

Leading Indicators

Key economic and financial metrics impacting property markets

June-25

Interest rates cut for second time with more expected

RBA CUTS INTEREST RATES IN MAY

As expected, the RBA cut interest rates by 25 bps in May to 3.85%. Notably, the RBA discussed, but ultimately decided against, a larger 50 bp reduction. With inflation now within the RBA target range and an uncertain – but likely slower – outlook for global economic growth, the RBA's May meeting statement marked a stronger emphasis on supporting economic growth and employment than controlling inflation.

Markets interpreted the RBA statements as supportive for further interest rate cuts. Markets have priced in three interest rate cuts to 3.1% by the end of 2025, up from the two cuts expected before the RBA decision.

RETAIL SALES GROWTH SLOWS

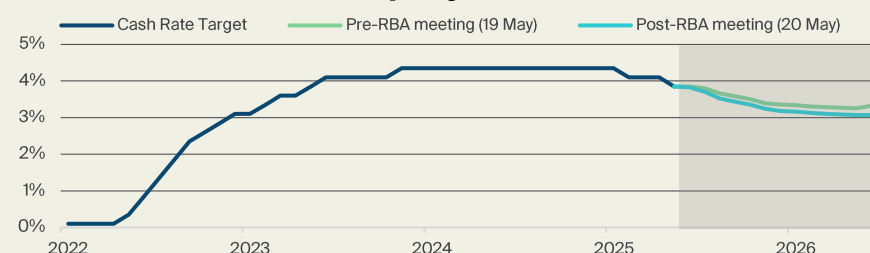
Retail sales growth came in weaker than expected at -0.1% in April. This likely reflects the Easter/ANZAC long weekends and warmer-than-usual weather which saw consumers hold off purchasing winter clothing. However, further data is needed to determine if soft retail sales reflect these transient factors or a more persistent trend.

LONG TERM RATES REMAIN HIGH

Reflecting the outlook for further rate cuts, yields on 2- and 5-year swaps have fallen to their lowest levels since August 2022. However, 10- and 30-year bond yields have remained elevated, with higher yields linked to events in the US where investors are concerned over heightened policy uncertainty and growing government debt and deficits. This has opened up a significant gap between short- and long-term yields.

RBA announcement increased rate cut expectations

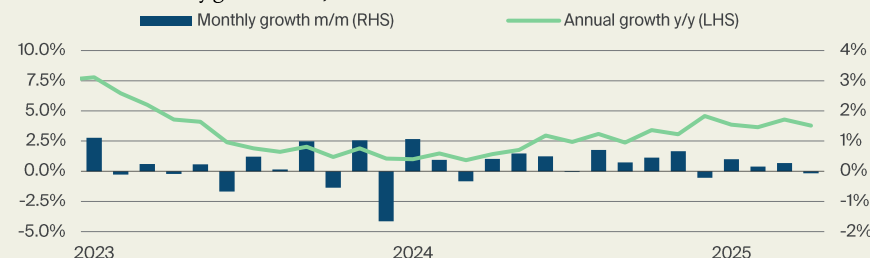
Historic cash rate and indicative market pricing (%)



Source: Knight Frank Research, Macrobond

Retail sales fall in April

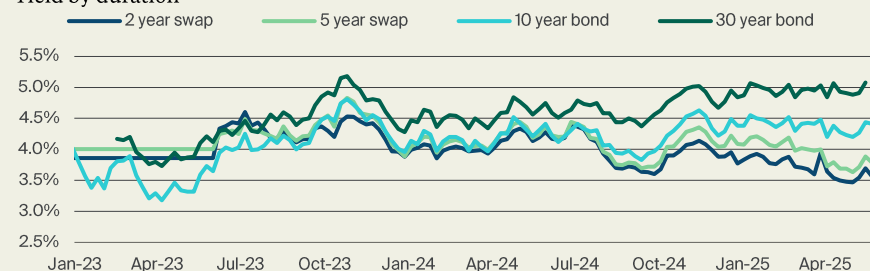
Annual and monthly growth rate, %



Source: Knight Frank Research, Macrobond

Australian swap rates are falling, but long-term bonds remain elevated

Yield by duration



Source: Knight Frank Research, Macrobond

Australia key forecasts

	GDP growth (Q4 2024, y/y %)	Unemployment rate (April 2025, %)	Core CPI inflation (Q1 2025, y/y %)	Cash rate target (May 2024, %)	10-year bond yield (30 May 2025, %)
Latest	1.6	4.1	2.9	3.85	4.3
Year-end 2025 (f)*	1.8	4.5	2.5	3.35	4.2

