



**Key Concept 3** Supply and demand determine which goods are made.

## Supply and Demand

When a company makes goods like bread, it looks at **supply** and **demand**. Demand is how much bread people will buy and the price they will pay for it. Supply is how much bread the company makes to keep up with demand.

A company will try to make sure that it costs less money to make and supply bread than the amount of money the company will get from selling the bread. This way, the company can make a profit. If the price of supplying the bread is more than the company can sell it for, the company will suffer a **loss** of money. Factors such as trends and competition will also affect the supply and demand of bread.

**supply**

the amount of goods a company makes

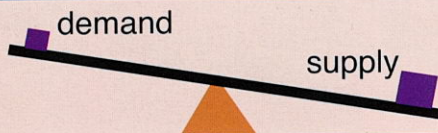


**demand**

the amount of goods people want to buy



### How Supply and Demand Work



If there is more supply than demand, companies will have too many goods that are not sold.



If there is more demand than supply, people won't get the goods they want.



Companies like to make sure that supply and demand are balanced.