# Leading Indicators

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Key economic and financial metrics impacting property markets

Nov-25

## Q3 inflation surprise casts doubt on future rate cuts

### UPSIDE SURPRISE TO Q3 INFLATION

Trimmed mean inflation rose by 3.0% y/y in Q3 and 1.0% q/q. This was significantly stronger than the market expected, and the RBA's forecast of 0.6% q/q in the August SoMP forecasts. This was driven by both a broad-based reacceleration in services and large rises in volatile goods components. The RBA will likely keep rates on hold while they await more data to regain confidence that inflation will settle in the target band. Markets are now unsure if the RBA will hold interest rates at 3.6% or if there will be one more cut in H1 2026.

### IMF UPGRADES WORLD GROWTH

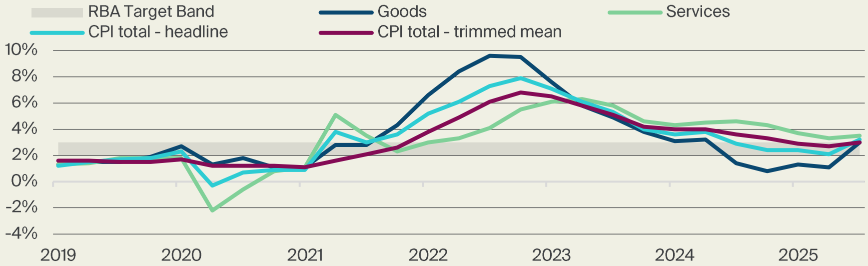
The IMF has continued to upgrade world GDP growth forecasts for 2025 to 3.2%. The IMF states that resilience of the global economy in H1 2025 can be largely attributed to temporary factors such as the front-loading of trade, investment and inventory strategies ahead of tariffs. These temporary measures are starting to unwind, revealing a weaker global economy, with risks tilted to the downside.

### TARIFFS YET TO IMPACT US PRICES

To date, the impact of tariffs on US inflation remains muted. This can be largely attributed to a delayed pass-through of tariffs to consumer prices, likely reflecting several factors such as stockpiling, tariff pauses and trade diversion. An examination of certain categories of goods suggests that very little of what would be expected to pass through to consumer prices has actually passed through so far. If this inflation risk is realised, it may limit the number of Fed rate cuts in 2026.

**Goods inflation drives rise in headline inflation**

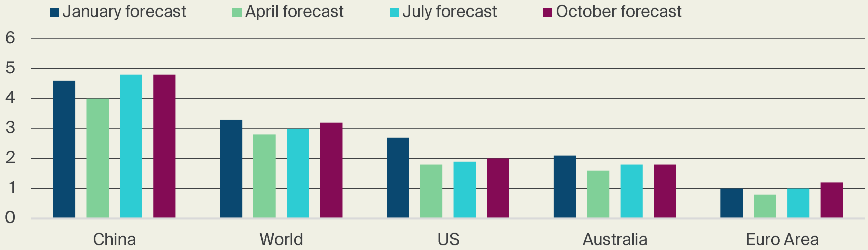
Annual growth for goods and services (%)




Source: Knight Frank Research, ABS

**IMF upgrades 2025 GDP growth forecasts**

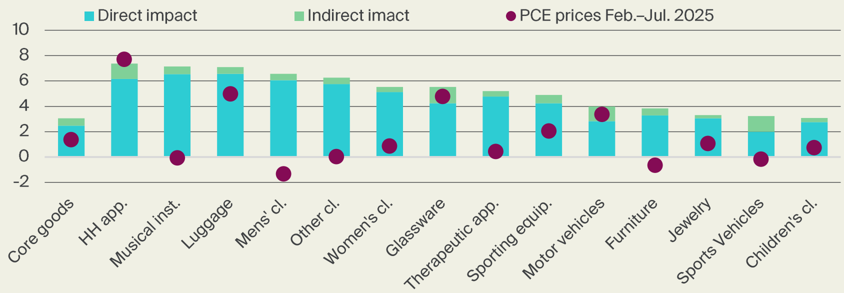
Real annual GDP growth in 2025 (%)




