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Introduction

The Covid-19 pandemic has left an impact on the global economy in various ways. In this essay, we will discuss some key economic problems it has raised, as well as their possible resolution. Fundamental to these changes is the understanding of demand and supply relating to price changes, elasticity and laws of the same concerning fuel prices. By examining these concepts we can gain a deeper insight into how best to resolve such economic issues globally caused by the pandemic's effect on business operations worldwide. This essay will discuss the fundamental economic problems identified in this case study and suggest various ways in which these economic issues can be resolved.

Q1.

(A) Economic problems in the case study

The fundamental economic problems identified in the case study relate to the demand and supply chain, as well as labour and fuel shortages. The increase in demand due to people rushing to fill their tanks when drivers leave the UK has meant that supply is not able to meet this increased demand, leading to significant fuel shortages in some areas of the country. On top of this, there has been a shortage of labour in certain types of industries such as freight transport which further restricts supply capacity for goods and services. This lack of production leads to an undersupply relative to what would have been available pre-Covid; therefore it is difficult for businesses or individuals who require these goods/services to access them at an affordable price - a classic example of scarcity. Furthermore, those businesses relying on importing raw materials from abroad (due to globalisation) are suffering from operational issues associated with disrupted international trade links following Brexit and Covid-19 lockdowns across different countries. The BREXIT is the most obvious economic issue identified in this case study. This event caused a large number of EU drivers to leave the UK, causing a shortage of labour supply and exacerbating delivery issues at petrol stations – especially during peak times. The Covid pandemic has had an unparalleled effect on global demands and supplies. It has led to unprecedented changes in consumer behaviour, shortages of workers as well as material impacts such as higher prices due to high fuel costs. These demand pressures have driven up pressure on overall supply chain operations globally. As such, the consequences of Brexit have impacted both domestic businesses trading internationally as well as foreign enterprises operating within Britain's economy (Susskind and Vines, 2020). With shortages already felt by consumers themselves due to reduced workforce numbers, increased cost structures may continue posing challenges for firms attempting to diversify production lines while assuaging customer needs. Mentioning the effects of the COVID-19 pandemic on various industries, Panic buying is one of the examples that have taken a toll on global and local economies alike. The fact that there was insufficient fuel supply gave an incentive for people to either buy more than required or stock up quantities which might lead to future shortages. This naturally gained pressure from both demand and supply. Fuel being a non-excludable good attracted panic buying as everyone wanted a piece – no matter what came after it. From an economic point of view, this low availability fuelled

false alarms because when resources are scarce, value is placed upon them which gives consumers a feeling they have to act immediately to enhance their chances at success in catering to their needs given certain circumstances such as loss employment opportunities due COVID-19 leading greater instability amidst families pushing them to ensure they can manage their households with stockpiled goods/resources by paying remunerated prices if available on market shelves. Many individuals have lost their incomes, putting them at risk of poverty both now and into the future, while businesses struggle with a lack of available funds that leave them unable to hold on to their employee base without making tough cuts – whether this be through placing staff onto unpaid leave or reducing headcounts through redundancy processes (Karim, 2021).

(b) Ways to resolve economic problems

Governments should increase spending on infrastructure projects, health care, education initiatives, and other necessary services to stimulate the economy. This will help create jobs in affected sectors while providing a stimulus for local businesses. It will also give citizens more confidence to spend money again as their income increases from such projects and programs (Susskind and Vines, 2020). Governments should provide relief funds for individuals or families facing immediate economic hardship due to coronavirus-related job losses or reduced wages to avoid financial instability and defaults on loans from banks. To encourage consumer spending, governments can introduce tax cuts or holidays on certain taxes like Goods and Services Taxes (GST) which would lower prices of goods purchased directly by consumers thus increasing their purchasing power drastically with the same amounts of expenditure having an increased effect over the market at large leading it slowly back into its normal form slowly but surely easing out people's concerns regarding short supplies against heavy demand hence jumpstarting the whole process eventually. Relaxing some of the stringent COVID-19 rules could help reduce the economic impacts caused by the pandemic. By easing restrictions on certain aspects such as travel, businesses can begin to operate more freely and potentially increase their market activity. This in turn might stimulate growth for other industries and subsequent job creation which would be beneficial for people who have been laid off due to the crisis. Developing a shortage management team strategy could also help with resolving economic problems that are caused by COVID-19 as it would allow companies to better manage resources effectively. Companies can analyse by creating and improving supplier networks is essential during this period when international trade has been disrupted due to many countries imposing border restrictions due to health concerns associated with COVID-19 spread prevention measures. By developing closer links between buyers and sellers through forming strong collaborations amongst geographies large distances apart we could build trust which could add value between business partners despite physical distance barriers being present at this time. Companies should take the opportunity to critically assess their supply chain to identify any weaknesses or gaps that could affect operations during times of crisis, such as those triggered by the COVID-19 pandemic. To remain competitive, companies may need to adjust their processes and seek new suppliers that can offer better terms or prices; some may even need to eliminate certain steps. Businesses should consider negotiating with existing suppliers for lower prices on inventory and materials

