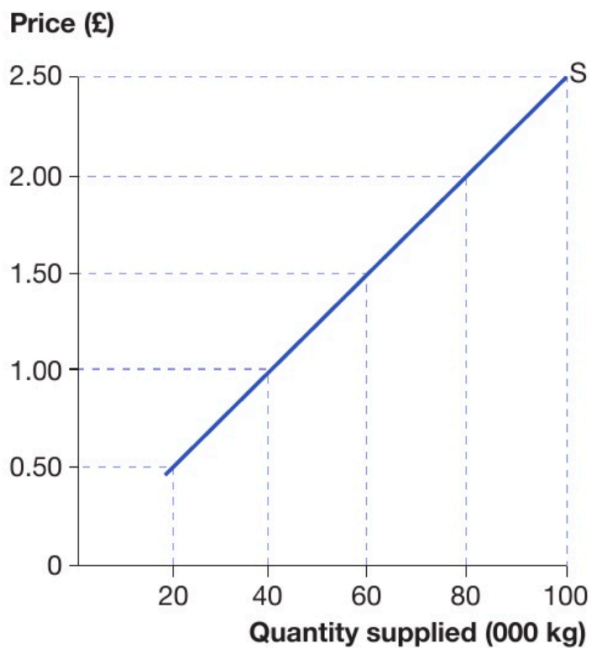


CHAPTER 5: Supply

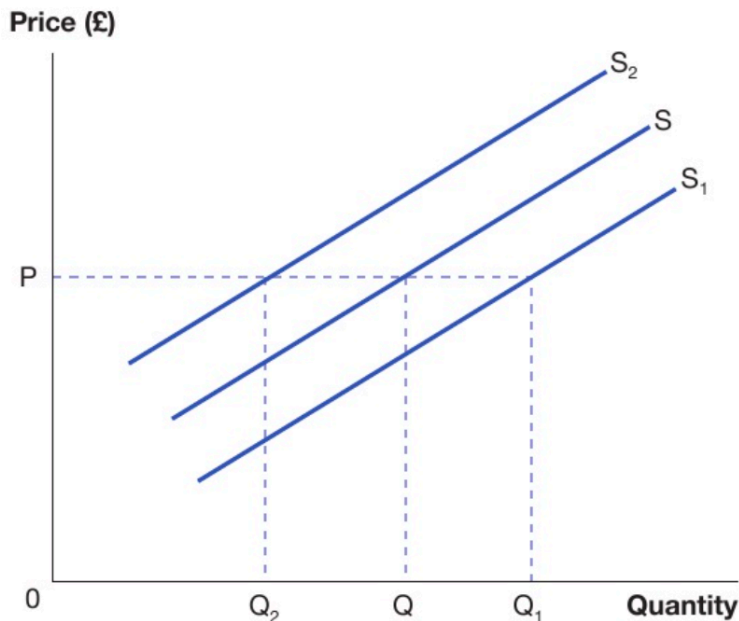
1. **Supply:** is the amount of product that suppliers are willing and able to produce at any given price.

 - **Supply Curve** is the upward sloping (Price and quantity have the same direction)

Diagram



Factors shift supply curve



Example - Supply shifts to the right

- Decreases in cost of production : Supply is likely to shift to the right
- Introduction of new technology : It can increase productivity and lower average cost, supply is likely to shift right.
- Indirect taxes : eg. VAT
- : Lower indirect tax means lower cost of production, Supply is likely to shift right
- Government subsidies : grants from the government which leads to lower cost of production. Supply is likely to shift right.
- External shocks eg. World events, weather, Government etc