1 Demand, supply, and equilibrium – Part 2

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English	**Write it 3 times** (English)		
Demand			
Supply			
Equilibrium			
surplus			
shortage			

Recall

You have seen how prices work in shops:

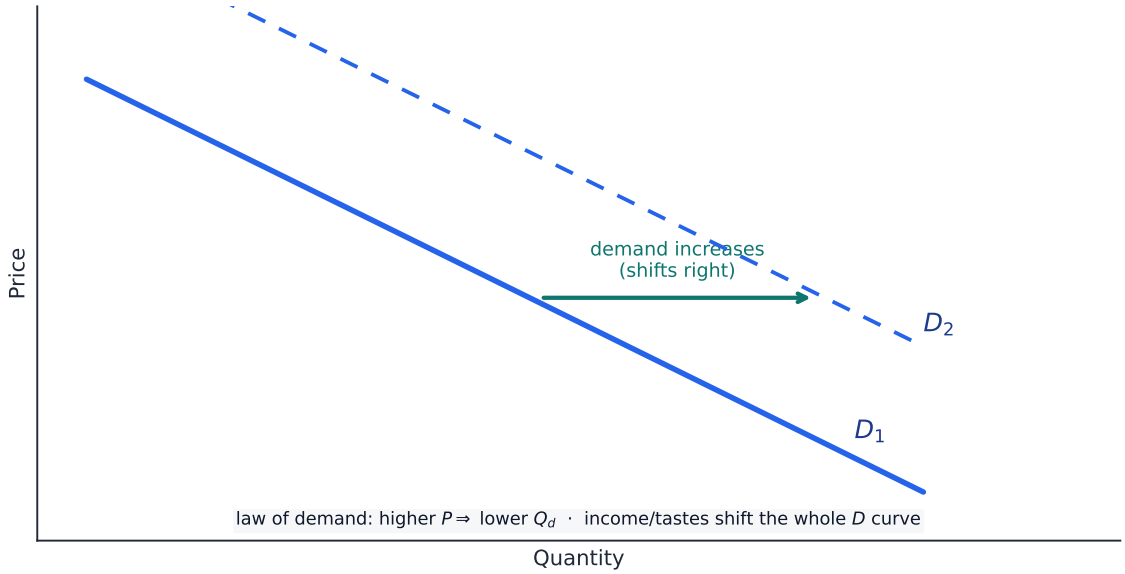
- When something is popular, its price tends to rise.
- When there is too much of something, its price tends to fall.
- Buyers and sellers meet at a market price.

This sheet lines up demand, supply, and how they set the price. Each idea has a worked example.

New ideas

1 Demand

Demand shows how much buyers will buy at each price. The **law of demand**: as price rises, quantity demanded falls, so the demand curve slopes **downward**.

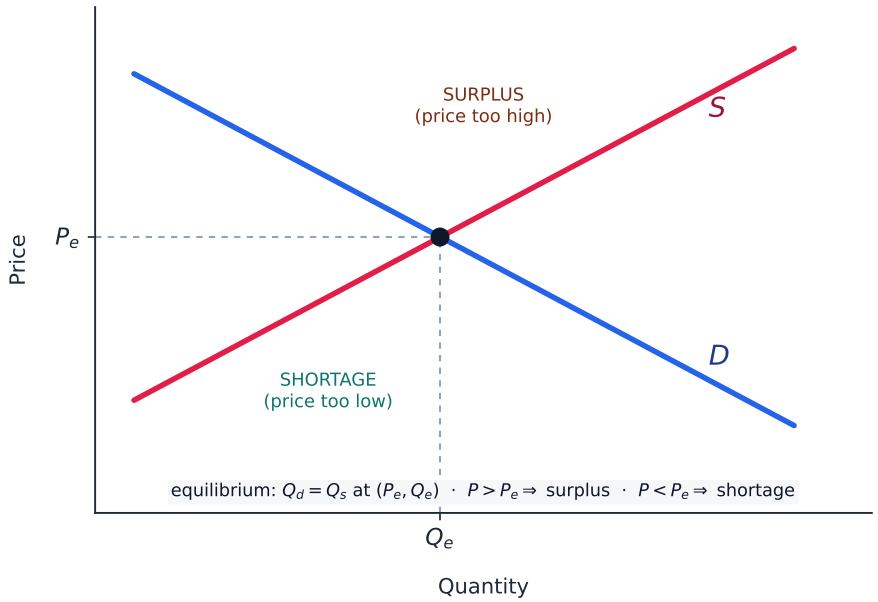


2 Supply

Supply shows how much sellers will offer at each price. The **law of supply**: as price rises, quantity supplied rises, so the supply curve slopes **upward**.

3 Market equilibrium

Equilibrium is where supply meets demand – the price that clears the market.



- Above the equilibrium price there is a **surplus** (too much), which pushes the price down.

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- Below it there is a **shortage** (too little), which pushes the price up.

■ **4 Shifts**

If demand rises (a rightward shift), the price and quantity both rise. If supply rises, the price falls but quantity rises.

Watch out: a change in the good's **own price** moves you **along** a curve; a change in something else (income, tastes, costs) **shifts** the whole curve. Don't confuse a movement with a shift.

Practice

Try these in order. The methods are all above.

2.1 State the law of demand and the direction the demand curve slopes. [2]

2.2 State the law of supply and the direction the supply curve slopes. [2]

2.3 State what happens to the price when there is a surplus, and why. [2]

2.4 A new technology lowers production costs, shifting supply right. State what happens to the equilibrium price and quantity. [2]

2.5 State the difference between a movement along a demand curve and a shift of the curve. [2]