STUDYING MARKET CONJUNCTURE AS A FACTOR OF SUCCESSFUL BUSINESS DEVELOPMENT

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Abstract: The article discusses the core concepts of microeconomics—demand and supply—and their interaction, which determines market prices and the quantities of goods and services. Special attention is given to the laws of demand and supply, which explain how changes in the price of a good or service affect the quantity supplied and demanded in the market. The article also analyzes factors influencing these phenomena, such as consumer preferences, income changes, production technologies, and others.

Keywords: demand, supply, product, service, consumer, producer.

Аннотация: В статье рассматриваются основные понятия микроэкономики — спрос и предложение, а также их взаимодействие, которое определяет рыночные цены и объемы товаров и услуг. Особое внимание уделено законам спроса и предложения, которые объясняют, как изменения в цене товара (услуги) влияют на количество предлагаемого продукта на рынке. Проанализированы факторы, влияющие на рыночную конъюнктуру, такие как предпочтения потребителей, изменения в доходах, технология производства.

Ключевые слова: спрос, предложение, товар, услуга, потребитель, производитель.

Introduction. Studying supply and demand in the market today is a priority task. The ability to constantly monitor demand and instantly respond to even the slightest changes (i.e. production flexibility) - all this determines the survival and operational success of the company. Today, it is more important for any company to sell a product

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and find a certain niche for it in the market than to produce it. Therefore, marketing departments directly involved in the sale and implementation of the product come to the fore. Thus, the relationship between supply and demand is of decisive importance in the market of goods and services.

Literature review. Historically, the interaction of supply and demand was considered by the British economist Alfred Marshall (1842-1924), whose concept of market equilibrium was called "A. Marshall's compromise". He also introduced the concept of elasticity of demand, which characterizes the quantitative dependence of demand on three factors: marginal utility, market prices and money income used for consumption.

In his research, A. Marshall moved from the analysis of demand to the analysis of the supply of goods and the interaction of supply and demand in setting prices. He determined the dependence of the influence of supply and demand on the market price depending on the time factor. At the same time, he proceeded from the fact that demand is the main price-forming factor in the short term, and supply - in the long term.

Later, in the 30s of the last century, the first rigorous proof of the existence of general equilibrium was given by the German mathematician and statistician A. Wald (1902-1950). Later, this approach was improved by K. Arrow and J. Bruv. They established that there is a unique state of general equilibrium with non-negative prices and quantities if two conditions are met: 1) returns to scale are constant or decreasing; 2) for any product there are one or more other products in an alternative relationship. This topic is still relevant today, since economists often encounter it. Understanding market equilibrium and market mechanisms in general allows one to correctly assess the situation in competitive markets.

Main part. Demand in microeconomics is the quantity of a given good or service that a buyer is willing and able to purchase at various prices over a given period of time, all other things being equal. Demand depends on a number of factors, including the price of the good, consumer income, tastes and preferences, and prices of alternative and additional goods.

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The law of demand states that, all other things being equal, a decrease in price leads to an increase in demand and, conversely, an increase in price (all other things being equal) leads to a corresponding decrease in demand (inverse relationship), which is shown in Fig. 1.

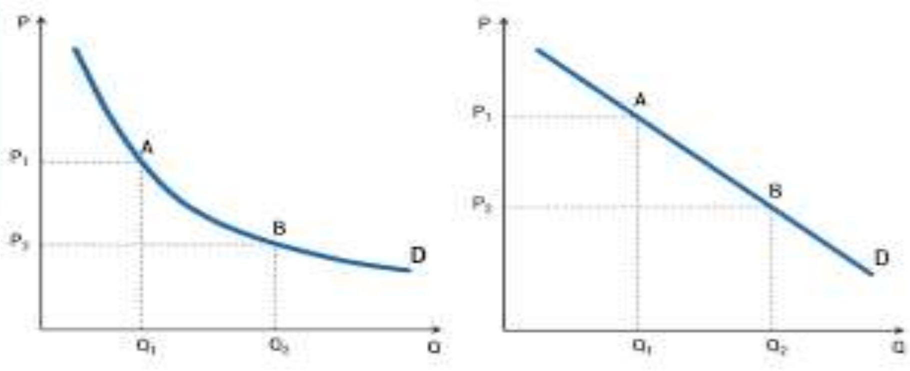

Fig. 1. Change in demand with price volatility.

