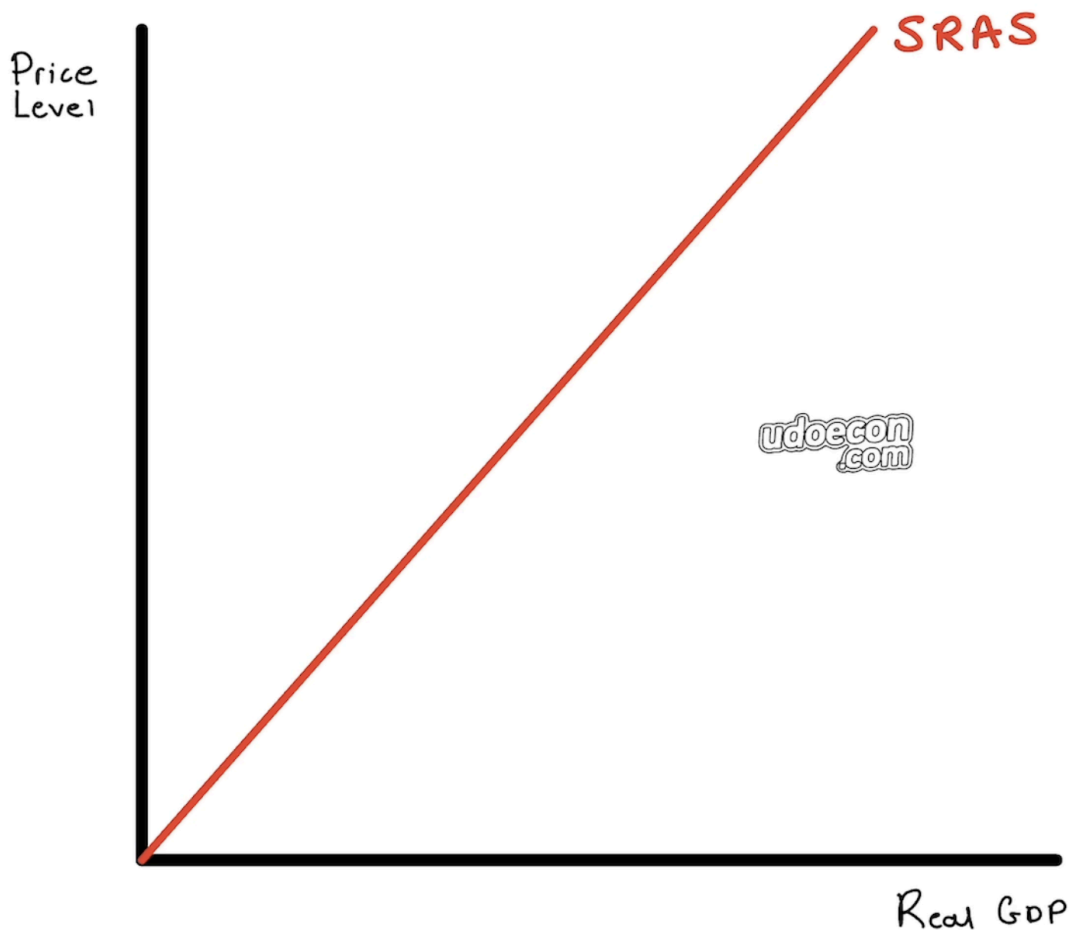


Aggregate Supply (AS)

Aggregate supply (AS) is the total volume of goods and services firms in an economy are willing and able to produce at different price levels over a given time period.

AS is split into short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS) .



