

Leading Indicators

Key economic and financial metrics, updated weekly

13 June 2023

Incoming: The UK ranks second for FDI in Europe

+17%

Increase in the number of UK Financial Services Foreign Direct Investment projects in 2022

3.8%

UK unemployment rate in the three months to April 2023

72%

Of UK loans were to companies reliant on 'ecosystem services', according to the Bank of England

UK REMAINS ATTRACTIVE FOR FDI

The UK was Europe's second most targeted Foreign Direct Investment (FDI) location in 2022, with 929 FDI projects, but this was down by -6.4% y-y. However, the UK performed well on project value, delivering the highest jobs total in Europe at 47k, ahead of Spain (39k) and France (38k). The UK also had the most jobs per project (59) for the third year running and Europe's most 'new' projects for the second consecutive year. Furthermore, the UK landed 76 projects for financial services in 2022, equating to 26% of all European FDI financial services projects and up +17% y-y. This rise was driven by increased American investment, with the UK securing 21 US-backed projects, up +25% y-y. This will likely continue, with 69% of investors planning to establish or extend financial services operations in the UK in 2023. This will be aided by the unveiling of the UK-US Atlantic Declaration, outlined by Rishi Sunak and Joe Biden last week. With overseas US capital accounting for nearly half of all UK CRE cross-border investment in 2023 YTD, this closer collaboration and further investment will be welcomed.

IS 'OFFICE FIRST' THE NEW WFH?

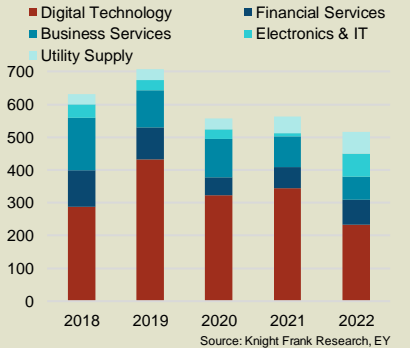
The UK's labour market was relatively robust in April, with unemployment rising by just 0.1ppts to 3.8%, below expectations of 4.0%. Meanwhile, the number of people in employment lifted by +250k over the three months to April, the economic inactivity rate decreased by 0.4ppts to 21.0%, and UK private sector wage growth (excl bonuses) increased by +7.2%. Despite the strength in the labour market, homeworking appears to be less popular with businesses. The latest BIC survey found 47% of companies surveyed were not using or intending to use increased home working as a permanent business model, its highest level since September 2021 and above the 20% who were using or planning to use it. Reduced communication, negative impact on working culture and reduced productivity are some reasons provided for the absence of homeworking. This aligns with our [\(Yourspace research](#), which found that 31% of occupiers surveyed described their future working styles as 'office first' or 'office only', while just 3.4% responded with 'remote first'.

FOCUS SHIFTS TO BIODIVERSITY

A new European Central Bank report found that 75% of European bank loans are exposed to biodiversity loss. Similarly, the Bank of England found that 72% of UK loans were to companies reliant on "ecosystem services". To try to alleviate some of this pressure, [Biodiversity Net Gain](#) will become mandatory for most building developments in England in November 2023, with a 10% net gain in biodiversity required after development.

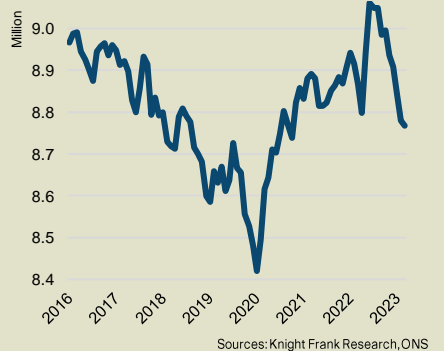
Electronics & IT, Financial Services and Utilities all saw an uplift in FDI in 2022

Number of FDI projects in the UK, by sector



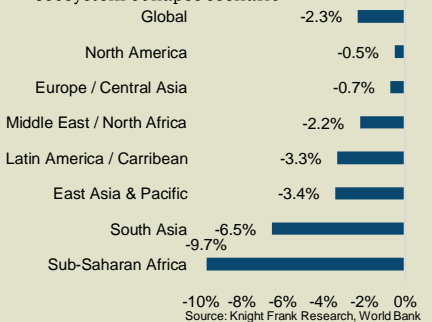
UK labour market inactivity falls to lowest level since November 2020