Thus, the basic principle of the law of demand: other things being equal, if the price of a product falls, the quantity demanded for this product increases; and vice versa, if the price rises, demand decreases. This happens because buyers tend to buy more goods at lower prices than at higher prices.

The demand curve characterizes the state of prices and the volume of purchases of goods in a certain period of time. It has a negative slope, which indicates the desire of consumers to buy more goods at a lower price. In addition to price, demand is influenced by other factors: an increase (decrease) in consumer income; changes in tastes and preferences; price and deficit expectations; changes in the prices of substitute and complementary goods; an increase (decrease) in the number of buyers, etc. All these factors contribute to a shift in the demand curve to the right or left, which can be shown in Fig. 2.

At the same time, the nature of demand is affected by the income and substitution effects. According to the income effect, when the price of a product falls, buyers can afford to buy more of this product, and demand increases. Substitution effect: when the price of a product rises, consumers can replace it with a cheaper similar product, which reduces the demand for a more expensive product.

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Fig. 2. Changes in the nature of demand under the influence of non-price factors.

Supply in microeconomics is the amount of goods and services that producers are willing and able to sell at different prices over a certain period of time, all other things being equal. Unlike demand, which is determined by consumers, supply depends on the decisions of producers and their willingness to produce goods and services.

A direct relationship between price and the quantity of a product offered is called the law of supply. The dependence of the quantity of goods produced on the price level can be depicted graphically (Fig. 3).

Fig. 3. Change in supply.

The basic principles of the law of supply: all other things being equal, if the price of a product increases, then the quantity of the product offered also increases. This happens because producers seek to increase production and sales at higher prices in order to increase their profits. Conversely, if prices fall, producers may reduce the amount of goods they offer.

Factors influencing supply include prices for economic resources: that is, an increase in the price of resources (labor, materials, energy) can reduce the profit from the production of a given product and, consequently, reduce supply; improvements in technology and production processes can increase supply if it makes production more efficient and reduces costs; taxation of the production of goods can reduce supply, and subsidies can increase it; competition: the presence of a large number of producers on the market can increase the volume of market supply and vice versa.

Conclusions. The interaction between supply and demand is fundamental to the functioning of a market economy, since it determines market prices and the quantity of goods that producers and consumers are willing to exchange. Market equilibrium is established when supply and demand are in equilibrium. This is a situation where the quantity of goods that buyers are willing to purchase (demand) and the quantity of goods that producers are willing to offer (supply) coincide. In this case, the market price is called equilibrium. The equilibrium quantity is the quantity of goods produced

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and sold at the equilibrium price. When prices are above or below the market equilibrium price, the market process is adjusted by creating a shortage or surplus of goods.

A shortage of goods occurs when demand exceeds supply. This occurs when market prices fall below the equilibrium price. Under these conditions, buyers are willing to buy more goods than producers can offer. Producers can take advantage of this situation and raise prices, which increases supply and decreases demand to achieve the equilibrium level. When supply exceeds demand, a surplus of goods is formed. This occurs when the market price is above the equilibrium price. Under these conditions, producers offer more goods than buyers are willing to buy. This leads to lower prices and stimulates an increase in demand and a decrease in supply until the market reaches equilibrium.

It follows that an economic understanding of microeconomic fundamentals such as supply and demand is the key to analyzing market processes and making economic decisions. The interaction of supply and demand shapes the prices and quantities of goods and services, which in turn affect the behavior of consumers and producers. In general, the study of market fundamentals creates the basis for a deeper analysis of economic phenomena at the micro level of management.

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