Determinants of Individual Demand:-

$$D = f(P, P_R, Y, T, U)$$

(i) Price (P):- Demand for normal goods is inversely related to price. As price is increasing, demand fall, normal goods will be ~~ex~~ decreasing. Hence, price effect for normal goods is positive.

But demand for ~~inferior~~ giffen goods is positively related to price. As price is falling, demand may also fall. Hence, price effect for ~~inferior~~ giffen goods is negative.

(ii) Price of related goods (PR):-

Related goods may be classified into two —

(a) Complementary goods:- Complementary goods are those goods when one commodity is demanded if second commodity is available. For example, motor car and petrol, pencil and rubber, shoe and colour, electricity and ceiling fan etc.

contd.