

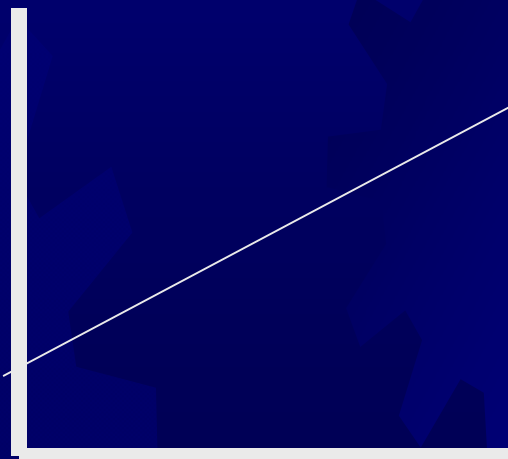


Supply and Demand

Part three of notes

Supply

- ☀ Amount of good services that producers are able/willing to provide
- ☀ Law of Supply
 - ☀ As prices rise, the quantity supplied tends to increase
 - ☀ As prices fall the quantity supplied also falls





How Price Affects

- ✦ When price high
 - ✦ More able to afford costs and still make profit – more enter market
- ✦ When prices low
 - ✦ Less are able to afford costs and make any profit – more leave the market

Factors that influence Supply

☀ Production costs

- Raw materials
- Rent
- Wages/labour
- Interest payments
- Equipment
- Taxes

☀ Changes in Technology

- Type and efficiency in machinery

☀ Owner's desire

- Willingness to commit to business

☀ Weather Conditions

- Favourable/unfavourable

Elasticity

- ★ How much a price change will affect demand and how much it will affect supply

- ★ Elastic

- ★ Demand

- change in price will cause a change in quantity demanded

- ★ Supply

- If the seller can quickly adjust the quantity supplied when the price changes

- ★ Inelastic

- ★ Demand

- Change in price doesn't affect a change in quantity demanded

- ★ Supply

- Seller isn't able to quickly adjust the quantity supplied when the price changes