

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 2003 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 2003, the forecast rate of change in the prices of construction output was -5.5% for 2003, with the trend rate staying virtually flat on average over the period 2004 to 2007. PWSCI(2002-03)53 refers. These figures have been updated in September 2003. The current forecasts are -5.6% for 2003 and a trend rate of decrease of -0.5% per annum over the period 2004 to 2007.

4. We will apply the latest forecasts and corresponding price adjustment factors as from October 2003 for the purpose of deriving MOD estimates for capital works projects.