

2026

Quarter 1



Auckland Council and the economy

How urban form drives productivity and prosperity



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Summary

- Council policy choices shape Auckland’s urban form
- Core functions can support higher productivity by enabling connections between people and businesses
- Larger, denser cities are typically more productive due to agglomeration effects
- Auckland has a productivity premium, with scope to improve

Local government decisions affect economic outcomes through their influence on urban form and, in turn, productivity and prosperity.

Why local decisions matter

When we think about what shapes the economy, interest rates and inflation, or global events may come to mind. While those forces matter, Auckland Council also affects economic activity in ways that are less obvious.

The Council is not in a position to smooth the ups and downs of the business cycle. Its annual spending is equivalent to 3% of regional GDP. Instead, it plays an important role in productivity, or our ability to produce more from the same resources over time.

The Council makes choices about how it sets land use rules, prioritises infrastructure investment and transport services, and sets prices and charges. Together, these influence where people live and work, housing costs and commute times, and Auckland’s ability to attract skilled people and business investment.

Five ways Council influences our economy

1. Where people and businesses can locate

Planning rules for our urban land, an asset base worth around \$600 billion in 2024, determine where homes and businesses can locate and the density of development. Businesses often locate where they can access workers or customers, while most people want to be near jobs, transport, and services. Allowing more intensive use of land in high-demand locations, such as near rapid transit, can enable business clustering, increase housing supply, and reduce housing costs and commute times.

2. How growth is funded and charged for

Auckland Council provides the roads, pipes, and parks that enable urban growth. Development contributions affect the feasibility and location of private investment. When these charges reflect the true cost of provision and risks are signalled early, investment decisions are better informed. This reduces the risk of encouraging development in costly locations and supports a city that is cheaper to build and service.

3. How people and goods move around

Transport networks, such as roads and public transport, connect workers to jobs and businesses to customers. How they are designed, operated, and priced shapes the movement of people and goods. In coming years, the Council forecasts transport capital spending of around \$1.5 billion a year, and prioritising projects that maximise benefits relative to costs will direct capital to highest-value uses. Pricing to manage congestion and on-street parking demand can help allocate limited capacity more efficiently, improving transport system performance.

4. How investment in buildings is enabled

Each year, Auckland Council delivers thousands of building consents and site inspections, covering private investment worth around \$12 billion in 2025. This provides assurance that buildings are safe and comply with the building code, giving buyers, lenders, and insurers confidence in property transactions. Timely and predictable processes reduce uncertainty for developers and lower the cost of delivering projects.

5. How attractive Auckland is to talent and investment

Public spaces, parks, and cultural amenities, along with reliable transport and affordable housing, influence Auckland's appeal to people and business investment. People and capital are mobile, and cities increasingly compete for them. A more liveable Auckland is better able to attract skilled people and investment, supporting new ideas, business growth, and long-term productivity.

Foundations of the urban economy

These are not the only ways Auckland Council influences economic activity. However, they reflect core functions set out in legislation¹ to support the effective operation of the market economy.

Local government is responsible for these functions because the systems and networks that underpin an urban economy require coordination and may be underprovided if left to markets alone. They help address spillovers, manage shared resources, deliver essential networks, and reduce information asymmetries.

Policy choices in these areas shape how Auckland grows, how people access jobs and services, and how attractive the region is to skilled people and investment. Together, they influence urban form and function in ways that can materially affect productivity and income growth.

¹ See the Resource Management Act 1991, Local Government Act 2002, Land Transport Management Act 2003, Building Act 2004, Local Government (Auckland Council) Act 2009

A large body of literature shows that larger and denser cities tend to be more productive.² In part, this reflects agglomeration economies that bring people and businesses closer together, improve matching between people and jobs, enable infrastructure sharing, and facilitate learning from one another.

