

Leading Indicators

Key economic and financial metrics, updated weekly

4th July 2023

Inflation: the global divergence accelerates

+25bps

Economists' forecast of European Central Bank interest rate hike, July 2023

£500m

Green Finance Fund to support London in achieving its' net zero ambitions by 2030

1.1%

Share of UK businesses reporting rental property costs as their main form of business concern, July 2023

INFLATION DIVERGES GLOBALLY

The disinflation process in the Eurozone is underway. CPI data for June show that inflation in Italy and France continued to ease and even fell below the 2% target in Spain. German inflation, however, increased to 6.4%, largely due to base effects from last year's subsidised public transport. Overall, Eurozone inflation fell to 5.5% in June, from 6.1% in the month prior. US inflation stands at 4.0%, the lowest since March 2021, whereas UK inflation remains stubbornly high at 8.7%. Meanwhile, economic momentum in the Eurozone is weakening, with the Economic Sentiment Index (ESI) for the Eurozone declining further in June to a 7-month low. Confidence fell across all economic sectors, while consumer sentiment remained subdued. Despite this, at last week's meeting in Sintra, Portugal, global central bankers suggested further policy tightening will be needed to tame inflation.

UK PROGRESS ON CLIMATE CHANGE SLOWS

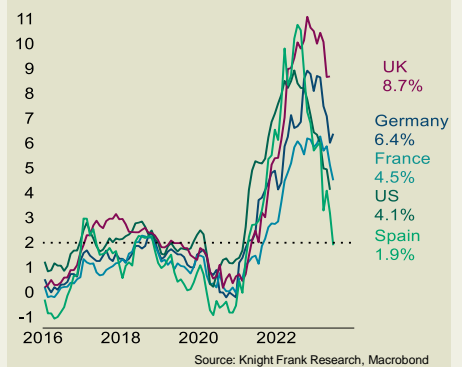
The Climate Change Committee (CCC) concluded in its annual report that the UK government's plans to hit net zero carbon targets are being missed. Greenhouse gas emissions have been falling by just under 3.0% a year, but the pace will need to double over the next eight years. At least 1-2 million homes will need to be upgraded and retrofitted each year to meet net zero targets, up from 159,600 in 2022. Meanwhile, Mayor of London, Sadiq Khan, has launched a new £500 million Green Finance Fund open to organisations in the Greater London Authority (GLA) group to help them achieve net zero by 2030. The first projects approved include solar panels on the roof of the London Stadium and Tube depots, and LED lighting at Underground stations.

RENTAL COSTS RANKED THE LOWEST CONCERN FOR UK BUSINESSES

The latest ONS BIC survey found that 67% of UK businesses reported some form of business concern in July 2023, the lowest percentage reported since March 2022. Falling demand of goods and services were the primary reported business concern at 14.6%, followed by inflation of goods and services prices (14.1%), and energy prices (12.3%). Despite being on the rise in a number of sectors, property rental costs remain the least reported business concern, reaching a 5-month low at 1.1%. Our latest [\(Y\)ourspace research](#) supports these findings. From a global perspective, 55% of global occupiers expect to see an increase in total floorspace across their whole portfolio over the next three years.

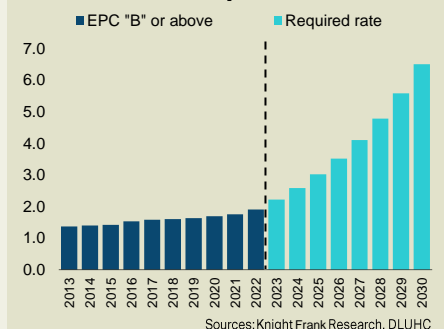
Global divergence in inflation

CPI Inflation, YoY % change



UK CRE retrofit rates must quadruple to meet 2030 EPC B target

The estimated floorspace of UK CRE rated EPC B or above and the forecast rate required to meet 2030 deadline, billion sq ft



UK businesses least concerned over rental costs

29th June BIC survey results for 'which of the following will be the main concern for your business', % of UK businesses

