

## **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 2009 prices to money-of-the-day (MOD) prices.

#### **REVISED FORECAST**

2. We regularly update the price adjustment factors used in funding requests to the Public Works Subcommittee and Finance Committee.
  
3. During the last updating exercise in October 2009, the prices of public sector building and construction output were projected to increase by 2% per annum over the period from 2009 to 2013. According to the latest set of assumptions, the prices of public sector building and construction output are expected to increase by 3% in 2010 over a year earlier, followed by an increase of 4% per annum over the period from 2011 to 2020.
  
4. We will apply the latest projections and corresponding price adjustment factors from March 2010 onwards for the purpose of deriving MOD estimates for capital works projects.

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