



---

## Chapter 2

### Demand and Supply

#### 1. Demand

The ability and willingness to buy specific quantities of a good at alternative prices in a given time period.

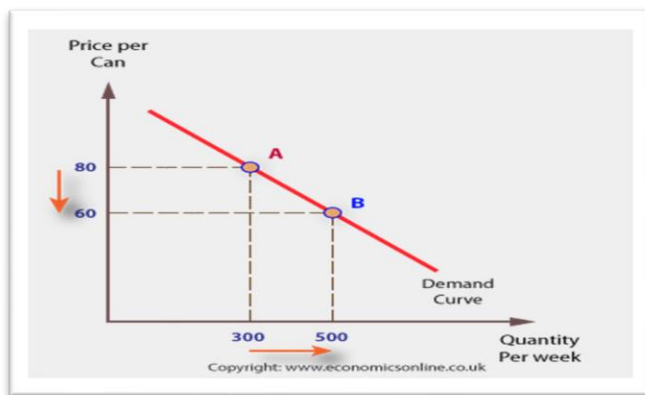
There is the goods and the service purchasing power at the consumer to buy certain quantities of goods at different prices.

1- The ability to purchase.

2- The desire.

#### Curve

The inverse relationship between price and the quantity demanded.



#### Demand Schedule

- ❖ This table shows demand for goods - the quantities demanded at different prices.
- ❖ The data can be used to construct a demand curve



---

Demand for goods	
Price	Quantity Demanded
\$55	5
\$20	25
\$5	50

### Law Of Demand

The quantity of a good demanded in a given time period Increases as its price falls.

### Factors Effecting Demand

1. The price of the same goods.
2. The prices of other goods.
3. Change in consumer income:
  - ❖ When people get richer, they buy more stuff.
  - ❖ When an increase in income increases the demand for a good, it is a normal good
4. Changes in consumer taste:
  - ❖ Changes in tastes caused by fads, fashions, and advertising can all increase or decrease demand
5. Expectations in prices:
  - ❖ The expectation of a reduction in future supply increases the demand today.
6. Geographical location and time.
7. Number of buyers: An increase in population will increase demand generally



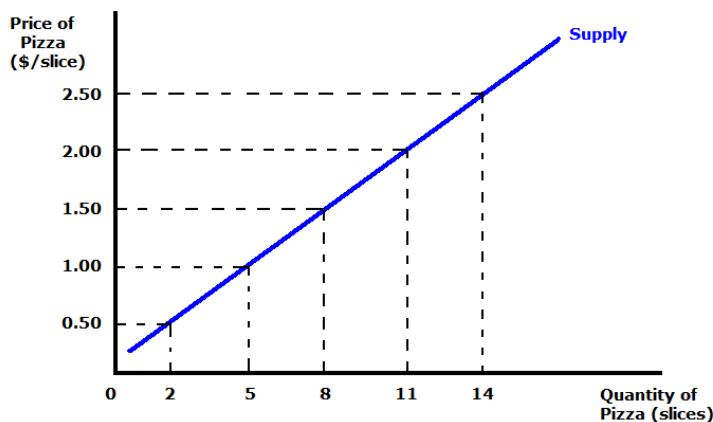
---

## 2. Supply

- ❖ The ability and willingness to sell (produce) specific quantities of a good at alternative prices in given time period.
- ❖ Quantity of goods and services that producers wanted to produced and sold at a different .

### Curve

Positive relationship between the price of the goods and the quantity supplied.



### Factors Effecting Supply

1. The Price of the same goods.
2. The Prices of other goods.
3. Expectations in Prices.
4. Factors of Production Prices.
5. Factor costs.
6. Taxes and subsidies.
7. Number of sellers.
8. The Technological level of Production.

---

## Law Of Supply

- ❖ There is a positive relationship between the price of a product and the amount of it that will be supplied.
- ❖ As the price of a product rises, producers will be willing to supply more.

## Equilibrium

- ❖ Only one price and quantity are compatible with the existing intentions of both buyers and sellers.
- ❖ The equilibrium price is the price at which the quantity of a good demanded in a given time period equals the quantity supplied

