

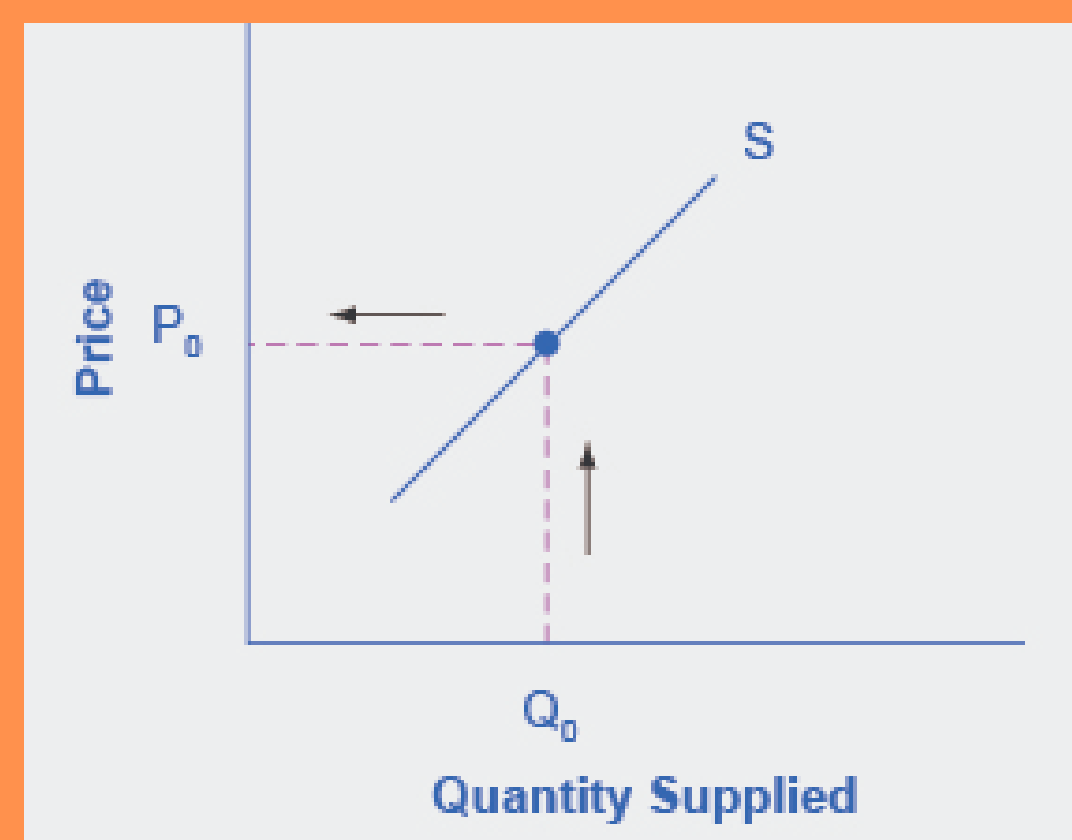
THE IMPORTANCE OF SUPPLY AND DEMAND

BY: YESENIA ESCARENO

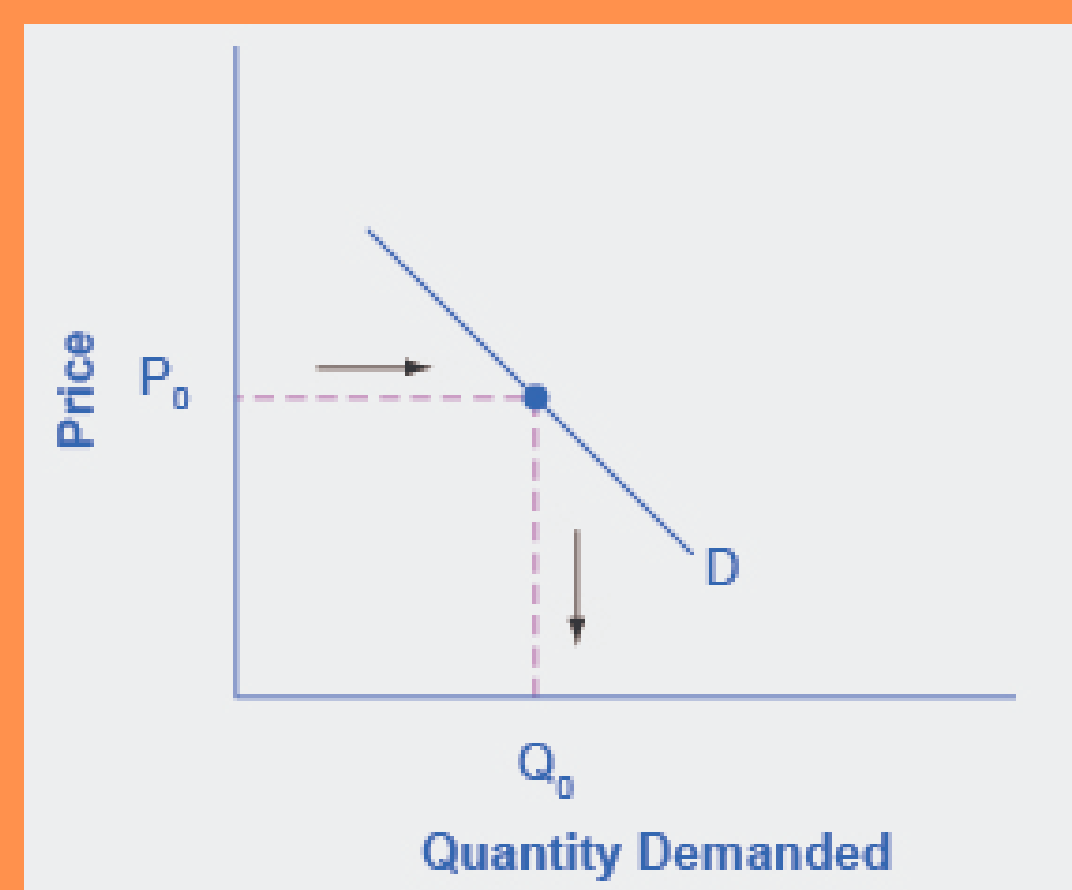
INTRODUCTION

Supply and demand are one of the most basic concepts of economics, but it is one of the most crucial and important concepts. Demand is defined as “the amount of some good or service consumers are willing and able to purchase at each price” (“Demand and Supply” 47). Supply is defined as “the amount of some good or service a producer is willing to supply at each price” (48). Both of these concepts balance on one another in order to make up the market and keep the economy flowing.

Law of Supply- when there is a decrease in price the outcome is a decrease in the quantity supplied, and vice versa



Law of Demand- as the price of a good or service increases, consumers will purchase less of it



Equilibrium- “price at which supply equals demand for a product, in other words where the hypothetical supply and demand curves intersect” (Staff)

Factors Affecting Supply

- decrease in costs of production (“Factors Affecting Supply”)
- more firms
- related supply
- weather
- productivity
- technological improvements

Factors Affecting Demand

- income (“Factors Affecting Demand”)
- credit facilities
- quality
- advertising
- weather
- substitutes
- complements

HOW COVID-19 AFFECTED SUPPLY AND DEMAND

One of the major ways the economy was affected was with supply and demand. There was a huge supply and demand shock (Maiello). Many people were furloughed from their jobs, so these people had no spending power in the economy. This resulted in demand dropping all across the board. Those industries that had to be shut down back in March 2020, had a decrease in their demand, but it also affected the complementary goods and services. Automotive services and stores were at a low since a lot

