Leading Indicators

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Key economic and financial metrics impacting property markets

Oct-26

RBA hikes cash rate by 25 bps, further hikes possible

RBA RAISES INTEREST RATES

In their September meeting, the RBA monetary policy board decided to raise interest rates by 25 bps to 4.6%. This decision was well signalled by the RBA ahead of the meeting and thus widely expected by markets. The RBA's post-meeting commentary was hawkish, but less hawkish than expected. This has seen a small pullback the rate hike expectations, however risks remain heavily skewed to more rate hikes.

GLOBAL INTEREST RATES RISE

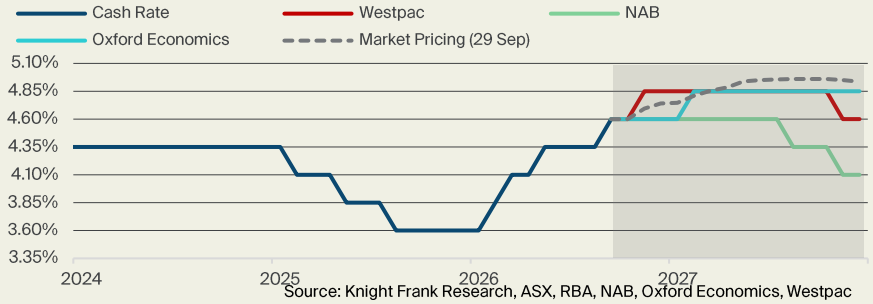
The global economy appears to be on the verge of a new rate hike cycle, with the RBA, European Central Bank and US Federal Reserve and Bank of Japan all lifting interest rates by 25 bps in September. This is a result of renewed inflationary pressures stemming from the Middle East conflict while economic growth remains largely more resilient than expected. However, for most economies this rate hike cycle is expected to be significantly smaller than the 2022–23 rate hike cycle.

AGEING POPULATION TO WEIGH ON AUSTRALIA'S LONG-TERM GROWTH

Australia's Intergenerational Report 2026 was released by Treasury with 40-year projections for the Australian economy with a slower outlook for economic growth (averaging 2%) and subdued productivity (1.2%). Australia's population growth rate is projected drop to 0.9% for the next 40 years — down from 1.4% for the past 40 years — and be driven mostly driven by net overseas migration. An ageing population is expected to heighten budget pressures and increase healthcare spending as the 65+ age cohort to nearly doubles.

RBA hikes by 25bps, with markets expecting more to come

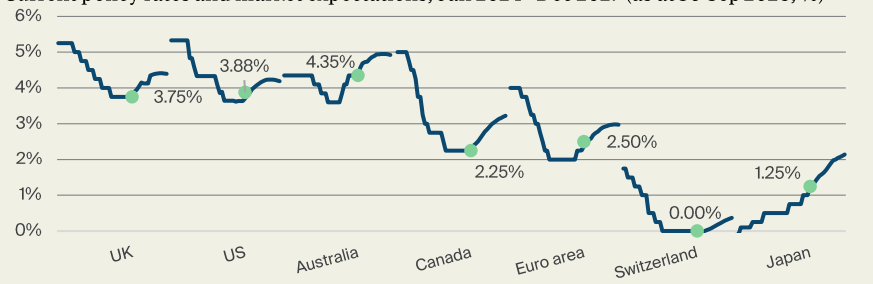
Cash rate - historical, market pricing and forecasts by source (%)



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

Global economy may be at the precipice of a new rate hike cycle

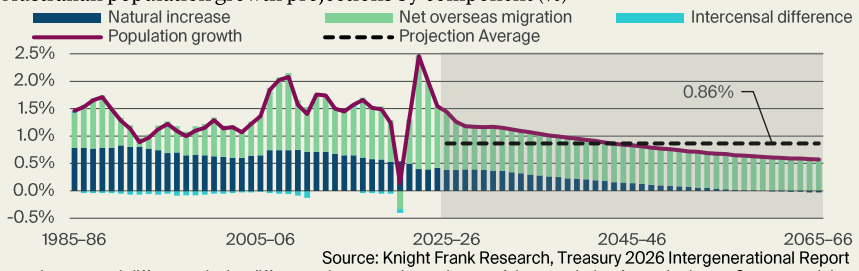
Current policy rates and market expectations, Jan 2024 - Dec 2027 (as at 30 Sep 2026, %)



Source: Knight Frank Research, Macrobond

Net overseas migration to drive Australian population growth

Australian population growth projections by component (%)



Source: Knight Frank Research, Treasury 2026 Intergenerational Report

Intercensal difference is the difference between the estimate of the population from the latest Census and the population implied by the previous census and intercensal components of population change.