Source: Knight Frank Research, IMF

**Delayed pass-through of tariffs to US inflation**

Modelled inflationary impact of tariffs by driver, latest core (PCE) inflation measure (%)




Source: Knight Frank Research, IMF

## Australia key forecasts

| | Real GDP growth *(Q2 2025, y/y %)* | Unemployment rate *(September 2025, %)* | Core CPI inflation *(Q3 2025, y/y %)* | Cash rate target *(October 2025, %)* | 10-year bond yield *(31 October 2025, %)* |
|---|---|---|---|---|---|
| Latest | 1.8 | 4.5 | 3.0 | 3.60 | 4.3 |
| Year-end 2025 (f)* | 1.8 | 4.4 | 2.5 | 3.60 | 4.3 |

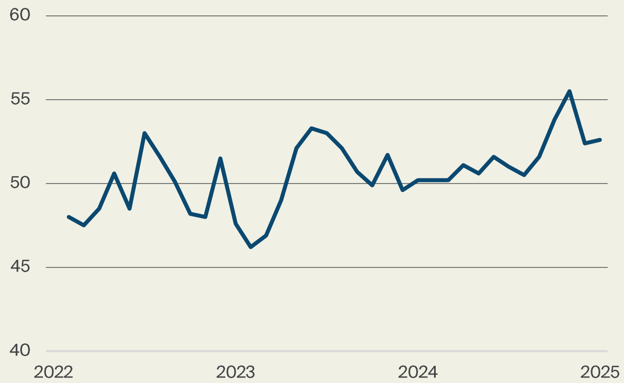
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

# Business indicators

Business confidence and conditions continue to show positive signs

## PMIs rise in October

Composite PMI Output Index (above 50 indicates expansion)

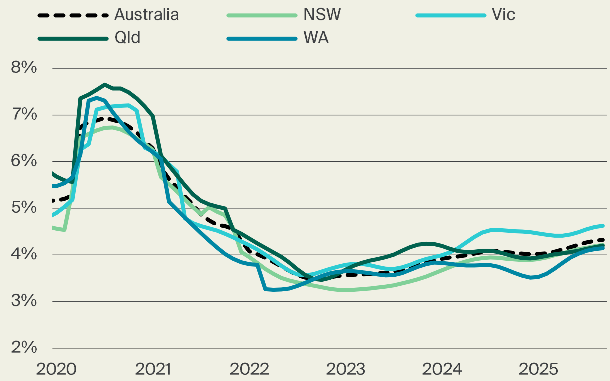



Source: Knight Frank Research, Macrobond

| | Latest | Last quarter | | | 1 year ago |
|---|---|---|---|---|---|
| | Oct-25 | Jul-25 | Apr-25 | Jan-25 | Oct-24 |
| Australia | 52.6 | 53.8 | 51.0 | 51.1 | 50.2 |
| China | 0.0 | 50.8 | 51.1 | 51.1 | 51.9 |
| Euro Area | 52.2 | 50.9 | 50.4 | 50.2 | 50.0 |
| Japan | 50.9 | 51.6 | 51.2 | 51.1 | 49.6 |
| UK | 51.1 | 51.5 | 48.5 | 50.6 | 51.8 |
| US | 54.8 | 55.1 | 50.6 | 52.7 | 54.1 |

## Unemployment continues to rise

Unemployment rate (trend adjusted)

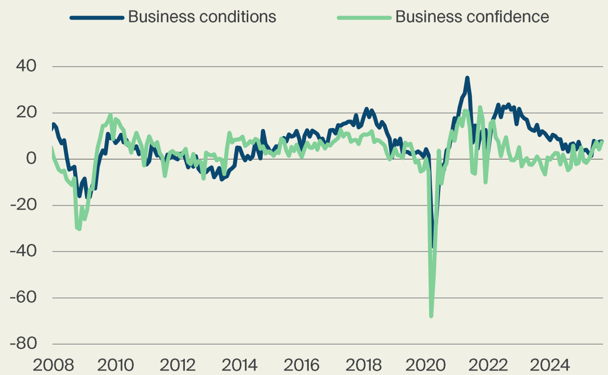



Source: Knight Frank Research, Macrobond

| | Sep-25 | Jun-25 | Mar-25 | Dec-24 | Sep-24 |
|---|---|---|---|---|---|
| Australia | 4.3 | 4.2 | 4.1 | 4.0 | 4.1 |
| NSW | 4.2 | 4.1 | 4.0 | 3.9 | 3.9 |
| Vic | 4.6 | 4.5 | 4.4 | 4.5 | 4.5 |
| Qld | 4.2 | 4.1 | 4.0 | 3.9 | 4.0 |
| WA | 4.1 | 4.0 | 3.7 | 3.5 | 3.7 |