needed during this time of economic uncertainty. Keep stakeholders informed and up to date (Vasiutkina, 2017). With increased demand surging due to online orders, automation has become essential for many businesses to ensure a longer product lifecycle and maximum productivity output per available resources (people/animals). Therefore companies are investing heavily in automated processes when it comes to production, packaging warehouse storage etc. Apart from increasing your digital presence over search engine rankings through SEO optimization, one can make use of social media marketing strategies (Shodiyev et al., 2021).

Q2.

(A) Demand and supply relevant in this case study

Demand and supply are relevant in this case study because they help businesses to understand how their markets work, the level of demand for their products and services at any given time, as well as how much capacity is available within the production process (Matoma, 2021).

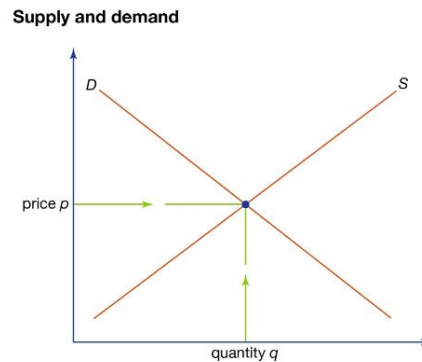


Figure 1: Demand and supply Chart Source: (Britannica, 2023)

Ultimately, having an understanding of both sides of the market allows organisations to seize new opportunities whilst minimising risks associated with high levels of supply chain fluctuation due to unexpected peaks in demand. When demand for a product is higher than its supply, prices usually go up – leading to an increase in cost for businesses and consumers alike. On the other hand, when there isn't enough demand for certain products but high amounts of supply–the opposite can happen: competition drives the prices down, as companies must reduce their profit margins or offer discounts to attract customers. In this particular case, due to a shortage of drivers causing disruptions in deliveries and an increase in demand coupled with constrained supplies, forecourt petrol prices have been driven up above normal levels creating inflationary pressure during this pandemic period-essentially meaning that businesses and consumers have had to spend more money on fuel than they would normally do under regular circumstances.

Demand and supply are relevant in this case study because the COVID-19 pandemic has created This has consequently caused a shift in consumer buying preferences from services to goods due to these shortage pressures (Matoma, 2021). To tackle this problem, businesses need to develop marketing strategies that focus on promoting their business concept around satisfying customer needs while addressing issues like price volatility or availability of certain goods. This pressure

caused by insufficient labour supply and consumer shift from services to goods, has created a shortage of available resources needed for production and distribution that directly affects the demand/supply balance. As such it is essential for inventory management strategies such as Just-In-Time (JIT) systems to be implemented to manage such shortages and ensure an adequate level of availability while minimizing storage costs. JIT takes into account both customer demand data as well as supplier lead times, delivery schedules etc. so that effective replenishment orders can be placed at optimal intervals without overstocking items or having too low stock levels. To address both worker retention as well as satisfaction through salary payment, businesses should aim not just for competitive wages but also employee benefits packages such as health insurance contributions and other rewards programs outside cash salary payments such as providing educational opportunities or career development resources like mentorship initiatives at work. One way that businesses can attempt to manage these risks is through careful monitoring of stock levels and production capacity at all times – both during normal trading as well as during crises such as those caused by pandemics like COVID-19. Companies should also have contingency plans in place that detail actions taken when stock runs out or when production suddenly becomes limited.

