Leading Indicators

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Key economic and financial metrics impacting property markets

May-26

RBA raises rates with inflation expected to broaden

FUEL DRIVES SPIKE IN INFLATION

Monthly inflation spiked in March driven by a 32.8% increase in automative fuel prices due to the Middle East conflict. Headline inflation rose by 4.6% over the year to March, while the trimmed mean remained stable at 3.3%. Although overall Q1 inflation was slightly weaker than expected, it still signalled that the starting point for inflation was high before the Middle East conflict started. The RBA's latest May SoMP forecasts have headline inflation peaking at 4.8% in Q2, falling to 4.0% by Q4 2026.

RBA RAISES INTEREST RATES

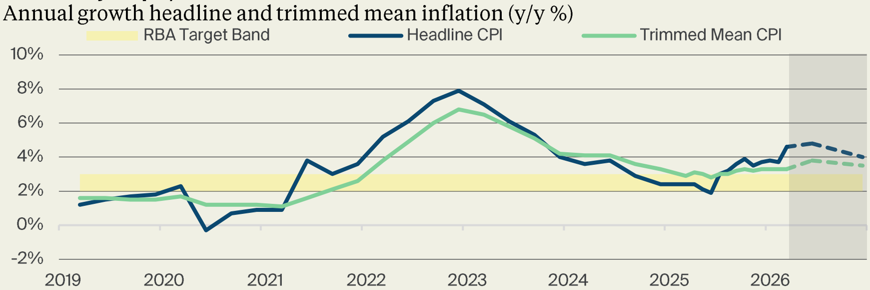
The RBA decided to lift interest rates for a third consecutive time by 25 bps, bringing the cash rate to 4.35%. The RBA was hawkish in their statement, stating that "inflation is likely to remain above target for some time and that risks remain tilted to the upside". The RBA will be acutely focused on monitoring the second-round inflationary impacts. They noted that "there are early signs that many firms experiencing cost pressures are looking to increase prices of their goods and services" and that short-term inflation expectations have also risen.

HOUSEHOLD SPENDING RESILIENT

Australian consumer spending has remained relatively resilient, with the RBA noting that there is little evidence that consumers have noticeably reduced non-petrol spending to date. This largely reflects that many households were in a strong financial position leading into the conflict and are likely smoothing consumption through this reduction in real incomes.

Inflation jumps, RBA forecasts inflation to remain elevated

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

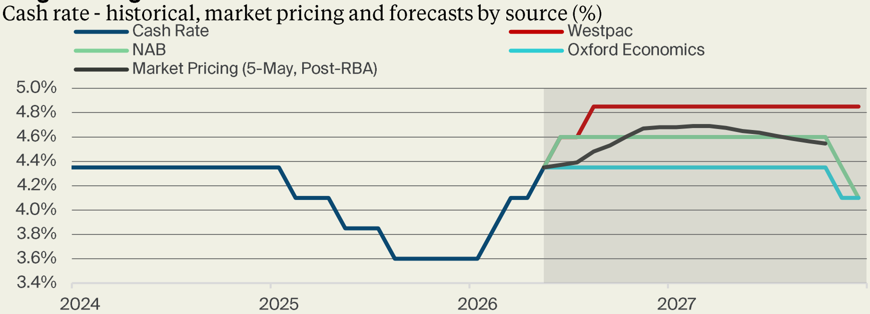


Source: Knight Frank Research, ABS, RBA

Note: Dashed lines represent RBA May SoMP quarterly forecasts. Data transitions from quarterly to monthly in April 2025.

Large divergence in cash rate forecasts

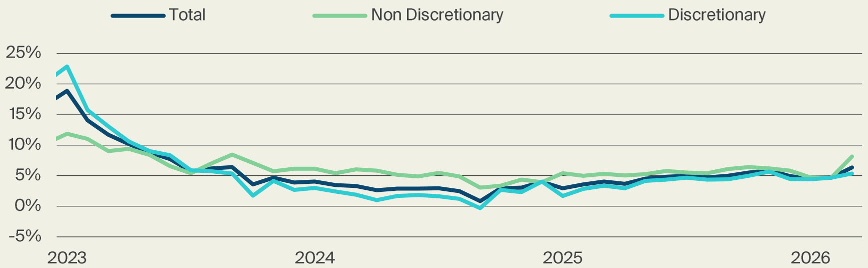
Cash rate - historical, market pricing and forecasts by source (%)



