

SUPPLY and DEMAND

Supply and Demand form the most fundamental concepts of economics. Whether you are an academic, farmer, manufacturer, or simply a consumer, the basic premise of supply and demand equilibrium is integrated into your daily action, these models can the more complicated aspects of economics be mastered.

1/ Explaining Demand:

Demand is the desire consumers have for a good or service, the most basic relationship between the price of a good and its demand from the stand point of the consumer.

The law of demand:

There is an inverse relationship between price and quantity demanded.

The quantity demanded of a good is the amount of a product that consumers are willing to purchase at a given price. Example:-* when the price goes down for milk, the quantity consumers buy will increase.

Like how many people would want to eat something

- The lower the price, the more you demand.
- The higher the price, the lower the quantity demanded.

2/ Explaining supply:

Is the total amount of a good or service available for consumption.

The law of supply:

There is a direct relationship between price and quantity supplied; the higher the price, the higher the quantity supplied. The quantity supplied of a good is the amount of a product that a company is willing to make available for sale at a given price Ex: when the price goes up for milk, the quantity producers make will increase.

3/ What happens to the supply for a product when the price increases?

Supply stays the same, but the quantity supplied increases (price changes the quantity supplied)

4/ Why is important to know Supply and Demand?

Because they play a very important role in the economics of the nation.

For ex: we have shirts available left in a store and many people demand for it. the demand will increase even the price is higher or the demand will make the price higher.

So, supply and demand is very important to determine the PRICE the value of money that are willing to give in exchange for a good or service.

