

NOTE FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Price Adjustment Factors

PURPOSE

The note announces the adoption of a new set of price adjustment factors for converting the cost of capital works projects funded by the Capital Works Reserve Fund from constant September 2000 prices to money-of-the-day (MOD) prices.

REVISED FORECAST

2. On a half-yearly basis, we update the Government's forecast of inflation for construction works and adjust the price adjustment factors used in funding requests to the Public Works Subcommittee and Finance Committee.

3. At the last update undertaken in March 2000, the forecast rate of increase in the prices of construction output was 0% for 2000, with a trend rate of increase of 4.5% per annum for the medium term period 2000-2003. PWSCI(2000-01)1 refers. These figures have been updated as at end September 2000. The current forecasts are 1.2% for 2000 and a trend rate of increase of 3% per annum over the next few years.

4. The latest forecasts and corresponding price adjustment factors will be adopted as from October 2000 for the purpose of deriving MOD estimates for public works projects.