

GRADE 10 | 2024

Economics: Demand, Supply and Market Equilibrium

Economics

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1. Demand

FORMULA: Law of Demand: as price increases, quantity demanded decreases (inverse relationship)

Demand curve slopes downward left to right

Factors Shifting Demand Curve

- Changes in income
- Price of related goods (substitutes and complements)
- Consumer tastes and preferences
- Population changes
- Future price expectations

2. Supply

FORMULA: Law of Supply: as price increases, quantity supplied increases (direct relationship)

Supply curve slopes upward left to right

Factors Shifting Supply Curve

- Changes in production costs (wages, raw materials)
- Technology improvements
- Government taxes or subsidies
- Price of related goods
- Number of producers

3. Market Equilibrium

Equilibrium is where the demand curve and supply curve intersect. At the equilibrium price, quantity demanded = quantity supplied.

Price Controls

- Price ceiling: maximum price set below equilibrium (shortage results)
- Price floor: minimum price set above equilibrium (surplus results)

4. Elasticity of Demand

FORMULA: Price Elasticity of Demand (PED) = % change in Qd / % change in P

PED > 1: elastic (demand very sensitive to price)

PED < 1: inelastic (demand not very sensitive to price)

PED = 1: unit elastic