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Income Elasticity for
Normal Goods is
Positive



eyd > 1

eyd

<1

Luxuries: are Normal
goods with income
elastic demands

Necessities: are
Normal goods with
income inelastic
demands

eyd ≥ 0

For Inferior goods demand and income move in **opposite** direction: when income increase, demand decrease

Income
Elasticity for
Inferior Goods
is Negative



eyd < 0

The **sign** of the Income Elasticity tells us what **kind** of good it is...

For Normal goods demand and income move in the **same** direction: when income increase, demand increase

The **sign** of the Income Elasticity tells us what **kind** of good it is....

For Normal goods demand and income move in the **same** direction: when income increase, demand increase

Income Elasticity for
Normal Goods is
Positive

$$+ e_y^d > 0$$

$$e_y^d > 1$$

Luxuries: are **Normal** goods with income **elastic** demands

$$e_y^d < 1$$

Necessities: are **Normal** goods with income **inelastic** demands

For Inferior goods demand and income move in **opposite** direction: when income increase, demand decrease

Income
Elasticity for
Inferior Goods
is **Negative**

$$- e_y^d < 0$$

Cross Price Elasticity of Demand