

Leading Indicators

Key economic and financial metrics, updated weekly

3rd September 2024

The UK's new wave of progress

1.1%

Consensus GDP growth outlook for 2024, August 2024

2%

Pension funds' ownership of UK quoted shares, 2022, down from over 30%

+10%

Monthly increase in the Europe Economic Policy Uncertainty (EPU) Index, July 2024

THE UK'S NEW WAVE OF PROGRESS

The UK economy is beginning to show signs of renewed momentum after nearly two years of stagnation. With newfound political stability, we see the UK benefiting from increased investor appetite, rising business investment, stabilising inflation, and subsequently, lower interest rates.

In the first half of 2024, the UK economy outperformed both the US and the Euro Area. UK GDP grew by +0.6% q/q in Q2 2024, following +0.7% growth in the previous quarter, outpacing its G7 peers. The Lloyds Business Barometer reached an eight-year high in August, holding steady at +50%, well above the long-term average of +29%, indicating strong business confidence. Reflecting this mood of optimism, sterling appreciated to \$1.32 against the dollar in late August, its highest level since March 2022. The latest economic data suggests that the UK's strong performance is likely to continue into the second half of the year, and further indicates that the country may be regaining its status as a more stable and dynamic market.

A BUSY AUTUMN OF REFORMS

Next month's budget, the first from the new Labour government, will see Chancellor Rachel Reeves present the UK government's fiscal strategy. Significant changes to the tax system are anticipated as part of efforts to address a £22 billion deficit in public finances.

Among the potential reforms are adjustments to inheritance tax, capital gains, and the taxation of private equity carried interest. Labour has also announced plans to abolish the current tax regime for non-UK domiciled individuals (non-doms), replacing it with a new residence-based system effective from April 2025.

Separately, a major pensions review is aiming, amongst other things, at increasing pension investment into UK assets. Although the above impact of tax reforms on UK commercial real estate remains uncertain, even a small increase in pension investment in the UK could lead to more capital flowing into UK companies and, potentially, real estate.

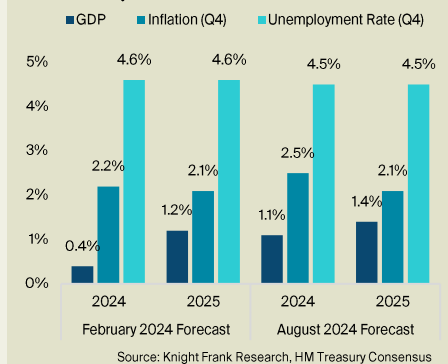
ELECTION 2024: POLITICS & UNCERTAINTY

In the US, the 2024 general presidential election is heating up, with betting odds showing a nearly even split—a 51% chance of a Republican majority versus a 50% chance for the Democrats. In Europe, Germany's far-right party has secured its first major electoral victory since World War II, while France faces the prospect of a hung parliament.

The Economic Policy Uncertainty Index, which tracks media coverage of policy-driven economic volatility, recorded a +10% m/m increase in Europe in July, marking its highest level since December 2022. This surge underscores ongoing political instability across the region, contrasting with a relatively stable political environment in the UK.

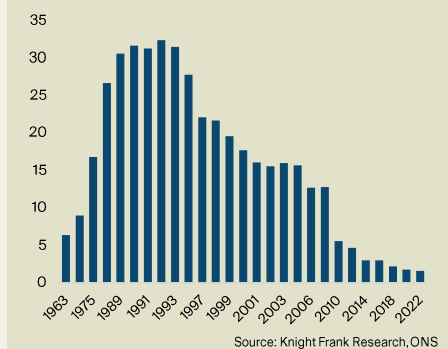
Improving UK economic forecasts

HM Treasury Consensus forecasts



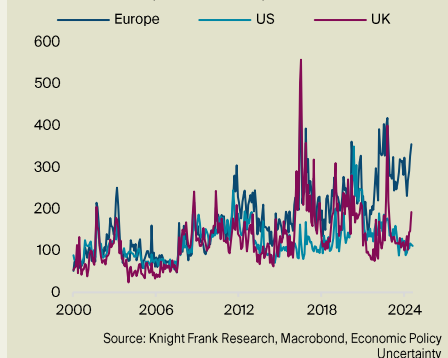
Pension funds hold a record low of UK stocks