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

Household spending remains resilient

Annual growth in household spending by type (%)



Source: Knight Frank Research, Macrobond

Australia key forecasts

	Real GDP growth *(Q4 2025, y/y %)*	Unemployment rate *(March 2026, %)*	Core CPI inflation *(March 2026, y/y %)*	Cash rate target *(May 2026, %)*	10-year bond yield *(30 April 2026, %)*
Latest	2.6	4.3	3.3	4.35	5.1
Year-end 2026* (f)	1.7	4.6	3.5	4.35	5.0

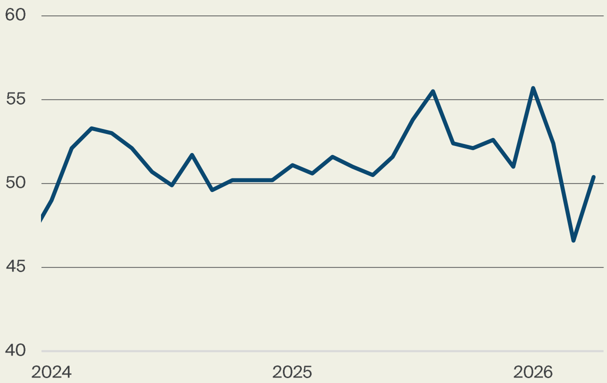
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Businesses have been resilient to date, but have significant concerns over longer-term outlook

PMIs rebounds but remains subdued

Composite PMI Output Index (above 50 indicates expansion)



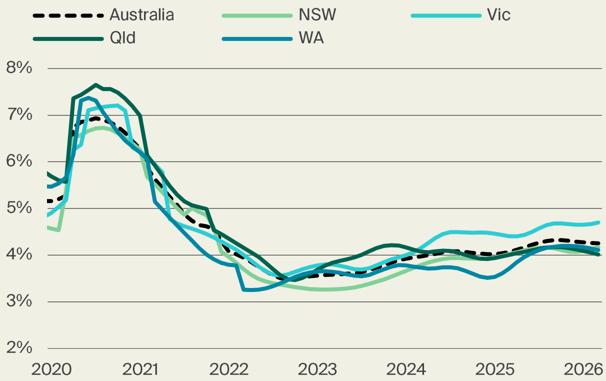
Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Apr-26	Jan-26	Oct-25	Jul-25	Apr-25
Australia	50.4	55.7	52.1	53.8	51.0
China	51.5	51.6	51.8	50.8	51.1
Euro Area	48.6	51.3	52.5	50.9	50.4
Japan	52.4	53.1	51.5	51.6	51.2
UK	52.0	53.7	52.2	51.5	48.5
US	52.0	53.0	54.6	55.1	50.6

*Mar-26

Unemployment rate steady in March

Unemployment rate (trend adjusted)

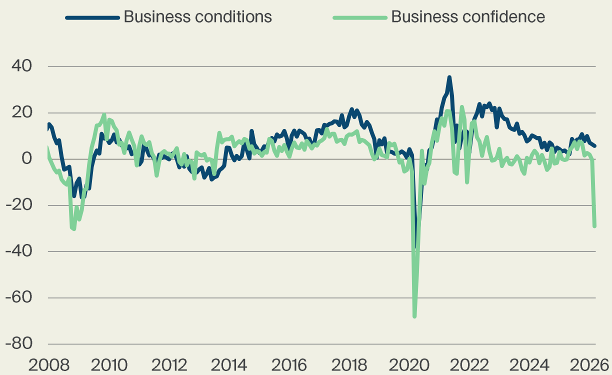


Source: Knight Frank Research, Macrobond

	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25
Australia	4.3	4.3	4.3	4.2	4.1
NSW	4.2	4.1	4.1	4.1	4.0
Vic	4.7	4.7	4.7	4.5	4.4
Qld	4.0	4.1	4.2	4.1	4.0
WA	4.1	4.2	4.2	4.0	3.7

Conflict severely reduces business confidence

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders fall

Forward orders index, balance of positive and negative

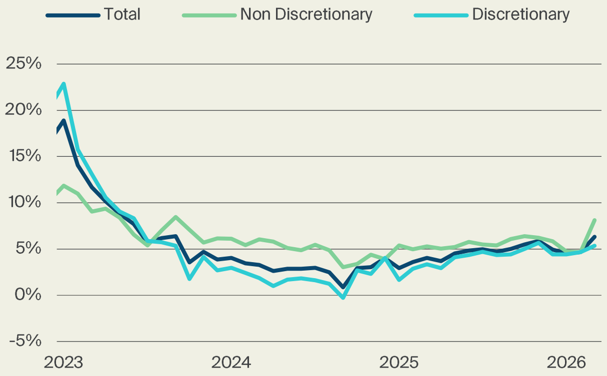
Source: Knight Frank Research, NAB

Consumer indicators

Consumer spending remains resilient despite higher fuel costs weighing on household budgets

