Determinants of a demand curve:

[Health & Medicine]

Movement along the demand curve: There are many factors determining demand- the prime one being price. Price and quantity are the two components which form the demand curve. Any change in these two variables doesn't cause a shift in the demand curve but a movement along what is already existent. When prices vary, quantity is altered. Usually, applying the law of demand, more will be consumed when prices drop and vice versa. When more goods are consumed due to a drop in prices there is an expansion in demand and when less is consumed due to an increase in price, it is said to be a contraction in demand.

A shift in the demand curve: Factors which do cause a shift in demand include: consumer tastes, fashion and trends, income, population, income distribution, consumer expectations andtechnology. When there is a change in any one of these determinants of demand there will be an alteration in the demand curve. Since these changes are not a cause of changes in price, there will be a shift in the demand curve. When more is purchased at the same price, the demand curve will shift to the right as demand increases.

When less is consumed at the same price, the demand curve will shift to the left, as there is a decrease in demand. How the determinants of demand can alter the demand curve are summarised below: 1. Consumer Tastes: consumers tastes and preferences change, which may be in favour of a certain product, increasing and decreasing demand for other goods and services 2. Income: an increase or decrease of consumer income will affect their disposable income and discretionary spending trends- increasing or decreasing demand 3.

Population: the population of an area will affect demand. A larger population means more consumers and greater demand and vice a versa. 4. Income distribution: an even distribution of income will mean an increase for demand of luxury goods by low and middle income groups whereas an uneven distribution would lead to increased demand for necessities by low and middle income earners and a decrease in luxury spending. 5. Consumer expectations: expectations of future course pries, economic activity and government economic policies may affect demand.

If there are expectations of a drop of prices in the future, consumers may choose to postpone current spending for the future. 6. Technology: Technology allows the production of new and better quality products and services, making other products and services obsolete by substituting them. Consumers may switch their demand for a superior or more convenient product or service which technology may bring along. E. g. : a newer mobile phone or a labour saving device.