

## The role of markets

- A **market** is a place where buyers and sellers meet to trade goods and services.
- It can be a physical place – like a farmers market or it can refer to a collection of different outlets selling similar goods.

## Sectors of the Economy

- **Primary Sector.** This involves the extraction of raw materials (land). The primary sector involves mining (coal, metal), fishing and agriculture.
- **Secondary Sector (Manufacturing).** This involves converting raw materials into a finished good. For example, manufacturing may take metal and rubber and produce a car.
- **Service Sector (Tertiary Sector).** This involves the provision of services. For example, banking, finance, hairdresser, cleaning. No good is produced but a service is offered.

## Difference between goods and services

- Goods refer to manufactured items that can be bought and sold. For example processed food, TVs, phones, bicycles.
- Services are intangible goods that people can consume though they are not left with a physical good. Services can include – restaurants, insurance, hair-dresser.

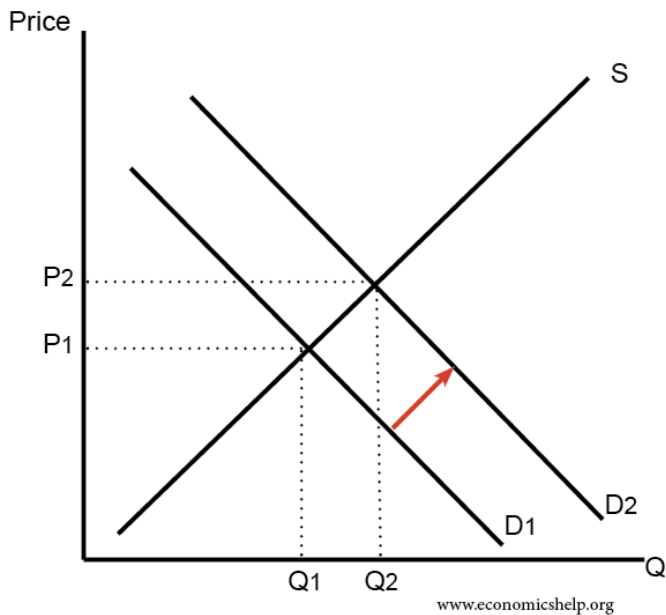
## Factor and product markets

- A product market refers to a place where goods and services are bought and sold
- A factor market refers to the employment of factors of production, such as labour, capital and land.

## Product market

- Demand for product markets comes primarily from households
- The main sellers of goods are different kinds of firms.
- Demand for goods is a direct demand. The good is bought for its intrinsic use.
- The market facilitates the exchange of goods and services in the economy. It is based on a voluntary transaction across a wide range of places.
- Product markets rely on the operation of supply and demand to determine prices

## Effect of an increase in demand



- In this case, an increase in demand can lead to an increase in the price of the product.

## Examples of Product markets

- Farmer's market selling vegetables direct to the public
- Fish market
- Supermarkets selling a range of goods in a convenient place.
- Amazon.com - Offering the direct sale of goods, and marketplaces for intermediaries
- Ebay.com - Offering individuals the opportunity to sell goods.

## Factor markets

The factor market is a place where factors of production (land, labour, capital) are bought and sold.

- Demand for labour and capital is a derived demand. Firms need to employ more workers when there is greater demand for the product that they make.
- If demand for takeaway coffee rises, then Starbucks will need to employ more coffee workers (baristas)
- If there is an increase in demand for private dental treatment, there will be an increase in demand for dentists and this will push up the price of dental treatment and also the wage of dentists.