Australia key forecasts

	Real GDP growth *(Q2 2026, y/y %)*	Unemployment rate *(August 2026, %)*	Core CPI inflation *(August 2026, y/y %)*	Cash rate target *(September 2026, %)*	10-year bond yield *(30 September 2026, %)*
Latest	2.1	4.6	3.6	4.6	5.4
Year-end 2026* (f)	1.5	4.7	3.3	4.6	5.4

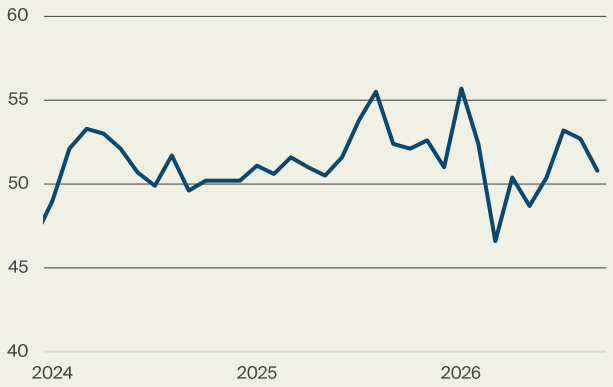
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Signs of deterioration in business conditions as rising oil prices drive increased cost pressures

PMIs show signs of softening

Composite PMI Output Index (above 50 indicates expansion)

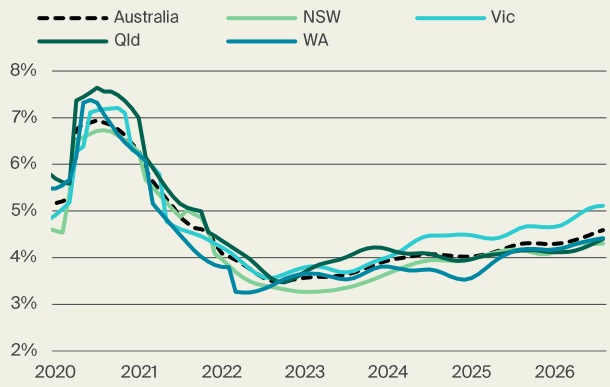


Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Sep-26	Jun-26	Mar-26	Dec-25	Sep-25
Australia	50.8	50.4	46.6	51.0	52.4
China	52.4	53.6	51.5	51.3	52.5
Euro Area	53.1	50.0	50.7	51.5	51.2
Japan	52.5	52.8	53.0	51.1	51.3
UK	51.7	49.3	50.3	51.4	50.1
US	58.4	51.9	50.3	52.7	53.9

Higher participation drives unemployment rate up

Unemployment rate (trend adjusted)

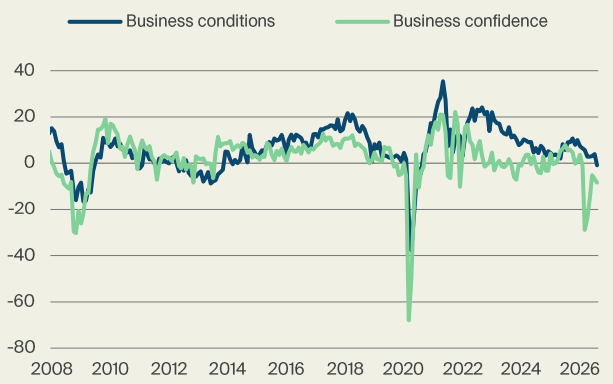


Source: Knight Frank Research, Macrobond

	Aug-26	May-26	Feb-26	Nov-25	Aug-25
Australia	4.6	4.4	4.3	4.3	4.3
NSW	4.3	4.3	4.2	4.1	4.2
Vic	5.1	5.0	4.7	4.7	4.6
Qld	4.4	4.2	4.1	4.1	4.1
WA	4.4	4.3	4.2	4.2	4.2