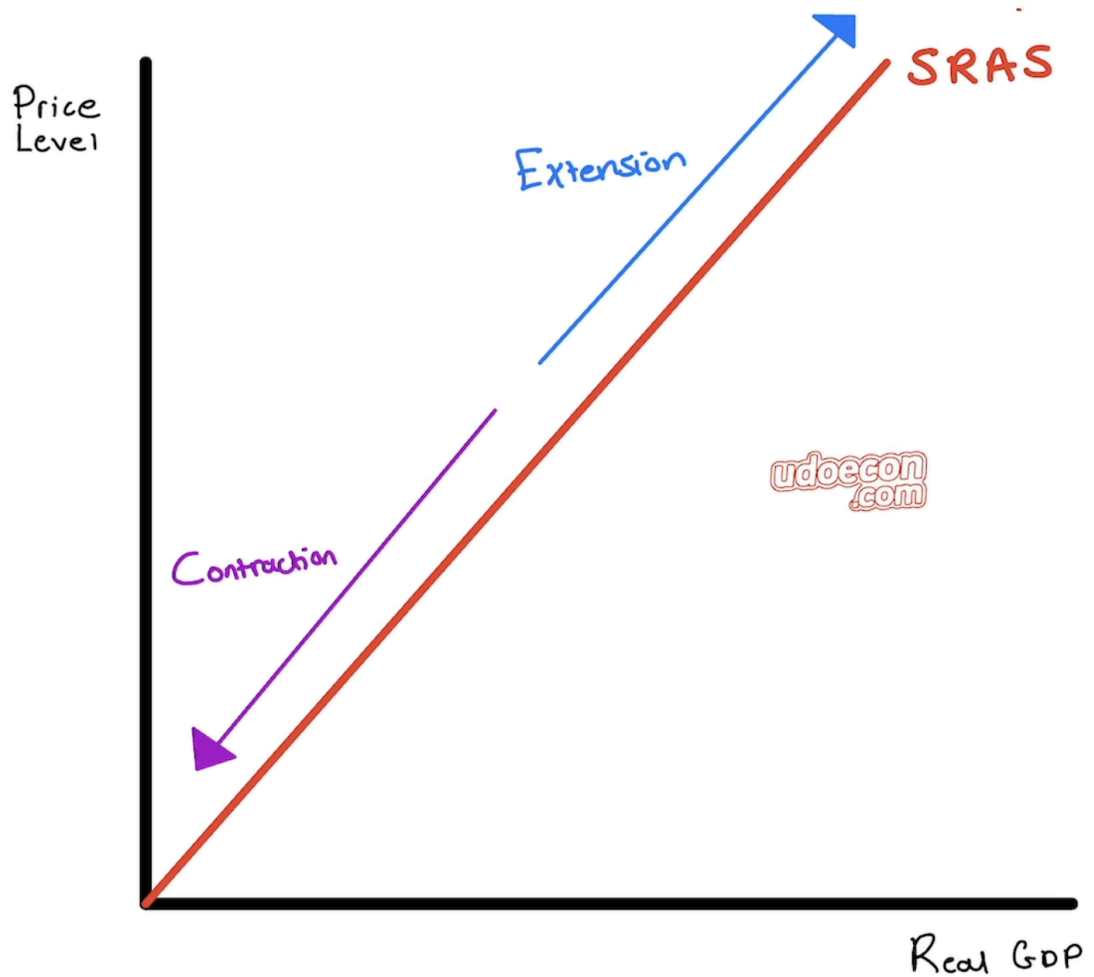
Movement along SRAS vs shifts of SRAS

Movement along SRAS

A movement along SRAS happens when the general price level changes, with other conditions of supply unchanged.

- Higher price level: expansion (extension) of SRAS, so firms supply more real output

- Lower price level: contraction of SRAS, so firms supply less real output

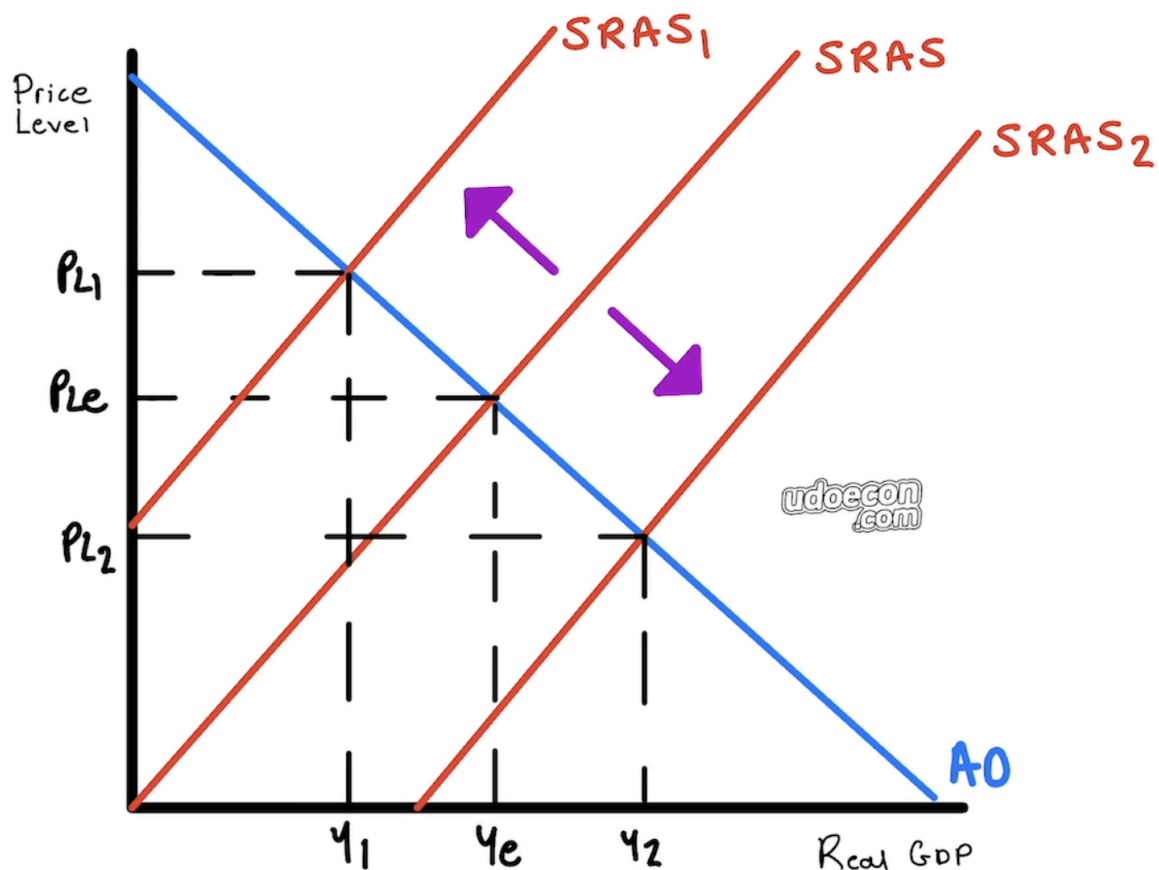


Shift of the SRAS curve

A shift of SRAS happens when conditions of supply change, meaning firms can produce more or less at every price level.

The main driver is changes in **costs of production**, as well as other non-price factors like productivity or technology in the short run.

- SRAS shifts right if unit costs fall (e.g. lower wage costs), so real output rises at each price level
- SRAS shifts left if unit costs rise (e.g. higher wage costs), so real output falls at each price level



Relationship between SRAS and LRAS

Short run (SRAS focus)

Shifted mostly by a change in cost of production e.g. Russia/Ukraine war caused increased energy prices shifting the SRAS curve in (cost-push inflation)

Long run (LRAS focus)

Shifted mostly by a change in quantity or quality of factors of production.