

NOTE FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Price Adjustment Factors

PURPOSE

This note announces the adoption of the latest set of price adjustment factors for converting the cost estimate of capital works projects funded by the Capital Works Reserve Fund from constant September 2015 prices to money-of-the-day (MOD) prices.

LATEST FORECAST

2. Price adjustment factors used in funding applications regarding capital works projects are updated regularly.

3. During the last updating exercise in October 2015, the prices of public sector building and construction output were assumed to increase by 5.5% for 2015, 6% per annum from 2016 to 2019, 5% per annum from 2020 to 2023, and 4.5% per annum from 2024 to 2025. For the latest set of the price adjustment factors, the prices of public sector building and construction output are assumed to increase by 6% per annum from 2016 to 2020, 5% per annum from 2021 to 2023, and 4.5% per annum from 2024 to 2026.

4. We will apply the latest assumptions and corresponding price adjustment factors from March 2016 onwards for the purpose of deriving MOD estimates for capital works projects.