The Basic Element of Supply and Demand

Demand Schedule for Cornflakes

	Price (₱ per box) **P**	**Quantity demanded** (millions of boxes per year) **Q**
A	₱225	9M
B	₱180	10M
C	₱135	12M
D	₱90	15M
E	₱45	20M

at 225 pesos per box, consumes will buy 9 million boxes per year.

At a lower price more cornflakes are bought. At a price of 180 pesos, the quantity bought is 10 million boxes. Yet at a lower price *(P)* equal to 135 pesos, the quantity demanded *(Q)* is still greater, at 12 million boxes. And so forth.

C. Equilibrium of Supply and Demand

- When supply and demand are equal (i.e. when the supply function and demand function intersect) the economy is said to be at equilibrium

Combining Demand and Supply for Cornflakes

	(1) Possible price ($ per box)	(2) Quantity demanded (millions of boxes per year)	(3) Quantity supplied (millions of boxes per year)	(4) State of market	(5) Pressure on price
A	5	9	18	Surplus	↓ Downward
B	4	10	16	Surplus	↓ Downward
C	3	12	12	Equilibrium	Neutral
D	2	15	7	Shortage	↑ Upward
E	1	20	0	Shortage	↑ Upward

Demand and Supply table

Surplus-The excess of goods

Shortage- The lack or deficit of goods