



TOPIC OVERVIEW

- SUPPLY AND ITS PARTS
- MARKET AND MARKET EQUILIBRIUM

UNIT 1: SUPPLY AND ITS PARTS

- It is the quantity of goods that the sellers are willing and able to offer for sale at different prices. It is also the seller's side of the market.

1.0 LAW OF SUPPLY

POINT	PRICE	QUANTITY OF SELLER
A	20	0
B	26	60
C	34	140

- The Law of Supply is that supply is **directly proportional to demand** and price and **inversely proportional to the decrease of both**.

- Basically, it states that as the **price goes up**, the **quantity and the willingness of the seller goes up**. However, as the **price goes down**, the **quantity and the willingness of the seller also goes down**.

- For example, the high demand in matcha made more people sell it and turn it from a rare commodity to a simple flavor agent.

1.1 NON-PRICE DETERMINANTS

- There are several non-price determinants of supply which can affect the quantity supplied and the price.

- Costs (from production inputs)
- Government Interventions
- Technology
- Price of Related goods
- Number of Sellers

DETERMINANTS	EXPLANATION
<b>Costs (Production Inputs)</b>	- It refers to the total expenses incurred to bring a product to market. For example, selling a coconut involves costs like ₱7 for the item itself and ₱15 for transportation. These underlying costs are essential factors that dictate the final price of the product. - These are costs behind the product as a result of producing them.
<b>Government Interventions</b>	- The government manages supply via <b>subsidies</b> to support struggling businesses, <b>taxes</b> (like "sin taxes") to discourage harmful products, and <b>regulations</b> to ensure safety and prevent monopolies. These tools ensure the market remains fair, safe, and stable for consumers.
<b>Technology</b>	- The manufacturing process of products change over time, product costs change - Manual labor vs. automated labor..
<b>Price of Related Goods</b>	- Supply rises for items considered "complements in production." For instance, high demand for Christmas goods or smartphones automatically increases the supply of related items like gift baskets or phone cases. Sellers simply provide more of whatever is tied to a popular primary product.
<b>Number of Sellers</b>	- Market supply is determined by the total number of vendors offering a product. As more sellers





enter the market—such as those selling cards during the Chinese New Year—the overall supply increases. This abundance of suppliers typically drives the market price down, making the product cheaper for consumers.

1.2 ELASTICITY OF SUPPLY

- It is the producer's response to the changing prices of products. It also measures the responsiveness of supply to a change in price. There are three types of elasticity:

ELASTICITY	EXPLANATION
<b>Elastic</b>	- Small increase or decrease in price has a big effect on supply - Easy to produce and non-essential goods. - <b>Ex:</b> Coffee
<b>Inelastic</b>	- A change in price results in a slight change in quantity supply - Essential and difficult to produce goods. - <b>Ex:</b> Vaccines
<b>Unitary</b>	- A change in price means a change in supply. - Products that are seldom sold in the market. - <b>Ex:</b> Christmas tree,

PERFECT

<b>ELASTIC</b>	- Supply can change infinitely at a given price, willing to sell at any quantity or amount. - <b>Ex:</b> Soon to expire goods
<b>INELASTIC</b>	- Supply is not possible to change at all, no matter the price. - <b>Ex:</b> Limited edition items, Vintage

UNIT 2: MARKET

- In the market, there are producers with supply and customers with demand, these factors all lead to the market, as stated before. Along with that, goods are being sold, and sometimes it is agreed upon or not. This leads to **market equilibrium and disequilibrium**.

2.0 MARKET EQUILIBRIUM

- **Market equilibrium** is the situation in a market where the quantity that buyers want to purchase is **exactly equal** to the quantity that sellers want to sell at a particular price.
- **DISEQUILIBRIUM** leads to government intervention.

REMEMBER!

<b>EQUILIBRIUM</b>	QUANTITY SUPPLY <b>=</b> QUANTITY DEMAND
<b>DISEQUILIBRIUM</b>	QUANTITY SUPPLY <b>≠</b> QUANTITY DEMAND

P	QD	QS	
1	50	10	< <b>DISEQUILIBRIUM</b>
3	30	30	< <b>EQUILIBRIUM</b>
5	10	150	< <b>DISEQUILIBRIUM</b>

**Price Ceiling:** A legal maximum price to protect consumers. It lowers costs but often causes **shortages** as demand outpaces supply. (**Consumers**)

**Price Floor:** A legal minimum price to protect producers. It keeps prices stable but can cause a **surplus** if supply exceeds demand. (**Producers**)

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