## Demand and Supply (Cheat Sheet)

	Demand	Quantity demanded	Supply	Quantity supplied
Definition	Amount of goods that	Amount of goods that	Amount of good that	Amount of goods that
Deminion	consumers are willing and	consumers are willing and	producers are willing and	producers are willing and
	able to buy in a given time	able to buy in a given time	able to offer in a given time	able to offer in a given time
	period <u>at various prices</u>	period <u>at a specific price</u>	period <u>at various prices</u>	period <u>at a specific price</u>
Factors	Affected by non-price	Affected by price factors	Affected by non-price	Affected by price factors
	factors (PTIDE)	Affected by <u>price factors</u>	factors (CPPSE)	Affected by <u>price factors</u>
affecting	<u>lactors (FTIDE)</u>		lactors (CFF3E)	
change	. Duite a of well-took was also		. 046	
	Price of related goods		Cost of production	
	(substitutes &		(cost of inputs, technology,	
	complements)		productivity, tax/subsidy)	
	Taste & Preference		Price of related goods	
	(fashion, advertising,		(competitive/joint supply)	
	seasons)		(dempetitive/jeint supply)	
	,	_ ee1	Number of Producers	
	• Income	NOT	(barriers of entry)	
	(purchasing power,	N W / /	,,,	
	affected by GDP growth	NWZ	Supply Shocks	
	rate)	N/V	(natural: floods, droughts /	
		V 13P	man-made: conflict/riots)	
	Demographics		,	
	(size, age, sex)	딕	Expectations	
			(future outlook)	
	<ul> <li>Expectations</li> </ul>		(ratare called any	
	(expectation of future			
	income/prices)			
	· ····-· /-··//			
Graphical	Shift in demand curve	Single point on demand	Shift in supply Curve	Single point on supply curve
Representation	$(D_1 \rightarrow D_2)$	curve (Q <sub>1</sub> → Q <sub>2</sub> )	$(S_1 \rightarrow S_2)$	$(Q_1 \rightarrow Q_2)$
	A			
	Price (\$)	Price (\$)	Price (\$)	Price (\$)
		1	, S <sub>1</sub>	S <sub>1</sub>
		P	, s <sub>2</sub>	P <sub>2</sub>
		P <sub>2</sub>		P <sub>1</sub>
	D <sub>2</sub>	n.		
	D <sub>1</sub> Qty (units)	$Q_1 \qquad Q_2$ Qty (units)	→ Qty (units)	
-		V <sub>1</sub> V <sub>2</sub>		$Q_1$ $Q_2$ Qty (units)
				$Q_1$ $Q_2$

