Leading Indicators

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Key economic and financial metrics impacting property markets

Sep-26

Strong demand raises likelihood of another rate hike

GDP GROWTH SOFTENS IN Q2

Real GDP grew by 0.4% in Q2 2026, bringing annual growth to 2.1%. This was above both the RBA's 1.9% forecast and market expectations. The data showed that private sector investment and consumption has continued to be the key drivers of economic growth.

Higher than expected inflation in July, combined with this result and hawkish RBA commentary has seen market pricing rise to around a 60% chance of a rate hike in September, and around 35 bps of hikes prices for the end of 2026.

SPENDING REMAINS RESILIENT

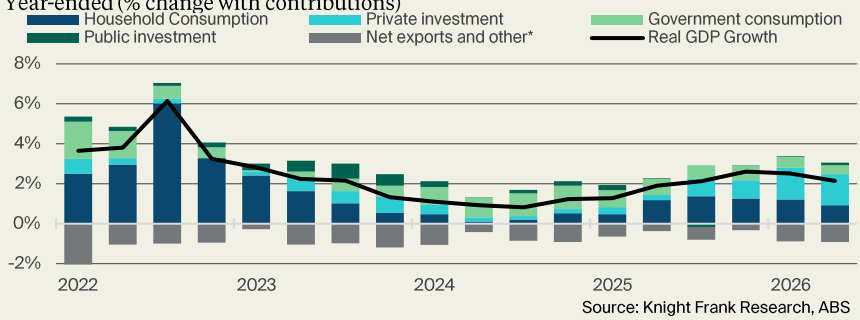
Household consumption and spending has remained relatively resilient in the face of a weakening property market and elevated interest rates. Data from Commonwealth Bank suggests that this reflects spending growth by those aged 65+ (+10.1% yoy to Q2) and 55-64 (+6.2%) who are generally less sensitive to interest rates as are less likely to have a mortgage. Spending growth has been more subdued across all the 25-54 age groups (4.2–4.5%).

HOUSE PRICE FALLS CONTINUE

The decline in national dwelling prices continued in August, with national values down 3.6% since the peak in March. Price falls are larger in Sydney (-7.1% since peak) and Melbourne (-6.5%), but have now broadened with prices falling in 93% of capital city suburbs over the past three months. The downturn is likely to persist over the remainder of the year, but the RBA does not foresee significant financial stability risks as the large rise in recent years is limiting the number of owners entering negative equity.

Private sector investment and consumption drive GDP growth

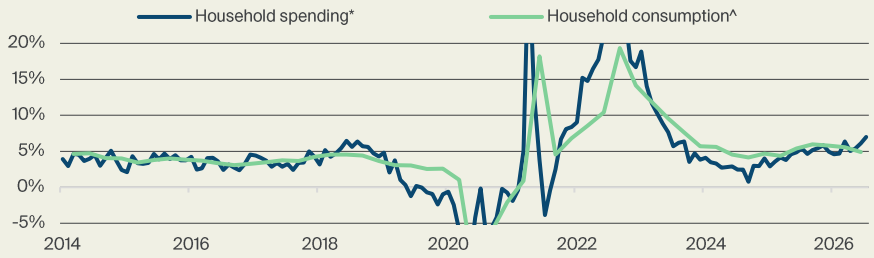
Year-ended (% change with contributions)



Source: Knight Frank Research, ABS

Household spending and consumption growth remain elevated

Annual growth in household spending and consumption (y/y%)

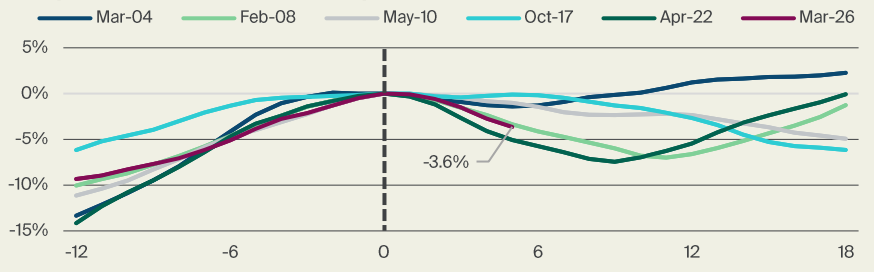


Source: Knight Frank Research, ABS

Note: *Household spending indicator, ^Household final consumption expenditure. Outliers are truncated.

