

What is supply and demand?



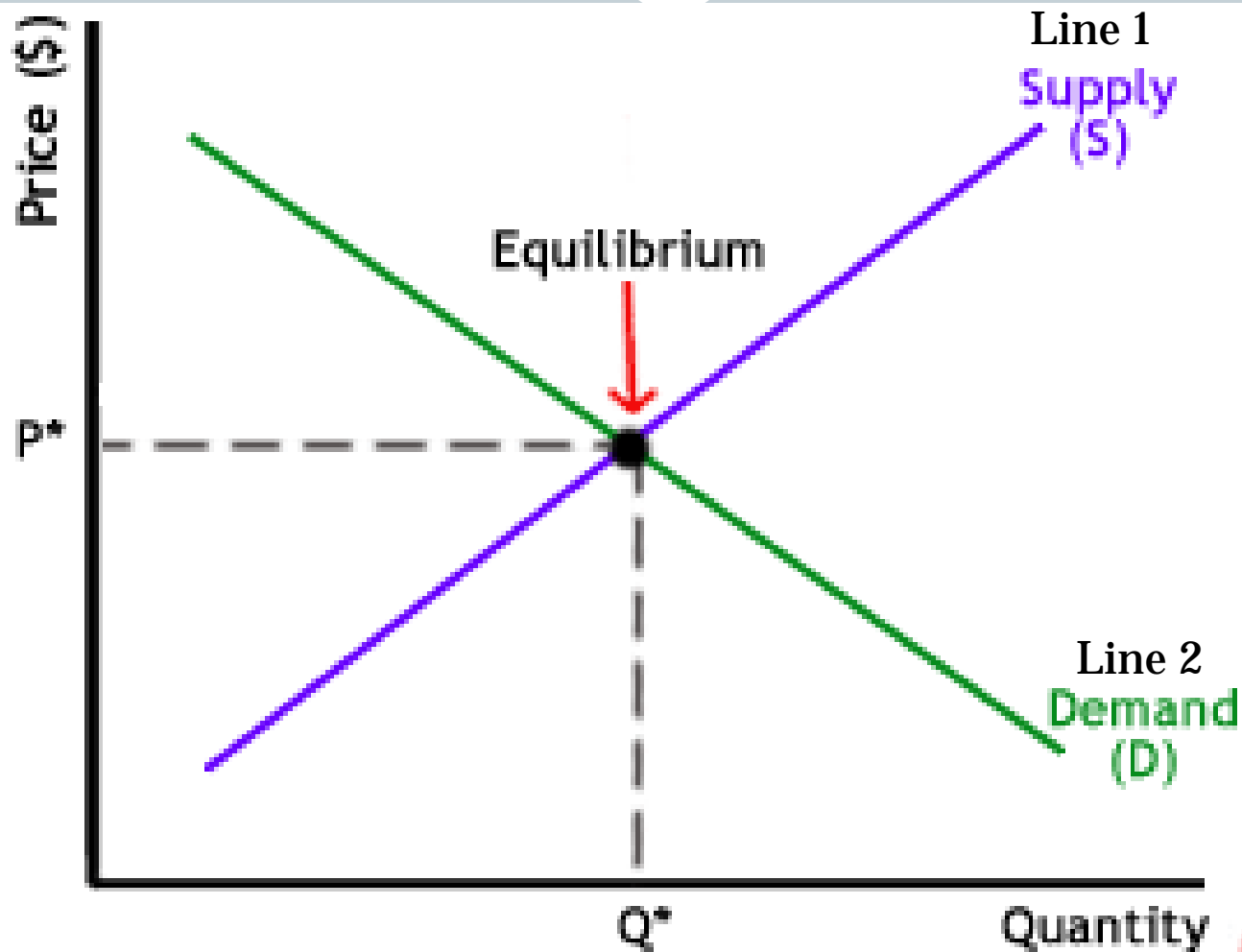
SUPPLY

USUALLY CONSIDERED THE
AMOUNT OF PRODUCT THAT
IS HELD FOR SALE

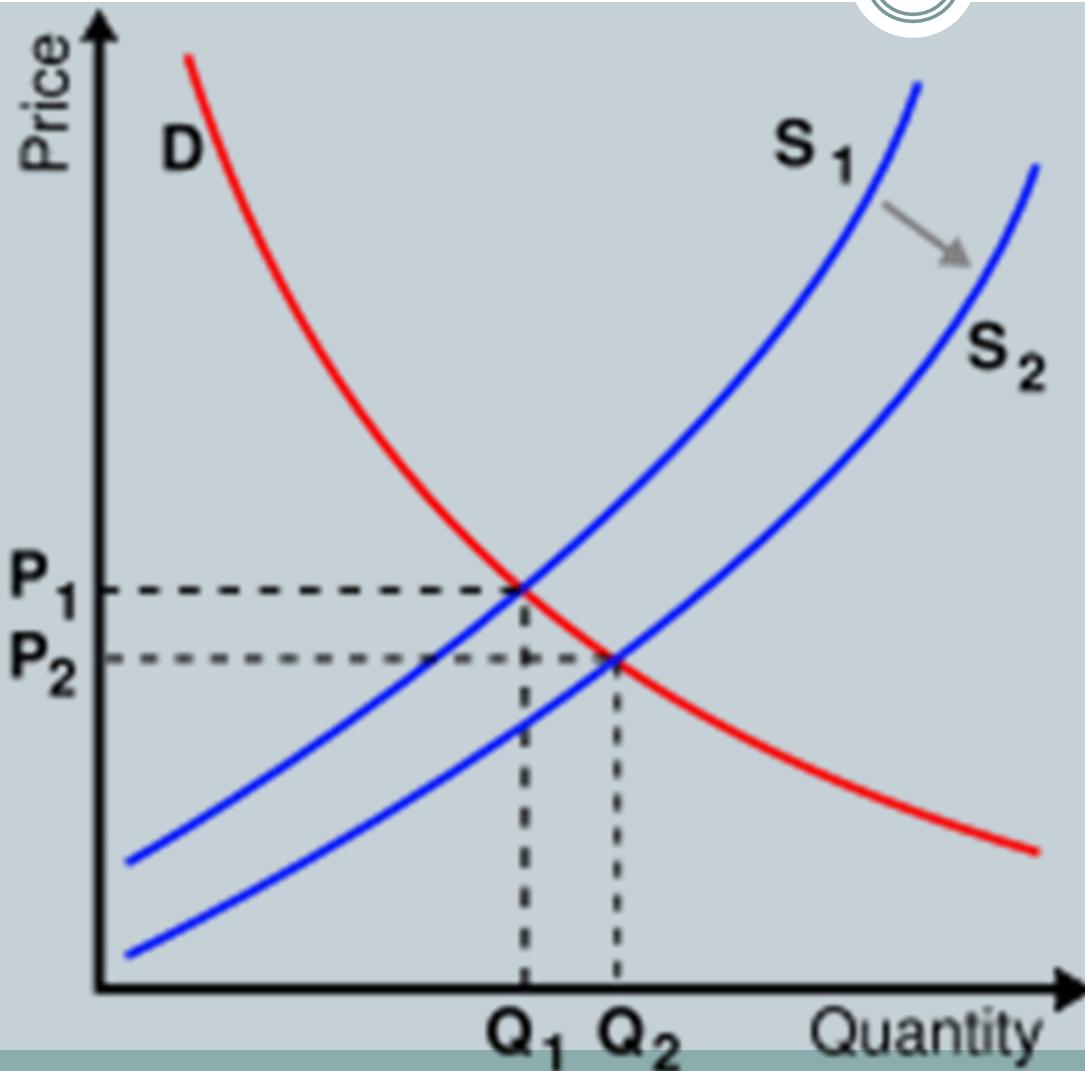
DEMAND

HOW MUCH PRODUCT PEOPLE
ARE WILLING TO BUY

Supply and Demand Chart



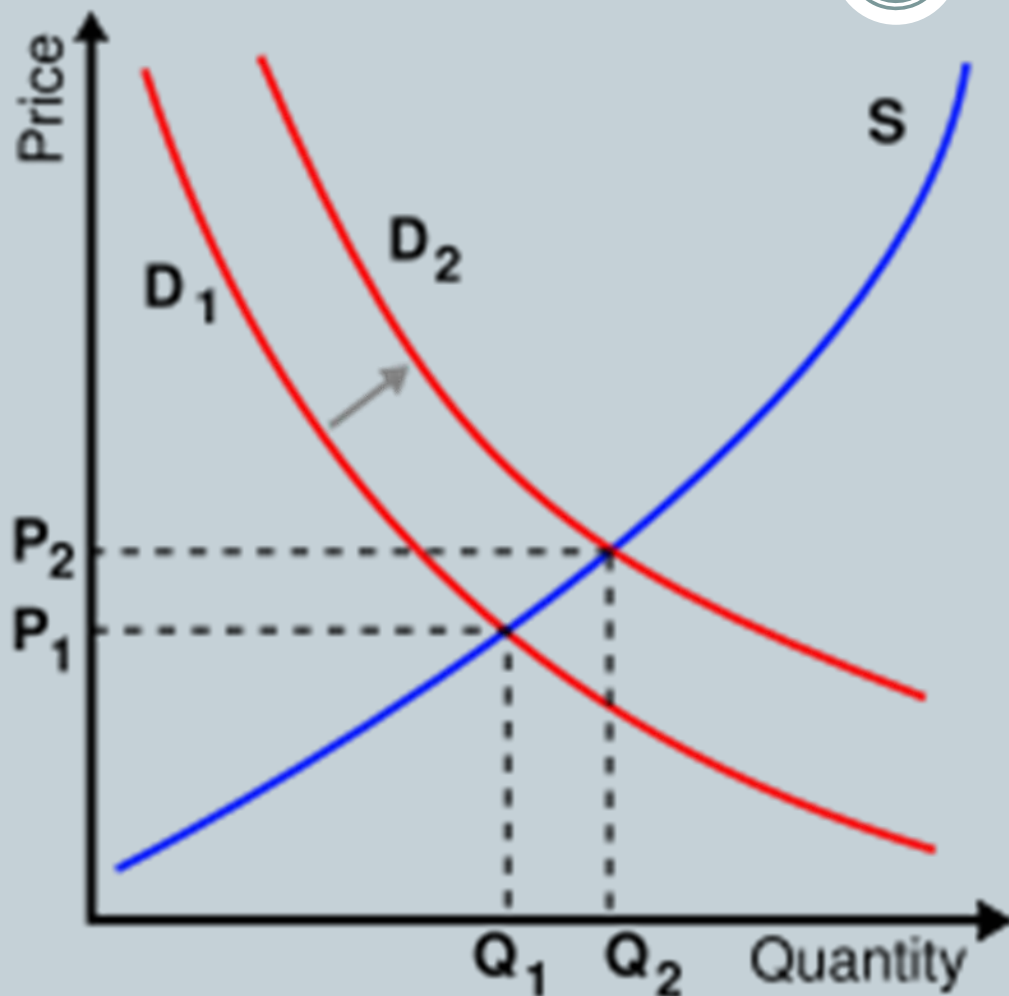
Effect of Input Costs on Supply



If the price of an ingredient in a particular product changes, its manufacturers will be more or less willing to produce that product at the current selling price.

Example: If the cost of sugar goes down in a candy bars the price of the candy bars is likely to decrease.

Effect of an Increase in the Price of Complementary Goods on Demand



A change in the price of one consumer good can affect the demand for another good.

Example: As gas prices rose, the demand for large, “gas-guzzling” cars decreased. The demand for gas—efficient cars increased during the same time.