

## CHAPTER 8 : Supply

### Key terms

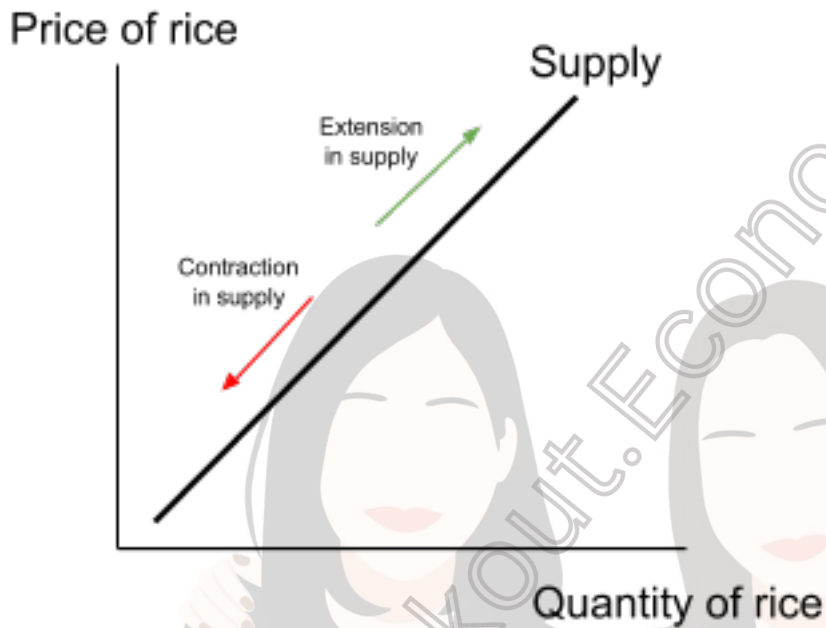
1. Supply : the willingness and ability to sell a product
2. Market Supply : total supply of a product
3. Extension in supply : a rise in the quantity supplied caused by a rise in the price of the product itself
4. Contraction in Supply : a fall in the quantity supplied caused by a fall in the price of the product itself.
5. Change in supply : change in supply conditions causing shift in the supply curve
6. Increase in supply : a rise in supply at any given price, causing the supply curve to shift to the right
7. Decrease in supply : a fall in supply at any give price, causing the supply curve to shift to the left
8. Direct taxes : taxes on the income and wealth of individuals and firms
9. Indirect taxes : taxes on goods and services
10. Taxes : A payment to the government
11. Subsidy : A payment by a government to encourage the production or consumption of a product.

## 1. What is supply ?

**Supply** : the willingness and ability to sell a product at any price level.

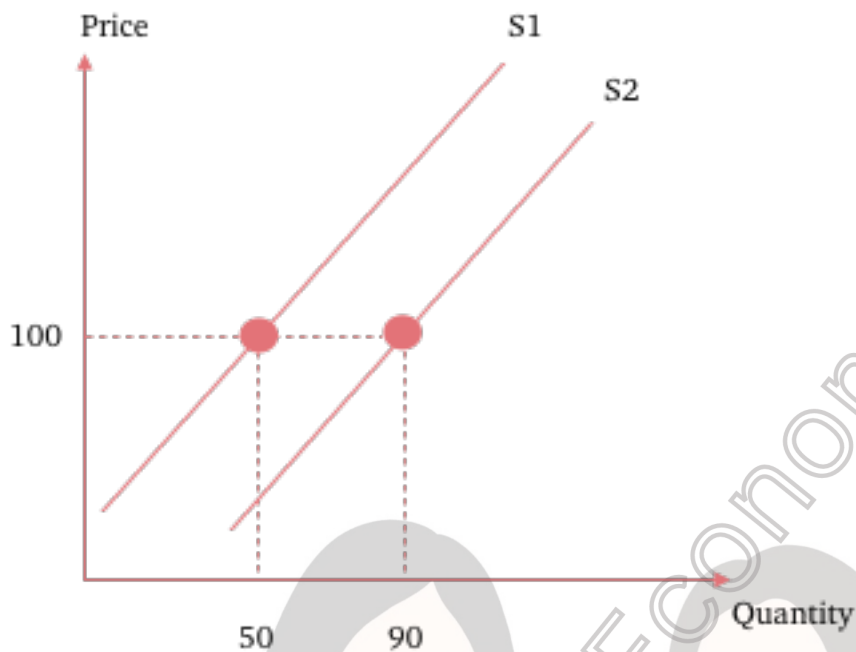
## 2. Supply curve

**Supply curve** : shows the positive relationship between price and quantity supply.



**Market supply** : total supply of the product supplied by all firms in an industry at any price level.

### 3. Causes a shift in supply curve to the right



3.1 Cost of production ↓

3.2 An improvement of technology

3.3 Direct tax such as corporation tax and indirect tax such as VAT ↓

3.4 Subsidy ↑ ⇒ cost of production ↓

3.5 Favour Weather conditions

3.6 Price of other product ↑

3.7 Discoveries new alternative resources