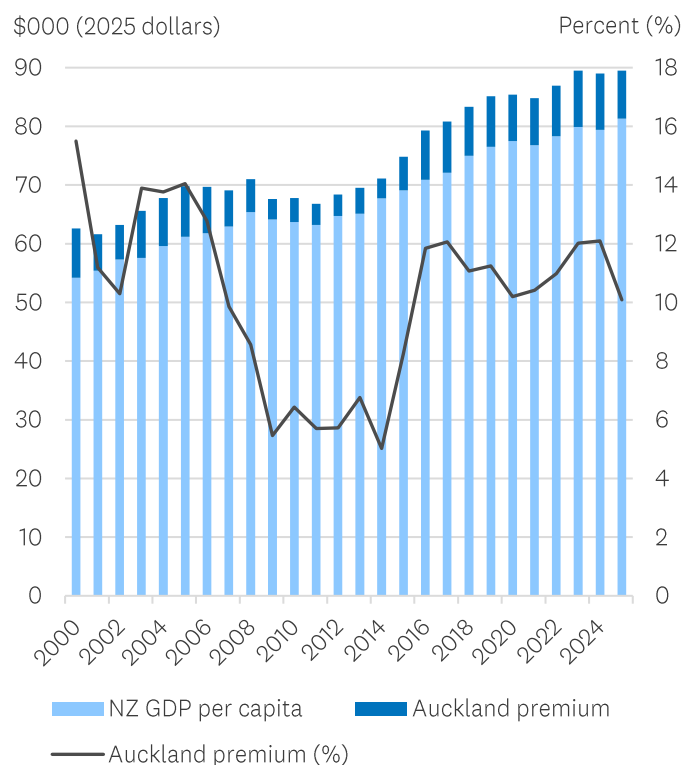
This is reflected in Auckland's economic performance. Its GDP per capita premium relative to New Zealand as a whole is consistent with the finding that larger and denser urban economies tend to be more productive.

Figure 1 shows Auckland's premium has fluctuated over time. Internationally, primary cities in prosperous small-to-medium-sized economies typically have a GDP per capita premium around a quarter to a third higher than their national average, suggesting scope for stronger performance in Auckland.

Key takeaway

Taken together, the choices Auckland Council makes in land use, infrastructure, transport, and pricing have lasting effects on urban form and, through that, on Auckland's productivity and prosperity.

Figure 1: Auckland real GDP per capita premium, 2000–2025



Source: Stats NZ data, Chief Economist Unit chart

² Gabriel M. Ahlfeldt et al. (2018), "Demystifying compact urban growth: Evidence from 300 studies from across the world", *OECD Regional Development Working Papers No. 2018/03*.

Economic commentary

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Auckland’s economy has been showing early signs of recovery, although momentum remains modest. While lower interest rates are supporting activity, households and businesses remain cautious, and global uncertainty continues to weigh on confidence.

The hoped-for recovery now faces a further headwind from rising fuel prices. Global oil prices have surged due to conflict in the Middle East and disruption to supply. Higher petrol and diesel prices are increasing expenses for businesses and households in Auckland.

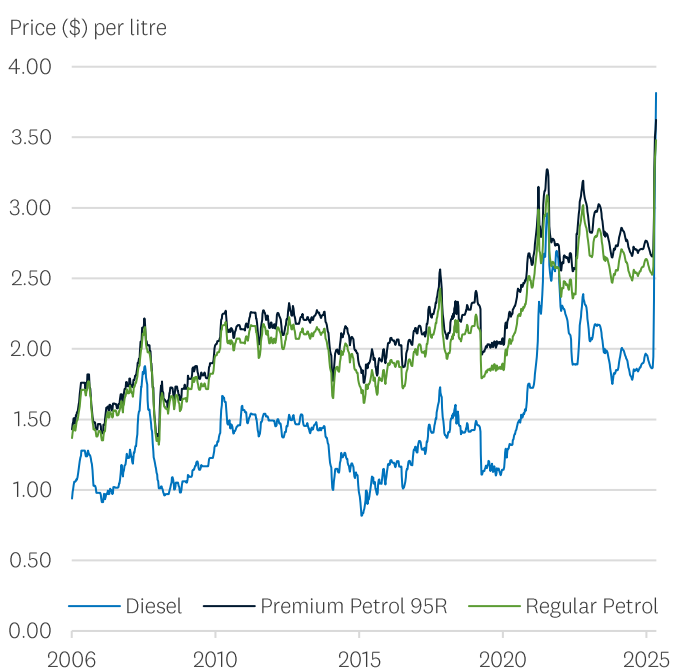
These pressures are expected to lift inflation higher in the near term and could slow growth if they persist, adding uncertainty to the economic outlook.

