Local government quarterly economic insights

Key points

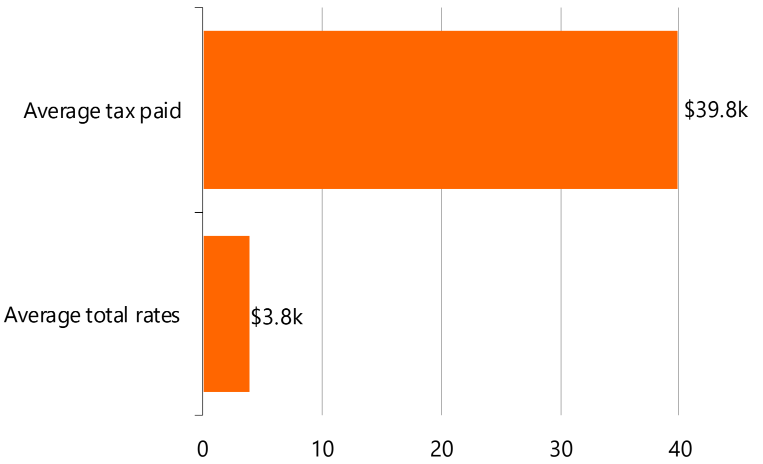
- Infometrics estimates households pay $10 in central government taxes for every $1 in rates.
- Councils spent 92% of planned capex in 2024. Separate analysis shows cost-adjusted water capex investment has increased 56% over the last five years (to 2023).
- The most common rates rises in 2025 were between 6-9%.
- Public transport use has recovered to 94% of pre-pandemic levels nationally, with stronger bus recovery, and regional recovery ranging from 88-212% of pre-pandemic.

Pressures remain across local govt

Various pressures remain on local government, with operating and capital costs increasing further this quarter. Against this backdrop of rising costs, it is encouraging to see water investment levels have still increased over time, but other analysis in this note shows overall variable investment delivery across councils, requiring further consideration from decision makers. Our Special Topic this quarter focuses on public transport (PT) - a focus area for regional councils and unitary authorities - and showcases the recovery in PT use across different regions and modes of transport.

Spending nearly $4k on rates, $40k on tax

$000s, average annual contribution to tax or rates, household estimate, national. Infometrics estimates *



Tax paid much higher than rates

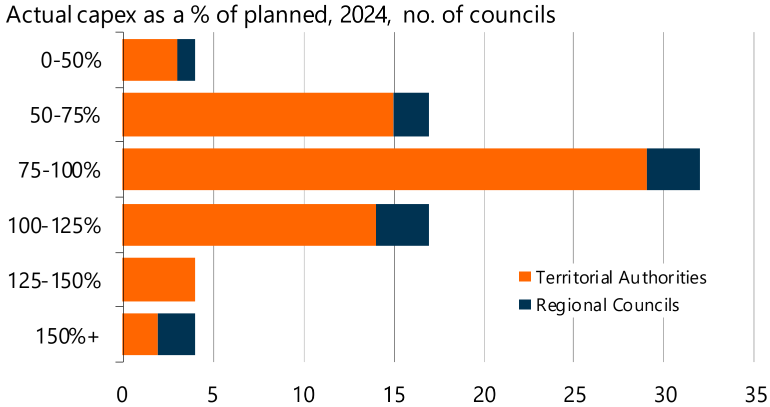
Infometrics analysis of taxes and rates paid by households shows that the average household in 2025 pays around 10x more in taxes (income and GST combined) than in local government rates. In 2025, a two-person household on median incomes would pay nearly $40,000 to central government in PAYE and GST, compared to just under $4,000 for an average rates bill.

Both totals have increased from the last time we examined these figures in 2023, up around $985pa for rates, but up $3,200 for total taxes paid.

* Based on TPU Ratepayers Reports and 2025 Rates Dashboard for rates estimate. For tax estimate, we assume a two-adult household, earning the median national wage, inflation adjusted ($72,971pa), and GST based on average household spending - all for 2025.

