

# POWER POINT PRESENTATION

ON

**Demand Analysis**

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# Reason behind the downward sloping Demand Curve or Why does the Law of demand Operate?

## The Law of Diminishing Marginal Utility.

- As the consumer buys more unit of a commodity, the MU of that commodity continues to decline. Therefore, the consumer will buy more units of commodity when its price falls.

## Price Effect

- As the price of the commodity falls, new consumers start consuming, as a result demand increases.

## Income effect

- When the price of a commodity falls, the real income of the consumer increases as he has to spend less in order to buy the same quantity and vice-versa. Under the influence of this effect with the fall in the price of commodity the consumer buys more.

## Substitution Effect

- With the fall in the price of a commodity, the prices of the substitutes remain the same, the consumer will buy more of the commodity.

## Various uses

- With the fall in price of the consumers will be put to various uses and their demand will rise.

Changes in  
Demand

```
graph TD; A([Changes in Demand]) --> B([Extension & Contraction]); A --> C([Increase & Decrease]);
```

Extension  
&  
Contraction

Increase  
&  
Decrease

# Extension & Contraction in Demand

When the quantity demanded of a commodity changes due to the rise or fall in the price of that commodity

Or

## Movement in Demand curve

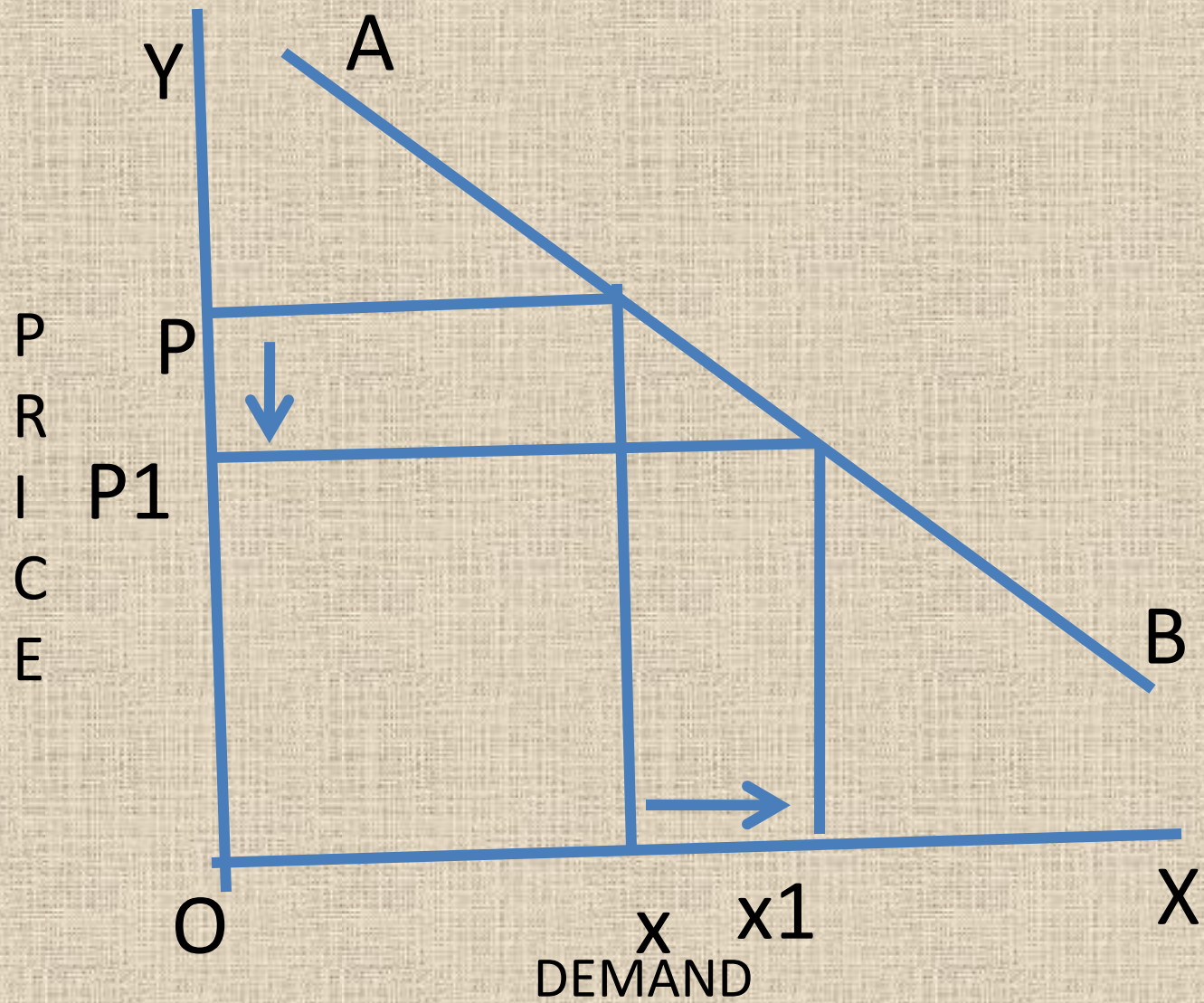


Upward  
Movement

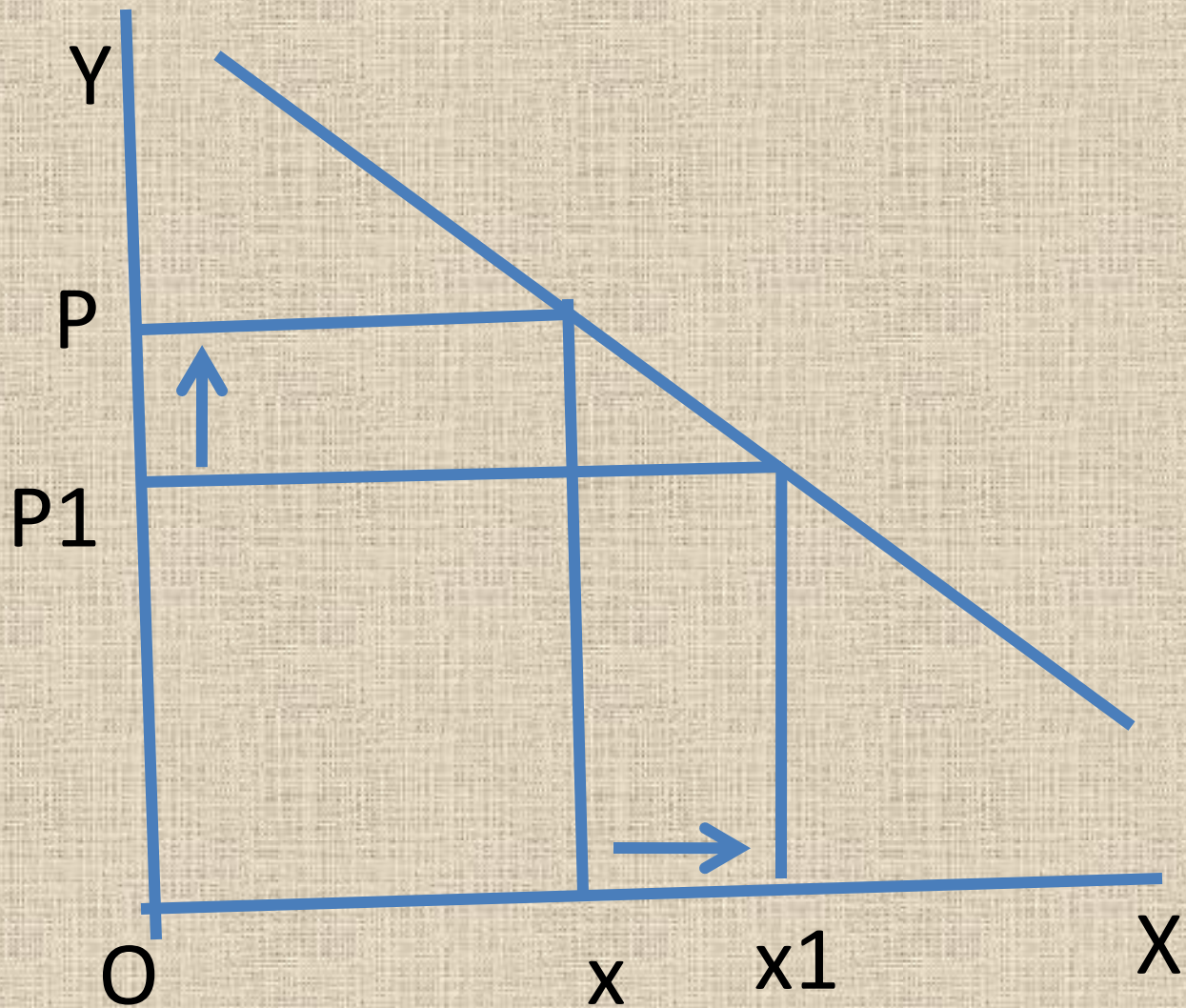


Downward  
Movement





Extension in Demand



