

Supply and demand

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DEMAND

- ◉ Demand is the quantity of a commodity that consumers wish to buy.



TYPES OF DEMAND

- ◎ An elastic demand
- ◎ An inelastic demand
- ◎ A cross-elasticity demand

An elastic demand

- ◎ The demand for products that have good, readily available substitutes is likely to be elastic, because consumers can easily replace one good with another if its price rises.



An inelastic demand

- ◎ The demand for a product may be inelastic if there are no close substitutes and if expenditures on the product comprise only a small part of the consumer's income.



Currency	Current
AUD	3.00%
CAD	0.50%
EUR	1.25%
JPY	0.10%
	3.00%

A cross-elasticity demand

- ◎ The cross-elasticity of demand measures the response in consumers' demand for one product to changes in the price of another.



- ◎ The economic analysis involves examining the relationship between various prices and the maximum quantity that would potentially be purchased at each of these prices. These price-quantity combinations may be plotted on a curve, known as a demand curve.



SUPPLY

- Supply is the quantity of a commodity that producers wish to sell at various prices.



An equilibrium price

- ⦿ Equilibrium price is the price at which the quantity demanded is equal to the quantity supplied.