## Business confidence remains positive

NAB survey, balance of positive and negative responses




Source: Knight Frank Research, NAB, Macrobond

## Forward orders soften, but trending higher

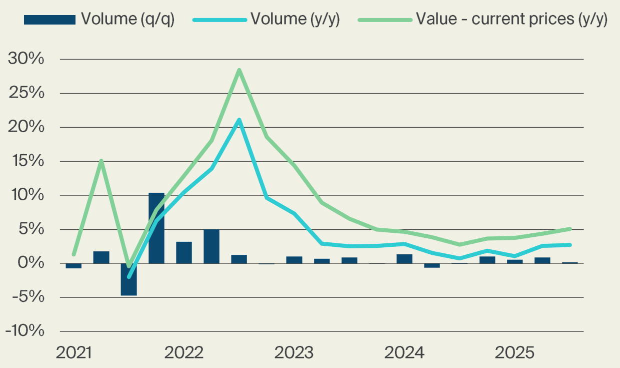
Forward orders index, balance of positive and negative


Source: Knight Frank Research, NAB

# Consumer indicators

## Household spending continues to steadily improve

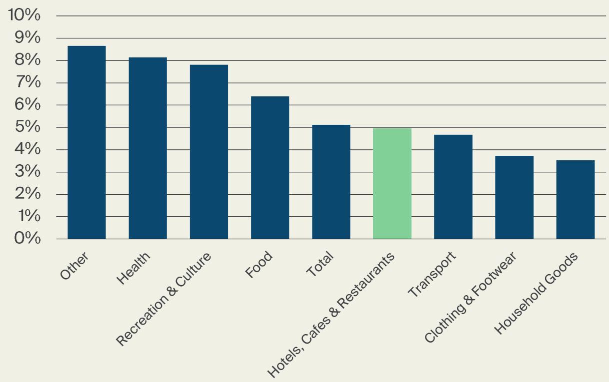
### Household spending slowly rising
Household spending growth (%)




Source: Knight Frank Research, ABS

| | Percentage change from | | | | |
|---|---|---|---|---|---|
| | Sep-25 | Jun-25 | Mar-25 | Dec-24 | Sep-24 |
| Household spending, volume (q/q%) | 0.2 | 0.9 | 0.6 | 1.0 | 0.1 |
| Household spending, volume (y/y%) | 2.7 | 2.6 | 1.1 | 1.9 | 0.7 |
| Household spending, value (y/y%) | 5.1 | 4.4 | 3.8 | 3.7 | 2.8 |

### Households spend on fun and health
Annual growth in value of spending by category* (%)

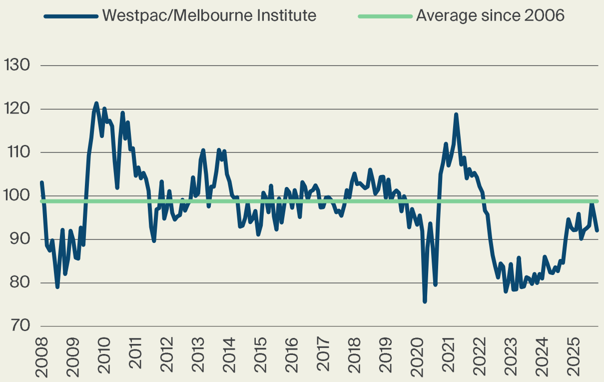



Source: Knight Frank Research, Macrobond
*Excludes Alcoholic beverages and tobacco

