# Decreasing Cost Industry

- A decreasing-cost industry is one where costs decrease as the industry expands. When the industry expands due to an increase in demand, prices and costs may initially rise but they will decrease below their original levels in the long run as entry and industry output increase.
- In other words, the industry for a commodity (good or service) is termed a decreasing cost industry if the long-run supply curve of the commodity is downward-sloping. In other words, an increase in the quantity produced leads to a decrease in the price per unit.

- Decreasing-cost industries tend to be those that depend on supplies that benefit from economies of scale. For example, economies of scale in the production of computer chips allow computer manufacturers to make more products at lower costs as the prices of chips decline.