Household spending remains resilient

Annual growth in household spending by type (%)

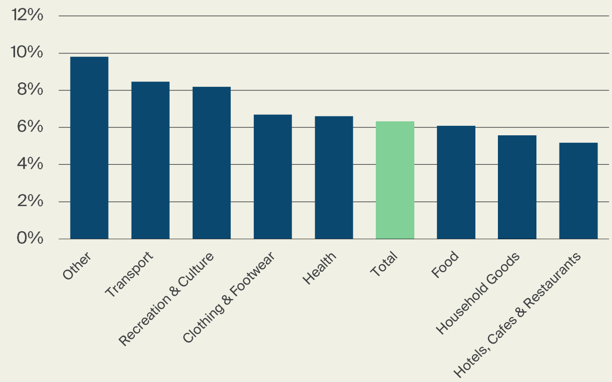


Source: Knight Frank Research, Macrobond

	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25
Household spending, current prices (m/m)	1.6	-0.5	0.3	0.3	0.0
Household spending, current prices (y/y)	6.3	4.9	5.0	4.8	4.0

Broad-based rise in household spending

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



Source: Knight Frank Research, Macrobond

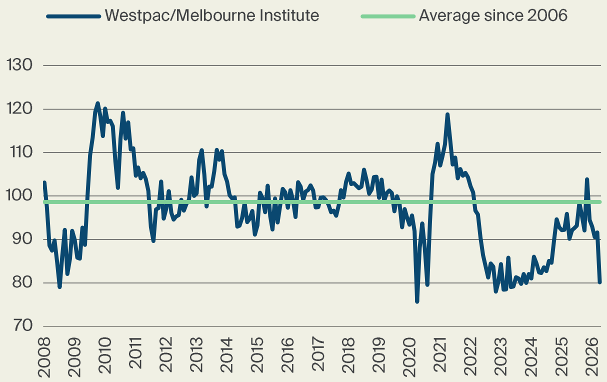
*Excludes Alcoholic beverages and tobacco

Latest in Mar-26

	m/m (%)	y/y (%)
Other	1.7	9.8
Transport	5.1	8.5
Recreation & Culture	1.3	8.2
Clothing & Footwear	1.3	6.7
Health	0.3	6.6
Total	1.6	6.3
Food	1.7	6.1
Household Goods	1.6	5.6
Hotels, Cafes & Restaurants	-0.9	5.2
Alcohol & Tobacco	-0.1	-12.3

Conflict weighs on consumer confidence

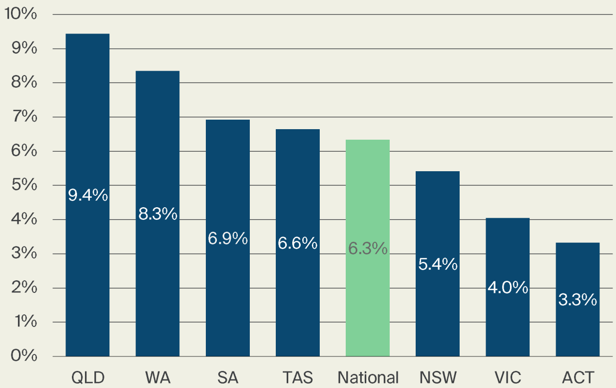
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

WA and QLD drive household spending

Annual growth in value of spending by state (%)



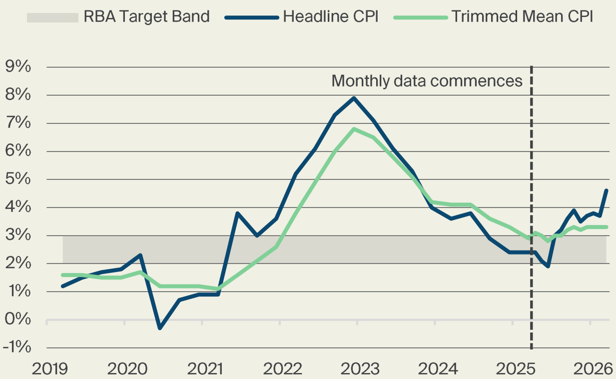
Source: Knight Frank Research, Macrobond

