2.3.2 Short-run AS

a) Factors influencing short-run AS:
- *Changes in costs of raw materials and energy*
- *Changes in exchange rates*
- *Changes in tax rates*

- Short-run aggregate supply (SRAS) curves slope up from left to right and shows how much an economy can produced in the short term when capital is assumed to be fixed
- A rise in price causes an expansion of AS and a fall in price causes a contraction of AS
- The curve is upward sloping as high prices mean more profit so business expands
- If SRAS is price inelastic, the SRAS slopes upwards; if the SRAS is price elastic the SRAS curve would be less steep
- The SRAS curve will shift if there's a change in the costs of production. A reduction in costs means that more output is produced at the same price level
- Factors influencing short-run AS:
  - Change in costs of raw materials and energy: the cost of raw materials determines the cost of production for almost everything else
  - Cost of imports (exchange rates)
  - Taxes, subsidies and regulation
  - Change in the level of international trade (tariffs, protectionism...)
  - Supply shocks- wars, natural disasters
- Price increases when the SRAS curve shifts inwards because of cost push inflation