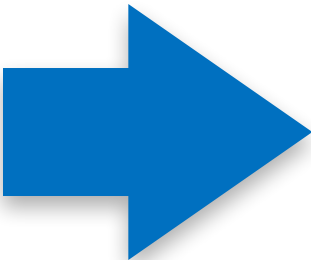
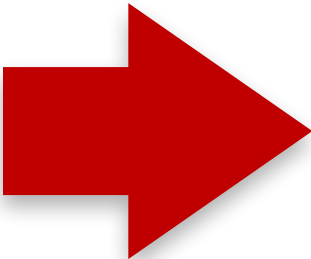




Shifts in Consumption

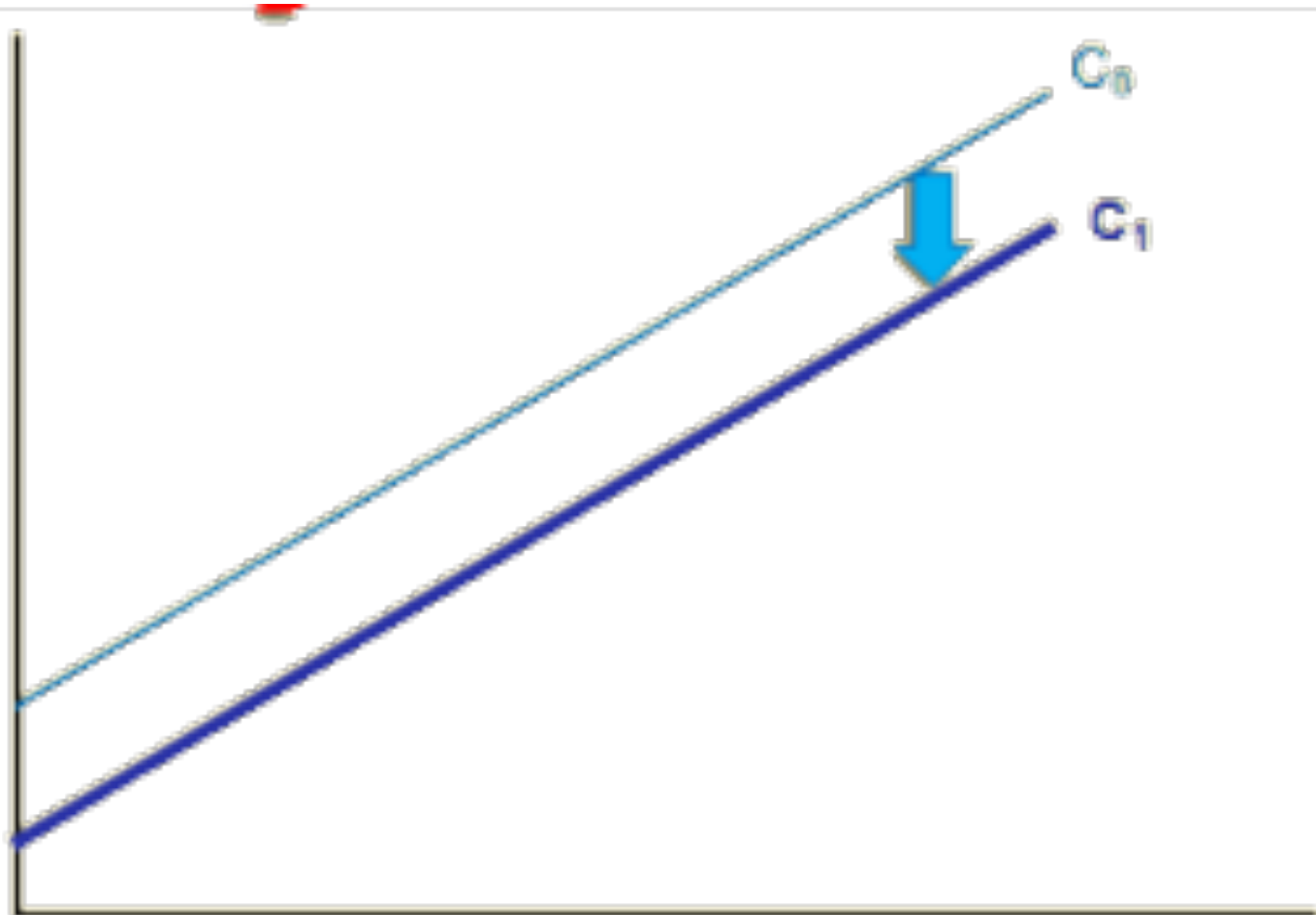



A downward shift in the  
Consumption Line: a  
smaller intercept

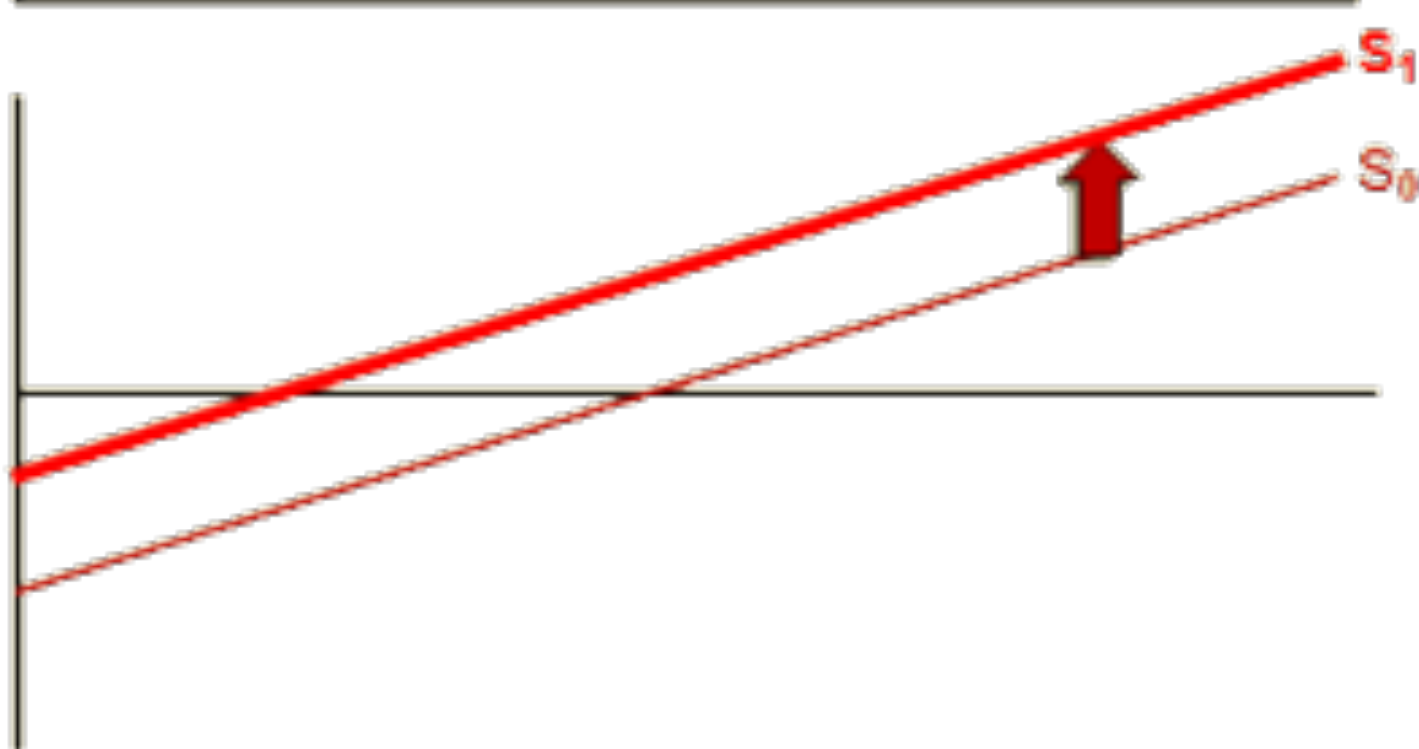


An upward shift in the  
Savings Line: a larger  
