

NOTE FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Price Adjustment Factors

PURPOSE

This note announces the adoption of a new set of price adjustment factors for converting the cost estimate of capital works projects funded by the Capital Works Reserve Fund from constant September 2001 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 September 2001, the forecast rate of change in the prices of construction output was 0.7% per annum over the period 2002 to 2004. PWSCI(2001-02)30 refers. These figures have been updated in March 2002. The current forecasts are -1% for 2002, with the trend rate staying virtually flat on average over the period 2003 to 2006.

4. We will apply the latest forecasts and corresponding price adjustment factors as from April 2002 for the purpose of deriving MOD estimates for capital works projects.