people were working from home which led its supply and demand to be low.(Harapko). There were many industries that were doing very well at the start of the pandemic such as grocery stores and PPE companies. These companies had a huge supply and demand boom. With the businesses who benefited profitably from the pandemic, 11% reported positive effects. These same companies reported an increase in customer demand by 71%.

CONCLUSION

Supply and demand are such necessary concepts to understand how the economy runs and works. The pandemic allowed for many people to understand in a deeper analysis how quick the economy can change. These two will always be one of the most fundamental concepts in economics.

WORKS CITED

- “Demand and Supply.” Principles of Economics 2e, by Steven A. Greenlaw et al., OpenStax College, Rice University, 2018, pp. 47–48.
- Harapko, Sean. “How COVID-19 Impacted Supply Chains and What Comes Next.” EY, EY, 18 Feb. 2021, www.ey.com/en_us/supply-chain/how-covid-19-impacted-supply-chains-and-what-comes-next.
- Maiello, Michael. “How COVID-19 Shocked Both Supply and Demand.” Chicago Booth Review, May 2020, review.chicagobooth.edu/economics/2020/article/how-covid-19-shocked-both-supply-and-demand.
- Pettinger, Tejvan. “Factors Affecting Demand.” Economics Help, 24 July 2020, www.economicshelp.org/microessays/equilibrium/demand/.
- Pettinger, Tejvan. “Factors Affecting Supply.” Economics Help, 24 July 2020, www.economicshelp.org/microessays/equilibrium/supply/.
- Staff, Investopedia. “Economic Equilibrium Definition.” Investopedia, Investopedia, 1 Jan. 2021, www.investopedia.com/terms/e/economic-equilibrium.asp.