Эль Уаии Закария 2-53

Topic 8

Task 1

1) Because of the Law of demand: as prices falls, quantity demanded rises and as price rises, quantity demanded falls.

2) Factors shifting demand right: increase in income, increase in population, rise in prices of substitute goods, fall in prices of complementary goods, increase in consumer tastes or preferences.

3) Because of rising marginal costs: higher prices are needed to induce firms to produce and sell more output

4) Factors shifting supply left: increase in production cost (Wages, raw materials), higher taxes, stricter regulations, decrease in technology, negative supply shocks.

5) The intersection point shows the equilibrium price and quantity where quantity demanded equals quantity supplied

6) Market price may differ from equilibrium due to price controls sudden changes in demand or supply, or delays in market adjustment

~~7~~) If price is above equilibrium, excess supply occurs, causing sellers to lower prices until equilibrium is reached.