



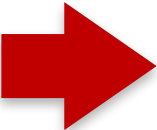
Shifts in Consumption

# 2. Changes in consumer expectations

# Pessimistic Expectations

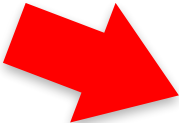


A downward shift in the  
Consumption Line: a  
smaller intercept

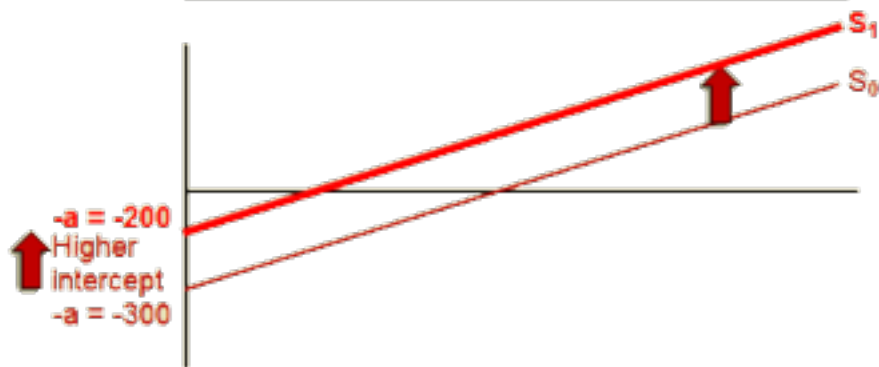
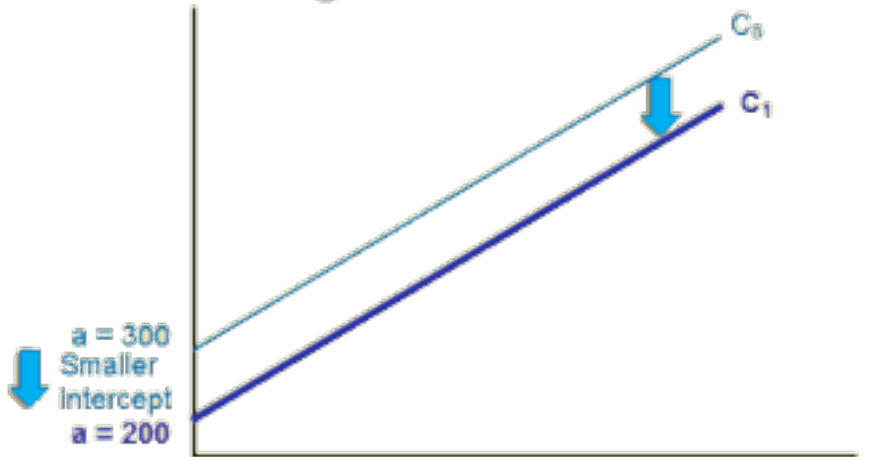


An upward shift in the Savings Line: a larger intercept





Pessimistic consumers buy less and save more



# Shifts in Consumption

## 2. Changes in consumer expectations

### Pessimistic Expectations

Pessimistic consumers buy less and save more

A **downward** shift in the Consumption Line: a **smaller** intercept



An **upward** shift in the Savings Line: a **larger** intercept

# Shifts in Consumption

## 3. Changes in Prices of goods and services