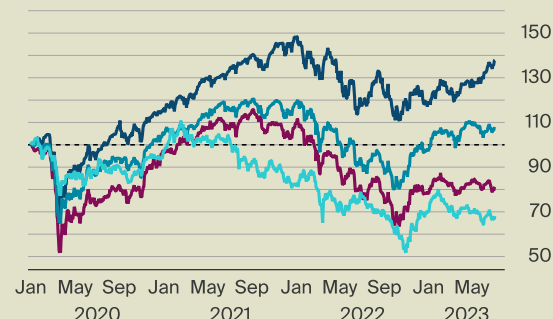


Equities

Equity markets

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

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



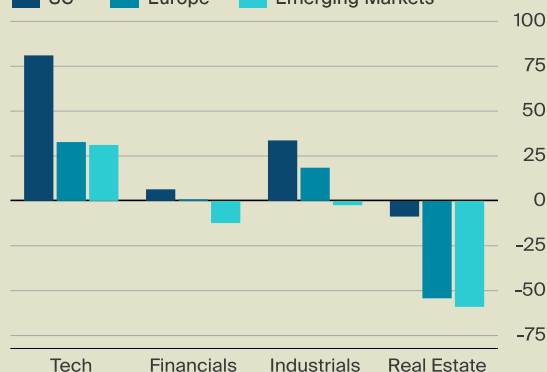
Source: Knight Frank, Macrobond

Index	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
DAX 30	6,942	1.0	1.8	3.0	4.9
FTSE 250	23,529	2.1	2.5	-0.2	-18.8
Hang Seng	2,464	2.0	2.1	5.9	-31.9
IBEX 35	10,466	1.3	2.0	6.5	-2.3
MIB	30,800	2.2	2.5	8.1	17.0
S&P 500	4,456	1.3	2.5	5.6	37.9
STOXX 600	504	1.4	1.1	2.1	8.0
TOPIX	16	1.1	1.9	3.8	1.7

Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



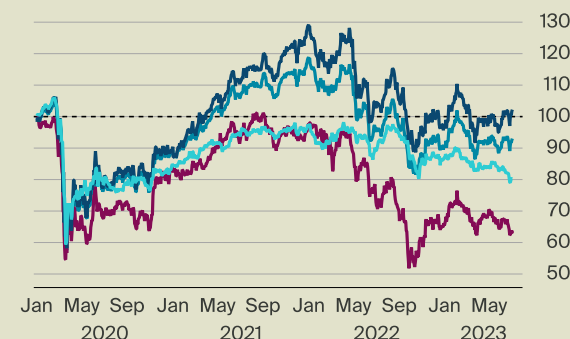
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	81.0%	32.8%	31.2%
Financials	6.5%	0.8%	-12.3%
Industrials	33.7%	18.5%	-2.4%
Real Estate	-8.7%	-54.2%	-59.0%

REITs by region

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

— World — Europe — US — Asia Pacific



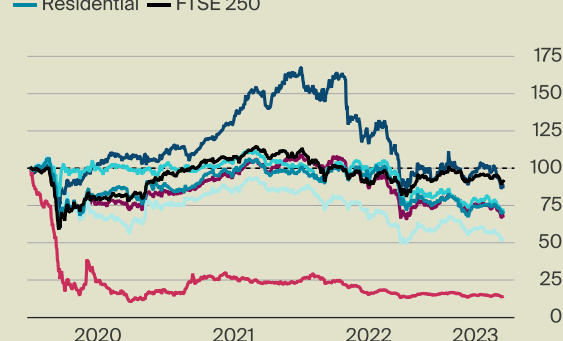
Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
US	2,443	1.8	3.7	6.1	2.2
Europe	1,820	0.2	-0.4	-1.0	-36.1
World	2,988	1.4	2.6	3.9	-7.0
Asia Pacific	3,150	-0.1	-0.3	-4.0	-19.7

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

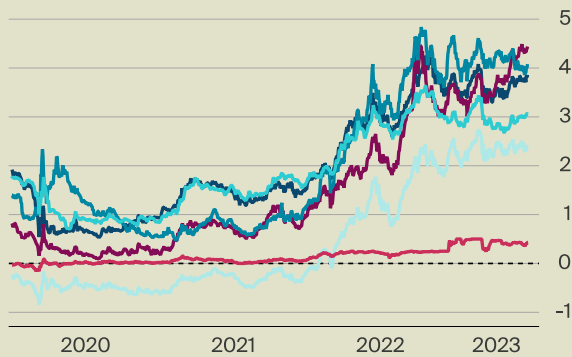
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
All REITs	697	-1.1	-0.8	-6.1	-31.8
Office	1,566	-0.9	-0.2	-6.3	-47.2
Industrial	1,086	-1.8	-1.3	-9.7	-12.4
Retail	50	-0.7	-0.8	-0.1	-86.0
Healthcare	1,635	-0.8	-0.7	-5.3	-27.9
Residential	1,079	-0.9	-0.8	-4.6	-29.3
FTSE 250	15,687	1.3	2.5	-1.4	-7.9

