

What is Supply?

- Supply indicates how much a good producers are *willing* and **able** to offer for sale per period at each possible price, other things constant.

Determinants Of Supply

- Price of the Good.
- Price of Related Goods.
- Price of the Factors of Production.
- State of Technology.
- Government Policy.
- Others Factors.

Law of Supply

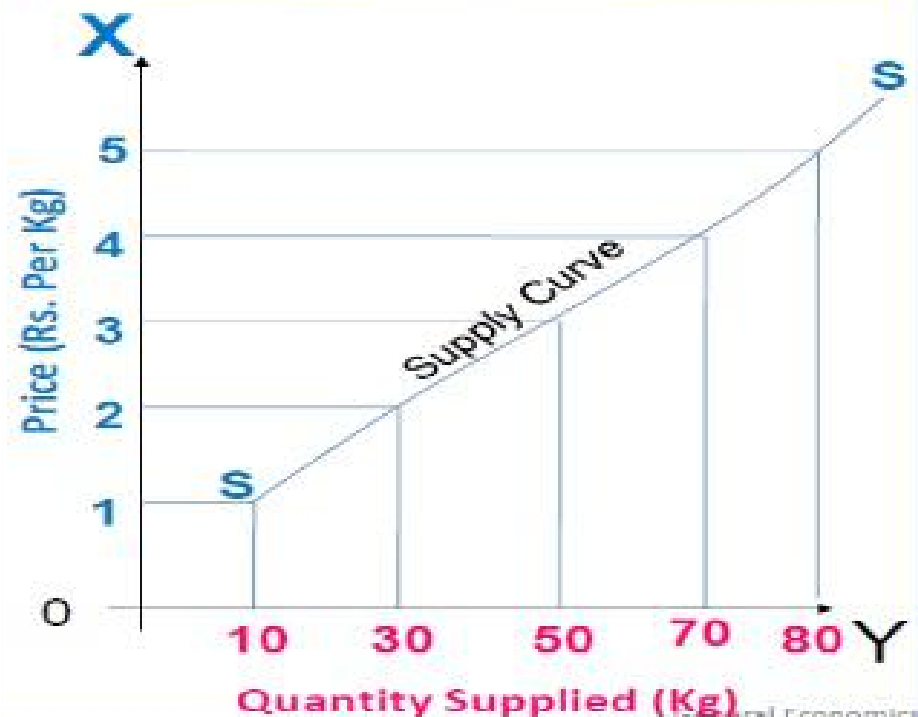
- As Price of a product increases quantity supplied increases, and as price decreases, quantity supplied decreases.

-Ceteris paribus.

Individual Supply Schedule & Curves

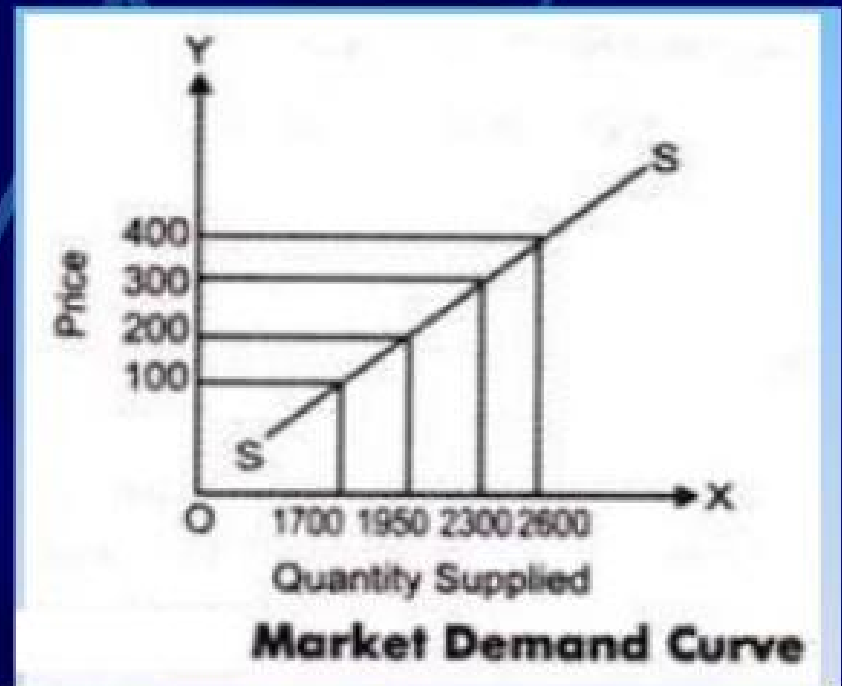
- A Supply Schedule displays the quantity of a product supplied at each price:

Price (Rs.) (per kg)	Quantity Supplied (kg)
1	10
2	30
3	50
4	70
5	80



Market Supply Schedule & Curves

Price of Product X	Individual Supply			Market Supply
	A	B	C	
100	750	500	450	1700
200	800	650	500	1950
300	900	750	650	2300
400	1000	900	700	2600



Market supply curve also represents the direct relationship between the quantity supplied and price of a product.

