Demand, supply, equilibrium and elasticity

Pearson Edexcel · International GCSE · Economics · Vocabulary in context

Word	Example
demand /dɪ'mænd/	Hot weather increases the **demand** for ice cream.
substitutes /'sʌbstɪtju:ts/	Tea and coffee can be **substitutes**.
complements /'kɒmplɪmənts/	Printers and ink are **complements**: you need both.
demographic changes	**Demographic changes**, such as an ageing population, change what people buy.
supply /sə'plaɪ/	A new bakery increases the **supply** of bread.
indirect taxes /ɪndaɪ'rekt 'tæksɪz/	Sales taxes are **indirect taxes** on spending.
subsidies /'sʌbsɪdiz/	The government pays **subsidies** to farmers.
equilibrium /ˌi:kwɪ'lɪbrɪəm/	At **equilibrium**, the amount people want to buy equals the amount for sale.
excess demand /ek'ses dɪ'mænd/	At a low price there is **excess demand**: people want more than is for sale.
excess supply /ek'ses sə'plaɪ/	At a high price there is **excess supply**: unsold goods pile up.
market forces	**Market forces** of supply and demand set the price.
price elasticity of demand /praɪs ɪlæ'stɪsɪti ɒv dɪ'mænd/	**Price elasticity of demand** shows how much demand changes when the price changes.

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Word	Example
inelastic /ɪnɪ'læstɪk/	Demand is **inelastic** when a price rise causes only a small fall in sales.
elastic /ɪ'læstɪk/	Demand is **elastic** when a small price rise causes a big fall in sales.
total revenue /'təʊtl 'revənju:/	Price times quantity sold gives **total revenue**.
price elasticity of supply /praɪs ɪlæ'stɪsɪti ɒv sə'plaɪ/	**Price elasticity of supply** shows how much supply changes when the price changes.
stocks /stɒks/	The shop keeps **stocks** of goods in the back room.
spare capacity /speə kə'pæsɪti/	A factory with **spare capacity** can make more without new machines.
primary products	Raw cotton and copper ore are **primary products**.
income elasticity of demand /'ɪŋkʌm ɪlæ'stɪsɪti ɒv dɪ'mænd/	**Income elasticity of demand** shows how demand changes when income rises.
luxury /'lʌkʃəri/	Holidays abroad are a **luxury**: people buy many more as they get richer.
inferior good /ɪn'fɪərɪə gʊd/	Cheap bread may be an **inferior good**: people buy less of it as they get richer.