Pensions sector % ownership of UK quoted shares



How politics shapes uncertainty

Economic Policy Uncertainty (EPU), Index

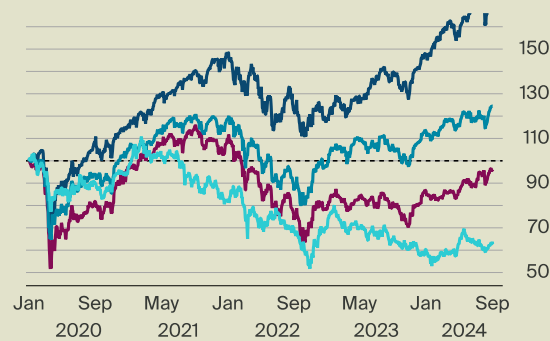


Equities

Equity markets

Price return index, Jan 2020 = 100, US\$

— FTSE 250 — S&P 500 — STOXX 600 — Hang Seng



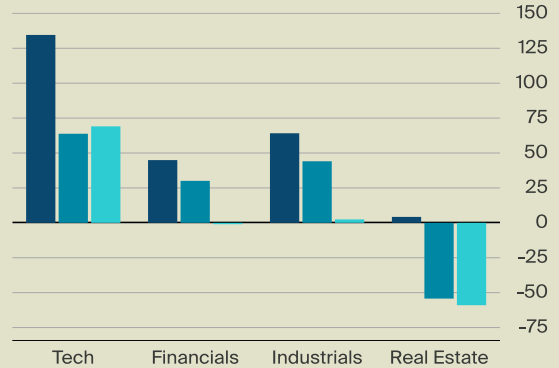
Source: Knight Frank, Macrobond

Index	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
DAX 30	8,049	0.1	0.6	7.4	21.6
FTSE 250	27,595	-0.3	-1.3	0.5	-4.8
Hang Seng	2,264	-1.9	-0.8	2.2	-37.4
IBEX 35	12,612	0.3	0.0	7.7	17.7
MIB	37,986	0.4	1.0	7.1	44.3
S&P 500	5,648	1.0	1.4	3.4	74.8
STOXX 600	581	0.1	0.3	5.2	24.5
TOPIX	19	-0.1	0.8	3.2	17.8

Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



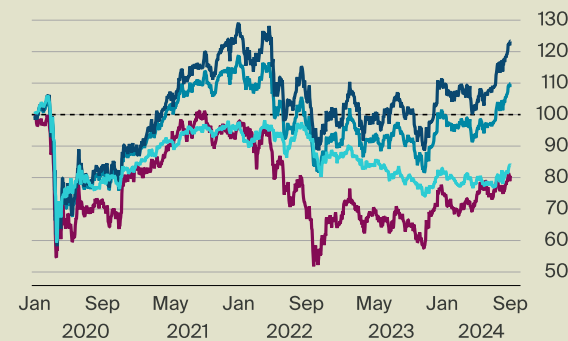
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	134.5%	63.8%	69.1%
Financials	44.9%	30.1%	-1.0%
Industrials	64.1%	44.1%	2.4%
Real Estate	4.2%	-54.2%	-59.0%

REITs by region

EPRA/NAREIT total return index, Jan 2020 = 100, US\$

— World — Europe — US — Asia Pacific



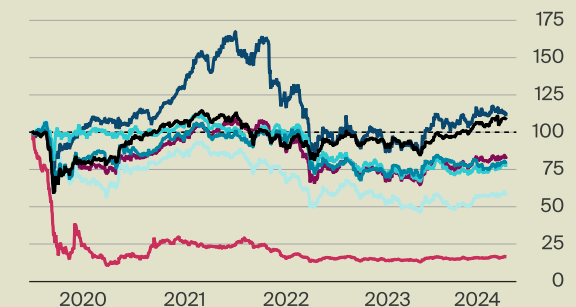
Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
US	2,949	1.2	0.8	5.2	23.4
Europe	2,298	2.2	-0.5	4.4	-19.4
World	3,531	1.0	0.9	5.1	9.9
Asia Pacific	3,298	0.0	2.8	2.0	-16.0