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



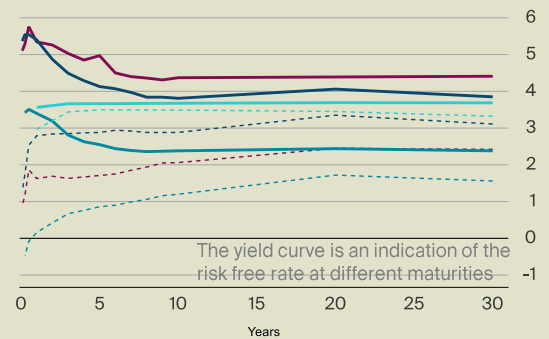
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	4.00	4.00	3.86	3.96	1.40
Japan	0.43	0.41	0.37	0.42	-0.03
Singapore	3.07	3.08	2.97	2.89	1.74
UK	4.39	4.39	4.30	4.16	0.82
US	3.86	3.81	3.72	3.69	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



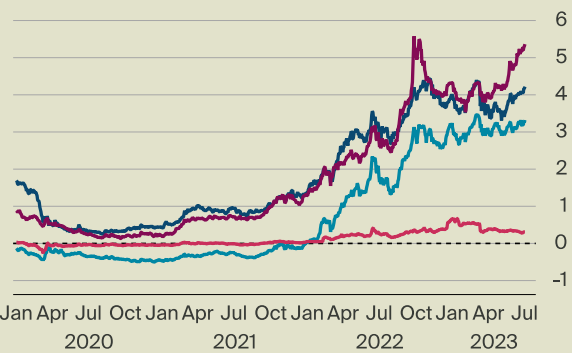
The yield curve is an indication of the risk free rate at different maturities

Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



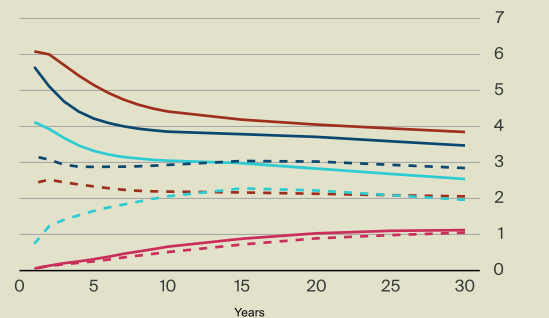
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	3.32	3.26	3.16	3.05	-0.13
Japan	0.31	0.31	0.27	0.33	0.03
Singapore	3.66	3.53	3.49	3.54	1.50
UK	5.36	5.31	5.17	4.70	0.88
US	4.22	4.17	4.03	3.87	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



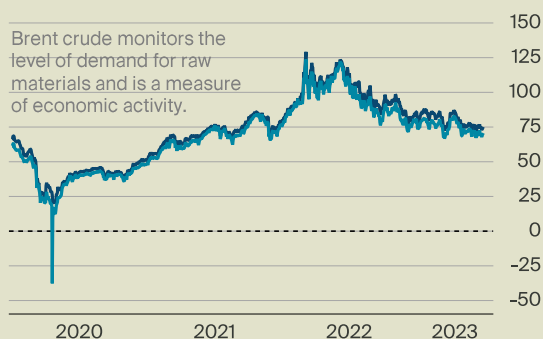
Source: Knight Frank, Macrobond

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	75.1	75.1	74.5	76.2	66.0
WTI, \$ per barrel	70.6	70.6	69.4	71.7	61.1

Baltic dry index

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

— Baltic dry index



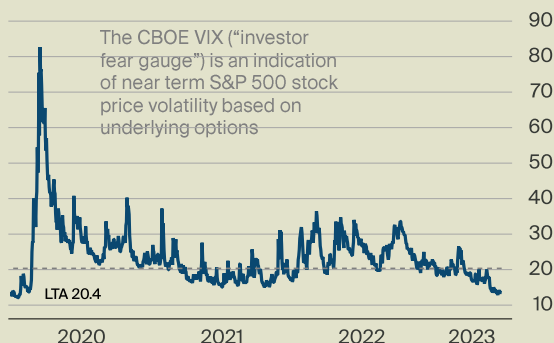
Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1068	-3.96	-13.4	16.2	-2.02

Volatility index

Near term stock price volatility indicator

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



Source: Knight Frank, Macrobond

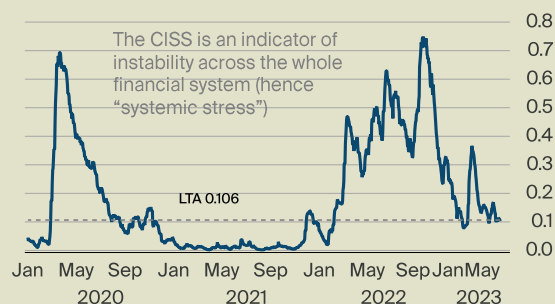
	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	13.6	13.6	14.3	14.6	13.8
Euro Stoxx 50 VIX	13.6	13.6	15.9	16.0	14.0
Nikkei VIX	19.6	19.1	21.0	20.1	14.8
KOSPI VIX	12.7	12.6	13.5	14.0	14.7

Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



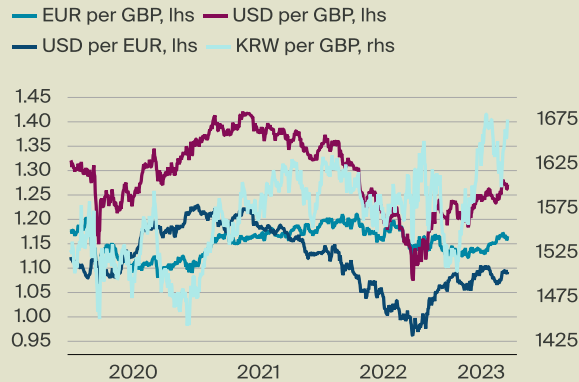
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.264	0.307	0.281	0.023
Equity markets stress sub index	0.083	0.109	0.118	0.009
Bond markets stress sub index	0.089	0.096	0.078	0.02
FX markets stress sub index	0.032	0.038	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	1.165	1.159	1.168	1.157	1.177
KOR per GBP	1,675	1,665	1,664	1,637	1,525
USD per GBP	1.271	1.262	1.271	1.241	1.321
USD per EUR	1.092	1.088	1.089	1.072	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	1.25	1.24	1.19	1.15	2.32
USD to GBP	-1.10	-1.05	-1.11	-0.80	1.12

Inflation and monetary policy

Inflation rate (%)

	June	May	Apr	Mar
Australia	n/a	n/a	n/a	7.1
Canada	n/a	3.4	4.4	4.3
China	n/a	0.3	0.3	0.8
Euro Area	5.5	6.1	7.0	6.9
France	4.5	5.1	5.9	5.7
Germany	6.4	6.0	7.1	7.5
India	n/a	4.3	4.7	5.7
Italy	6.4	7.6	8.2	7.6
Japan	n/a	3.2	3.5	3.2
Saudi Arabia	n/a	2.8	2.7	2.7
South Korea	2.7	3.3	3.7	4.2
Spain	n/a	n/a	4.1	3.3
Sweden	n/a	9.7	10.5	10.6
UK	n/a	8.7	8.7	10.1
US	n/a	4.1	5.0	5.0

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

Interest rates (%)

	Last	Jan '21
	4.10	0.10
	4.75	0.25
	4.35	4.35
	4.00	0.00
	4.00	0.00
	4.00	0.00
	6.50	4.00
	4.00	0.00
	-0.10	-0.10
	5.75	1.00
	3.50	0.50
	4.00	0.00
	3.50	0.00
	5.00	0.10
	5.25	0.25

Asset purchasing

	Latest (\$)	1m change (%)
	0.40 tn	-1.8
	269 bn	-4.3
	5.74 tn	-1.5
	8.42 tn	-0.1
	1.91 tn	-0.3
	2.88 tn	-1.1
	345 bn	1.7
	1.56 tn	0.5
	5.21 tn	-0.9
	499 bn	2.7
	416 bn	-5.6
	487 bn	0.1
	129 bn	-2.1
	1.37 tn	1.4
	8.34 tn	-0.7

Source: Knight Frank, Macrobond



ACTIVE CAPITAL

Active Capital 2022/2023

Our flagship capital markets research programme, Active Capital, will guide you through the complexities and challenges of global real estate, whilst highlighting the opportunities that lie ahead over the next 18 months.

[Watch the launch](#)



(Y)OURSACE
MANAGING COMPLEXITY

(Y)OURSACE 2023

Knight Frank | Cresa's research indicates that corporate real estate leaders are increasingly challenged by managing complexity across their business, with real estate playing a critical strategic role in supporting business transformation. (Y)OUR SPACE investigates how the future of the workplace is likely to unfold over the next three years.

[View Report](#)

Recent research



Quantifying ESG in real estate

This report covers a selection of our recent analytical projects, as well as practical applications and considerations for clients. It offers clear messages that we hope will inform decision-makers as they make decisions against a rapidly evolving backdrop. We also hope the ideas will spark debate and unlock new areas of investigation.



Retail Property Market Outlook 2023

The 2023 Retail market outlook discusses predictions for the Retail market, providing in-depth commentary on retail sub-sectors and occupier activity amidst economic distress.

We like questions, if you've got one about our research, or would like some property advice, we would like to hear from you



William Matthews
Partner
Head of Commercial Research
+44 20 3909 6842
william.matthews@knightfrank.com



Victoria Ormond, CFA
Partner
Head of Capital Markets Research
+44 20 7861 5009
victoria.ormond@knightfrank.com



Antonia Haralambous
Associate
Capital Markets Research
+44 20 3866 8033
antonia.haralambous@knightfrank.com



Khadija Hussain
Analyst
Capital Markets Research
+44 20 8176 9671
khadija.hussain@knightfrank.com