Your notes

GCSE Economics: revision notes

Supply

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Supply and the supply curve

- **Supply** is the quantity producers are willing and able to sell at each price, over a period of time.
- As price rises, quantity supplied rises, because higher prices make production more profitable. So the **supply curve** slopes upwards from left to right.
- A change in the good's own price causes a movement along the **supply curve**: an extension or a contraction of **supply**.

Shifts in supply

- Other factors shift the **supply curve**: right for an increase in **supply**, left for a decrease.
- **Costs of production**: higher costs (such as wages or raw materials) shift **supply** left.
- Technology: better technology lowers costs and shifts **supply** right.
- Taxes shift **supply** left; subsidies (government payments to producers) shift it right.
- Weather and natural events affect **supply**, especially of farm produce and fish.
- The number of firms in the market.

Reading supply diagrams

- Draw price on the vertical axis and quantity on the horizontal axis. Label the curve S.
- For an increase in **supply**, draw a new curve S1 to the right of S. For a decrease, draw S1 to the left.
- Example: if a new machine lets a bakery make bread more cheaply, the bakery will **supply** more loaves at every price, so **supply** shifts right.

Key terms

Supply	The quantity producers are willing and able to sell at each price.
Supply curve	A graph showing quantity supplied at each price.
Extension of supply	More being supplied because the price rises.
Subsidy	A payment from the government to producers to lower costs.
Costs of production	The costs of making goods, such as wages and materials.
Indirect tax	A tax on spending, which raises firms' costs.

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. Which way does a supply curve slope?
2. Why does quantity supplied rise as price rises?
3. What happens to supply if costs of production rise?
4. What is a subsidy?
5. How does new technology affect supply?
6. What happens to supply if a new tax is placed on a good?
7. How might a storm affect the supply of fish?
8. What causes a movement along the supply curve?

Answers

1. Upwards from left to right
2. Higher prices make production more profitable
3. It shifts to the left
4. A government payment to producers
5. It shifts supply to the right
6. It shifts to the left
7. Supply shifts to the left
8. A change in the good's own price

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

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