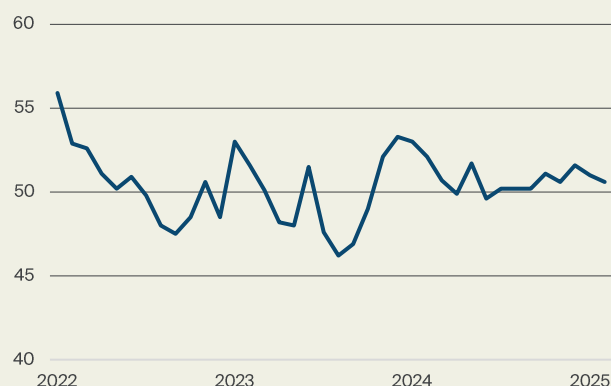
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Business confidence has weakened following the tariff announcements

PMI dropped back in May

Composite PMI Output Index (above 50 indicates expansion)

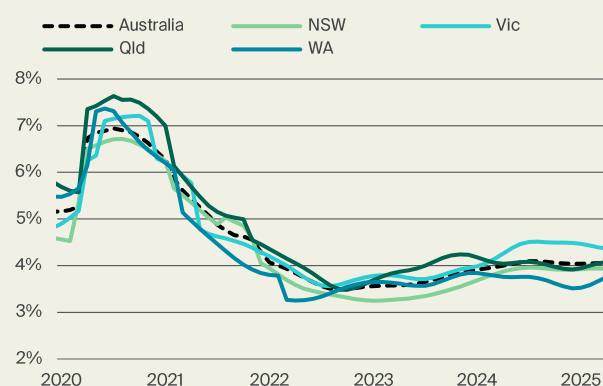


Source: Knight Frank Research, Macrobond

	Latest May-25	Last quarter Feb-25	Nov-24	Aug-24	1 year ago May-24
Australia	50.6	50.6	50.2	51.7	52.1
China	0.0	51.5	52.3	51.2	54.1
Euro Area	49.5	50.2	48.3	51.0	52.2
Japan	49.8	52.0	50.1	52.9	52.6
UK	49.4	50.5	50.5	53.8	53.0
US	52.1	51.6	54.9	54.6	54.5

Labour market remains resilient

Unemployment rate (trend)

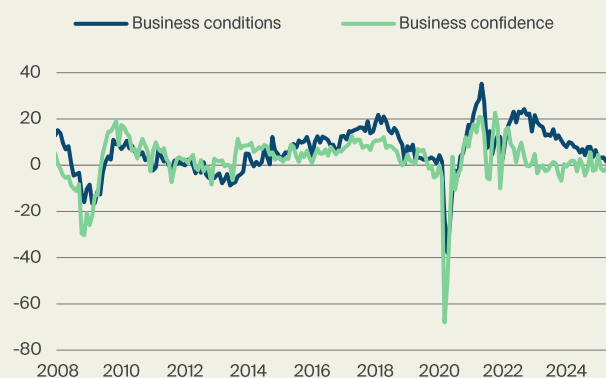


Source: Knight Frank Research, Macrobond

	Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
Australia	4.1	4.0	4.1	4.1	4.0
NSW	3.9	3.9	3.9	4.0	3.9
Vic	4.4	4.5	4.5	4.5	4.3
Qld	4.1	3.9	4.0	4.1	4.0
WA	3.8	3.5	3.6	3.8	3.8