National dwelling prices continue to decline

Change in Australian hedonic dwelling prices, months from peak (%)



Source: Knight Frank Research, Cotality

Australia key forecasts

	Real GDP growth *(Q2 2026, y/y %)*	Unemployment rate *(July 2026, %)*	Core CPI inflation *(July 2026, y/y %)*	Cash rate target *(August 2026, %)*	10-year bond yield *(31 August 2026, %)*
Latest	2.1	4.5	3.6	4.35	5.1
Year-end 2026* (f)	1.7	4.6	3.2	4.35	5.0

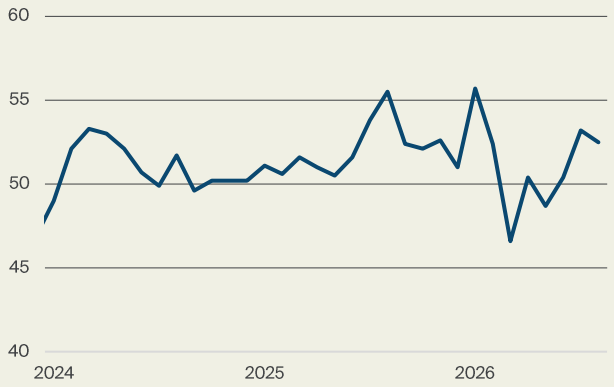
Source: Knight Frank Research, *Oxford Economics, ABS, RBA

Business indicators

Businesses conditions continue slowly improve despite elevated tensions in Middle East

PMIs retain strength

Composite PMI Output Index (above 50 indicates expansion)



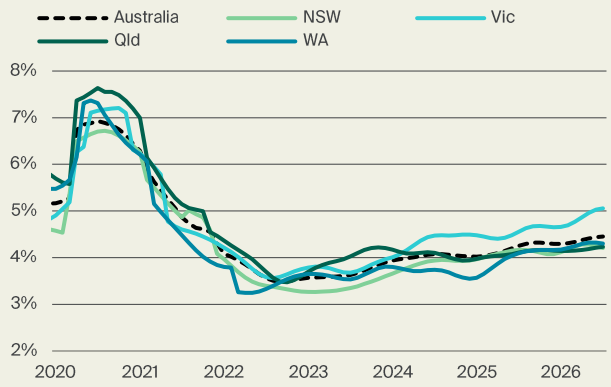
Source: Knight Frank Research, Macrobond

	Latest	Last quarter			1 year ago
	Aug-26	May-26	Feb-26	Nov-25	Aug-25
Australia	52.5	48.7	52.4	52.6	55.5
China	50.8*	54.0	55.4	51.2	51.9
Euro Area	52.1	48.5	51.9	52.8	51.0
Japan	53.4	51.1	53.9	52.0	52.0
UK	52.5	49.7	53.7	51.2	53.5
US	56.0	51.5	51.9	54.2	54.6

*July-26

Unemployment rate slowly rising

Unemployment rate (trend adjusted)

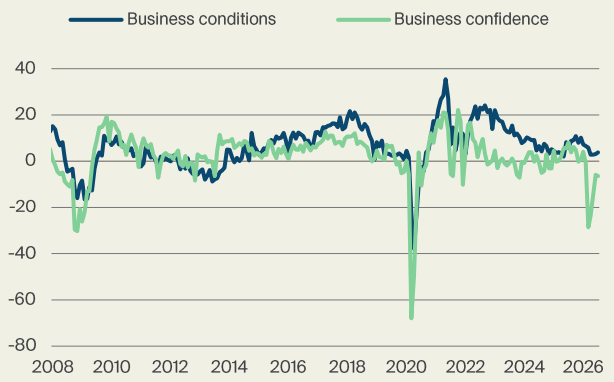


Source: Knight Frank Research, Macrobond

	Jul-26	Apr-26	Jan-26	Oct-25	Jul-25
Australia	4.5	4.4	4.3	4.3	4.3
NSW	4.2	4.3	4.1	4.1	4.2
Vic	5.1	4.9	4.7	4.7	4.6
Qld	4.2	4.2	4.1	4.2	4.1
WA	4.3	4.3	4.2	4.2	4.1

