

AQA Economics A-level **Macroeconomics**

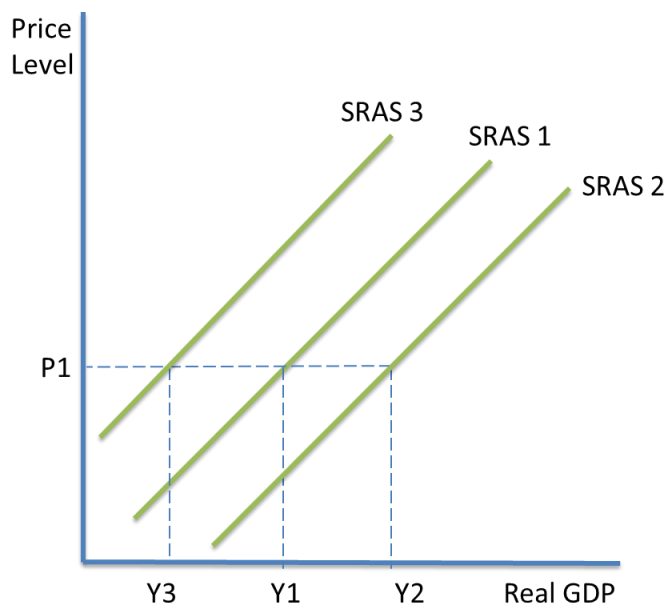
Topic 2: How the Macroeconomy Works, Circular Flow of Income, AD-AS Analysis and Related Concepts

2.5 Determinants of SRAS

Notes



Factors influencing short-run AS:



- The SRAS curve shifts when there are changes in the conditions of supply. The price level and production costs are the main determinants of SRAS.
 - The cost of employment might change, e.g. wages, taxes, and labour productivity. If costs increase, supply will shift inwards from SRAS1 to SRAS3.
 - The cost of other inputs e.g. raw materials, commodity prices, and the exchange rate if products are imported. A stronger currency reduces the price of imports, so imported products will be cheaper. This would shift the AS curve outwards, from SRAS1 to SRAS2.
 - Government regulation or intervention, such as environmental laws or green taxes and business regulation. Business regulation is sometimes called 'red tape'.
 - There could be a net outward migration of workers, which causes a 'brain drain' on the domestic economy, as skilled workers move elsewhere.
 - If there is a fall in business capital spending, supply will fall.

