# Factors Influencing Increases and Decrease of Demand and Supply

## Increase in Demand

- Prices of other goods and services

A rise in the price of substitute goods will cause consumers to demand more shoes. If the price of thongs and sandals increased, more people would be willing to buy shoes (assuming the price of shoes remained the same).
A fall in the price of a complementary good may also increase demand (although in the case of shoes, it is likely that shoe prices would influence demand for complements such as shoe laces and shoe polish, but not vice-versa).

- Expected future prices

Consumer spending is influenced by their expectations about future price trends. If consumers expect that the price of new shoes will increase because of the imposition of a new government tax, they will bring forward their purchases and increase the current demand for new shoes.
Consumer tastes and preferences
If a particular type of shoe becomes more fashionable, more consumers would want to buy those shoes at the same price. For example, as consumer tastes have changed in favour of higher quality imported items, the market for expensive European shoes has increased.
New technology that makes running shoes lighter and more shock-absorbing may increase the demand for such shoes.

- Consumer incomes

A rise in the level of income would mean that consumers can afford to buy more shoes at the same price than they could before. As a result, the demand for all shoes, apart from perhaps very-low-quality ones, would tend to increase. People might simply build up their shoe collection.
A change in income distribution that is favourable to higher income earners might increase the demand for high-fashion Italian shoes.
Improved consumer expectations about future income and employment prospects would increase demand for shoes.

- The size and age distribution of the population

An increase in the size of the population will increase the demand for all shoes, while a change in its age distribution will lead to an increase in demand for certain types of shoes. For example, an ageing population would increase the demand for Homy Ped shoes.

## Decrease in Demand

- Prices of other goods and services

A fall in the price of substitute goods (in our example of shoes, items such as sandals or thongs).
A rise in the price of complementary goods. Expected future prices
An expected decline in the price of the product in the future (perhaps due to lower tax on shoes).

- Consumer tastes and preferences

A product such as white tennis shoes becoming less fashionable.
Technological progress that causes a good to be superseded (such as the move away from simple rubber thongs).

- Consumer incomes

A fall in the general level of income.
A change in income distribution less favourable to demand (such as a crash in share prices affecting wealthier people and reducing demand for luxury shoes).
Deteriorating consumer expectations about future economic prospects (perhaps due to a recession being experienced by our major trading partners).

- The size and age distribution of the population

A decrease in the overall size of the population, and a change in its age distribution (such as a decrease in the birth rate bringing about a decline in demand for baby shoes).

## Supply

Any factor other than a change in the price of the product itself that will cause the supply or a good to be greater or less than it was previously, will cause a shift in the supply curve. They can be briefly summarised as follows:

### Increase

- A fall in the price of other goods, which makes production of other goods less profitable.
- An improvement in the technology used in the production process.
- A fall in the cost of factors of production such as labour or capital.
- An increase in the quantity of resources available to be used in production.
- Climatic conditions or seasonal change that is more favourable to the production process.

### Decrease

- A rise in the price of other goods.
- A certain technology no longer being available (this is highly unlikely).
- A rise in the cost of factors of production.
- A decrease in the quantity of resources available.
- Regulations restricting the sale of a good because of its risks to health and safety (e.g. fireworks).
- Climatic conditions, or a seasonal change, that is less favourable to the production of a particular good.

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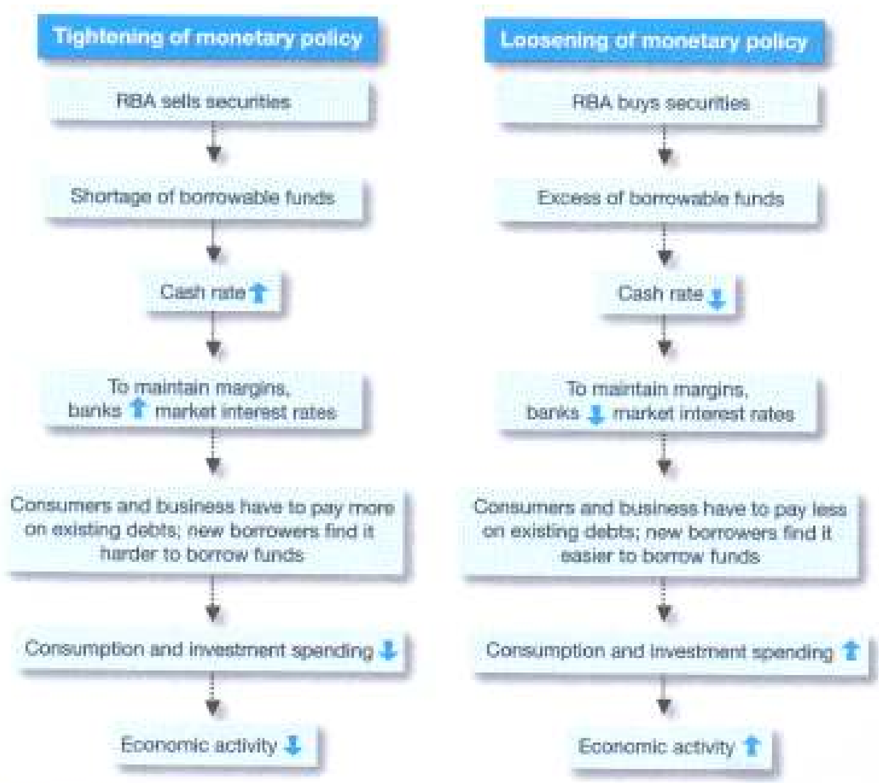


**Figure 13.4** – The impact of monetary policy