Council spend varies from planned capex

Actual capex as a % of planned, 2024, no. of councils



Actual capex 92% of budget

Across all 78 local and regional councils, the weighted average capital spend was 92% of planned capex in 2024. Of the $9.3b in capex planned, $8.5b was completed. Around 41% (32 councils) spent between 75% and 100% of their budgeted capex in 2024. Nearly a third (25 councils) spent 100% or more of projected capex, with 9 of those in a tight range of 100-103% of their capex budget. There were 4 councils which spent less than 50% of their capex budget, and 17 councils who spent 50-75% of budget.

* Territorial Authorities include Unitary Authorities.

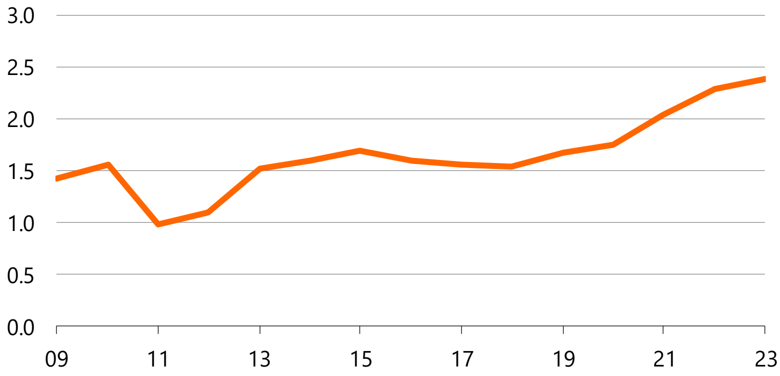
Infometrics *Local government quarterly economic insights*

These local government economic insights are produced by Infometrics for Local Government New Zealand (LGNZ) to give local government leaders insight into the economy, with specific relevance to the local government sector.

See page 4 for data sources and the importance of data for local government leaders.

Water spending pushing higher

Water capital expenditure, $b, 24/25 prices

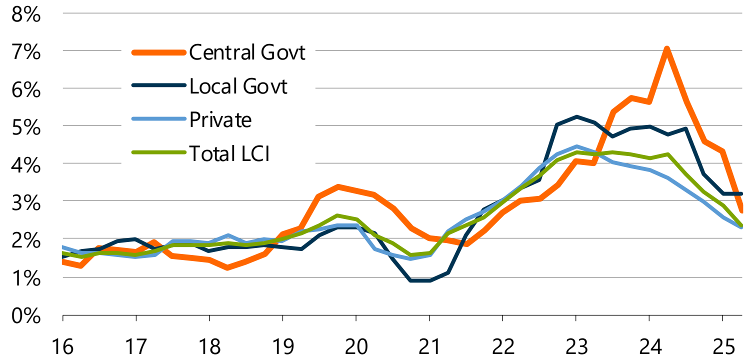


Capex on water has risen quickly

Real (cost-adjusted) capital expenditure on water assets was relatively flat between 2009 and 2018, with the exception of sharp falls in 2011, before spending recovered in 2013. Since 2018, water investment has increased. Real capital expenditure on water in 2023 was 56% higher than it was five years prior. Investment has risen sharply despite significant cost pressures, as water capex inflation reached double digits in 22/23. The continued catch-up in investment in water infrastructure in the coming years will see real capital expenditure on water push higher.