UK No. of people economically inactive, 16-64



Global GDP could moderate by -2.3% due to biodiversity loss

Change in 2030 real GDP under World Bank ecosystem collapse scenario

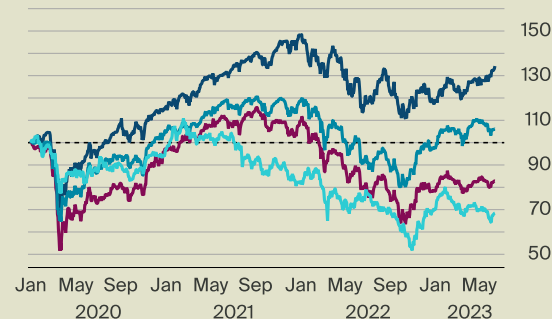


Equities

Equity markets

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

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



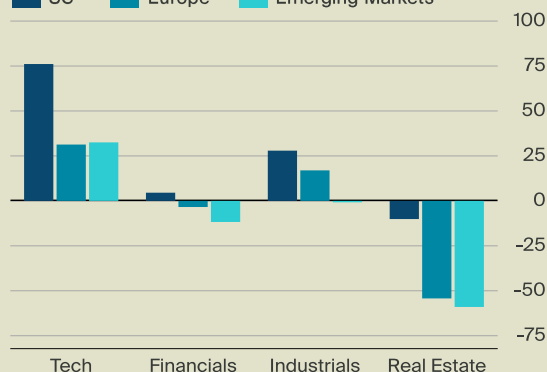
Source: Knight Frank, Macrobond

Index	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
DAX 30	6,855	0.5	0.5	-0.7	3.6
FTSE 250	24,007	0.2	0.4	-0.5	-17.2
Hang Seng	2,477	0.6	2.4	-1.7	-31.5
IBEX 35	10,042	-0.1	0.5	0.2	-6.3
MIB	29,458	0.3	1.5	-0.4	11.9
S&P 500	4,339	1.0	1.3	5.0	34.3
STOXX 600	495	-0.2	-0.1	-2.2	6.1
TOPIX	16	1.6	2.1	4.7	2.7

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	76.1%	31.3%	32.5%
Financials	4.5%	-3.4%	-11.7%
Industrials	27.9%	17.0%	-0.8%
Real Estate	-10.1%	-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

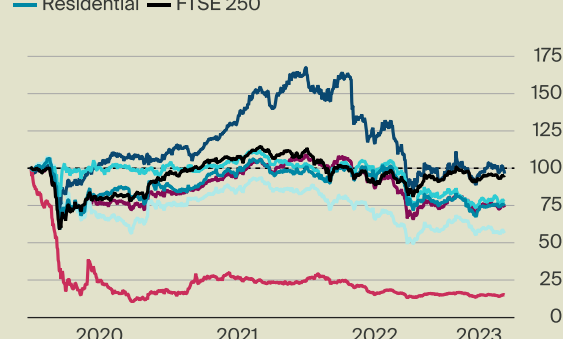
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
US	2,403	-0.6	1.0	0.9	0.5
Europe	1,900	-1.1	-1.4	-1.6	-33.4
World	2,973	-0.5	0.5	-0.2	-7.5
Asia Pacific	3,261	0.4	-0.6	-2.5	-16.9

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

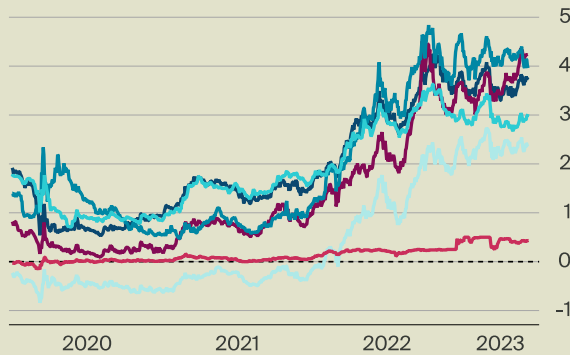
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
All REITs	755	-1.4	-2.8	-2.2	-26.2
Office	1,674	-1.5	-3.3	-3.2	-43.5
Industrial	1,194	-2.4	-5.5	-4.0	-3.7
Retail	54	1.1	0.8	1.8	-84.9
Healthcare	1,758	-0.8	-0.8	-2.0	-22.5
Residential	1,143	-0.9	-1.1	-1.0	-25.1
FTSE 250	16,225	0.4	0.3	-0.1	-4.8