Business conditions remain sluggish

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



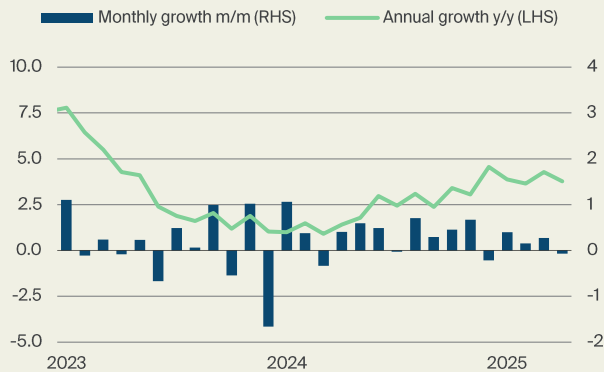
Source: Knight Frank Research, NAB

Consumer indicators

The consumer recovery slowed down in April

Retail sales fall in April

Annual and monthly growth rate, %

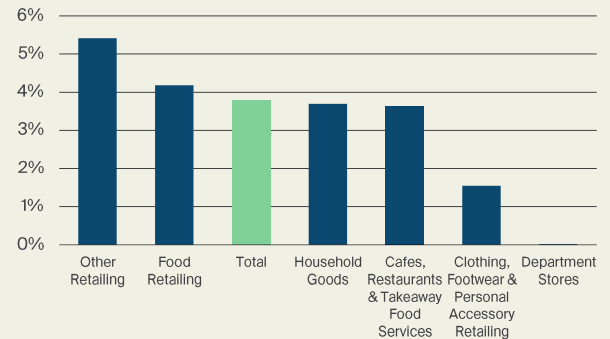


Source: Knight Frank Research, Macrobond

	Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
Retail trade value (m/m, %)	-0.1	0.4	0.5	0.0	0.4
Retail trade value (y/y, %)	3.8	3.9	3.4	2.4	1.4

Discretionary spending improving

Annual growth in value of retail sales, %



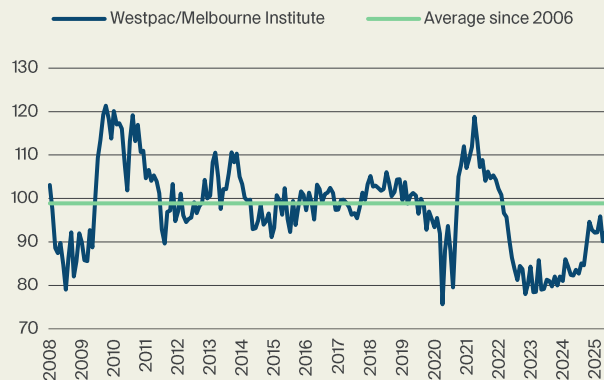
Source: Knight Frank Research, Macrobond

Latest in Apr-25

	m/m (%)	y/y (%)
Other Retailing	0.7	5.4
Food Retailing	-0.3	4.2
Total	-0.1	3.8
Household Goods	0.6	3.7
Cafes, Restaurants & Takeaway Food Services	1.1	3.6
Clothing, Footwear & Personal Accessory Retailing	-2.5	1.5
Department Stores	-2.5	0.0

Tariffs weighing on consumer sentiment

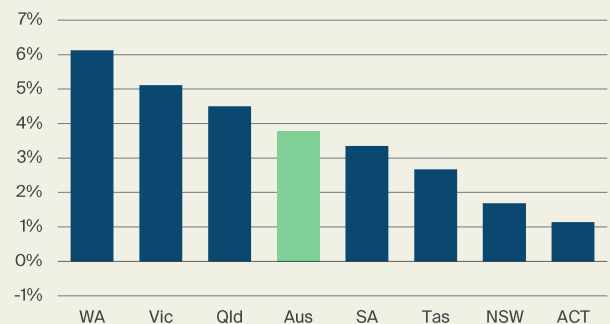
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

Retail sales strongest in WA and Vic

Annual growth in value of retail sales, %



Source: Knight Frank Research, Macrobond

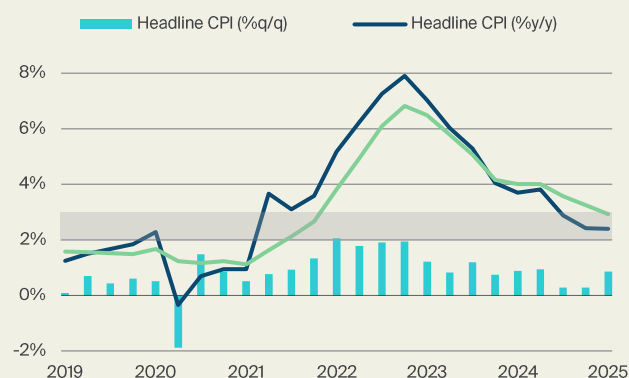
	Latest in Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
WA	1.6%	3.0%	3.9%	6.1%	6.1%
Vic	0.2%	1.5%	3.3%	5.1%	5.1%
Qld	0.7%	1.6%	3.0%	4.5%	4.5%
Aus	0.4%	1.2%	2.7%	3.8%	3.8%
SA	0.1%	1.5%	3.4%	3.3%	3.3%
Tas	-0.5%	1.0%	2.8%	2.7%	2.7%
NSW	-0.1%	0.1%	1.5%	1.7%	1.7%
ACT	-0.1%	-0.1%	0.9%	1.1%	1.1%

