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Demand and Supply Analysis

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Introduction

Demand theory describes the way that changes in the quantity of a good or service demanded by consumers affects its price in the market, The theory states that the higher the price of a product is, all else equal, the less of it will be demanded, inferring a downward sloping demand curve.

In a general sense, economics is the study of production, distribution, and consumption and can be divided into two broad areas of study: macroeconomics and microeconomics. Macroeconomics deals with aggregate economic quantities, such as national output and national income, and is rooted in microeconomics, which deals with markets and decision making of individual economic units, including consumers and businesses. Microeconomics is a logical starting point for the study of economics.

The Theory of Demand and Supply is a central concept in the understanding of the Economic system and its function. The quantity demanded of a good or service is the amount that consumers plan to buy during a particular time period, and at a particular price. In the following section, we will see how the concept of supply and demand is related to each other and how they affect each other. Let us begin!

We know that a market is an arrangement that enables buyers and sellers to get information and do business with each other. A competitive market is a market that has many buyers and many sellers so no single buyer or seller can influence the price. The money price of a good is the amount of money needed to buy it. The relative price of a good—the ratio of its money price to the money price of the next best alternative good—is its opportunity cost.

Supply and demand, in economics, relationship between the quantity of a commodity that producers wish to sell at various prices and the quantity that consumers wish to buy. It is the main model of price determination used in economic theory. The price of a commodity is determined by the interaction of supply and demand in a market. The resulting price is referred to as the equilibrium price and represents an agreement between producers and consumers of the good. In equilibrium the quantity of a good supplied by producers equals the quantity demanded by consumers.

Demand theory refers to a theory that studies the relationship between the demand of consumer goods and their prices. It is the premises of the demand curve that creates a link between the quantity demanded and price for a product. With more supply of a product or service, its demand declines followed by the equilibrium price.

Demand refers to the quantity of a product or service that users are desirous and capable of purchasing at a said price in a given timeframe. In order to fulfill their desires and wants, people tend to have demand for goods and services. The product demand available at a specific price showcases how much satisfied a user would be after using the product. The level of satisfaction that a consumer receives from a product is referred to as utility.

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