Demand

a) The concept of 'demand'.

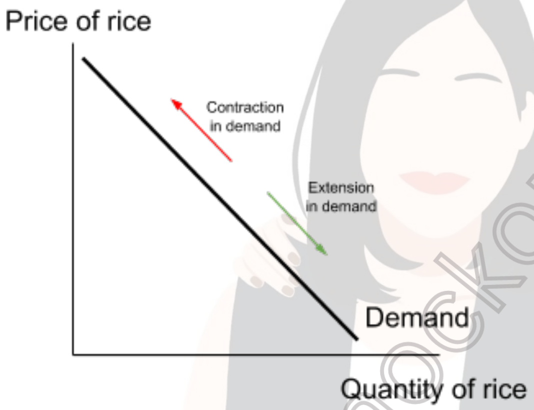
- **Demand** is the willingness and ability to pay for a product at any price level.
- **Demand curve** : shows the inverse relationship between price and quantity demand.

b) The movements along a demand curve

- Movements along a demand curve is caused by changes in its price.
- It shows the ***inverse relationship*** between price and quantity demand

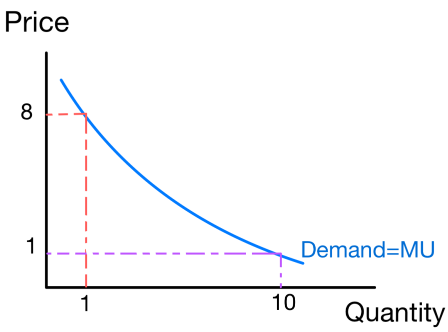
Extension in demand : a rise in quantity of demand from a fall in price

Contraction in demand : a fall in quantity of demand from a rise in price



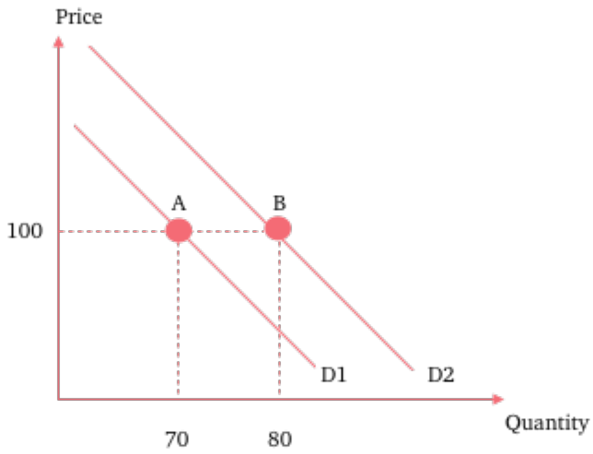
c) The concept of diminishing marginal utility and its significance for the shape of the individual demand curve.

- **Utility;** satisfaction gained from consumption
- **Marginal utility;** additional utility gained from one more unit of consumption
- **The law of diminishing marginal utility;** when consumption rises, marginal utility fall.



- *The first unit of consumption* contributes *high marginal utility*. It reflects through *high price* that consumers are willing to pay.
- *The later unit of consumption*, consumers have *lower marginal utility* leading to *lower price* that consumers' willing to pay.
- *This is why demand is downward sloping.*

d) Factors that may cause a shift in the demand curve:



1 Change in income

- For normal goods : ↑income ⇒ Demand ↑
- For inferior goods : ↓income ⇒ Demand ↑

2 Change in price substitute good

- Price of substitute good ↑ ⇒ Demand ↑

3 Change in price complement goods

- Price of complement goods ↓ ⇒ Demand ↑

4 Advertising campaigns

- Advertising creates want ⇒ Demand ↑

5 Change in population

- Population ↑ ⇒ Demand ↑

6 Change in taste and Fashion

7 Other factors eg. weather condition

Market demand; The sum of individual demand at any price level. (Horizontal)