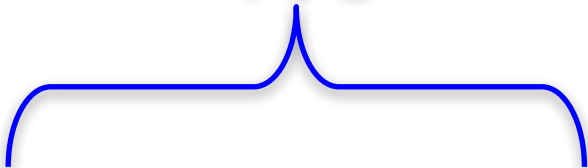




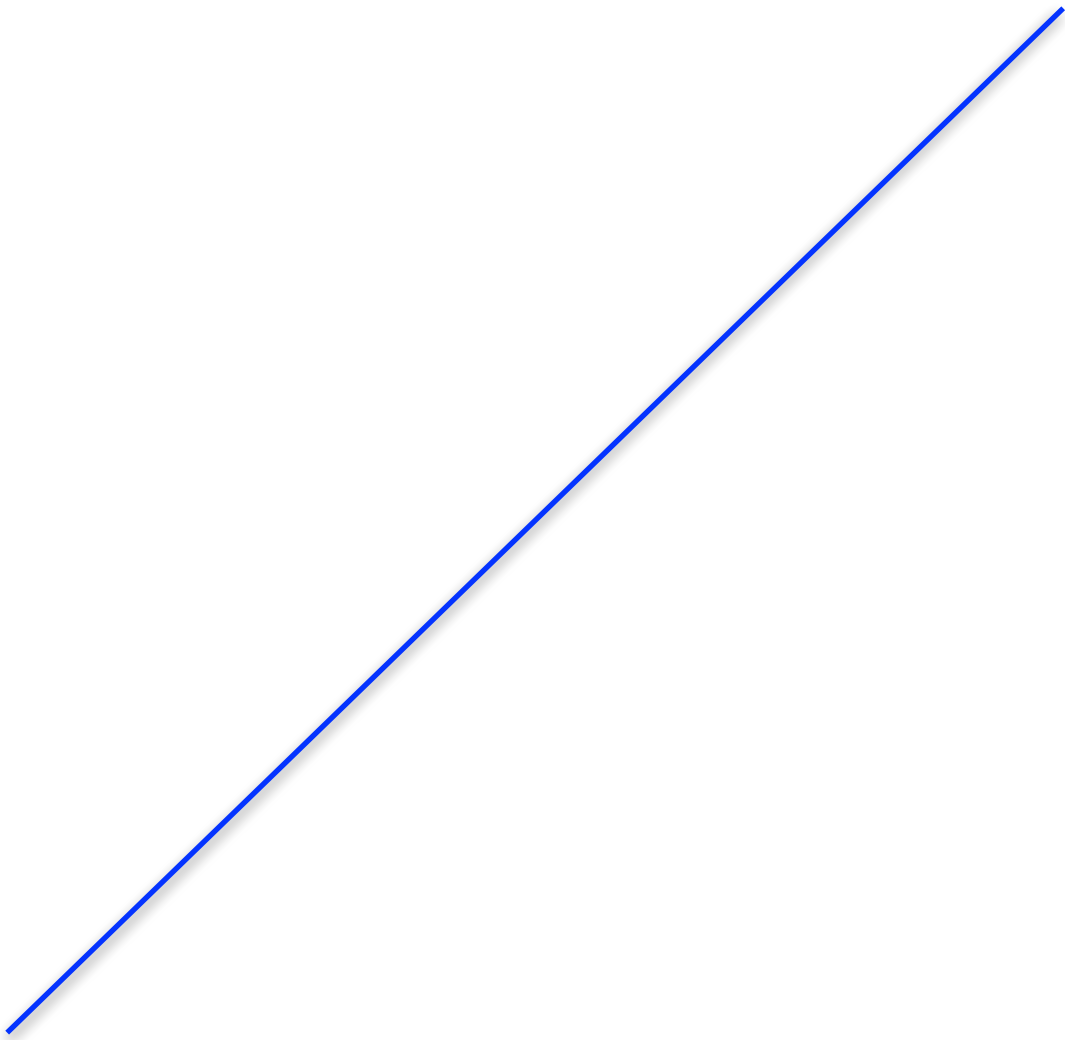
4%













Q0

P

1

Q1



Example: Demand elasticity =  $-0.5$ ; Supply elasticity =  $1.5$

If Supply increase by  $4\%$  calculate the resulting change in  
Equilibrium Price



$$\% \Delta \text{Pre} = -4/2$$

**%ΔPre = -2%**

The equilibrium price  
( $P_e$ ) decrease by 2%

PO

%ΔPe

4



(0.5 + 1.5)

$\% \Delta \text{Supply}$

---

$(e^d + e^s)$

[REDACTED]

[REDACTED]













A pink speech bubble with a pointed tail pointing towards the top-left corner of the image. The bubble is filled with a solid light pink color and has a subtle drop shadow.

