

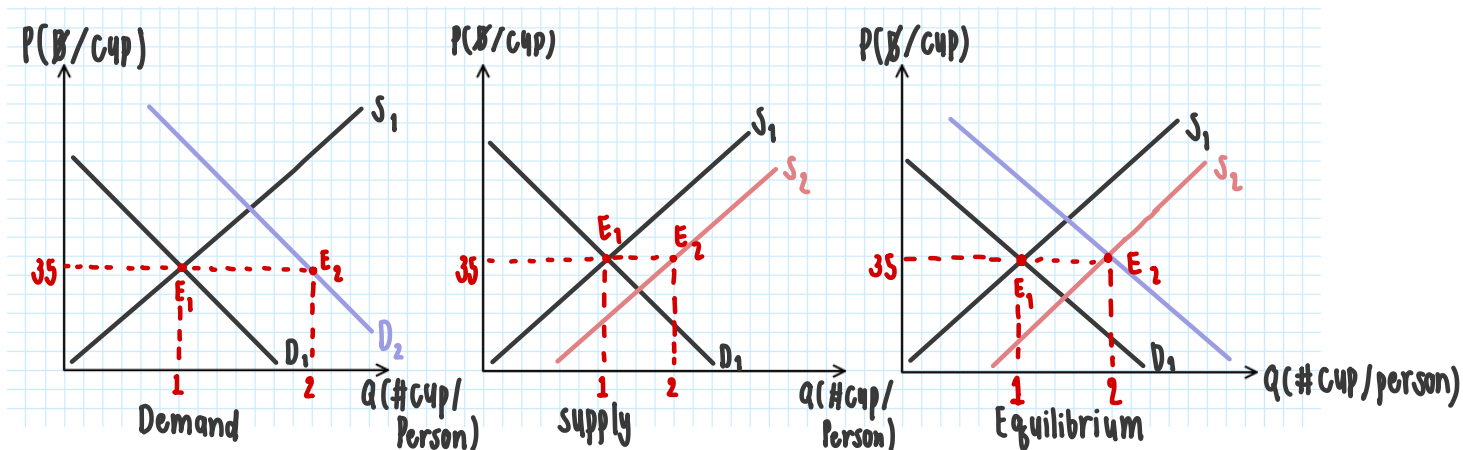
CASE 2 Increase in Demand & Increase in SupplyConsider Market for Bubble tea

EVENT 1 (On Demand Side)

increase in incomes of customer

EVENT 2 (On Supply Side)

Cost of production are cheaper.



Full Explanation!

Increase in Demand: When people are richer they will consume more normal goods (Bubble tea), so the demand curve was increased that make the curve shift to the right from d_1 to d_2 , that means people trend to buy more bubble tea at the observable Price.

Increase in supply: when cost of production are reduce people will want to sell more bubble tea at given price.

New equilibrium in bubble tea market: At old equilibrium E_1 , the equilibrium of Price equaled to 35 and quantity equaled to 1, Afterward, the demand and supply were increase. in the other hand new equilibrium E_2 price are equal to 35 and quantity are also increase to 2.