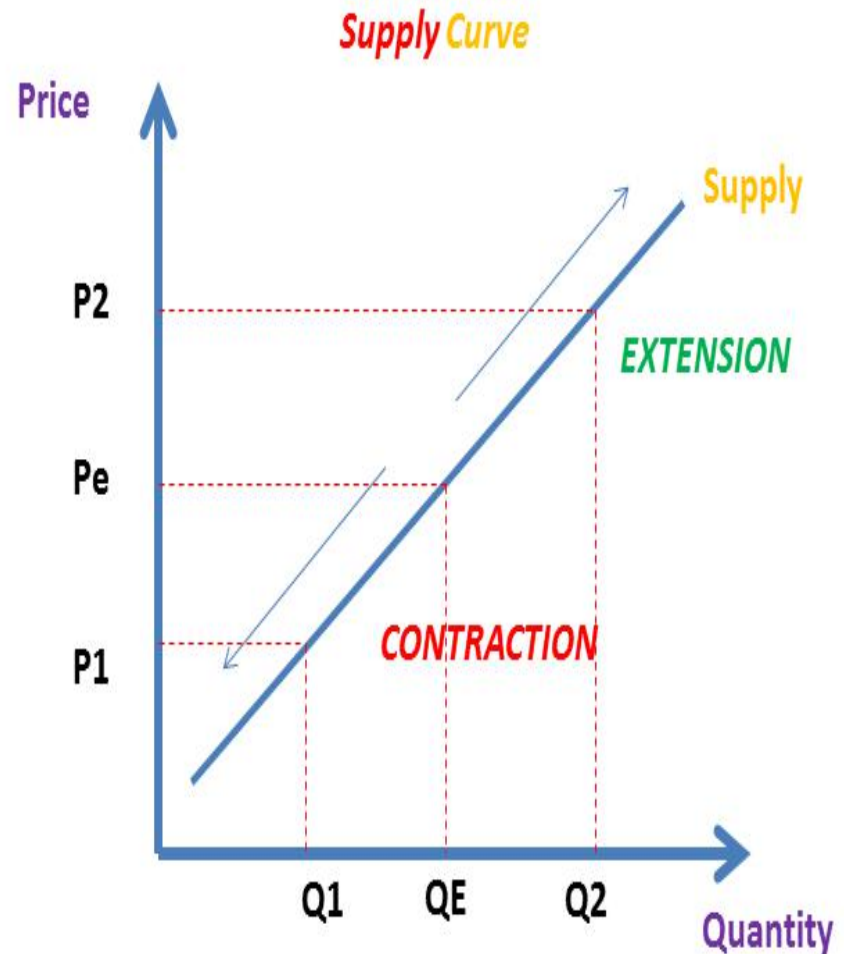
Changes in Supply vs. Change in *Quantity* Supplied

- Change in a good's own price causes change in quantity supplied.
 - ❖ Movement along the supply curve.
- Change in supply caused by change in determinant of supply.
 - ❖ Shifts supply curve.

Expansion & Contraction in Supply

1. **Expansion** of supply, refers to a movement along the supply curve in response to changes in price. A rise in price, other things remaining same, leads to a rise in supply.

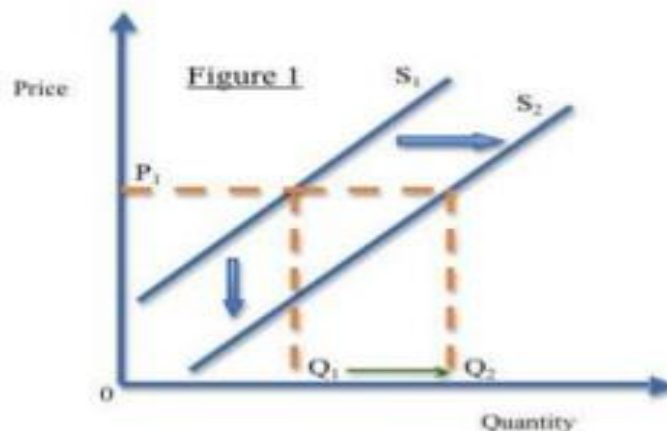
2. **Contraction**: Decrease in price leads to fall in supply.



Increase in Supply

Supply increases with the change in other factors.

Forward shift in Supply Curve

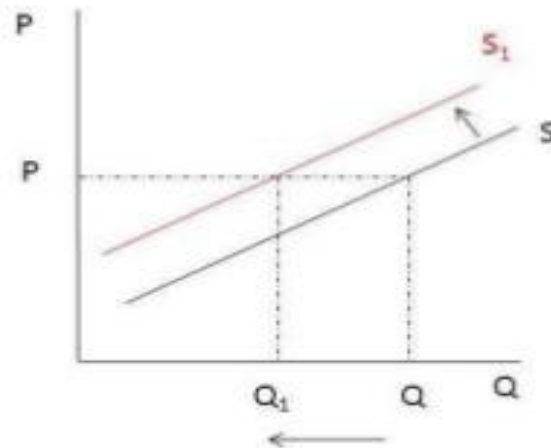


- Initially Q_1 units of the commodity are supplied at the price of P_1 per unit. Due to other factors (generally related to reduction in the cost of production), firms are now willing to supply Q_2 units even when own price of the commodity remains to be P_1 per unit. It implies a forward shift in supply curve i.e. from S_1 to S_2 .

Decrease in Supply

Supply increases with the change in other factors.

Backward shift in Supply Curve



- Initially Q units of the commodity are supplied at the price of P per unit. Due to other factors (generally related to increase in the cost of production), firms are now willing to supply Q_1 units even when own price of the commodity remains to be P per unit. It implies a backward shift in supply curve i.e. from S to S_1 .