**Positive!!!!**

So

S1



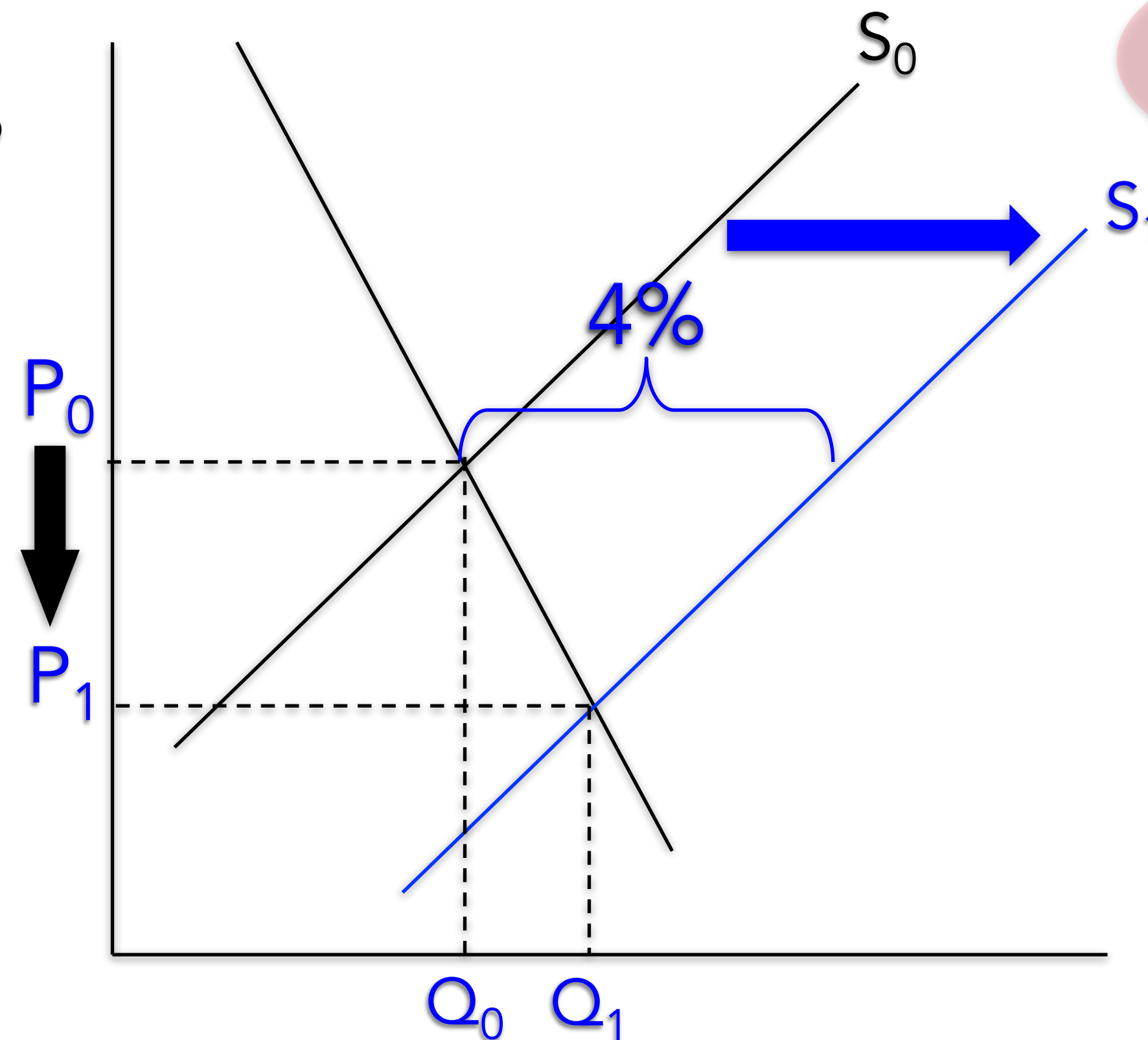
Example: Demand elasticity =  $-0.5$ ; Supply elasticity =  $1.5$   
If Supply increase by  $4\%$  calculate the resulting change in  
Equilibrium Price

$$\% \Delta P_e = - \frac{\% \Delta \text{Supply}}{(|e^d| + e^s)} = - \frac{4}{(0.5 + 1.5)}$$

$$\% \Delta P_e = -4/2$$

$$\% \Delta P_e = -2\%$$

The equilibrium price  
( $P_e$ ) decrease by  $2\%$



Positive!!!!

# The Effect of an Increase in Demand

