

## PED, YED, PES Concepts

Type of good	PED value	Example
Necessities	PED < 1	Rice, salt, petrol
Luxury goods	PED > 1	Sports cars, designer bags
Goods with many substitutes	PED > 1	Soft drinks
Addictive goods	PED < 1	Cigarettes
Perfectly inelastic goods	PED = 0	Life-saving medicine
Perfectly elastic goods	PED = $\infty$	Agricultural goods in perfect competition

### **PED value   Type of demand   Explanation**

PED > 1	Elastic	Quantity demanded changes more than price
PED = 1	Unit elastic	Proportionate change
PED < 1	Inelastic	Quantity demanded changes less than price
PED = 0	Perfectly inelastic	No response to price change
PED = $\infty$	Perfectly elastic	Infinite response

### **YED value   Type of good   Explanation**

YED > 1	Income elastic	Luxury goods
$0 < \text{YED} < 1$	Income inelastic	Necessities
YED < 0	Inferior goods	Demand falls as income rises
YED = 0	Income neutral	No effect

### PED, YED, PES Concepts

<b>YED value</b>	<b>Type of good</b>	<b>Example</b>
YED > 1	Luxury goods	Foreign holidays, sports cars
0 < YED < 1	Necessities	Food, electricity
YED < 0	Inferior goods	Bus travel, low-quality clothes
YED = 0	Income-neutral goods	Basic medicine

### **PES value** **Type of supply**    **Explanation**

PES > 1	Elastic supply	Supply responds strongly
PES = 1	Unit elastic	Proportionate change
PES < 1	Inelastic supply	Limited response
PES = 0	Perfectly inelastic	Fixed supply

### **PES value** **Type of supply**    **Example**

PES < 1	Inelastic supply	Agricultural goods (short run)
PES > 1	Elastic supply	Manufactured goods
PES = 0	Perfectly inelastic	Land
PES = $\infty$	Perfectly elastic	Goods in long run with perfect competition