**Latest in Sep-25**

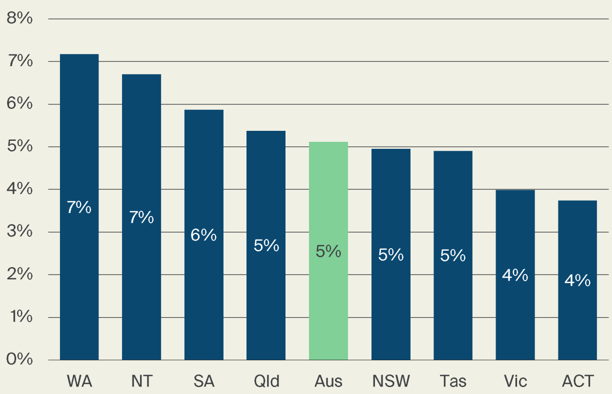
| | m/m (%) | y/y (%) |
|---|---|---|
| Other | -0.1 | 8.7 |
| Health | 0.7 | 8.1 |
| Recreation & Culture | 1.1 | 7.8 |
| Food | 0.6 | 6.4 |
| Total | 0.2 | 5.1 |
| Hotels, Cafes & Restaurants | -0.3 | 5.0 |
| Transport | -0.4 | 4.7 |
| Clothing & Footwear | -0.6 | 3.7 |
| Household Goods | 0.4 | 3.5 |
| Alcohol & Tobacco | -0.8 | -17.3 |

### Consumer sentiment softens slightly
Confidence index, value above 100 signal optimism




Source: Knight Frank Research, Macrobond

### WA, SA and QLD drive household spending
Annual growth in value of spending by state (%)



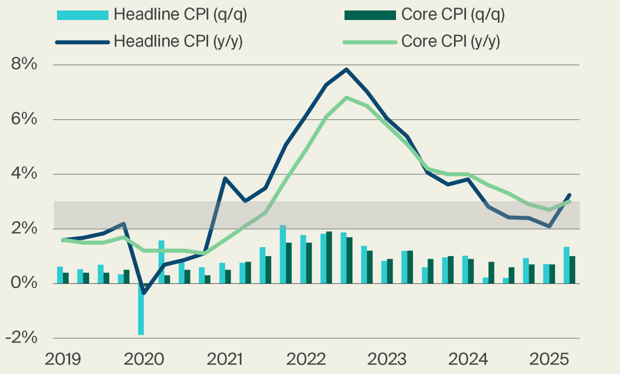

Source: Knight Frank Research, Macrobond

# Inflation & interest rates

Increased inflation risks drive a pullback in rate cut expectations

### Stronger than expected inflation in Q3

Annual and quarterly growth in CPI (%)

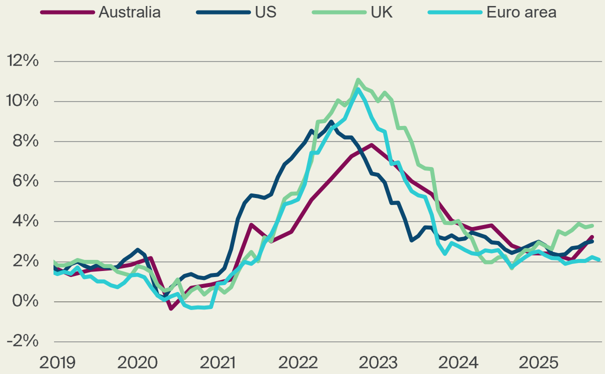



Source: Knight Frank Research, ABS

| | Sep-25 | Jun-25 | Mar-25 | Dec-24 | Sep-24 |
|---|---|---|---|---|---|
| Headline CPI (q/q, %) | 1.3 | 0.7 | 0.9 | 0.2 | 0.2 |
| Headline CPI (y/y, %) | 3.2 | 2.1 | 2.4 | 2.4 | 2.8 |
| Trimmed mean inflation (y/y, %) | 3.0 | 2.7 | 2.9 | 3.3 | 3.6 |

### Global inflation has crept up recently

Headline CPI (y/y, %)