Inflation & interest rates

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

Core inflation back in the target band

Annual and quarterly growth (% seasonally adjusted)

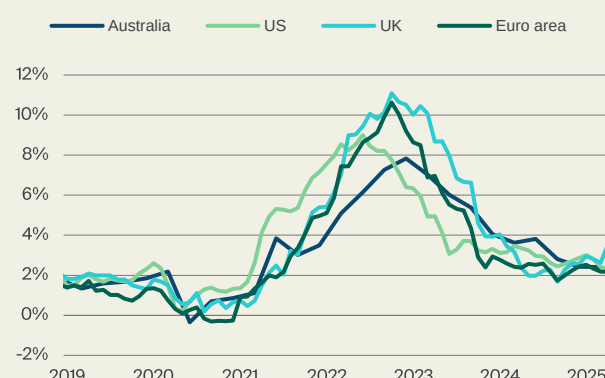


Source: Knight Frank Research, ABS

	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 has stabilised

Headline CPI, y/y

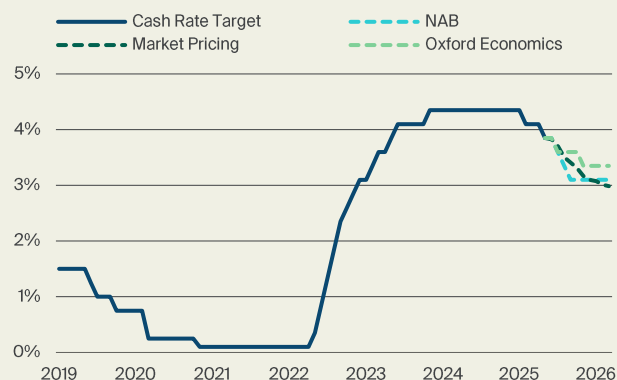


Source: Knight Frank Research, Macrobond

	Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
Australia (y/y, %)	2.4	2.4	2.4	2.8	3.8
US (y/y, %)	2.3	3.0	2.6	2.9	3.4
UK (y/y, %)	3.5	3.0	2.3	2.2	2.4
Euro area (y/y, %)	2.2	2.5	2.0	2.6	2.4

Further rate cuts expected

Historic rates and indicative RBA outlook



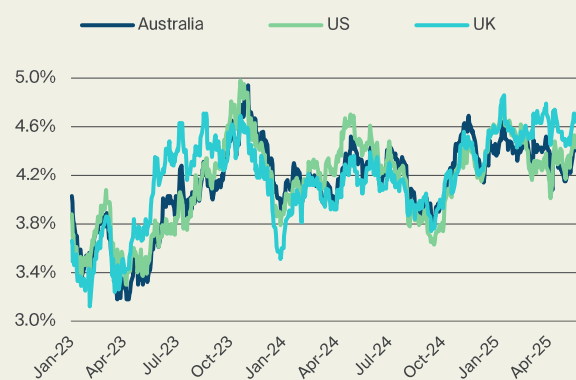
Source: Knight Frank Research, NAB, ASX

	May-25	Aug-25	Nov-25	Feb-26	May-26
Cash rate target	3.85				
Oxford Economics		3.60	3.35	3.35	3.35
NAB		3.35	3.10	3.10	3.10
Market pricing		3.51	3.17	3.01	2.95

Month-end

Long term rates still elevated

Ten year government bond yields



Source: Knight Frank Research, Macrobond

	May-25	Feb-25	Nov-24	Aug-24	May-24
Australia	4.35	4.42	4.54	3.98	4.33
US	4.43	4.45	4.35	3.87	4.48
UK	4.62	4.51	4.43	3.94	4.21

