

How Do Supply and Demand Affect Prices?



Supply and demand affect the prices of goods and services. Read the chart below to see how. Then answer the questions on the next page.

<p>Supply is how much of a good or service is available. Supply and price move in opposite directions.</p>	<p>Demand is how much of a good or service people are willing to buy. Demand and price move in the same direction.</p>
<p>If supply rises, the price usually falls.</p> <div style="text-align: center;">  <p>Supply Price</p> </div> <p>If a new ice cream shop opens, the supply of ice cream will rise. Now multiple ice cream shops are competing to sell all of their ice cream.</p> <p>A store will have to lower prices so that customers choose to buy ice cream from that store. So, prices will fall.</p>	<p>If demand rises, the price usually rises too.</p> <div style="text-align: center;">  <p>Demand Price</p> </div> <p>If ice cream becomes more popular, the demand for ice cream will rise. Now a store will have an easier time selling its ice cream.</p> <p>A business can raise ice cream prices and probably still sell it all. So, prices will rise, too.</p>
<p>If supply falls, the price usually rises.</p> <div style="text-align: center;">  <p>Supply Price</p> </div> <p>If many ice cream shops close, the supply of ice cream will fall. Now there is less ice cream to go around, so customers will have to compete to get a share of what's left.</p> <p>A store can raise ice cream prices and probably still sell it all. So, prices will rise.</p>	<p>When demand falls, the price usually falls too.</p> <div style="text-align: center;">  <p>Demand Price</p> </div> <p>If ice cream becomes less popular, demand will fall. Now an ice cream store will have a harder time selling its ice cream.</p> <p>A store will have to lower prices to sell all of its ice cream. So, prices will fall, too.</p>

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Read each story in the chart. Draw arrows to show what will happen to the supply and the price.

Story	Supply ↑ or ↓	Price ↑ or ↓
1. Jasmine needs to get her bike repaired. Most of the bike shops in her town have closed. What has happened to the supply of bike repairs? So what will happen to the price ?		
2. Neil's family wants to rent an apartment. A company has built 1,000 new apartments in town. What has happened to the supply of apartments? So what will happen to the price ?		
3. Stefan loves blueberry muffins. But blueberries have had a terrible growing season this year. What has happened to the supply of blueberries? So what will happen to the price ?		
4. Zeke loves to eat pizza. Five new pizza shops have opened in his town this summer. What has happened to the supply of pizza? So what will happen to the price ?		
5. Vincent loves peaches. It's summertime, so peach crops have finished growing all across the country. What has happened to the supply of peaches? So what will happen to the price ?		

Read each story in the chart. Draw arrows to show what will happen to the demand and the price.

Story	Demand ↑ or ↓	Price ↑ or ↓
6. A major scientific study says that a popular energy drink leads to headaches. What will happen to the demand for the energy drink? So what will happen to the price ?		
7. Vivian is a pumpkin farmer who wants to sell her crops. Halloween is coming up in a few weeks. What will happen to the demand for pumpkins? So what will happen to the price ?		
8. Over 100 new families move into a town in one year, and all need somewhere to live. What has happened to the demand for housing? So what will happen to the price ?		
9. Travis sells pencils to his classmates every year. But now he moved to a small town with a tiny school. What will happen to the demand for Travis's pencils? So what will happen to the price ?		
10. Researchers at a university discover that herbal tea improves people's memory and sleep quality. What will happen to the demand for herbal tea? So what will happen to the price ?		