Labour cost growth flat at 3.2%pa

Annual % change, labour costs

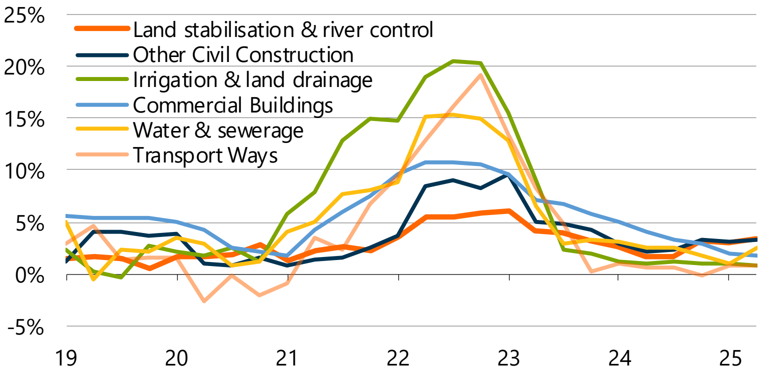


Labour costs growth flattening

The local government Labour Cost Index rose 3.2%pa in June 2025, with annual growth unchanged from March. Spare capacity in the wider labour market has seen labour cost growth slow over the past year. Job ad numbers are yet to pick up, remaining broadly flat for the past year. We are nearing the peak of the unemployment rate, as it rose to 5.2% in June. Labour market slack will keep labour cost growth much lower than in recent years as competition for roles restrict wage expectations. However, competition for skilled staff in local government will maintain pressure.

Rise in water & sewerage systems inflation

Annual % change, selected capital goods price indexes



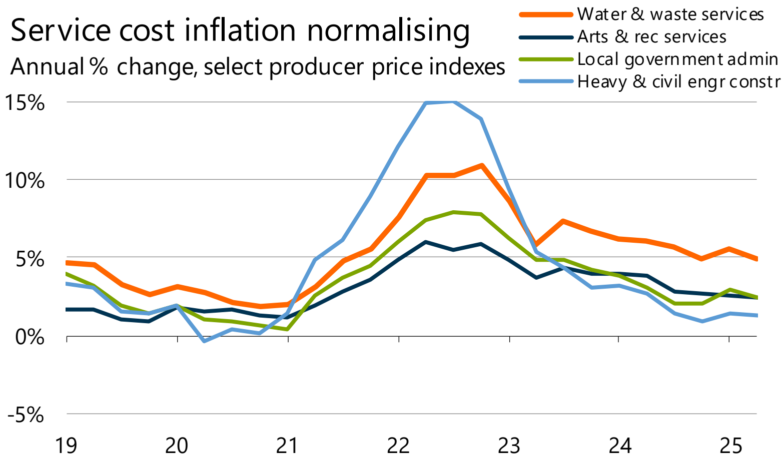
Mixed capital cost growth trends

Capital cost growth has broadly slowed over last two years, but there are some areas where growth is picking back up.

Cost growth for drinking and waste water systems reached an over-four-year-low of 1.0%pa in March, but reaccelerated to 2.6%pa in June. Other civil construction cost growth remains notable at 3.2%pa in June. In contrast, there are some areas seeing minimal cost increases. Transport ways cost growth (0.9%pa) and irrigation and land drainage (0.8%pa) were both below 1.0%pa.

Service cost inflation normalising

Annual % change, select producer price indexes



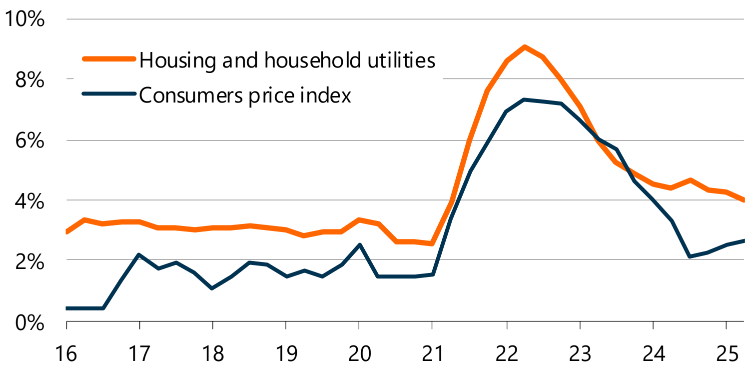
Further moderation in June

Annual cost growth across all four selected operating cost indexes moderated in June from March.