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



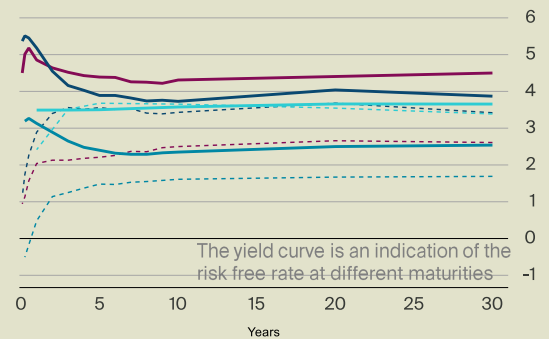
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.96	3.96	4.09	4.16	1.40
Japan	0.43	0.43	0.43	0.39	-0.03
Singapore	3.02	3.02	2.90	2.73	1.74
UK	4.24	n/a	4.21	3.78	0.82
US	3.73	3.73	3.70	3.46	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

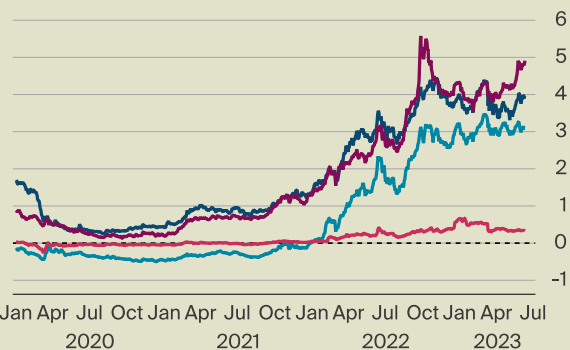


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



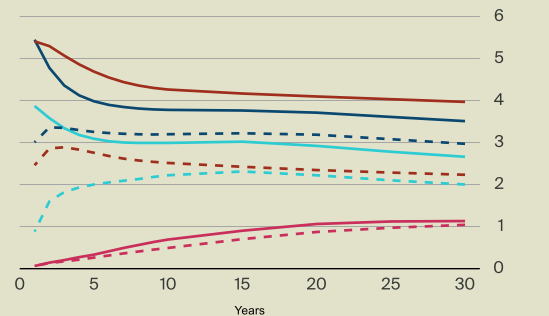
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	3.09	3.09	3.10	2.96	-0.13
Japan	0.33	0.34	0.35	0.32	0.03
Singapore	3.43	3.40	3.54	3.54	1.50
UK	4.91	4.82	4.78	4.21	0.88
US	3.98	3.96	3.88	3.50	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



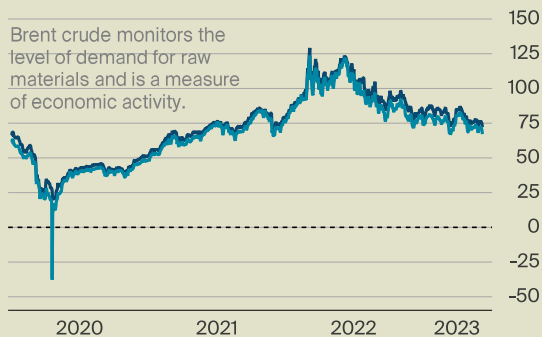
Source: Knight Frank, Macrobond

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	72.1	74.9	76.6	74.2	66.0
WTI, \$ per barrel	67.1	70.2	72.2	70	61.1

Baltic dry index

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

— Baltic dry index



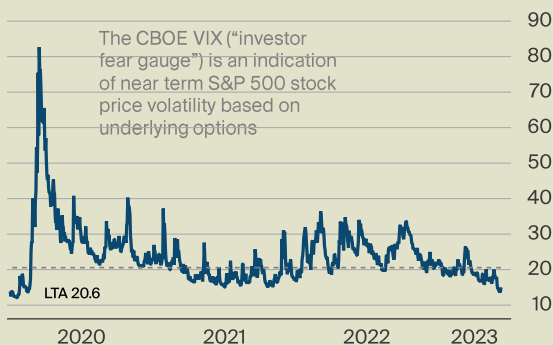
Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1056	1.54	12.5	-32.2	-31.2