Inflation & interest rates

Inflation rises with higher fuel prices, RBA raises interest rates in May

Fuel prices drive spike in inflation

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

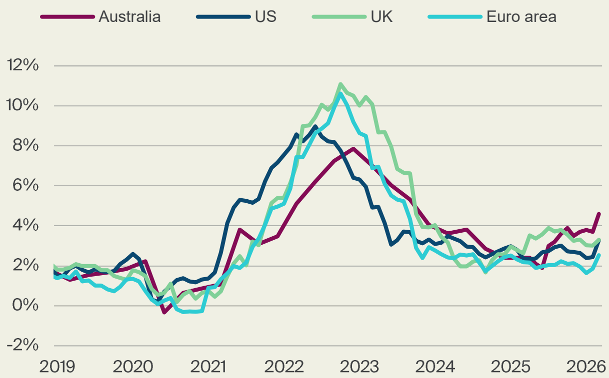


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25
Headline CPI (m/m, %)	1.1	0.2	0.3	0.1	0.9
Headline CPI (y/y, %)	4.6	3.7	3.6	1.9	2.4
Trimmed mean inflation (y/y, %)	3.3	3.3	3.2	2.8	2.9

Fuel prices instigate higher global inflation

Headline CPI (y/y, %)

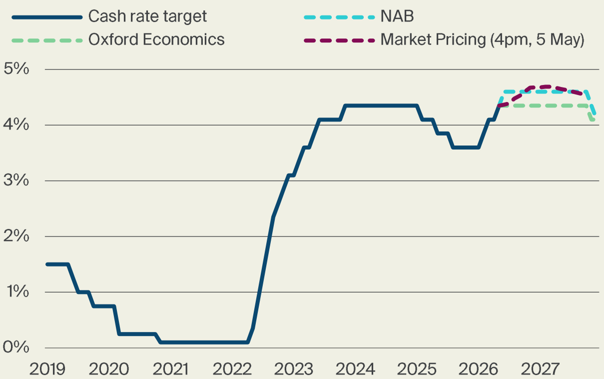


Source: Knight Frank Research, Macrobond

	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25
Australia (y/y, %)	4.6	3.7	3.6	1.9	2.4
US (y/y, %)	3.3	2.1	3.0	2.7	2.4
UK (y/y, %)	3.3	3.3	3.8	3.6	2.6
Euro area (y/y, %)	2.5	2.0	2.2	2.0	2.2

RBA raises interest rates in May

Historic rates and forecasts by source (%)



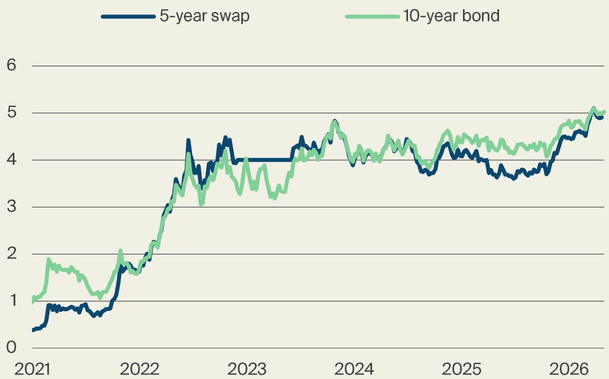
Source: Knight Frank Research, NAB, Oxford Economics, ASX

	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
NAB		4.60	4.60	4.60	4.60
Market pricing		4.48	4.67	4.69	4.65

Month-end

Yields rise with higher expected cash rate

Yield by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	Apr-26	Jan-26	Oct-25	Jul-25	Apr-25
5-year swap	4.92	4.49	3.81	3.73	3.72
10-year bond	5.00	4.77	4.21	4.30	4.27

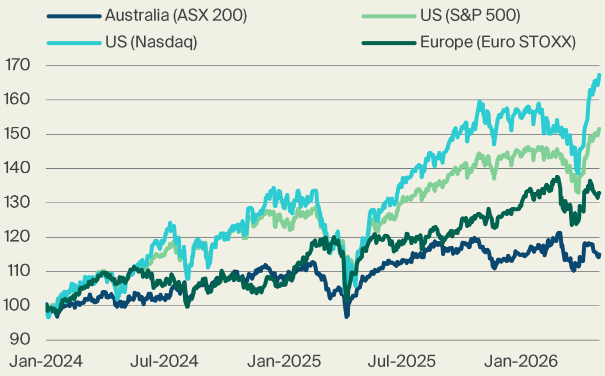
Monthly average

Financial markets

US equity markets focused on the positive AI story rather than risks from Middle East conflict

