

# Economic Language — Reading Activity

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## **READING TEXT**

In every economy, markets depend on supply and demand. Demand refers to the quantity of goods and services that consumers want to buy, while supply refers to the quantity producers are willing to sell. The interaction between supply and demand determines the price of goods and services in the market. When demand increases faster than supply, prices usually rise.

One important economic concept related to price increases is inflation, which is the general rise in prices over time and the reduction of the purchasing power of money. Inflation can happen when demand is higher than supply or when production costs increase. Economists study inflation because it affects households, businesses, and the national economy.

## **QUESTIONS**

Comprehension questions:

1. What is the difference between supply and demand?
2. What determines the price of goods in a market?
3. What is inflation?
4. Give one reason why inflation can happen.

## ***Key answers***

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## **Answers — Reading Activity**

Comprehension questions:

1. Supply is what producers are willing to sell, while demand is what consumers want to buy.
2. The interaction between supply and demand determines the price.
3. Inflation is the general increase in prices over time.
4. Inflation can happen when demand is higher than supply or when production costs increase.