

### Introduction to economics 3

We are going to look in more detail at the economic models that are an important part of price determination.

These are **demand**, **supply** and **price equilibrium**. These are core components in microeconomics.

State 4 key points about demand:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Supply is the amount a producer is willing and able to provide, at a set price, at a given point in time.**

Watch this short YouTube video to learn about supply. You may want to download the note taker document here to support you whilst watching this clip.

YouTube <https://youtu.be/HuAYdv1bH1U>

Note taker [https://drive.google.com/open?id=1GZgw7AXWMKt3Lmfuj3JEg7vvB\\_93kNQB](https://drive.google.com/open?id=1GZgw7AXWMKt3Lmfuj3JEg7vvB_93kNQB)

Open the BBC story:

**Coronavirus: Why is the petrol price nearing £1 a litre?**

<https://www.bbc.co.uk/news/business-52188448>

Production cuts were agreed by members of the Opec oil producers' group.

As you study economics you will learn about a number of international institutions.

Watch this video on the history of OPEC to learn more.

[https://www.opec.org/opec\\_web/en/multimedia/videoDetail.htm#6145701520001,1662595219408660231](https://www.opec.org/opec_web/en/multimedia/videoDetail.htm#6145701520001,1662595219408660231)

Consider the line from the article “It kicked off when Saudi Arabia failed to convince Russia to back production cuts that had been agreed with the other members of the Opec oil producers’ group.”

Did supply increase or decrease?

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Was this as a result of a change in price or other factors?

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Should this be illustrated by a movement along or a shift in the supply curve?

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Draw a supply curve to demonstrate this. Remember to add a title and label axis and curves carefully.



**Explain your diagram.** (You are now starting to show 3 of the 4 exam skills that will be crucial throughout your study of economics.)

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When external factors, that are unexpected, affect demand or supply, these are called **external shocks**. These can be **demand-side shocks** or **supply-side shocks**.

Read the section of the article titled "Will petrol fall to £1 a litre?" With reference to the article explain the terms demand-side shocks and supply side shocks.

Demand-side shocks	Supply-side shocks

In economics you will learn a lot of new terminology. In this worksheet, so far, you have been introduced to 5 key terms. Before moving on check that you understand these terms.

- Supply
- Supply curves
- External shocks
- Supply-side shocks
- Demand-side shocks