Business conditions aligning with soft confidence

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders remain subdued

Forward orders index, balance of positive and negative

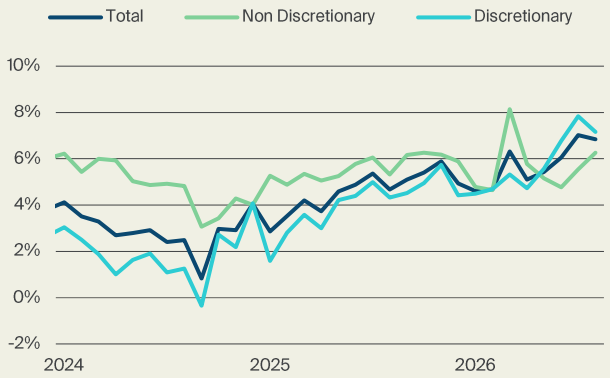


Source: Knight Frank Research, NAB

Consumer indicators

Household spending stabilises, signalling that headwinds may be slowing consumption

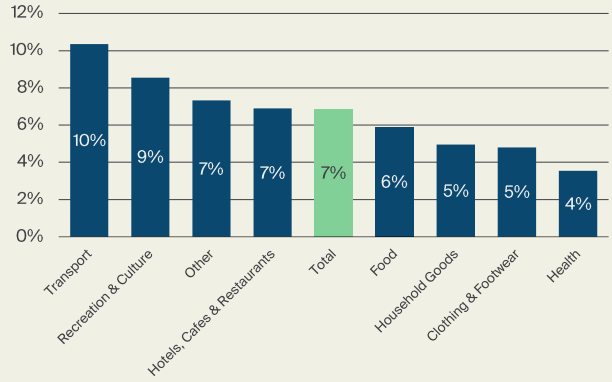
Signs of stabilisation in household spending
Annual growth in household spending by type (%)



Source: Knight Frank Research, Macrobond

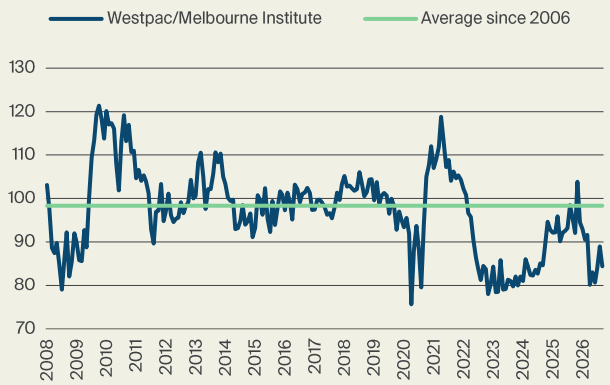
	Aug-26	May-26	Feb-26	Nov-25	Aug-25
Household spending, current prices (m/m)	0.0	1.2	0.3	1.0	0.2
Household spending, current prices (y/y)	6.8	5.4	4.7	5.9	4.7

Higher fuel prices increase transport spend
Annual growth in value of spending by category* (%)



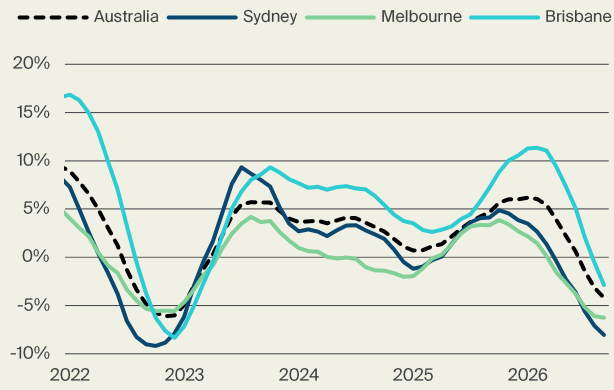
Source: Knight Frank Research, Macrobond
*Excludes Alcoholic beverages and tobacco

Consumer confidence remains low
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

Decline in national dwelling prices continues
Rolling 6-month median dwelling price growth - major cities (%)



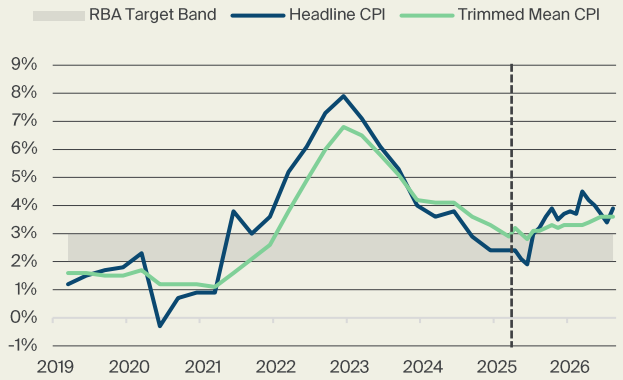
Source: Knight Frank Research, Cotality

Inflation & interest rates

Stronger than expected inflation in July brings a possibility of further rate hikes in 2026

