

Demand and Supply

determinant

s



Demand

▣ **Law of Demand** – with an increase of price demand decreases (the curve moves to the left)

BUT there are some **non-price factors** which affect the demand changes  determinants

Demand determinantes

1. Subjective tastes of consumers
2. Changes of consumers' quantity
3. Changes in consumers' income
4. Abutting goods on the market сопряженные товары
 - a) Neutral products (chairs and perfume)
 - b) Substitute goods (tea and coffee)
 - c) Complementary goods (car and gasoline)
5. Customer expectations

Expectation of *tomorrow* price increase can increase demand *today*




Supply

▣ **Law of Supply** - increase of price also increases the amount of supplied goods

BUT there are some **non-price factors** which affect the supply changes  determinants

Supply determinants

1. Producer's costs

- a) Taxes (taxes  S )
- b) Resources
- c) Technologies (implem-tion of new technology S )

2. The amount of producers on the market (amount supply)

3. Producer's expectations

Expectation of *tomorrow's* price increase can increase the supply *today*

4. Prices on adjacent markets цены на смежных рынках

- a) Prices on complimentary goods (woodworking and matches)
 - b) Price on competitive goods (curtains and louvre boards)
- 