Aggregate Demand In Class Scenario
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1: Government

1.1: Scenario

Shortage of natural resources in other major exporting countries in the world.

1.2: Result

The aggregate demand curve will shift to the right as a result of the shortage of natural resources in other major exporting countries around the world. Consequently, Canada will have to export a greater share of materials to keep up with the global demand. Since Aggregate Demand is given by the formula AD = C + I + G + (X-M). Therefore an increase in X will result in an increase in the aggregate demand and hence the curve will shift to the right. Due to a decrease in demand from the other exporters, consumers will demand a greater quantity from Canada increasing the aggregate demand.

2: Consumption

2.1: Scenario

Sudden drop in the Consumer Confidence Index (CCI).

2.2: Result

Sudden drop in the Consumer Confidence Index will result in a leftward shift in the AD curve. As the population is unsure of the future and their economic stability, they will be inclined to save instead of spend. Because AD of a country is dependent on the consumption of goods and services of its populations: AD=C+I+G+X-M, if consumers do not spend their wealth, the AD will fall and shift to the left