UK REITs by sector

UK EPRA gross total return index, Jan 2020 = 100, GBP£

— All REITs — Office — Industrial — Retail — Healthcare
— Residential — FTSE 250



Source: Knight Frank, Macrobond

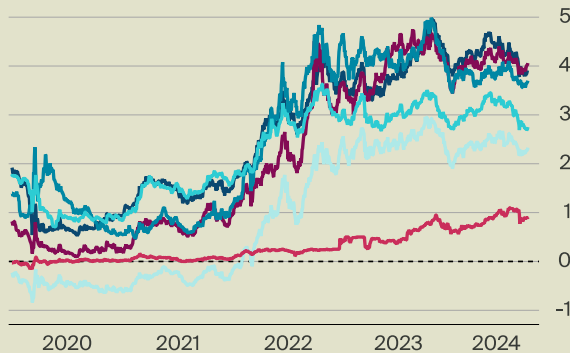
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
All REITs	859	2.1	-0.7	0.0	-16.1
Office	1,754	2.7	-2.3	0.5	-40.8
Industrial	1,404	2.1	-0.3	-2.9	13.2
Retail	59	0.7	-1.9	-1.2	-83.6
Healthcare	1,763	1.1	-2.1	1.8	-22.2
Residential	1,225	1.5	-0.6	1.1	-19.7
FTSE 250	18,507	-0.2	-0.9	-1.8	8.6

Bonds & Rates

Government bond yields

10 year government bond yields, %

— US — UK — Germany — Italy — Japan — Singapore



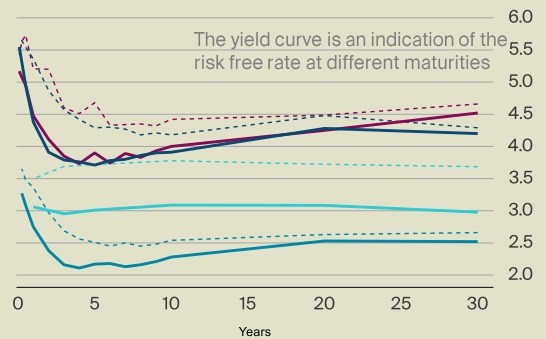
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.70	3.70	3.66	3.63	1.40
Japan	0.91	0.90	0.89	1.03	-0.03
Singapore	2.75	2.75	2.74	2.79	1.74
UK	4.06	4.06	4.00	3.83	0.82
US	3.91	n/a	3.83	3.80	1.92

Yield curves

Latest nominal yield curves vs one year ago, %

Today — US — UK — Germany — S. Korea One year ago ...US ...UK ...Germany ...S. Korea

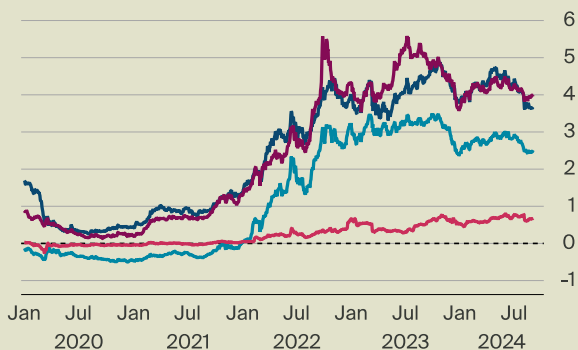


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



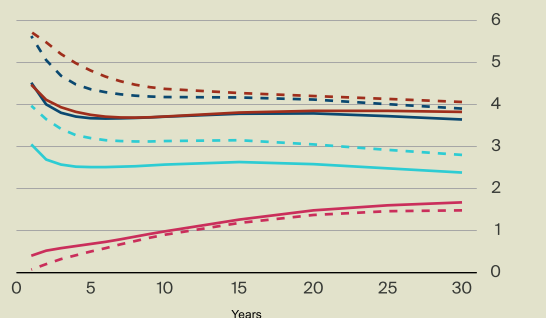
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.51	2.49	2.47	2.47	-0.13
Japan	0.68	0.67	0.66	0.68	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	4.00	3.98	3.93	3.82	0.88
US	3.67	3.66	3.64	3.64	1.70