intercept

  $a = 300$   
Smaller  
Intercept  
 $a = 200$



  $-a = -200$   
Higher  
Intercept  
 $-a = -300$



$$\text{Real Wealth} = \frac{\text{Nominal Wealth}}{\text{CPI}}$$





Real Wealth Decrease: Poorer consumers buy less and save more

3. Changes in Prices of goods and services

CPI increase

# Shifts in Consumption

## 3. Changes in Prices of goods and services

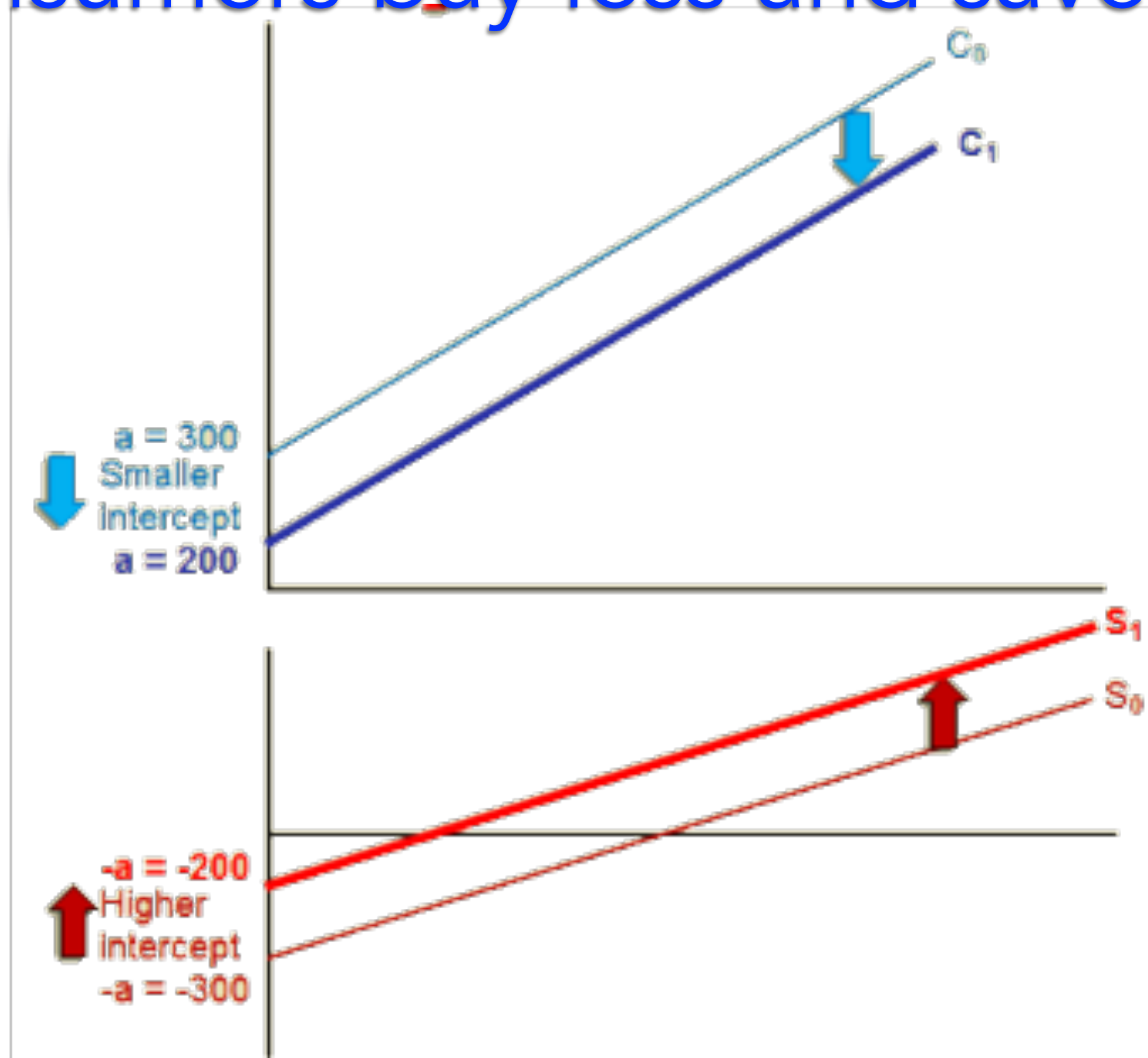
CPI increase

$$\text{Real Wealth} = \frac{\text{Nominal Wealth}}{\text{CPI} \uparrow}$$

Real Wealth Decrease: Poorer 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



# What determines Consumer Spending?