Arts and recreation services (2.4%pa) and local government admin (2.5%pa) saw similar growth over the year to June. Growth in water and waste services (4.9%pa) remains around the 5.0%pa mark, significantly higher than growth in the other three selected PPIs. Growth in heavy and civil engineering construction costs (1.3%pa) are slow but rose substantially over recent years, peaking at 15%pa in September 2022.

Inflation picks back up to 2.7%pa

Annual % change, across all households

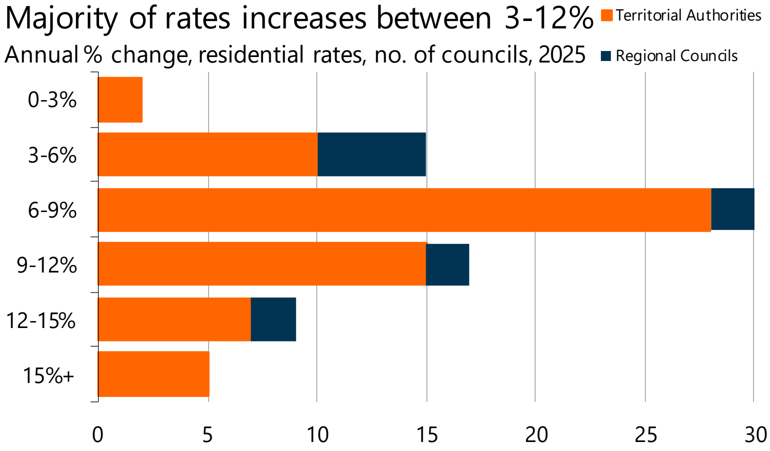


Inflation flares temporarily

The consumers price index rose 2.7%pa in the June quarter, as the expected temporary inflation reacceleration continued. The housing and household utilities group rose 4.0%pa as pockets of pressure remain. Household energy costs rose strongly, as both electricity (+8.4%pa) and gas (+16%pa) soared. Property rates and related services (12% of housing group) rose 15%pa, but only adjust once a year. Rents are under less pressure, rising 3.2%pa, the smallest rise in four years. New building costs rose just 0.8%pa. Rates increases for 2025 will only be included in headline inflation figures from the September quarter.

Majority of rates increases between 3-12%

Annual % change, residential rates, no. of councils, 2025



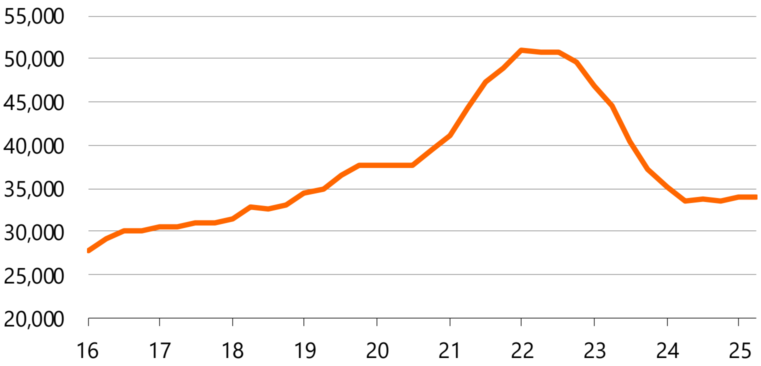
Rates increases between 2.2-16.6%

Recent data shows the distribution of rate changes in 2025, with TPU Rates Dashboard data showing that local government rates increases varied from between 2.2% to 16.6% in 2025.

The unweighted average annual increase was 8.7%. The most common increases were between 6% and 9%, with 30 of 78 councils increasing rates within this band. Just 16 councils had increases outside of the 3% to 12% band, with the majority (14) of those 12% or above and just two councils increasing rates by less than 3.0%.