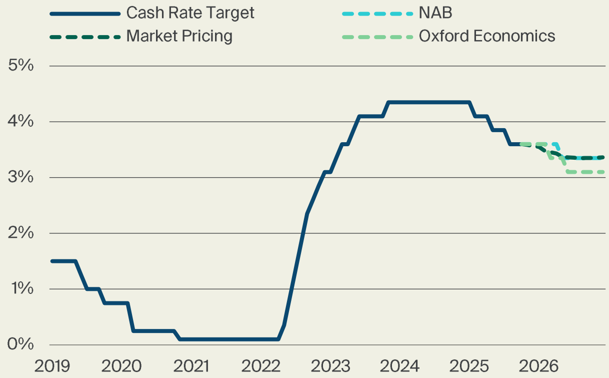



Source: Knight Frank Research, Macrobond

| | Sep-25 | Jun-25 | Mar-25 | Dec-24 | Sep-24 |
|---|---|---|---|---|---|
| Australia (y/y, %) | 3.2 | 2.1 | 2.4 | 2.4 | 2.8 |
| US (y/y, %) | 3.0 | 2.1 | 2.4 | 2.9 | 2.4 |
| UK (y/y, %) | 3.8 | 3.6 | 2.6 | 2.6 | 1.7 |
| Euro area (y/y, %) | 2.2 | 2.0 | 2.2 | 2.4 | 1.7 |

### Rate cut expectations pushed out to 2026

Historic rates and indicative RBA outlook



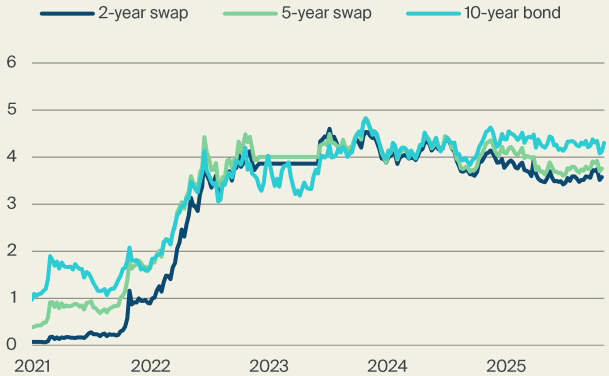

Source: Knight Frank Research, NAB, Oxford Economics, ASX

| | Oct-25 | Jan-26 | Apr-26 | Jul-26 | Oct-26 |
|---|---|---|---|---|---|
| Cash rate target | 3.60 | | | | |
| Oxford Economics | | 3.60 | 3.35 | 3.10 | 3.10 |
| NAB | | 3.60 | 3.60 | 3.35 | 3.35 |
| Market pricing | | 3.56 | 3.43 | 3.36 | 3.35 |

Month-end

### Yields remain relatively stable

Yield by swap/bond duration (%)




Source: Knight Frank Research, Macrobond

| | Oct-25 | Jul-25 | Apr-25 | Jan-25 | Oct-24 |
|---|---|---|---|---|---|
| 2-year swap | 3.63 | 3.52 | 3.54 | 3.88 | 3.86 |
| 5-year swap | 3.81 | 3.73 | 3.72 | 4.16 | 4.01 |
| 10-year bond | 4.21 | 4.30 | 4.27 | 4.48 | 4.25 |

