

Shift of the demand Curve

Chapter-1

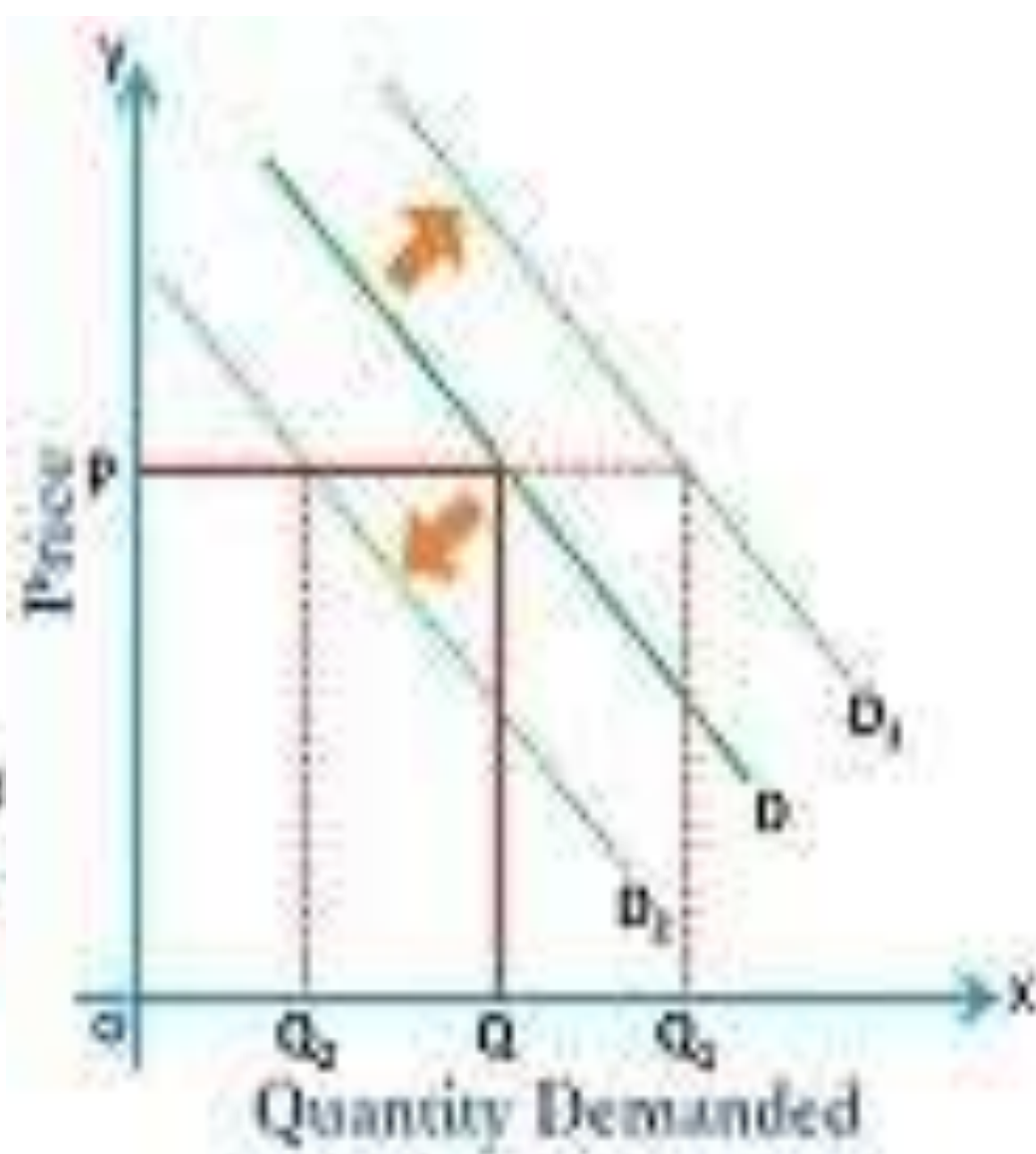
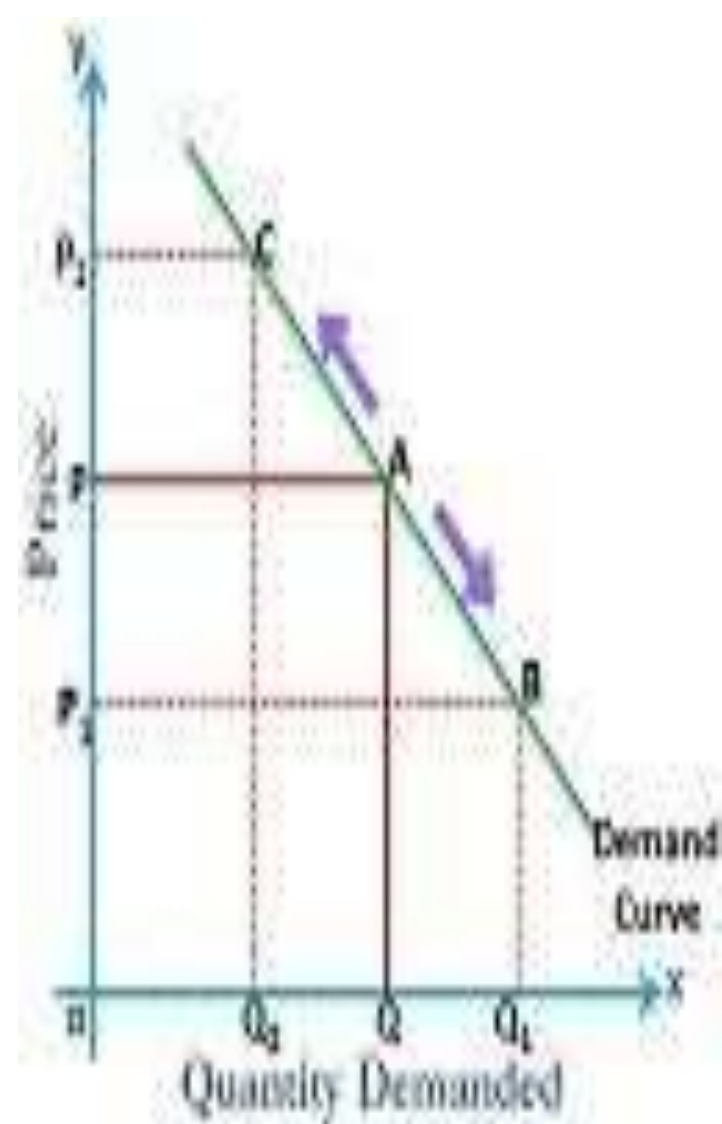
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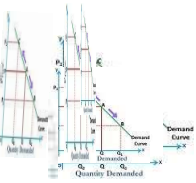
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Basis for Comparison



