

Demand Analysis

Lecture by

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Learning Objectives

- ✓ To understand the concept of Demand and demand analysis
- ✓ To analyse how the demand is increased by the companies

Meaning of Demand

Demand is created when two of the following conditions are satisfied

- (i) Willingness to buy the commodity
- (ii) Ability to buy the commodity

DEMAND ANALYSIS

$$Q_{dx} = f(P_x, Y, P_{abc}, TH, W, E\dots)$$

A household's decision about what quantity of a particular output, or product, to demand depends on a number of factors including:

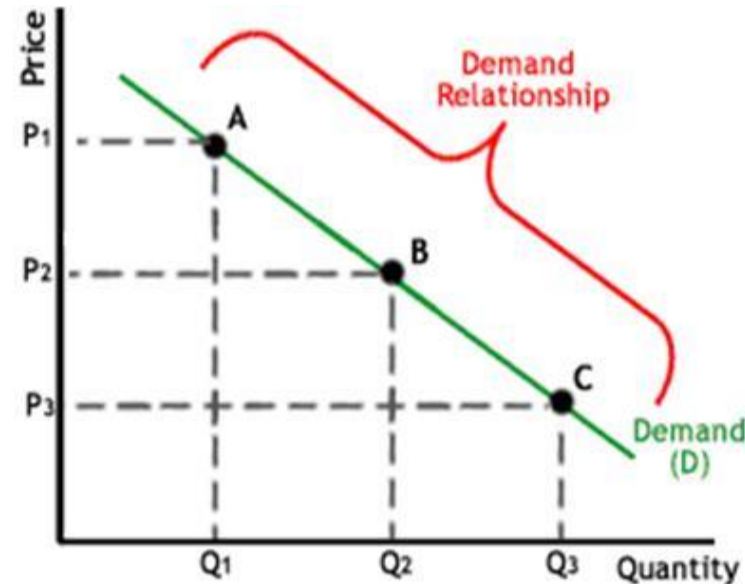
- The price of the product in question
- The income available to the household
- The household's amount of accumulated wealth
- The prices of other products available to the household
- The household's tastes and preferences
- The household's expectations about future income, wealth, and prices

LAW OF DEMAND

Change in Quantity Demanded

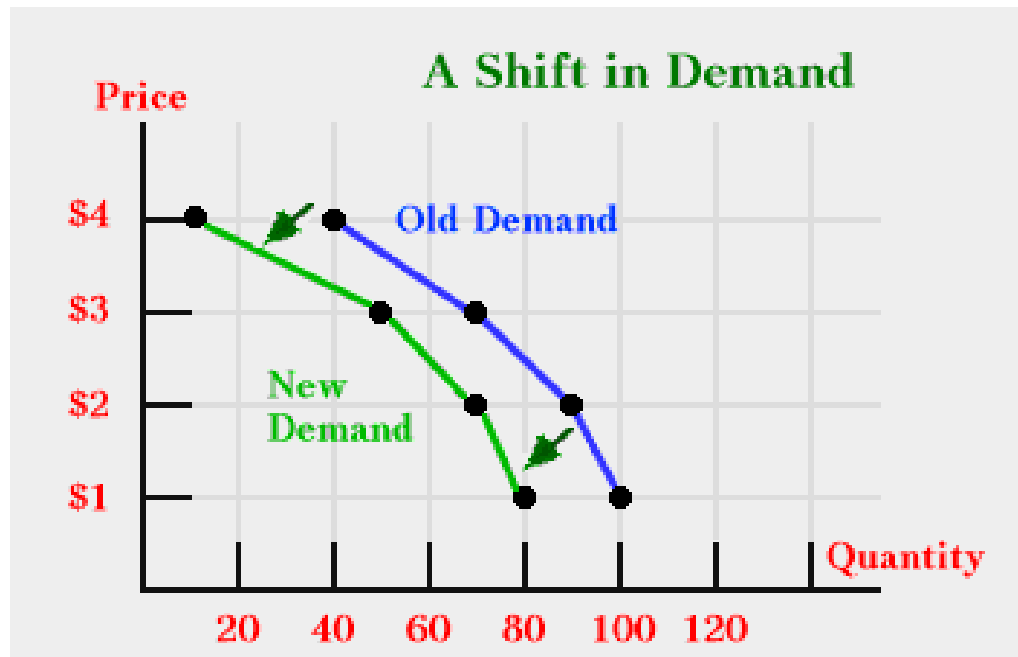
- Law of demand was stated by Alfred Marshall, which says a rise in price leads to contraction in demand and fall in price leads to extension in demand

Movement along the demand



Change in Demand

Shift in the demand curve



ELASTICITY OF DEMAND

Definition of Elasticity of Demand

Meaning: Percentage change in the quantity demanded due percentage change in the price of the commodity, other things remaining constant

$$= \frac{\% \text{ Change in the } Q_{dx}}{\% \text{ Change in the } P_x}$$