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Eco 181D

Article Assignment 1

10/9/2020

Article Title: "Worst September for UK car sales this century."

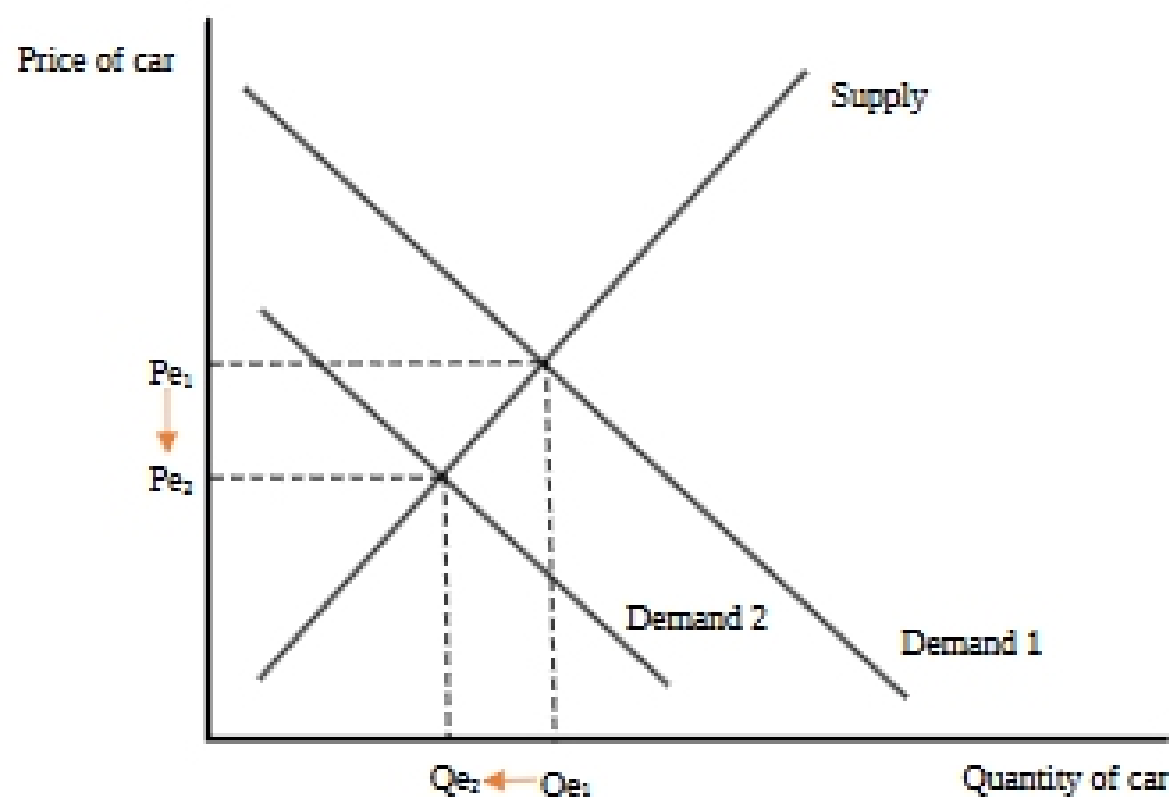
Article Date: 10/5/2020

Link to the Article: <https://www.bbc.com/news/business-54415947>

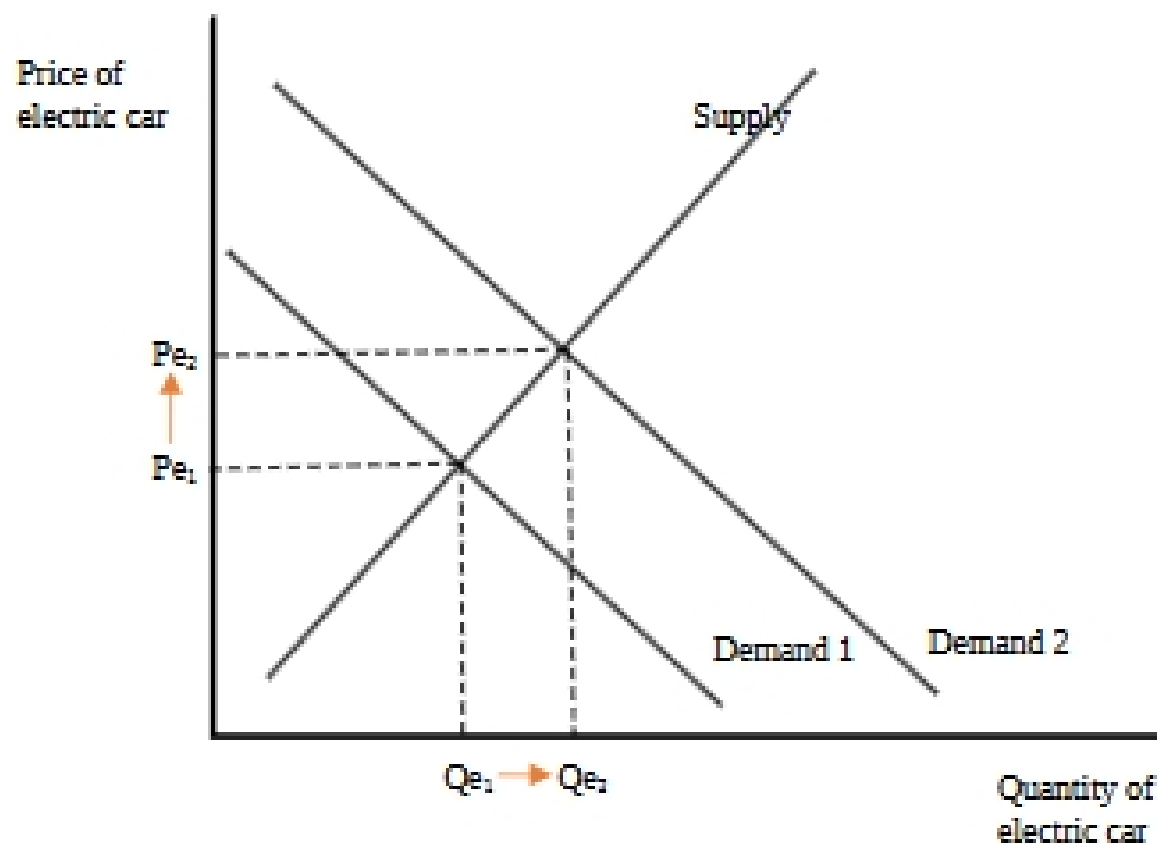
The article informs its audience about how car sales were drastically lower than predicted in September of this year, the lowest since 1999. As stated by the article, September is usually the second most important sales month of the year due to license plate changes; however, due to the current pandemic, factories and showrooms have had to close. Moreover, the pandemic and ongoing government issues have caused 'economic uncertainty,' which has led to the idea of purchasing cars less appealing to customers. In contrast, however, the article reports an interesting finding during this period. The sales of electric vehicles are quickly on the rise. Although the article states that they are expensive to develop and not very profitable, a continued increase in demand could result in carmakers making up some of that investment.

I will be using two supply and demand models, one for the current car sales in September and one for electric cars' sales. The graph labels will be the car's price (on the y-axis) and the quantity of cars supplied (on the x-axis) for both the supply and demand graphs.

Graph 1: Supply and Demand Model



Graph 2: Supply and Demand model for electric cars



The first supply and demand model (Graph 1) demonstrates the decrease in car sales in September. A shift of the demand curve to the left is present, which decreases the price equilibrium (Pe) and quantity equilibrium (Qe). The economic uncertainty caused by Covid-19 would have led to customers losing their jobs, which would have resulted in a change in income. This change in income was what would have caused the demand curve to shift to the left. This shift has led to the price equilibrium and quantity equilibrium to decrease. This prediction would be viable as the reduced demand for cars would make carmakers reduce the price of their vehicles to prevent a surplus being present.

The second supply and demand model (Graph 2) demonstrates the increase in electric car sales. A shift of the demand curve to the right is present, which increases price equilibrium (Pe) and quantity equilibrium (Qe). An increase in electric cars' demand due to policymakers' information to cut pollution would shift the demand curve to the right, causing an increase in the price of cars sold. The increased price would allow the carmakers to make back some of the large investments made to develop the electric cars.