Residential consents flat over the past year

Annual dwelling building consents issued



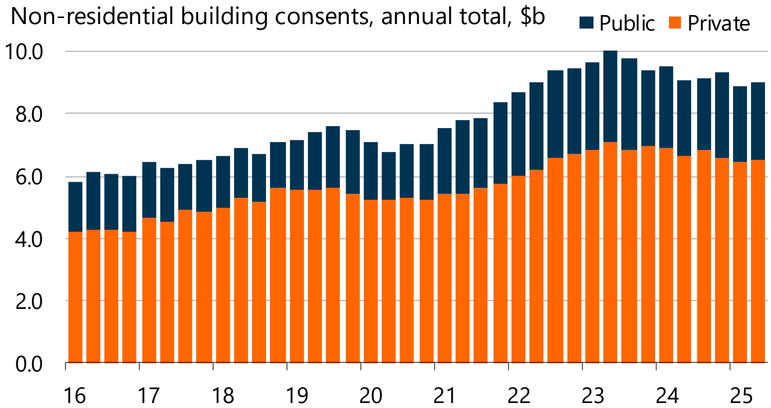
Res consents remain stable

There were 33,979 dwelling consents issued over the year to June 2025, up 1.0% from a year earlier, the first increase since December 2022.

Annual standalone dwelling consents have been steady at just below 16,000pa for the majority of the past 12 months. The trend in attached dwelling consents remains soft, as the surplus of properties for sale keeps a lid on investment particularly in this dwelling type. Business confidence in the residential construction industry fell heavily in July, mirroring the soft trend in consents.

Non-res consents tracking downwards

Non-residential building consents, annual total, $b



Non-res consents slowly falling

There were $9.0b worth of non-residential consents issued over the year to June 2025, down 0.9%pa, driven by a 2.3% decline in private sector consents. Public sector consents were higher than a year ago, up 2.9% driven by education. The prospects for investment in non-residential spaces remains poor as the need and ability to invest in new spaces will be difficult for businesses until demand increases sufficiently. Social, cultural, and religious building consent values (including various local government-related projects) are down around 19%pa over the 12 months to June 2025.

Special Topic: Changes in public transport trends and use

There have been mixed trends in the public transport (PT) recovery across the regions. Some regions have expanded fleets and/or introduced new routes, others have experienced strong population growth, and others have faced rail network closures for upgrades or other disruptions.

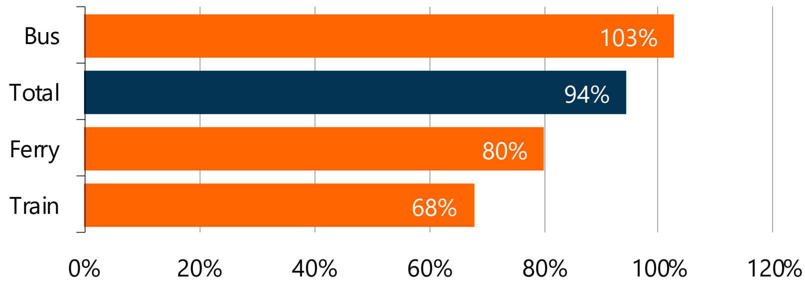
Total public transport passenger boardings in the year to June 2025 totalled 95% of pre-pandemic levels (compared to the year to June 2019). The recovery has been patchy across different public transport modes, with bus patronage the only mode to surpass pre-pandemic levels at 103%. Train use remains the lowest relative to pre-pandemic, at just a 68% of 2018/19 boardings.

Auckland PT usage was a drag on the overall public transport recovery, totalling just 88% of pre-pandemic levels. Auckland PT usage equates to around 56% of total national usage. Rail network closures have weighed on the recovery rate, although Auckland bus usage is back to 96% of pre-pandemic levels. In the other main centres, usage has recovered further, with Wellington patronage back to 96% of pre-pandemic levels in 2025, with bus levels above pre-pandemic (106%) but train use lagging at 73% of pre-pandemic numbers. Canterbury has surpassed pre-pandemic levels (111%) as the region's population grew 8.7% between 2019 and 2024, contributing to PT usage growth of 11% between 2019 and 2025. Larger PT growth shows an overall increase in use too. New services and an expanded fleet has helped Marlborough-Nelson-Tasman PT usage soar to more than twice pre-pandemic levels (212%).

