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# Demand

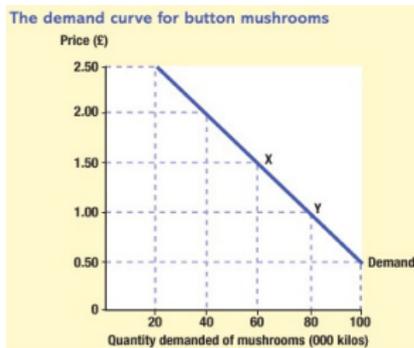
2017-18

# DEMAND

- ▶ *Demand*: amount of a product that consumers are willing and able to purchase at any given price

Price per kilo (£)	Quantity demanded (000 kilos)
0.50	100
1.00	80
1.50	60
2.00	40
2.50	20

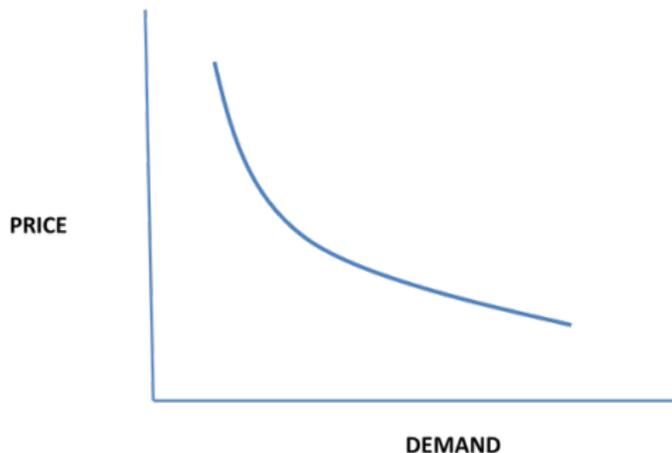
- ▶ These values can be plotted in two-dimensional chart where the axes are as follows
  - ▶ *x-axis*: quantity demanded
  - ▶ *y-axis*: price



# DEMAND CURVE

## PROPERTIES

- ▶ *Inverse relationship between price and quantity:*
  - ▶ when price goes down, quantity demanded goes up
  - ▶ when price goes up, quantity demanded goes down
- ▶ relation can also be *non-linear*



# FACTORS LEADING TO A CHANGE IN DEMAND

## SUBSTITUTE GOODS AND COMPLEMENTARY GOODS

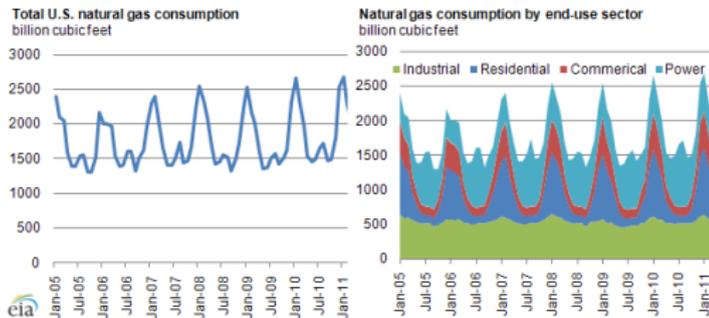
- ▶ *Prices of substitutes:*
  - if price of *substitute good* ↓
    - demand for substitute good ↑
    - demand for the good ↓
- ▶ *Prices of complements:*
  - if prices of *complementary good* ↓
    - demand for the good ↑
- ▶ *Changes in consumer incomes:*
  - if income ↑
    - ?
    - if *normal good*: → demand ↑
    - if *inferior good*: → demand ↓

# FACTORS LEADING TO A CHANGE IN DEMAND

- ▶ Fashions, tastes and preferences
- ▶ Advertising and branding
- ▶ Demographics
  - ▶ age distribution
  - ▶ gender distribution
  - ▶ Geographical distribution
  - ▶ ethnic groups

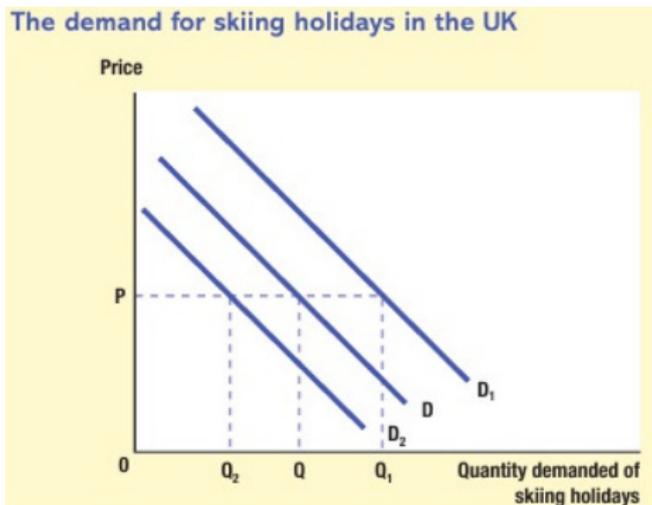
# FACTORS LEADING TO A CHANGE IN DEMAND

- ▶ External shocks
  - ▶ Competition
  - ▶ Government
  - ▶ Economic climate
  - ▶ Social and environmental factors
- ▶ Seasonality



# QUESTION

WHY WOULD THE DEMAND CURVE SHIFT FROM (A)  $D$  TO  $D_1$ , (B)  $D$  TO  $D_2$



## KEY TERMS

- ▶ **Complementary goods:** goods that are purchased together because they are consumed together
- ▶ **Demand:** the quantity of a product bought at a given price over a given period of time
- ▶ **Demand curve:** a line drawn on a graph that shows how much of a good will be bought at different prices
- ▶ **Inferior goods:** goods for which demand will fall if income rises or rise if income falls
- ▶ **Normal goods:** goods for which demand will rise if income rises or fall if income falls
- ▶ **Substitute goods:** goods that can be bought as an alternative to others, but perform the same function