Definition(2)

1. Equilibrium price

The price where demand and supply are equal, and so there are not shortages or surpluses of produce.

2. Excess demand

The amount by which demand is greater than supply. It means the price below the Equilibrium price.

3. Excess supply

The amount by which supply is greater than demand. It means the price above the Equilibrium price.

4. Inferior good

one whose demand decreases as income increases.

5. Price elasticity of demand

Price elasticity of demand(PED) measures the extent to which the quantity demanded changes when the price of product changes .the formula used to calculate it is

$$\text{PED} = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$$

This is often abbreviated to:

$$\text{PED} = \frac{\%\Delta QD}{\%\Delta P}$$

6. Elastic demand

When the quantity demanded changes by a greater percentages than the change in price and the PED is more than 1.As price rises, demand becomes more elastic.

7. Inelastic demand

When the quantity demanded changes by a smaller percentages than the change in price and the PED is less than 1 but greater than zero. As increase in demand will make the demand more inelastic.

8. Price elasticity of supply

Price elasticity of supply (PES) measures the extent to which the quantity supplied changes when the price of product changes .the formula used to calculate it is

$$\text{PES} = \frac{\text{Percentage change in quantity supplied}}{\text{Percentage change in price}}$$

The abbreviated form of this is:

$$\text{PES} = \frac{\%\Delta QS}{\%\Delta P}$$

9. Elastic demand

When the quantity supplied changes by a greater percentages than the change in price and the PES is more than 1. Supply tends to become more elastic with time.

10.Inelastic supply

When the quantity supplied changes by a smaller percentages than the change in price and the PES is less than 1 but greater than zero.