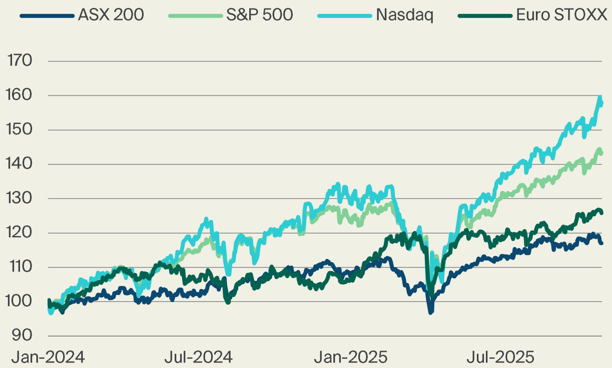
Monthly average

# Financial markets

## Global financial markets are buoyed with optimism

### Equity prices continue to rally in October

Global equities, price indices, 1 Jan 2024 = 100



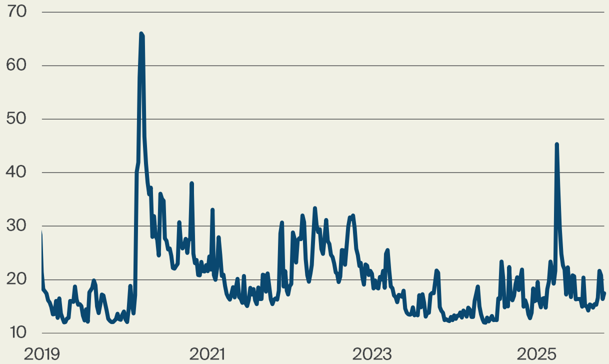

Source: Knight Frank Research, Macrobond

| | Percentage change from | | | |
|---|---|---|---|---|
| | Jul-25 | Apr-25 | Jan-25 | Oct-24 |
| ASX 200 | 3.9 | 15.1 | 7.7 | 9.1 |
| S&P 500 | 7.0 | 25.5 | 12.8 | 16.3 |
| Nasdaq | 10.7 | 38.1 | 17.6 | 25.6 |
| Euro STOXX 50 | 4.9 | 14.2 | 13.8 | 16.3 |
| FTSE 350 | 5.6 | 15.6 | 12.8 | 14.1 |

Monthly average

### Market volatility near lowest in 2025

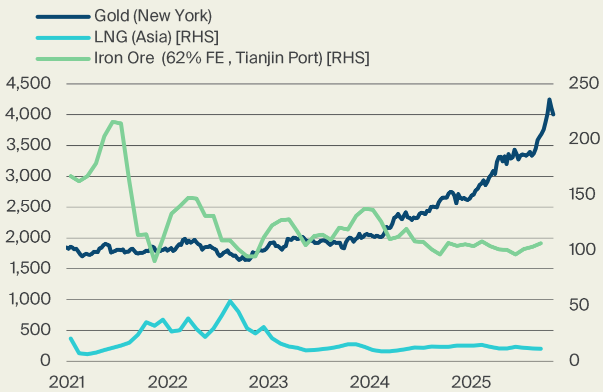
US VIX index - measure of market volatility (Index)




Source: Knight Frank Research, Macrobond

### Gold comes off peak, but remains elevated

US$



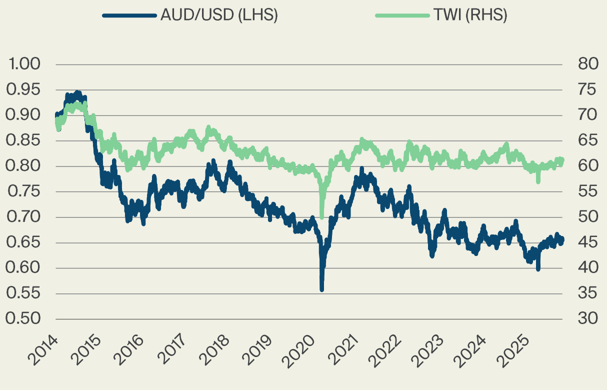

Source: Knight Frank Research, Macrobond

| Index | Latest | Percentage change from | | | |
|---|---|---|---|---|---|
| | Sep-25 | Jun-25 | Mar-25 | Dec-24 | Sep-24 |
| Gold | 3,859 | 16.8 | 23.5 | 48.1 | 46.4 |
| LNG | 11.3 | -13.0 | -14.0 | -20.7 | -13.9 |
| Iron Ore | 106.4 | 10.7 | 2.7 | 1.0 | 10.6 |

Monthly average

### AUD continues to strengthen against USD

US$ (LHS), index (RHS)




Source: Knight Frank Research, Macrobond

| | Latest | | | | |
|---|---|---|---|---|---|
| | Oct-25 | Jul-25 | Apr-25 | Jan-25 | Oct-24 |
| USD per AUD | 0.65 | 0.65 | 0.63 | 0.62 | 0.67 |
| | | Percentage change from | | | |
| Trade weighted index | 61.0 | 0.9 | 3.1 | 1.8 | -2.1 |

Monthly average

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