Volatility index

Near term stock price volatility indicator

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



Source: Knight Frank, Macrobond

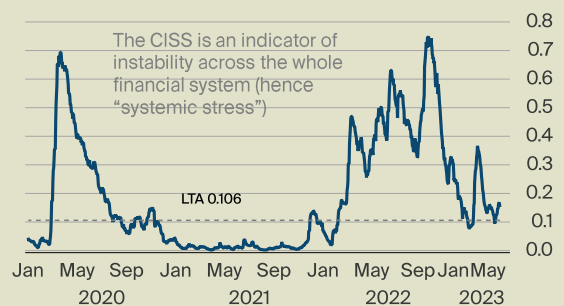
	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	15.0	15.0	14.0	17.0	13.8
Euro Stoxx 50 VIX	15.2	15.2	15.4	17.0	14.0
Nikkei VIX	21.4	20.6	21.2	15.8	14.8
KOSPI VIX	13.8	13.5	14.1	13.9	14.7

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

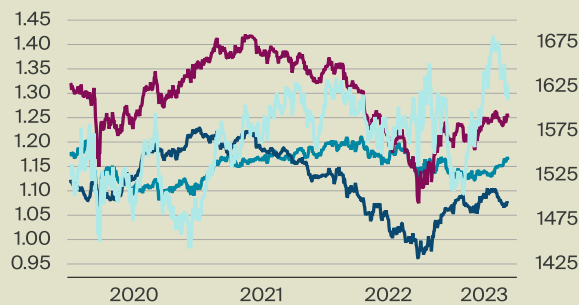
	Last	1 week	1 month	Jan '20
Systemic stress composite	0.245	0.313	0.298	0.023
Equity markets stress sub index	0.070	0.127	0.113	0.009
Bond markets stress sub index	0.080	0.098	0.092	0.02
FX markets stress sub index	0.011	0.040	0.054	0.004

Currencies & Monetary Policy

Currencies

Spot prices

— EUR per GBP, lhs — USD per GBP, lhs
— USD per EUR, lhs — KRW per GBP, rhs



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.164	1.170	1.159	1.148	1.177
KOR per GBP	1,610	1,622	1,617	1,672	1,525
USD per GBP	1.251	1.258	1.241	1.248	1.321
USD per EUR	1.075	1.075	1.072	1.086	1.123

Hedging benefits

Hedging benefit p.a. on a 5 year forward

— USD per EUR — USD per GBP



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
USD to EUR	1.22	1.21	1.12	0.88	2.32
USD to GBP	-0.89	-0.76	-0.80	-0.58	1.12

Inflation and monetary policy

Inflation rate (%)

	May	Apr	Mar	Feb
Australia	n/a	n/a	7.1	7.1
Canada	n/a	4.4	4.3	5.2
China	0.3	0.3	0.8	1.1
Euro Area	6.1	7.0	6.9	8.5
France	5.1	5.9	5.7	6.3
Germany	6.0	7.1	7.4	8.7
India	4.3	4.7	5.7	6.4
Italy	7.6	8.2	7.6	9.1
Japan	n/a	3.5	3.2	3.3
Saudi Arabia	n/a	2.7	2.7	3.0
South Korea	3.3	3.7	4.2	4.8
Spain	n/a	4.1	3.3	6.1
Sweden	n/a	10.5	10.6	12.0
UK	n/a	8.7	10.1	10.4
US	n/a	5.0	5.0	6.0

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
	3.75	0.00
	3.75	0.00
	3.75	0.00
	6.50	4.00
	3.75	0.00
	-0.10	-0.10
	5.75	1.00
	3.50	0.50
	3.75	0.00
	3.50	0.00
	4.50	0.10
	5.25	0.25

Asset purchasing

	Latest (\$)	1m change (%)
	0.41 tn	-0.5
	281 bn	0.0
	5.96 tn	-2.0
	8.27 tn	-0.1
	1.97 tn	-0.2
	2.87 tn	0.0
	345 bn	1.7
	1.56 tn	0.5
	5.34 tn	0.6
	486 bn	-1.7
	454 bn	2.6
	487 bn	0.1
	128 bn	-1.9
	1.37 tn	1.4
	8.39 tn	-1.3

Source: Knight Frank, Macrobond



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](#)

Future Gazing

Resilience, Reshoring and Rethinking First Mile Logistics



Future Gazing 2023

In the latest edition of the Future Gazing Report, the sectors and locations which could benefit from reconfiguring supply chains are explored. Through the past three years, we have experienced a supply-side crisis. Simply restoring the old order is unlikely to solve the crisis and provide much-needed resilience amidst a shifting geopolitical landscape.

[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



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