(B) Difference between elasticity and inelasticity of demand concerning price changes

Elastic demand refers to when the quantity of goods or services demanded changes in direct proportion to a change in price. Inelastic demand, on the other hand, is when there is no significant alteration in the quantity of goods or services despite a pricing change. Price flexibility is high for goods like luxury clothing and electronics which have more substitutes than essential items (Lee and Olasehinde-Williams, 2021).

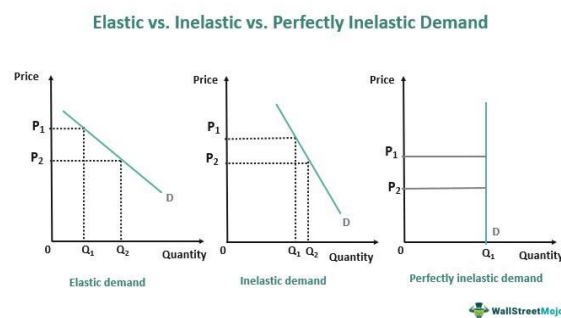


Figure 2: Elasticity and inelasticity of demand Source: (Team, 2022)

Advantages of Elastic Demand One advantage of having an elastic demand is that it allows for more creativity in pricing. When the demand for a specific product or service is elastic, businesses have more freedom to adjust their prices as needed to maximize their profits. This can create a healthier competitive environment and fuel competition among different companies offering similar products or services. The advantage of inelastic demand stems from its price stability; customers are less sensitive (inelastic) to small price changes meaning that if adjustments need to be made related to inflation or another external factor, there will be little disruption due to adjustment resistance on the part of consumers (Lee and Olasehinde-Williams, 2021). The second major benefit relates again back to stability; when demand remains relatively constant and unaffected by outside influences like fluctuating prices, this creates convenience for both supplier and consumer who rely heavily upon predictable access and availability without wild fluctuations negating said assumptions. The disadvantage of Elastic Demand has a disadvantage with high elasticity means stronger sensitivity towards even minor increases/decreases in price giving way too heavier volatility than one might prefer – making predictions harder while motivation drops amid continuously changing atmospheres (Lee and Olasehinde-Williams, 2021). Inelastic demand can be a challenge for businesses due to the

sudden and unexpected drops in demand which can occur with changes in prices or income levels. Fuel producers have less control over pricing, so there is always the possibility of eroding profits if they price items too high and consumers don't respond to it. Predicting future sales trends of fuel is also difficult as consumer tastes fluctuate frequently; making it hard for businesses to stay current with market trends or anticipate their customers' needs.

(C) List and explanation of laws of supply and demand

There are four basic laws of supply and demand and those are increased demand, Decreased demand, increased supply, and Decreased supply. Taylor (2021) notes that increased Demand occurs, when the demand for a good or service increases in the UK, it will cause prices to rise, and more firms may enter into production of that good or service since they can make more money from selling it. This led to petrol shortages due to people stocking up on fuel as they had heard of potential driver shortages and were anxious about having enough fuel. Alternatively, if there is a decrease in the number of people who want a particular product or service then this too will have an impact on its market price. In this case, businesses may reduce their production rate (or exit the market altogether) as they find themselves unable to sell goods at previously profitable rates – which together causes prices as well as supply of such products/services to drop accordingly (Baker, 2003). As global economies have slowed down due to the effects of Covid, overall demands for different products have decreased, leading to fewer orders being placed with suppliers and creating slack in some areas of the supply chain causing problems with production levels etc Increased Supply happens whenever suppliers introduce new stocks onto the marketplace (thus increasing available supplies). Fuel companies tried finding ways around the issues by recruiting more drivers from other countries or increasing their manufacturing efforts through automation/artificial intelligence which saw an increase in supply (Taylor, 2021).

Conclusion

In conclusion, the fundamental economic problems discussed in this case study are mainly caused by changes in demand and supply. Demand affects the availability and price of resources while supply affects the level of production and cost associated with it. An understanding of elasticity and inelasticity is essential to understanding how changes in prices will impact demand for certain goods. The economic problems identified in this case study can be addressed through improved awareness and better political will, as well as developing strategies for more efficient use of resources such as fuel. Demand and supply play a key role in understanding the problem due to the direct influence they have on pricing structures, production levels and availability of goods.

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