Trimmed-mean inflation holds steady

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

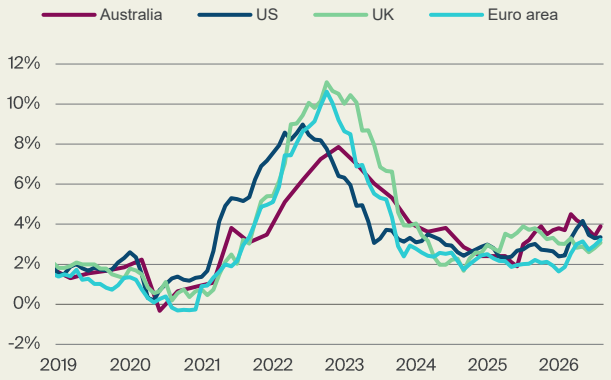


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	Aug-26	May-26	Feb-26	Nov-25	Aug-25
Headline CPI (m/m, %)	0.7	-0.1	0.2	0.3	0.2
Headline CPI (y/y, %)	3.9	4.0	3.7	3.5	3.2
Trimmed mean inflation (y/y, %)	3.6	3.5	3.3	3.2	3.1

Inflation is elevated in most economies

Headline CPI (y/y, %)

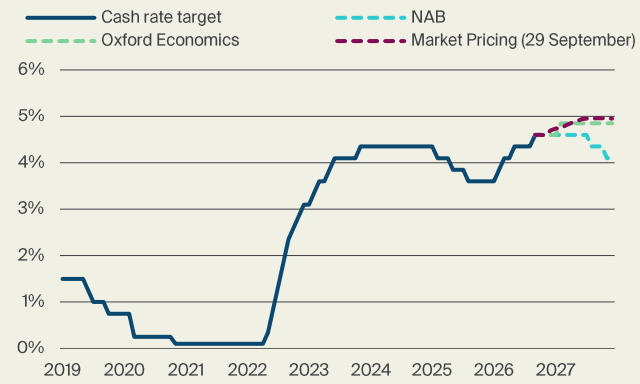


Source: Knight Frank Research, Macrobond

	Aug-26	May-26	Feb-26	Nov-25	Aug-25
Australia (y/y, %)	3.9	4.0	3.7	3.5	3.2
US (y/y, %)	3.4	2.1	2.4	2.7	2.9
UK (y/y, %)	3.1	2.9	3.0	3.3	3.7
Euro area (y/y, %)	3.2	3.1	1.9	2.1	2.0

Rate hikes is in play in September meeting

Historic rates and forecasts by source (%)



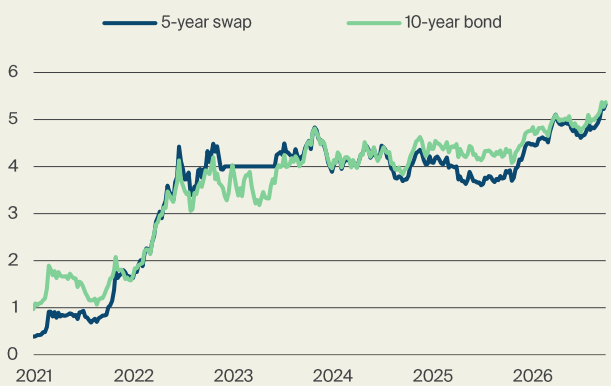
Source: Knight Frank Research, NAB, Oxford Economics, ASX

	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Cash rate target	4.60				
Oxford Economics		4.60	4.85	4.85	4.85
NAB		4.60	4.60	4.60	4.35
Market pricing		4.69	4.81	4.94	4.96

Month-end

Global bond yields continue to surge higher

Australian yields by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	Sep-26	Jun-26	Mar-26	Dec-25	Sep-25
5-year swap	5.21	4.70	4.85	4.47	3.80
10-year bond	5.30	4.83	4.91	4.74	4.29

