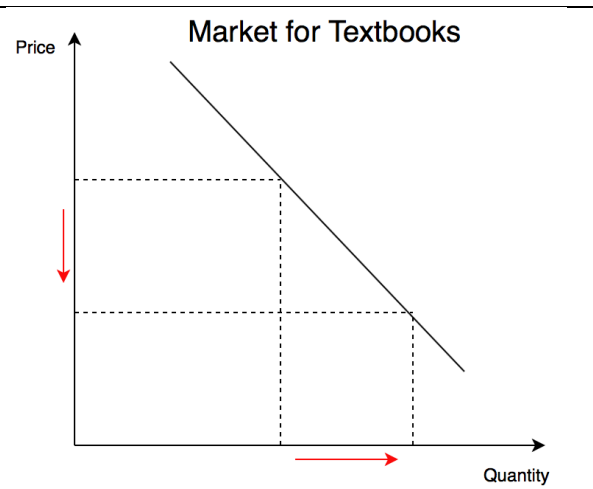


1.1 Demand

1.1.1 Law of Demand

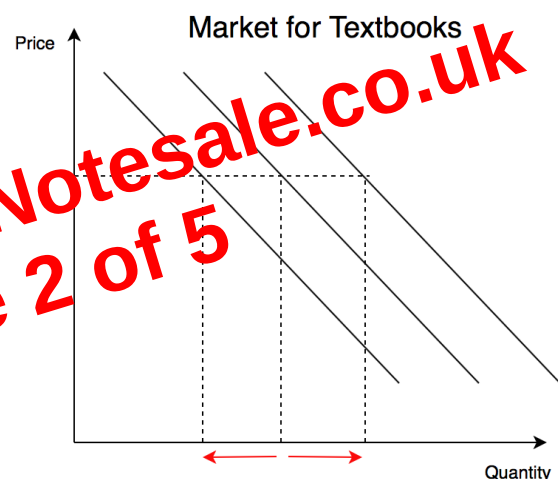
- Negative relationship between **price of goods** and its **quantity demanded** over a particular time period, ceteris paribus.
- As price of a good increases, quantity demanded falls; as the price falls, quantity demanded increases, ceteris paribus.
- “Change in quantity demanded”: movement along demand curve.



1.1.2 Non-Price Determinants of Demand

At a given price:

- Increase in demand → demand curve shifts right
- Decrease in demand → demand curve shifts left
- “Change in demand”: movement of the demand curve.



Non-price determinants include:

1. Income

- Normal goods
 - As income rises → Demand for the product rises.
 - Small increase in demand for necessities, such as food, clothes etc.
 - Large increase in demand for other products, such as cinemas, cars etc.
- Inferior goods
 - As income rises → Demand for the product falls.
 - Consumers start to buy higher priced substitutes in place of inferior goods.
 - Eg. cheap wine, store's own cookies or baked goods.

2. Price of other goods