

Factors leading to a change in Supply

If the costs of production increase then the amount supplied will decrease as there is less profit to be made

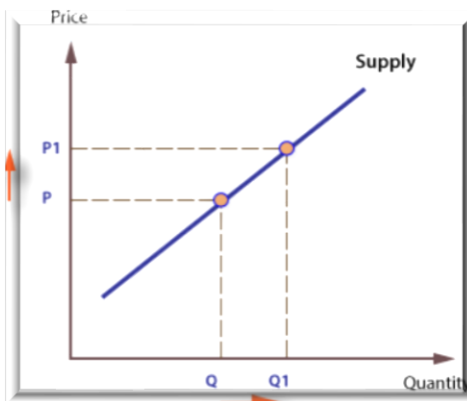
Reasons include:

1	Raw Materials	If the wholesale costs of raw materials rises then the unit costs of production rises and sellers are likely to reduce supply
2	Labour costs	If wage rates rise for the workforce, or as recently the government increased the minimum wage, costs of production rise and sellers are like to reduce supply.
3	Overheads	If the costs of overheads rises, e.g. gas, electricity or rises in business rates or rent and mortgage rates then overall costs of production rises and sellers are may cut supply as the goods they are selling become more expensive.
4	Exchange Rates	An exchange rate is the price of one currency expressed in terms of another currency, or against a basket of other currencies. If the pound weak against other currencies then the costs of buying raw materials from overseas rises, therefore production costs rises and the costs of the goods rises and the manufacturer may have to cut supply

External Shocks To Demand

There are some factors beyond the control of the business which can impact on the supply of products.
Examples include

1	World Events	In recent years the political situation in the Middle East has been volatile. Consequently supplies of oil are threatned price of oil rises. Other examples of world events that effect supply are the Credit Crunch of 2008 and Covid Virus in 2020
2	Weather	The supply of agricultural products are particularly affected by the weather. Things like drought and affect crops and cause severe shortage
3	Government	Economic policies can impact on supply. EG. The raising of interest rates (in order to meet inflation targets). Legislation can also affect supply. E.g. if the government passes laws to make a particular market more competitive



Key Vocabulary

1	Supply	Supply is the quantity of a good or service that a producer is willing and able to supply onto the market at a given price in a given time period.
2	Automation	method of operating or controlling processes by automatic means using devices. Reduces need for human interaction.
3	Indirect Tax	taxes levied on products or services before they reach the consumer e.g. VAT and excise
4	Government Subsidy	a grant or gift of money from the government to encourage supply of certain goods e.g. milk subsidies

Key Tip

When drawing the supply diagram remember the curve runs from bottom left to top right. The price is always on the left on the vertical axis and the quantity on the horizontal axis.