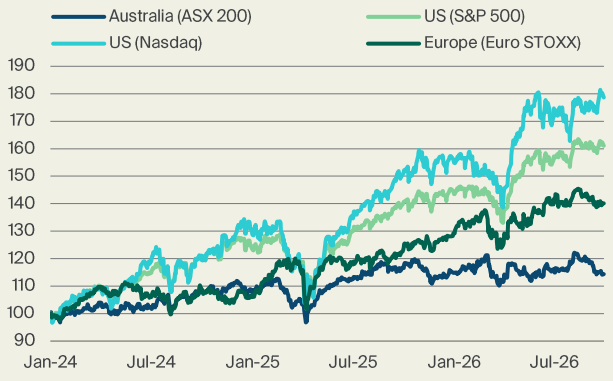
Monthly average

Financial markets

Geopolitical uncertainty raises shipping costs and oil prices

Equity markets pullback in September

Global equities, price indices, 1 Jan 2024 = 100



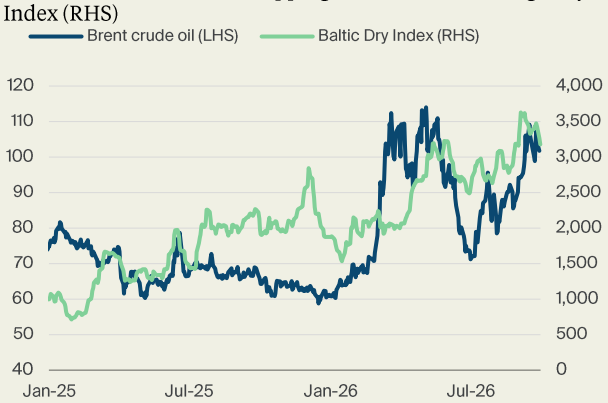
Source: Knight Frank Research, Macrobond

	Percentage change from				
	Aug-26	**Jun-26**	**Mar-26**	**Dec-25**	**Sep-25**
ASX 200	-3.5	0.5	2.0	1.9	-0.1
S&P 500	-0.5	3.0	15.3	11.9	16.6
Nasdaq	0.5	1.6	19.8	13.4	19.7
Euro STOXX 50	-2.3	1.0	9.9	10.2	16.3
FTSE 350	-1.0	3.2	5.3	9.7	15.7

Monthly average

Shipping and oil prices rise

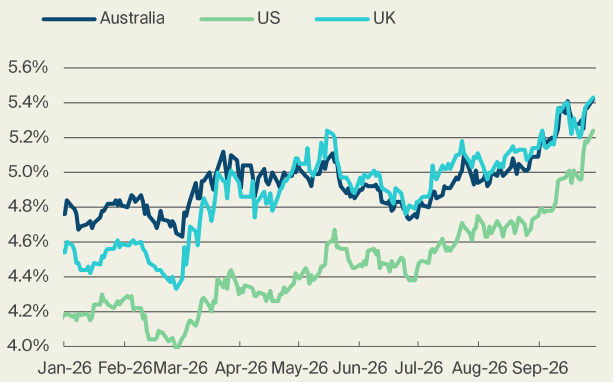
Brent crude $US/b (LHS), Shipping rates - Baltic Exchange Dry Index (RHS)



Source: Knight Frank Research, Macrobond

US 10-year bond yield highest since 2007

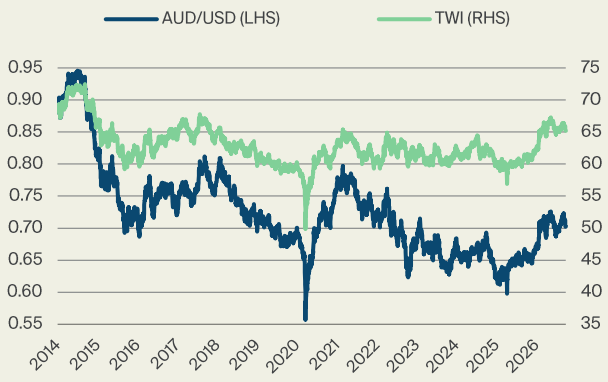
10-year government bond yields (%)



Source: Knight Frank Research, Macrobond

AUD softens slightly in September

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



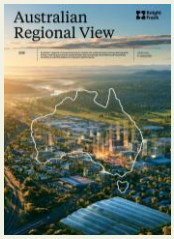
Source: Knight Frank Research, Macrobond

	Latest				
	Sep-26	**Jun-26**	**Mar-26**	**Dec-25**	**Sep-25**
USD per AUD	0.71	0.70	0.70	0.66	0.66
			Percentage change from		
Trade weighted index	65.9	0.3	0.8	6.4	8.0

Monthly average

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