Econs

## Elasticities of Demand/Supply (Cheat Sheet)

	Price elasticity of	Income elasticity of	Cross elasticity of	Price elasticity of Supply
	Demand (PED)	Demand (YED)	Demand (CED)	(PES)
Definition	PED measures	YED measures the	CED measures the	PED measures
	responsiveness of quantity	responsiveness of demand	<u>responsiveness</u> of	responsiveness of quantity
	demanded of a good to	of a good to changes in	demand of a good X to	supplied of a good to
	changes in its price, <mark>ceteris</mark> peribus	income, <mark>ceteris peribus</mark>	changes in price of good Y,  ceteris peribus	changes in its price, <mark>ceteris</mark> <mark>peribus</mark>
Formula	% ∆ in Q <sub>D</sub>	%∆in Q <sub>D</sub>	% Δ in Q <sub>DX</sub>	% ∆ in Qs
	% Δ in P	% Δ in Income	% Δ in P <sub>Y</sub>	% Δ in P
Sign &	Always negative  Hence we analyse using its magnitude	Positive or negative	Positive, negative or 0	Always positive
Magnitude		Price (\$)	CED > 0	PES > 1
	PED  > 1   Price elastic demand	<u> </u>	Substitutes	Price elastic supply
				Price (\$)
	Price (\$)		A decrease in the price of	†
	p .	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Good Y (e.g. Coca Cola) leads to a <b>decrease</b> in	P <sub>2</sub> S <sub>1</sub>
	P <sub>2</sub> D <sub>1</sub>	$\begin{array}{c} & & & \\ & &$	demand for Good X (e.g.	P <sub>1</sub>
		VED : 4	Pepsi)	
	$Q_1$ $Q_2$ $Q_2$	YED > 1 Luxury Goods		
	Graph is flat	Editary Goods	As the price of Coca Cola decreases, consumers would	$Q_1$ $Q_2$ Qty (units)
	0	Increase in Y leads to more	shift their consumption to	O shangas mara than
	Q <sub>D</sub> changes <u>more than</u> <u>proportionate</u> to change in	than proportionate	purchase Coca Cola instead	Q <sub>s</sub> changes <u>more than</u> <u>proportionate</u> to change in
	price	<b>increase</b> in demand	of Pepsi, leading to a decrease in demand for pepsi	price
	<b>1</b>		acoroaco in acimana ici poper	· ·
				0 < PES <1
	PED  < 1	0 < YED < 1	CED < 0	Price inelastic supply
	Price inelastic demand	Necessities	Complements	Price (\$)
	Price (\$)	Ingrana in Vlanda ta lasa	A <b>decrease</b> in the price of	P <sub>2</sub> / <sup>S<sub>1</sub></sup>
	<u> </u>	Increase in Y leads to <u>less</u> than proportionate	Good Y (e.g cars) will lead	P <sub>1</sub> /
	P <sub>1</sub>	increase in demand	to an <b>increase</b> in demand	
			for Good X (e.g. gasoline)	
	P <sub>2</sub>		With a decrease in car prices,	Q <sub>1</sub> Q <sub>2</sub> Qty (units)
	$\begin{array}{c} & & \downarrow & \downarrow & \downarrow \\ & & \downarrow & \downarrow & \downarrow \\ & & Q_1 & Q_2 & & & \end{array} $ Qty (units)	YED < 0	more people would own cars	Qs changes <u>less than</u>
-	Graph is steep	Normal Good	and drive about, increasing	<u>proportionate</u> to change in
	Q <sub>D</sub> changes <u>less than</u>		demand for gasoline.	price
	proportionate to change in	Increase in Y leads to		
	price	decrease in demand	5	
Factors	Substitutes	Nature of goods	Nature of	Time period
affecting	More:  PED >1	Level of income	relationship	Long: PES > 1
change	Less:  PED <1  • Necessity of good			Short: 0 < PES < 1 • Inventory/Storage
	Luxury:  PED >1			Can be stored: PES > 1
	Necessities:  PED <1			Perishables: 0 < PES < 1
	Proportion of income			Nature of production
	High %:  PED >1			Production period
	Low %:  PED <1  Time period			Long: PES > 1 Short: 0 < PES < 1
	Long:  PED >1			Spare capacity
	Short:  PED <1			High: PES > 1
	01.00	<u> </u>	01:0:	Low: PES <1
Graphical	Shift in demand curve (D₁ → D₂)	Single point on demand curve $(Q_1 \rightarrow Q_2)$	Shift in supply Curve $(S_1 \rightarrow S_2)$	Single point on supply curve $(Q_1 \rightarrow Q_2)$
Representation	Price (\$)	Price (\$)	(01 / 02)	Price (\$)
	<b>1</b>	1	Price (\$)	P <sub>2</sub>
		P <sub>1</sub>	S <sub>1</sub>	P <sub>1</sub>
		P <sub>2</sub>		
	D <sub>1</sub> On (with)	D <sub>1</sub>		
		$\begin{array}{ccc} & i & & \downarrow & \\ & Q_1 & Q_2 & & \end{array} \rightarrow \begin{array}{c} Qty \text{ (units)} \end{array}$	Qty (units)	$Q_1$ $Q_2$ $Q_2$
	l	l	I	1