Business confidence soft, conditions improve

NAB survey, balance of positive and negative responses



Source: Knight Frank Research, NAB, Macrobond

Forward orders fall slightly

Forward orders index, balance of positive and negative

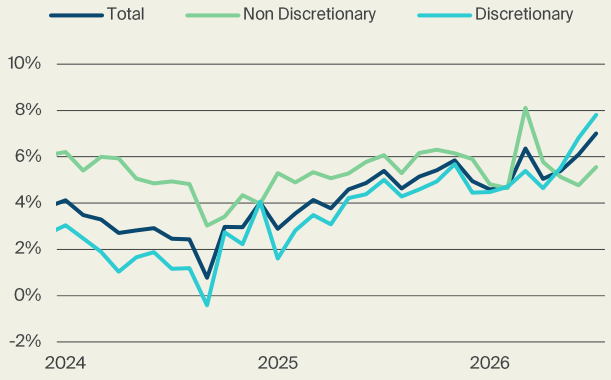


Source: Knight Frank Research, NAB

Consumer indicators

Household spending growth continues to rise despite several headwinds

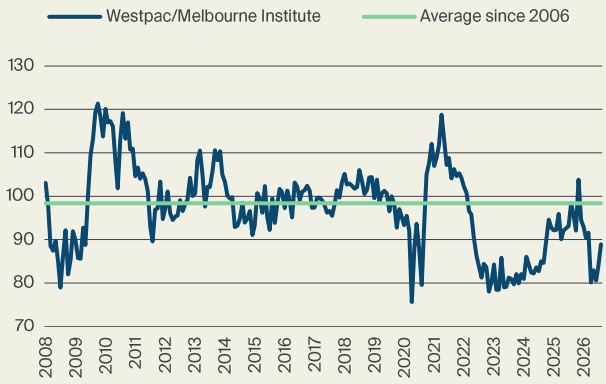
Household spending rises sharply
Annual growth in household spending by type (%)



Source: Knight Frank Research, Macrobond

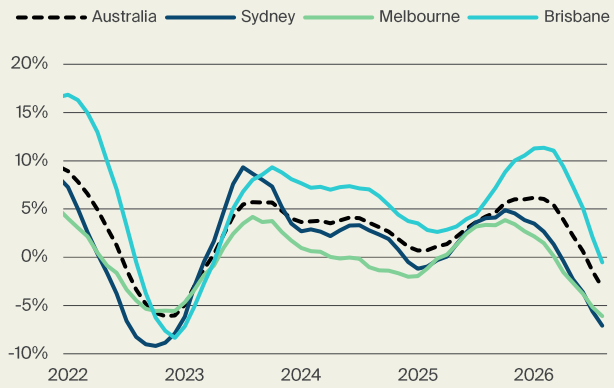
	Jul-26	Apr-26	Jan-26	Oct-25	Jul-25
Household spending, current prices (m/m)	1.1	-1.0	0.3	1.3	0.2
Household spending, current prices (y/y)	7.0	5.0	4.6	5.4	5.4

Consumer confidence has partly recovered
Confidence index, value above 100 signal optimism



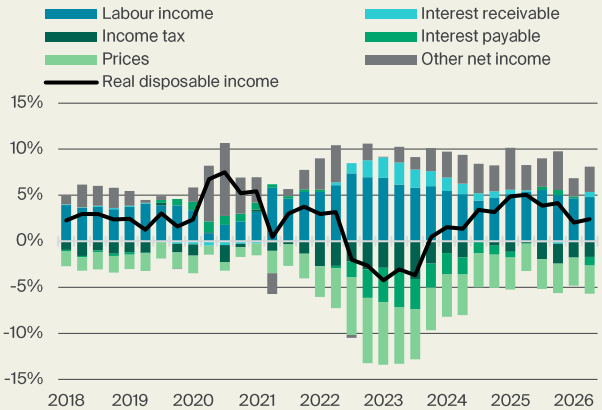
Source: Knight Frank Research, Macrobond

Sydney and Melbourne values in decline
Rolling 6-month median dwelling price growth - major cities (%)