Meaning

Curve

What is it?

Determinant

Indicates

Result

Movement in Demand Curve

Movement in the demand curve is when the commodity experience change in both the quantity demanded and price, causing the curve to move in a specific direction.

Change along the curve.

Price

Change in Quantity Demanded

Demand Curve will move upward or downward.

Shift in Demand Curve

The shift in the demand curve is when, the price of the commodity remains constant, but there is a change in quantity demanded due to some other factors, causing the curve to shift to a particular side.

Change in the position of the curve.

Non-price

Change in Demand

Demand Curve will shift rightward or leftward.



Factors responsible for shift of the demand Curve

- **Income:** Changes in consumer income can lead to shifts in the demand curve. For normal goods, an increase in income generally leads to an increase in demand (shift to the right), while for inferior goods, an increase in income can lead to a decrease in demand (shift to the left).
- **Price of Related Goods:**
- **Substitutes:** If the price of a substitute (a similar good) increases, the demand for the original good may increase as consumers switch to the cheaper option, leading to a rightward shift in the demand curve.

➤ **Complements:** If the price of a complement (a good consumed together with another) increases, the demand for the original good may decrease, causing a leftward shift in the demand curve.

❖ **Tastes and Preferences:** Changes in consumer preferences can significantly impact demand. If a good becomes more popular due to changes in trends, advertising, or cultural shifts, its demand can increase (shift to the right).

□ **Population and Demographics:** Changes in the size, age distribution, and composition of the population can lead to shifts in demand. For example, an aging population might increase the demand for healthcare services and retirement products.

•**Consumer Expectations:** If consumers expect future prices to rise, they might increase their current demand to take advantage of lower prices. Similarly, if they expect their income to increase, they might increase their demand as well.

□**Government Policies:** Changes in taxes, subsidies, regulations, and other government policies can affect demand. For instance, a subsidy on electric cars might increase their demand.

•**Seasonal and Weather Changes:** Some goods have seasonal demand, like ice cream in summer and warm clothing in winter. Weather changes can also impact demand for certain goods (e.g., umbrellas during rainy seasons).

❖ **Economic Conditions:** General economic conditions such as recessions or booms can influence consumer confidence and buying behavior, leading to shifts in demand.

❖ **Cultural and Social Factors:** Changes in cultural norms, social attitudes, and values can influence consumer preferences and demand for certain goods or services.

❖ **Advertising and Marketing:** Effective advertising and marketing campaigns can create shifts in demand by influencing consumer perceptions and desires for certain products.

Thanks