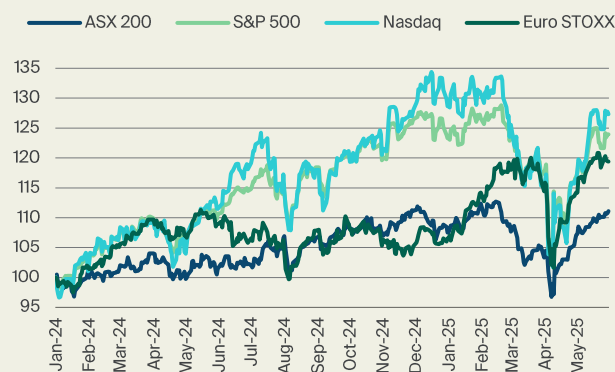
Monthly average

Financial markets

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

Equity markets have rebounded strongly

Global equities, price indices, 1 Jan 2024 = 100



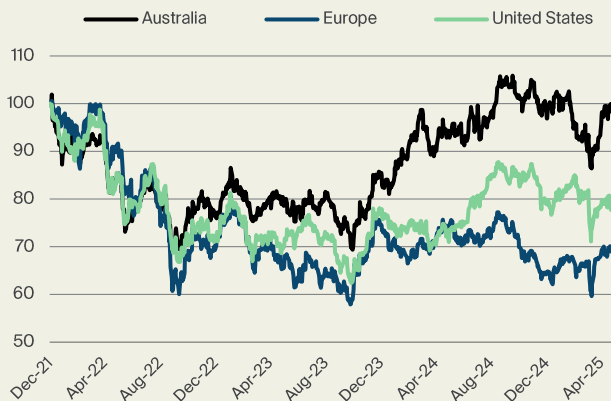
Source: Knight Frank Research, Macrobond

	Percentage change from			
	Feb-25	Nov-24	Aug-24	May-24
ASX 200	-1.3%	0.0%	4.7%	7.1%
S&P 500	-3.8%	-2.1%	6.1%	10.9%
Nasdaq	-4.7%	-1.7%	8.0%	12.6%
Euro STOXX 50	1.6%	13.1%	13.9%	8.3%
FTSE 350	-0.6%	5.4%	4.1%	3.6%

Monthly average

REITs less volatile during April and May

Global REIT price indices, 31 Dec 2021 = 100



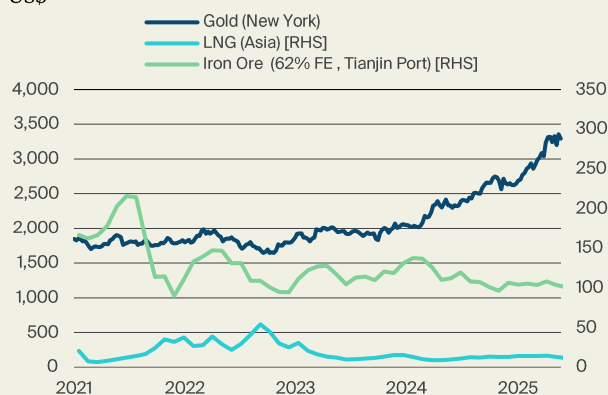
Source: Knight Frank Research, Macrobond

	Percentage change from			
	Feb-25	Nov-24	Aug-24	May-24
Australia	-0.8%	-2.8%	3.1%	5.7%
Europe	3.0%	1.5%	-3.7%	-5.8%
United States	-3.9%	-6.9%	-3.4%	8.6%

Monthly average

Uncertainty supports record gold prices

US\$



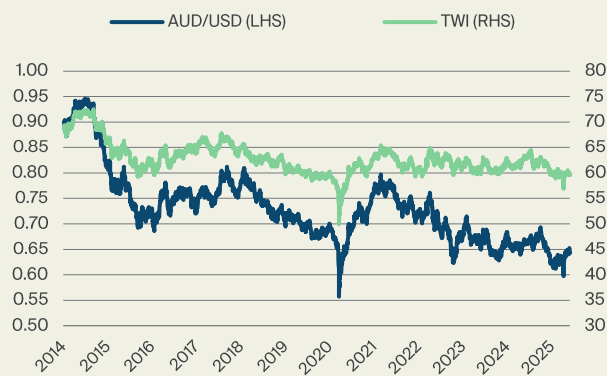
Source: Knight Frank Research, Macrobond

Index	Latest	Percentage change from			
	Apr-25	Jan-25	Oct-24	Jul-24	Apr-24
Gold	3,289	17.5%	19.9%	34.4%	43.9%
LNG	11.6	-18.1%	-11.8%	-3.6%	18.1%
Iron Ore	100.9	-2.8%	-5.3%	-6.0%	-10.1%

Monthly average

AUD has strengthened vs the USD

US\$ (LHS), index (RHS)



Source: Knight Frank Research, Macrobond

	Latest	Percentage change from			
	May-25	Feb-25	Nov-24	Aug-24	May-24
USD per AUD	0.64	0.63	0.65	0.67	0.66
Trade weighted index	59.9	-0.5%	-3.0%	-3.1%	-4.6%

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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