Source: Knight Frank Research, Cotality

Real disposable income growth has slowed
Year-ended, % change with contributions



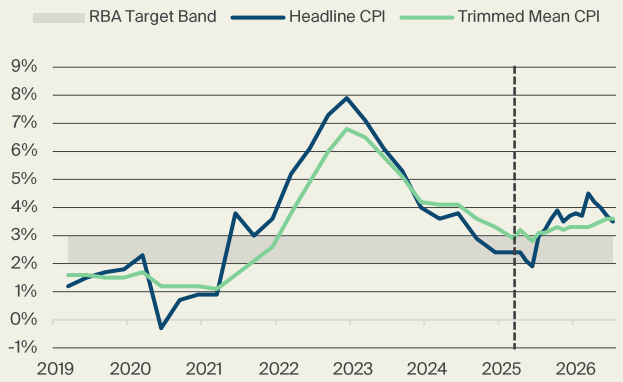
Source: Knight Frank Research, ABS

Inflation & interest rates

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

Trimmed-mean inflation remains elevated

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

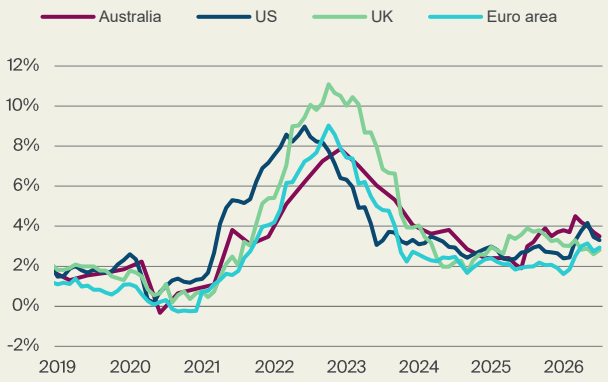


Source: Knight Frank Research, ABS
Note: Data transitions from quarterly to monthly in April 2025.

	Jul-26	Apr-26	Jan-26	Oct-25	Jul-25
Headline CPI (m/m, %)	0.6	-0.1	0.6	0.2	0.9
Headline CPI (y/y, %)	3.5	4.2	3.8	3.9	3.0
Trimmed mean inflation (y/y, %)	3.6	3.4	3.3	3.3	3.1

Inflation is elevated in most economies

Headline CPI (y/y, %)

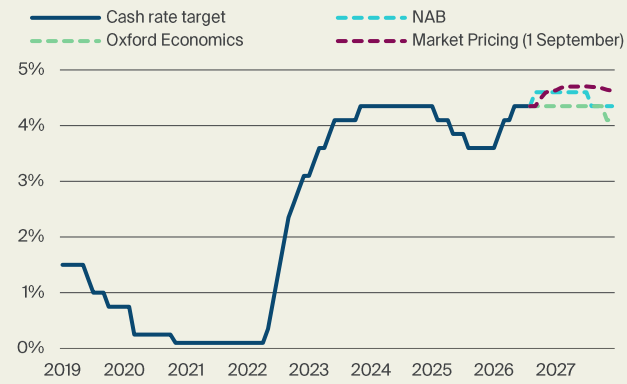


Source: Knight Frank Research, Macrobond

	Jul-26	Apr-26	Jan-26	Oct-25	Jul-25
Australia (y/y, %)	3.5	4.2	3.8	3.9	3.0
US (y/y, %)	3.3	2.1	2.4	2.7	2.7
UK (y/y, %)	2.8	2.8	3.0	3.6	3.9
Euro area (y/y, %)	2.9	3.0	1.6	2.1	2.0

Rate hikes is in play in September meeting

Historic rates and forecasts by source (%)



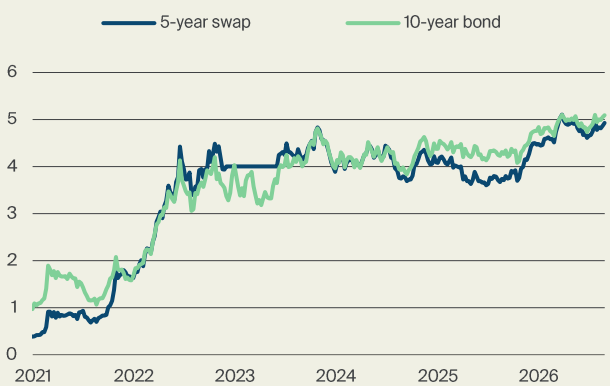
Source: Knight Frank Research, NAB, Oxford Economics, ASX

	Aug-26	Nov-26	Feb-27	May-27	Aug-27
Cash rate target	4.35				
Oxford Economics		4.35	4.35	4.35	4.35
NAB		4.60	4.60	4.60	4.35
Market pricing		4.60	4.68	4.70	4.70

Month-end

Several factors drive global yields higher

Australian yields by swap/bond duration (%)



Source: Knight Frank Research, Macrobond

	Aug-26	May-26	Feb-26	Nov-25	Aug-25
5-year swap	4.84	4.88	4.60	4.10	3.72
10-year bond	5.01	4.97	4.78	4.42	4.27

