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CASE 4 Increase in Demand & Decrease in Supply

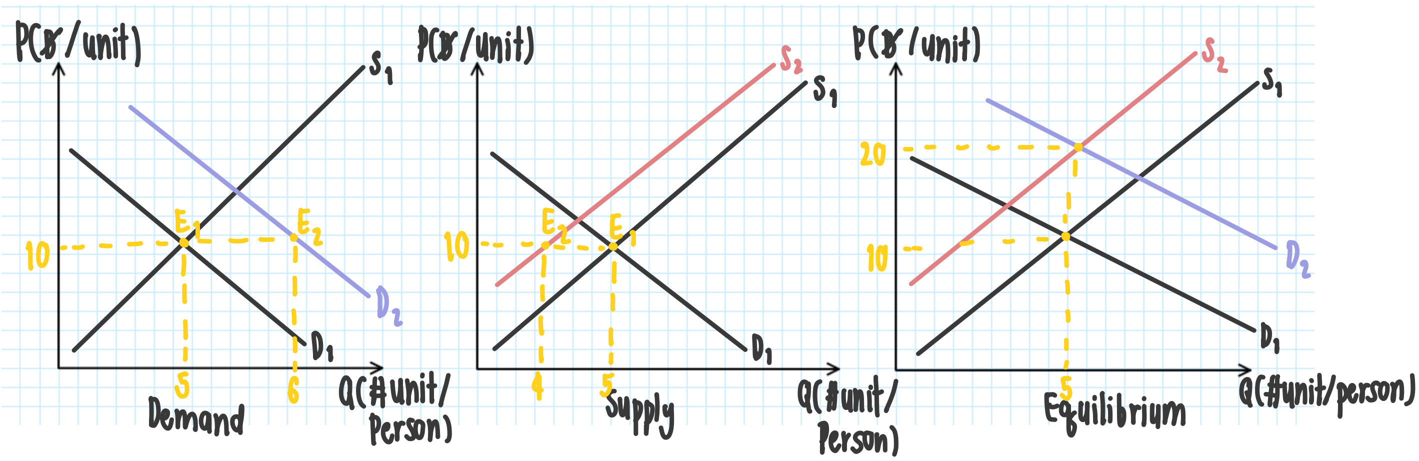
Consider Market for Roses

EVENT 1 (On Demand Side)

Due to valentine's day, people are giving a rose to who they love.

EVENT 2 (On Supply Side)

Seller anticipate about the price of rose will rise up



Full Explanation

Increase in demand: Due to Valentine's day people will buy roses for who they love that make the demand curve was increased by shift to the right from D_1 to D_2 that means people willing to buy roses at the given price.

Decrease in supply: Due to the valentine's day seller anticipate that price of roses will rise up then they collect the roses in their shop till the day that make supply curve shift to the left from S_1 to S_2, imply that the supply are decrease at any observable price.

New equilibrium of Rose market: At old equilibrium, the equilibrium price of this equaled to 10 Baht/unit and the quantity equaled to 5 unit per person, Afterward the demand curve was increased but supply curve was decreased, New equilibrium E_2, the equilibrium price equal to 20 Baht per unit and quantity equal to 5 unit per person.