Public transport users have changed their habits slightly due to the shift to working-from-home. Many may be using public transport to commute to work, but daily use and peak use is more varied.

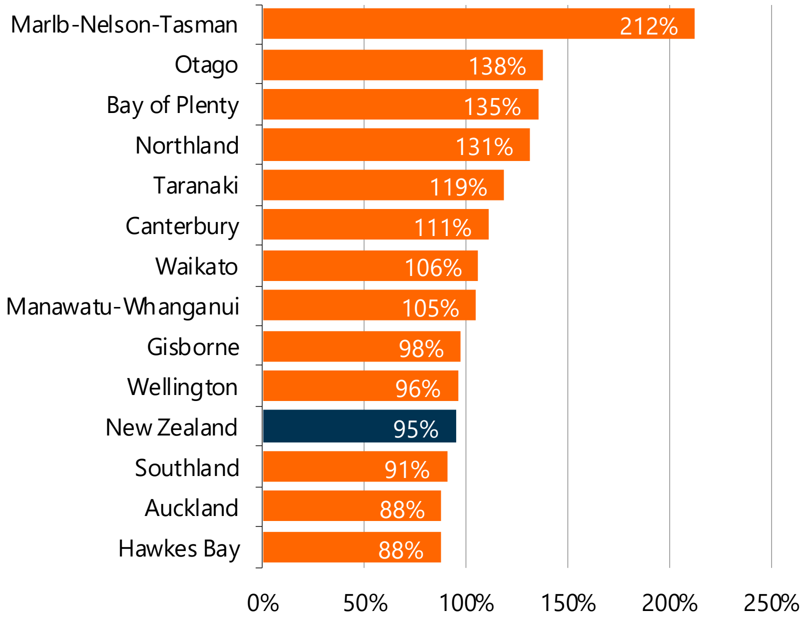
Bus usage has surpassed pre-pandemic

Public transport passenger boardings by mode, year ending June 2025 as a % of year ending June 2019



Mixed public transport recovery

Public transport passenger boardings, all modes, year ending June 2025 as a % of year ending June 2019



Source: NZTA public transport datasets

Note: West Coast is omitted as there are no public transport services offered in this region.

References & Data Sources

Economic Indicators - Producers Price Index (PPI), Capital Goods Price Index (CGPI), from Stats NZ

Work, income, and spending - Consumers Price Index (CPI), and Labour Cost Index (LCI), from Stats NZ

Industry sectors - Building Consents by build type, from Stats NZ.

Council capex investment - planned and actual investment totals for 2024 are sourced from the DIA's council performance measurement datasets. Real (cost-adjusted) water investment data is based on Infometrics analysis of a custom set of Stats NZ data, with capex values deflated by the water capex CGPI series.

Local council rates - underlying data sourced from the Taxpayers Union 2025 Rates Dashboard and earlier Ratepayers Reports.

Importance to Local Government:

Cost indexes: The selected ***CGPIs*** show how costs change for different types of capital projects, like local govt infrastructure. The selected ***PPIs*** show costs change for inputs into key operating cost-related goods and services that local government use. While the household living-cost price index is paused, we use the ***CPI*** to provide a view on how living cost pressures that ratepayers and/or households have faced are changing. The ***LCI*** shows how quantity and quality-adjusted labour costs have changed in the local government sector. Labour costs make up 21% of local govt operating expenses.

Activity indicators: Due to timing changes, we will now report ***local government GDP***, and ***infrastructure gross fixed capital formation*** (essentially capital investment) with a quarter lag. ***Building consent*** levels give an indication of the workload that local consenting teams have faced. Real (cost-adjusted) ***water capex investment*** shows the volume of water investment work over time. ***Actual vs planned*** investment shows the amount of delivery against plans.