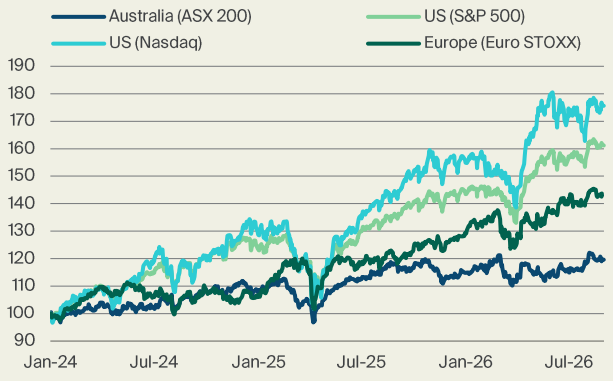
Monthly average

Financial markets

Geopolitical uncertainty raises shipping costs and oil prices

Equity markets rebound in August

Global equities, price indices, 1 Jan 2024 = 100



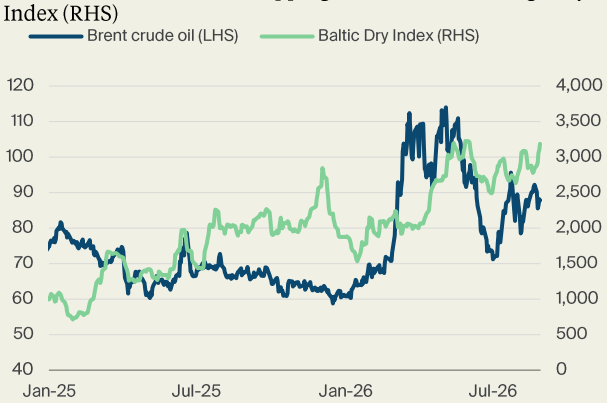
Source: Knight Frank Research, Macrobond

	Percentage change from				
	Jul-26	May-26	Feb-26	Nov-25	Aug-25
ASX 200	3.4	5.4	1.8	5.4	2.9
S&P 500	3.1	4.0	11.9	14.3	20.3
Nasdaq	2.9	0.9	15.4	14.6	23.4
Euro STOXX 50	2.3	7.0	6.5	15.0	19.3
FTSE 350	2.0	4.8	3.0	11.9	17.2

Monthly average

Shipping prices continue to rise

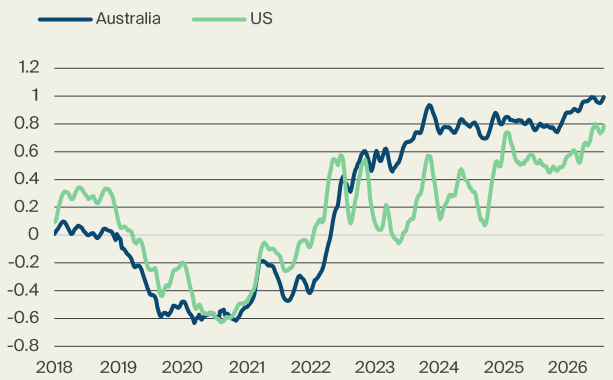
Brent crude $US/b (LHS), Shipping rates - Baltic Exchange Dry Index (RHS)



Source: Knight Frank Research, Macrobond

Term premiums remain elevated

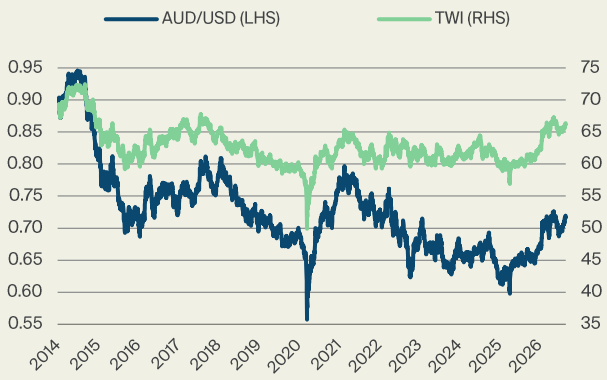
4-week moving average of 10-year term premium by country (%)



Source: Knight Frank Research, Macrobond

AUD retains strength in August

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

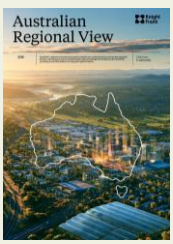


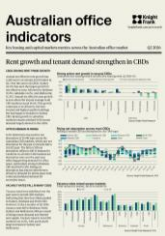
Source: Knight Frank Research, Macrobond

	Latest				
	Aug-26	May-26	Feb-26	Nov-25	Aug-25
USD per AUD	0.71	0.72	0.71	0.65	0.65
		Percentage change from			
Trade weighted index	65.8	-1.4	1.2	7.8	9.2

Monthly average

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