Equity markets rebound despite global risks

Global equities, price indices, 1 Jan 2024 = 100



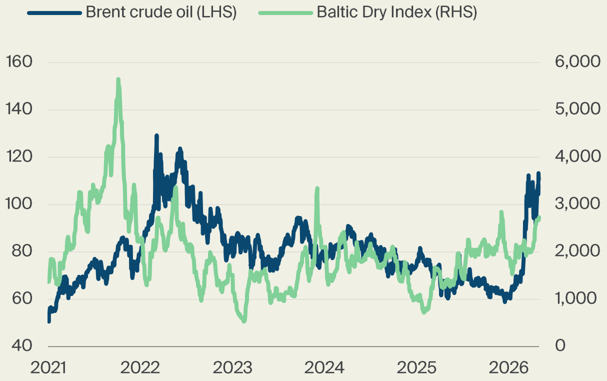
Source: Knight Frank Research, Macrobond

	Percentage change from				
	Mar-26	Jan-26	Oct-25	Jul-25	Apr-25
ASX 200	1.9	0.1	-1.8	2.0	13.1
S&P 500	4.3	0.2	3.0	10.2	29.3
Nasdaq	6.6	0.4	2.6	13.6	41.6
Euro STOXX 50	3.6	0.1	5.6	10.8	20.6
FTSE 350	2.3	2.8	9.0	15.1	26.0

Monthly average

Oil prices reach new record high in late-May

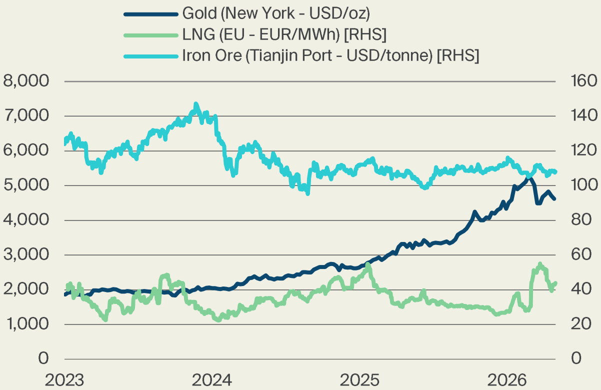
Brent crude $US/b (LHS), Shipping rates - Baltic Exchange Dry Index (RHS)



Source: Knight Frank Research, Macrobond

Commodity prices pullback in late-April

Gold, LNG and iron ore prices



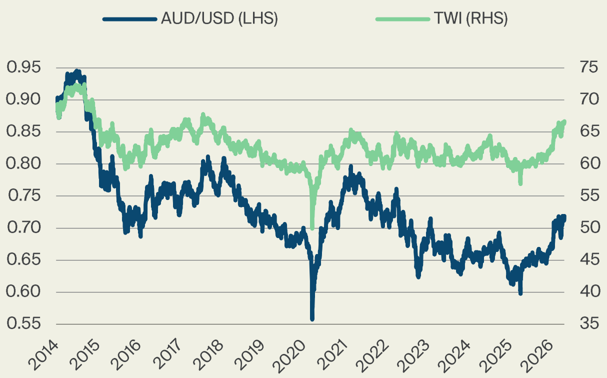
Source: Knight Frank Research, Macrobond

		Percentage change from				
	Apr-26	Mar-26	Jan-26	Oct-25	Jul-25	Apr-25
Gold (US/t.oz)	4,726	-0.9	-0.4	15.4	41.0	44.2
LNG (EUR/MWh)	45.4	-7.0	43.9	50.6	38.2	34.4
Iron Ore (US$/t)	107.8	-1.5	-4.4	-1.4	2.9	0.7

Monthly average

AUD strengthens despite global risks

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



Source: Knight Frank Research, Macrobond

	Latest				
	Apr-26	Jan-26	Oct-25	Jul-25	Apr-25
USD per AUD	0.71	0.68	0.65	0.65	0.63
		Percentage change from			
Trade weighted index	65.8	4.5	7.8	8.8	11.1

Monthly average

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