

Equilibrium occurs at the price where the quantity supplied is equal to the quantity demanded. Practically speaking, it is the price where there is enough for everyone who wants to buy the product without any extra left over.

After all this work with Demand alone and then Supply alone, when we put it together, we see there are only four possible outcomes – Supply Increases, Supply Decreases, Demand Increases, Demand Decreases. Each of these will result in different combinations of increasing or decreasing equilibrium price with increasing or decreasing equilibrium quantity. Below are the possible combinations.