Fuel price shock

Rising fuel costs are affecting businesses and households across Auckland. From late February to early April, diesel and petrol prices rose sharply, as Figure 1 shows, with diesel increasing from around \$1.87 to \$3.81 per litre and regular petrol from \$2.53 to \$3.48.

Businesses exposed to higher fuel costs face margin pressure and may seek to pass these costs on through higher prices, particularly in diesel-dependent industries such as construction, freight transport, and agriculture.

Figure 1: Weekly fuel prices by fuel type



Source: MBIE, weekly fuel price monitoring data, 16 April 2026

Households are also feeling the impact. Those in outer parts of Auckland, where travel distances are longer and public transport options are more limited, are likely to be more affected. Lower-income households are also more exposed, as fuel makes up a larger share of their budget. In response, some may defer or reduce discretionary spending to accommodate higher fuel costs.

Persistent fuel cost pressures may lead to broader price rises and wage demands. In its Monetary Policy Review of 8 April, the Reserve Bank held the Official Cash Rate at 2.25%, noting it is monitoring the inflation outlook and stands ready to respond to signs of higher inflation or rising expectations. Two-year interest rates have been edging higher, suggesting markets may be pricing in some inflation persistence.

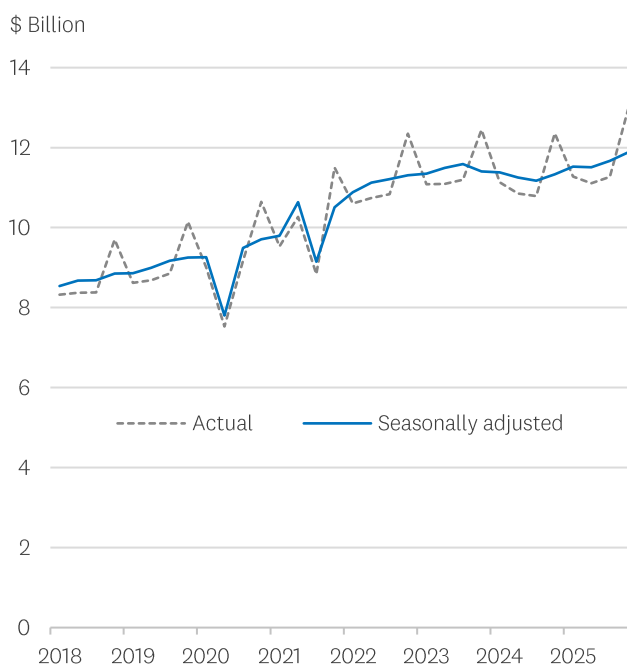
The duration of the disruption remains highly uncertain. Physical fuel availability could be affected if the conflict continues. While a ceasefire has been reported, there are likely to be lingering effects on prices and supply chains.

Retail spending

Retail data has shown signs of an uptick in household demand in Auckland, with spending of \$12.96 billion in the December 2025 quarter, up 4.9% from a year earlier.

However, much of this increase reflects higher prices rather than a lift in volumes. After adjusting for inflation, spending rose 1.7% in real terms, or around 0.7% per capita when accounting for population growth. Despite this modest increase, real spending per capita remains 4.5% lower than in December 2023.

Figure 2: Retail sales value in Auckland



Source: Stats NZ, Retail Trade Survey

Labour market

The labour market remains subdued, with the Household Labour Force Survey estimating employment in Auckland at 984,000 in the December 2025 quarter, down 11,100 people, or 1.1%, from a year earlier.

This fall has contributed to a rise in the unemployment rate, which reached 6.4% (67,000 people), up from 5.4% (56,400) a year earlier. In comparison, the national unemployment rate was 5.3% (not seasonally adjusted).