Swap curves

Latest swap curves vs one year ago, %

Today — US — UK — Euro Area — Japan One year ago ...US ...UK ...Euro Area ...Japan



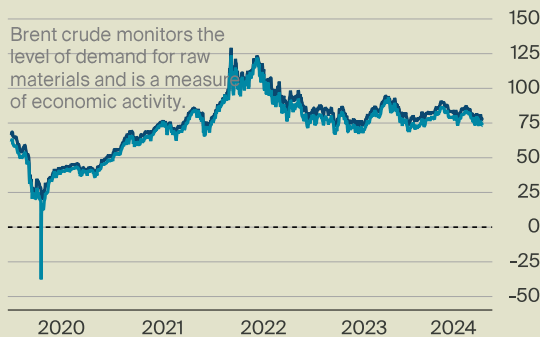
Source: Knight Frank, Macrobond

Commodities & Volatility

Energy

Oil spot prices, \$ per barrel

— Brent Crude — West Texas Intermediate (WTI)



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Brent, \$ per barrel	77.3	77.0	81.2	77.4	66.0
WTI, \$ per barrel	73.2	73.2	76.8	74.4	61.1

Baltic dry index

Baltic Exchange, Shipping Dry index (BDI), US\$

— Baltic dry index



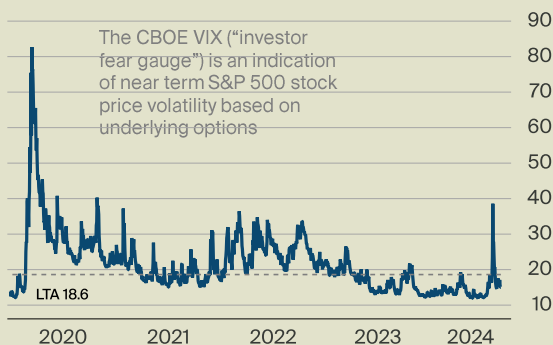
Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1919	5.04	8.91	14.6	76.1

Volatility index

Near term stock price volatility indicator

— CBOE Volatility Index (VIX) --- Long term average



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	15.0	15.0	15.4	23.4	13.8
Euro Stoxx 50 VIX	15.4	15.4	15.5	24.5	14.0
Nikkei VIX	20.9	21.5	23.7	29.4	14.8
KOSPI VIX	19.7	19.3	19.8	21.8	14.7

Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



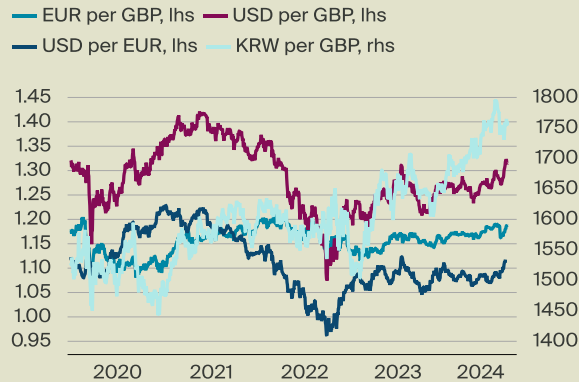
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.056	0.058	0.048	0.023
Equity markets stress sub index	0.057	0.071	0.064	0.009
Bond markets stress sub index	0.036	0.040	0.039	0.02
FX markets stress sub index	0.013	0.027	0.020	0.004

