



# RELATIONSHIPS BETWEEN MARKETS

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## CONTENT

CONTENT DETAILS FOR TEACHING  
AND ASSESSMENT PURPOSES**Relationship  
between markets**

**Analysis of the relationships  
between markets - illuminate  
them with the aid of graphs**

**Relative prices**

Briefly explain relative prices

**Demand and supply relationships**

- substitutes
- compliments

**Discuss the demand and supply relationships  
with the aid of graphs in detail (substitutes and  
compliments)**

**Relationships between product and  
factor markets**

**Detailed discussion of the relationships between  
product and factor markets**



# MARKETS AND PRICES

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- **FACTOR MARKET** – where households sell services of factors of production
- **GOODS MARKET** – where businesses sell final goods and services to consumers (commodity market / product market)

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## RELATIVE PRICES

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- Absolute prices = (nominal prices) the price that you pay for a good / service
- Relative prices = when the price of one good is compared with another good
- Changes in relative prices cause the dynamics of markets



# DEMAND AND SUPPLY

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- **LAW OF DEMAND:** As the price of goods / services increase, the demand for those goods / services decrease (**inverse relationship**)
- **LAW OF SUPPLY:** As the price of goods / services increase, the supply of those goods / services will also increase (**positive relationship**)
- **Change in price** causes a movement along the demand / supply curve
- **Change in any other factor** causes a shift of the curve inward / outward

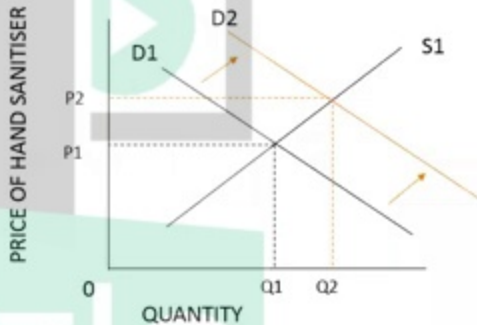
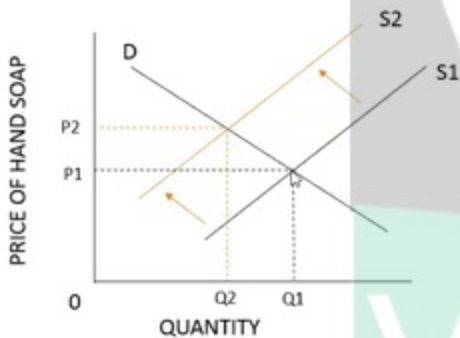


# MARKET RELATIONSHIPS – DEMAND RELATIONSHIPS

- **SUBSTITUTES: (goods that can be used in the place of another)**
  - If the price of a product increases, demand for the cheaper, substitute product will increase, which will cause the price of the substitute product to increase
  - There is a direct and **positive** relationship between the price of a product and the demand for its substitute
  - Hand-soap and hand-sanitiser



# DEMAND RELATIONSHIP - SUBSTITUTES



- As demand for hand soap **decreases**, supply decreases which results in an **increase** in price
- As demand for hand sanitiser **increase**, it leads to an increase in supply and therefore an **increase** in price
- **There is a positive relationship between the price of a product and the demand for its substitute**
- **As the demand of the product decrease – price will increase – demand for substitute increase – supply of substitute increase – price of substitute increase**





# MARKET RELATIONSHIPS – DEMAND RELATIONSHIPS

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- **COMPLEMENTS: (goods that are connected in some way and can be used together)**
  - A change in the price or demand of one product is likely to result in a change in the price or demand of the complementary product
  - There is a direct and **negative** relationship between the price of a product and the demand for its complement
- Cell phone and airtime

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