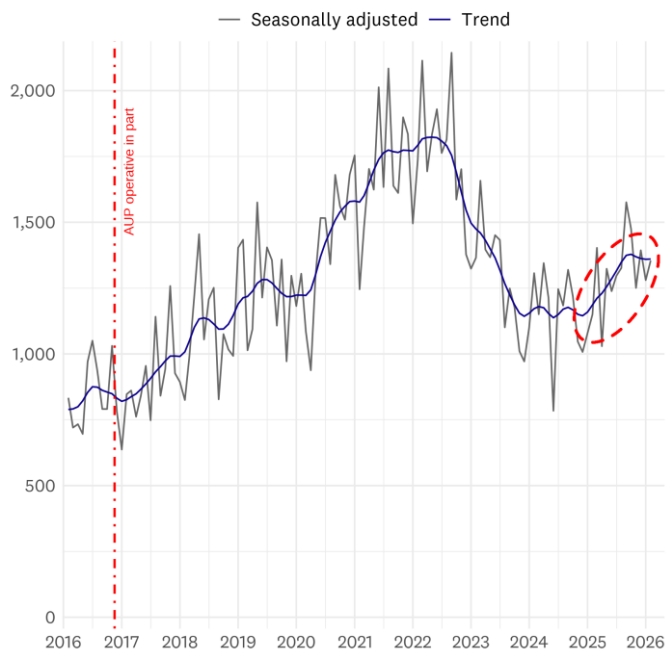
The labour market typically lags changes in economic conditions, as businesses wait for a sustained shift in demand before adjusting headcount. In addition, Auckland's labour market is more sensitive to the economic cycle than the national average, with higher unemployment during downturns likely reflecting a concentration in industries more exposed to the cycle.

Residential building consents

A total of 15,972 building consents for new homes were issued in Auckland in the 12 months to February 2026, up 12% on the prior year. On a seasonally adjusted basis, recent monthly levels are roughly at those seen during the low-interest rate period of mid-2020, as Figure 3 shows.

This pickup in intended building activity suggests there has been improving confidence in the housing market. The annual total is now higher than at any time before the Auckland Unitary Plan became operative in 2016.

Figure 3: Monthly building consents in Auckland



Source: Stats NZ data, Chief Economist Unit adjustments

³ HoTC (2026) *December 2025 Quarterly Results*

⁴ Colliers (2026) *Auckland Retail Colliers Essentials 1H 2026*

City centre update

City centre indicators are mixed. Heart of the City's quarterly update for December 2025 shows rising foot traffic and softer retail spending. In addition, there are signs of stabilising office and retail vacancy rates.

- Foot traffic increased, with counts for the December 2025 quarter being 6% higher than a year earlier.³
- Retail spending in the December 2025 quarter was 10% lower than a year earlier, compared with a 7% fall in competitor centres.³
- Retail vacancy fell to 8.4% in December 2025, down from 9.9% a year earlier, according to Colliers, which reports on the CBD strip.⁴
- Office vacancy appears to be stabilising, with CBRE reporting an overall rate of 18.4%, similar to 18.8% in June 2025, but up from 16.7% in December 2024.⁵

The fall in retail spending partly reflects the city centre's focus on discretionary rather than everyday purchases, leaving it more exposed than other centres to fluctuations in household spending. At the same time, much of the city centre's economic activity occurs in office-based business services, which continue to underpin overall performance.

Looking ahead, the New Zealand International Convention Centre is expected to boost demand for hotels and hospitality, while the City Rail Link will improve access, both supporting the city centre's recovery.

Publications update

The Chief Economist Unit has recently released three Insights Papers, offering new analysis on Auckland's land values, housing supply, and inter-region migration flows:

- *Where Auckland wants to live* (Sep 2025) looks at how residential land values reveal the demand for housing across locations
- *More room to grow in good locations* (Nov 2025) explores how Plan Change 120 could affect housing supply, drawing on a new forecast model
- *Auckland on the move* (Jan 2026) examines migration flows between Auckland and other regions alongside Australian comparators

All papers are available online at [insights papers](#)

⁵ CBRE (2026) *Auckland Property Market Overview Q1 2026*