	4.28	4.63	4.09	4.25	4.54
UK	4.57	4.64	4.17	4.15	4.18

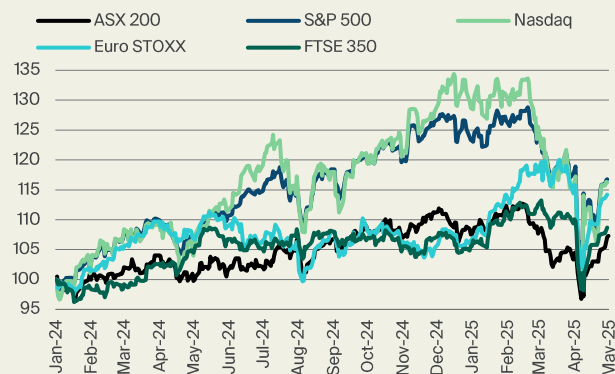
Monthly average

Financial markets

Expected rate cuts and trade policy uncertainty providing mixed signals to markets

Tariffs induce volatility in equity markets

Global equities, price indices, 1 Jan 2024 = 100



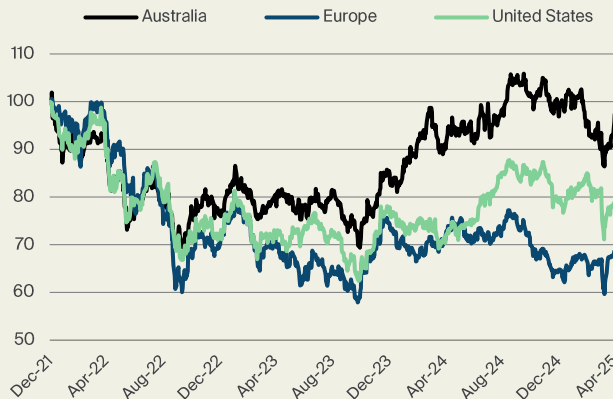
Source: Knight Frank Research, Macrobond

	Percentage change from			
	Jan-25	Oct-24	Jul-24	Apr-24
ASX 200	-6.4%	-5.2%	-1.4%	0.9%
S&P 500	-10.2%	-7.4%	-3.1%	4.9%
Nasdaq	-14.8%	-9.0%	-7.3%	4.4%
Euro STOXX 50	-0.4%	1.8%	2.8%	1.7%
FTSE 350	-2.4%	-1.3%	-0.8%	2.6%

Monthly average

Australia REITs rebound strongly in late April

Global REIT price indices, 31 Dec 2021 = 100



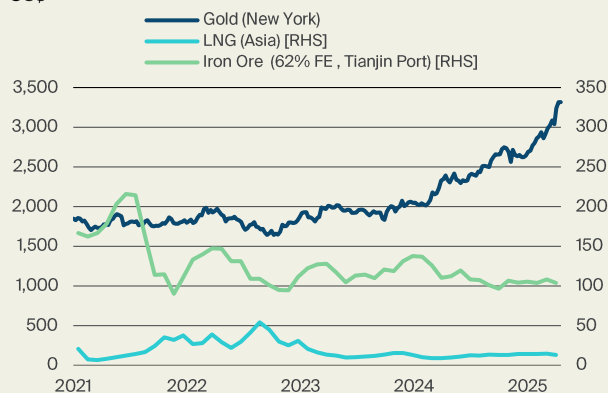
Source: Knight Frank Research, Macrobond

	Percentage change from			
	Jan-25	Oct-24	Jul-24	Apr-24
Australia	-9.1%	-11.9%	-4.4%	-1.7%
Europe	1.4%	-10.4%	-8.9%	-6.3%
United States	-3.2%	-9.3%	-1.1%	7.4%

Monthly average

Uncertainty supports record gold prices

US\$



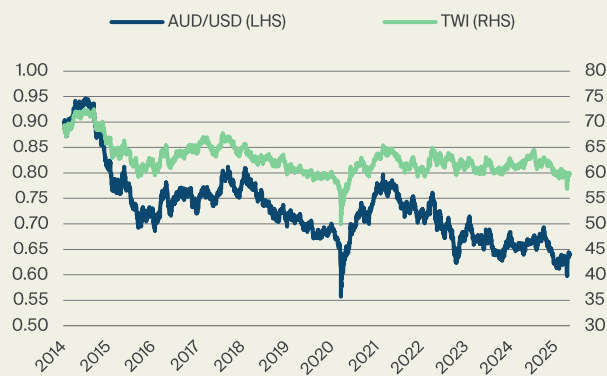
Source: Knight Frank Research, Macrobond

Index	Latest Mar-25	Percentage change from			
		Dec-24	Sep-24	Jun-24	Mar-24
Gold	3,124	19.9%	18.6%	34.3%	40.0%
LNG	13.1	-7.8%	0.2%	6.1%	45.9%
Iron Ore	103.7	-1.6%	7.7%	-4.1%	-5.9%

Monthly average

AUD weaker against USD, TWI less affected

US\$ (LHS), index (RHS)



Source: Knight Frank Research, Macrobond

	Latest				
	Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
USD per AUD	0.63	0.62	0.67	0.67	0.65
	Percentage change from				
	Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
Trade weighted index	59.2	-1.2%	-5.0%	-6.8%	-4.2%

Monthly average

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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