**Contraction in Demand**

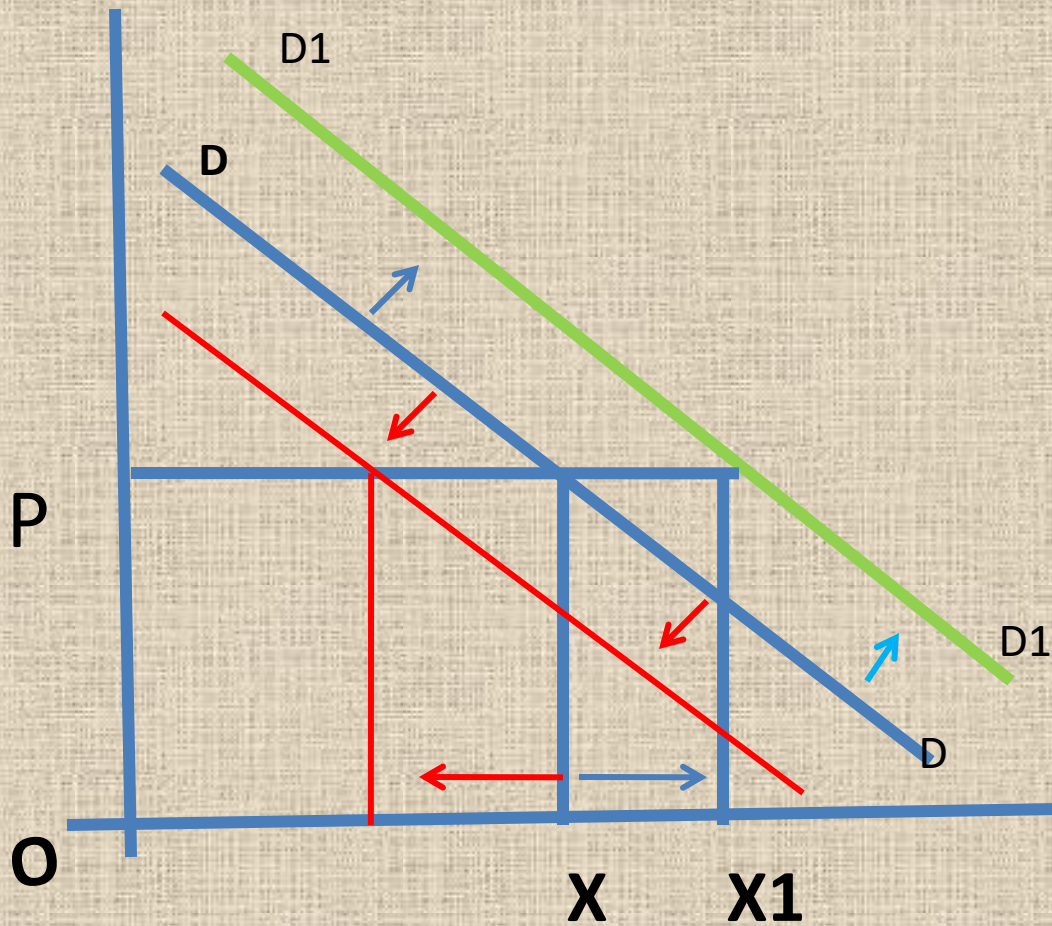
# Shift in Demand Curve or Changes in Demand

Changes in the demand, due to non-price determinants, i.e. Price of related goods, income of the consumer, changes in taste and preferences of the consumer etc.

Leftward  
shift

Rightward  
shift





Increase or Decrease in Demand

Movement in Demand curve

vs

Shift in Demand Curve or Changes in Demand

Change in the quantity demanded of the commodity resulting from the change in its price

Meaning

Change in the demand of the commodity resulting from the change in the factors other than price

Change is along the curve

Change

Change in the Position of the curve

Expansion or Contraction in Demand

Results in

Increase or Decrease in Demand

Change in quantity demanded

Reflects

Change in Demand

**Thank U**