

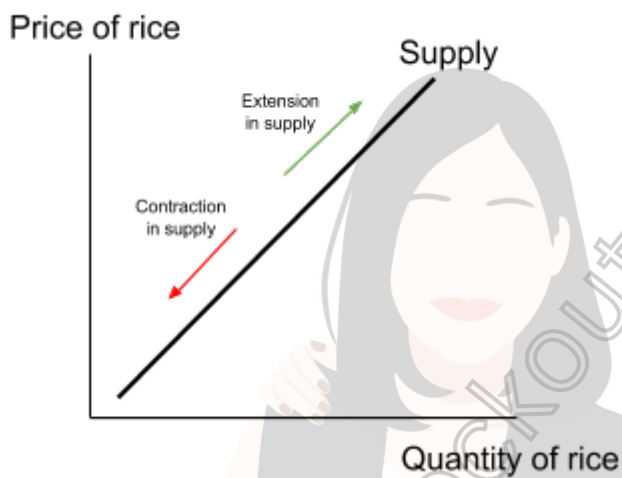
## Supply

### a) The concept of 'supply'

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

### b) The distinction between movements along a supply curve and shifts of a supply curve.

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

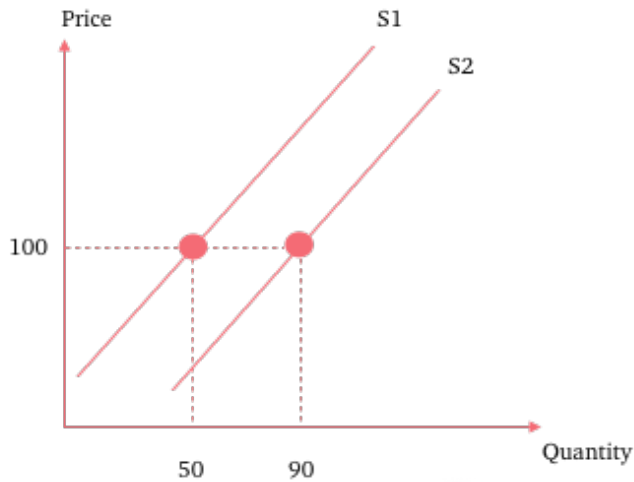


**Extension in supply** : a rise in quantity of supply from a rise in price

**Contraction in supply** : a fall in quantity of supply from a fall in price

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

**c) Factors that may cause a shift in the supply curve:**



**1 Cost of production ↓** ⇒ Firms' profit ↑ ⇒ Supply ↑

**2 An improvement of technology** ⇒ productivity of capital ↑ ⇒ cost of production ↓ ⇒ Firms' profit ↑ ⇒ Supply ↑

**3 Direct tax such as corporation tax and indirect tax such as VAT ↓** ⇒ cost of production ↓ ⇒ Firms' profit ↑ ⇒ Supply ↑

**4 Subsidy ↑** ⇒ cost of production ↓ ⇒ Firms' profit ↑ ⇒ Supply of a product ↑

**5 Weather conditions** ⇒ Harvest time ⇒ Supply ↑

**6 Price of other product** ⇒ e.g. joint supply ⇒ a rise in supply of a product ↑ ⇒ a rise in supply of another product ↑

**7 Discoveries new alternative resources** ⇒ e.g. oil discovery