Currencies & Monetary Policy

Currencies

Spot prices

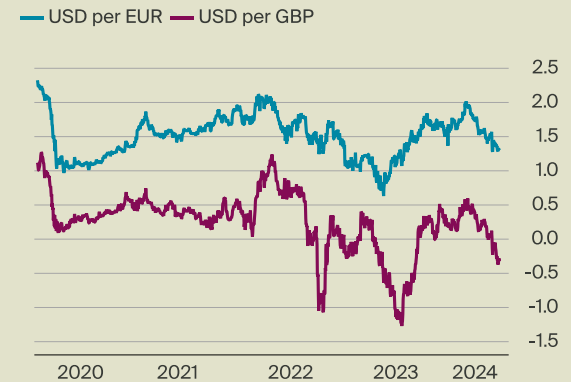


Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.188	1.188	1.180	1.173	1.177
KOR per GBP	1,761	1,755	1,754	1,739	1,525
USD per GBP	1.315	1.314	1.319	1.281	1.321
USD per EUR	1.118	n/a	n/a	1.091	1.123

Hedging benefits

Hedging benefit p.a. on a 5 year forward



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
USD to EUR	1.30	1.32	1.29	1.30	2.32
USD to GBP	-0.32	-0.28	-0.32	-0.13	1.12

Inflation and monetary policy

Inflation rate (%)

	May	Apr	Mar	Feb
Australia	n/a	n/a	3.8	3.8
Canada	n/a	2.5	2.7	2.9
China	n/a	0.6	0.3	0.3
Euro Area	2.2	2.6	2.5	2.6
France	1.9	2.3	2.2	2.3
Germany	1.8	2.3	2.2	2.4
India	n/a	3.5	5.1	4.8
Italy	1.1	1.3	0.8	0.8
Japan	n/a	2.8	2.8	2.8
Saudi Arabia	n/a	1.5	1.5	1.6
South Korea	2.0	2.6	2.4	2.7
Spain	n/a	2.7	3.4	3.6
Sweden	n/a	2.6	2.6	3.7
UK	n/a	2.2	2.0	2.0
US	n/a	2.9	3.0	3.3

Interest rates (%)

	Last	Jan '21
	4.35	0.10
	4.50	0.25
	4.35	4.35
	4.25	0.00
	4.25	0.00
	4.25	0.00
	6.50	4.00
	4.25	0.00
	0.25	-0.10
	6.00	1.00
	3.50	0.50
	4.25	0.00
	3.50	0.00
	5.00	0.10
	5.50	0.25

Asset purchasing

	Latest (\$)	1m change (%)
	0.29 tn	-1.1
	209 bn	6.0
	6.02 tn	0.0
	7.18 tn	-0.3
	1.63 tn	0.2
	2.66 tn	-0.6
	418 bn	4.2
	1.25 tn	-0.2
	5.25 tn	0.4
	493 bn	-2.4
	406 bn	8.4
	487 bn	-0.8
	121 bn	0.6
	1.24 tn	-1.2
	7.12 tn	-0.9

1. Australia Inflation rate is only available on a quarterly basis.

Source: Knight Frank, Macrobond



Quantifying Technology in Real Estate

Quantifying Technology in Real Estate explores how emerging technologies are transforming the real estate landscape. This report examines key trends across sectors, highlighting how technological integration is driving innovation and influencing real estate strategies for the future.

[View report](#)



Healthcare Capital Markets 2024

Our Healthcare Capital Markets 2024 report focuses on the healthcare investment market, including emerging trends, our thoughts for the year ahead as well as highlighting sector's strength in terms of stability of returns. The overall outlook is undoubtedly positive, with key market participants already transacting in 2024.

[View report](#)

Recent research



Life Sciences & Innovation Insight: Q2 2024

The UK life sciences sector is changing at pace. With this in mind, we have developed a quarterly market intelligence dashboard to track key developments.



UK Real Estate Navigator: Q2 2024

Is UK Real Estate at a turning point? Explore the current trends in UK commercial real estate with the latest edition of our UK Real Estate Navigator, available now.

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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