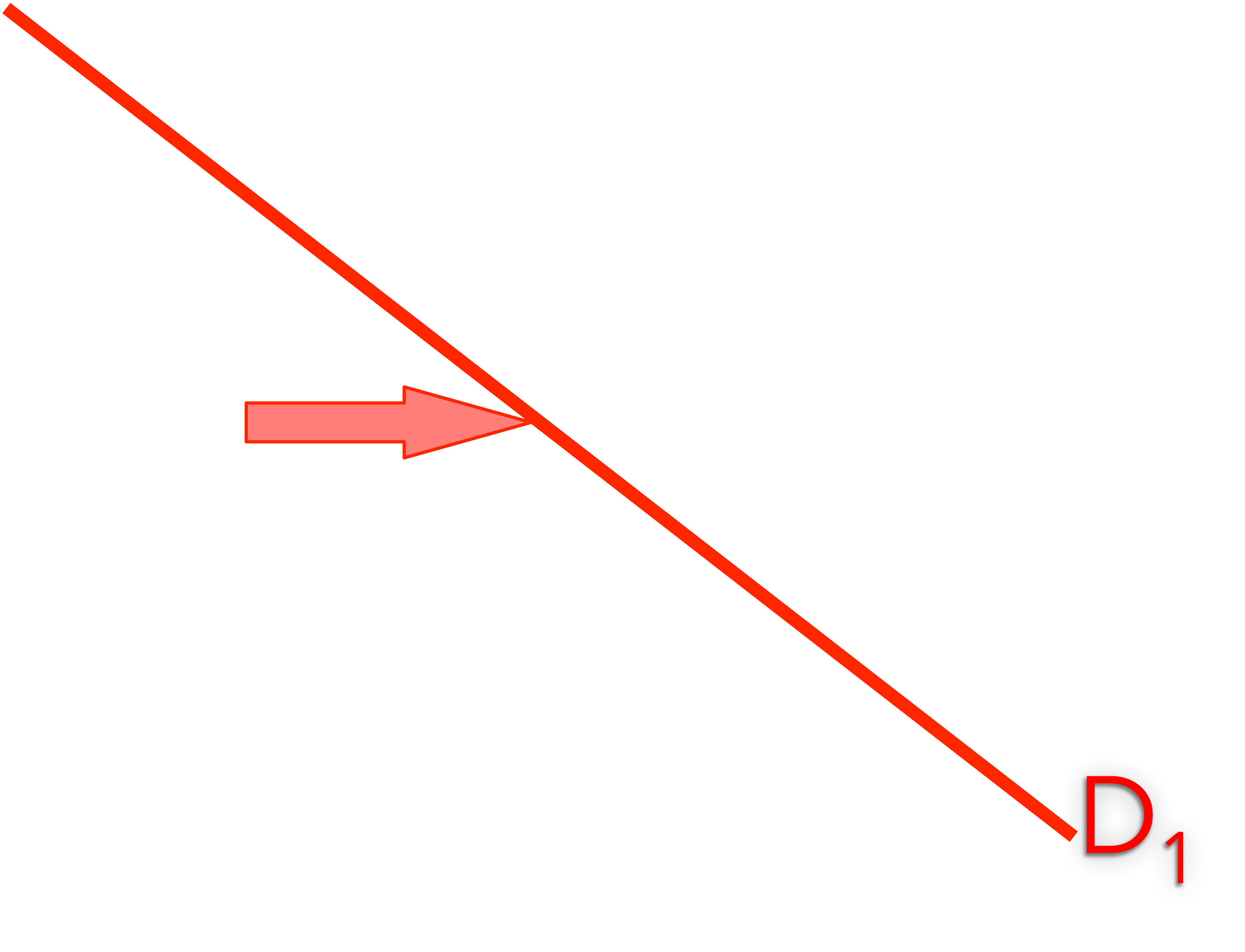
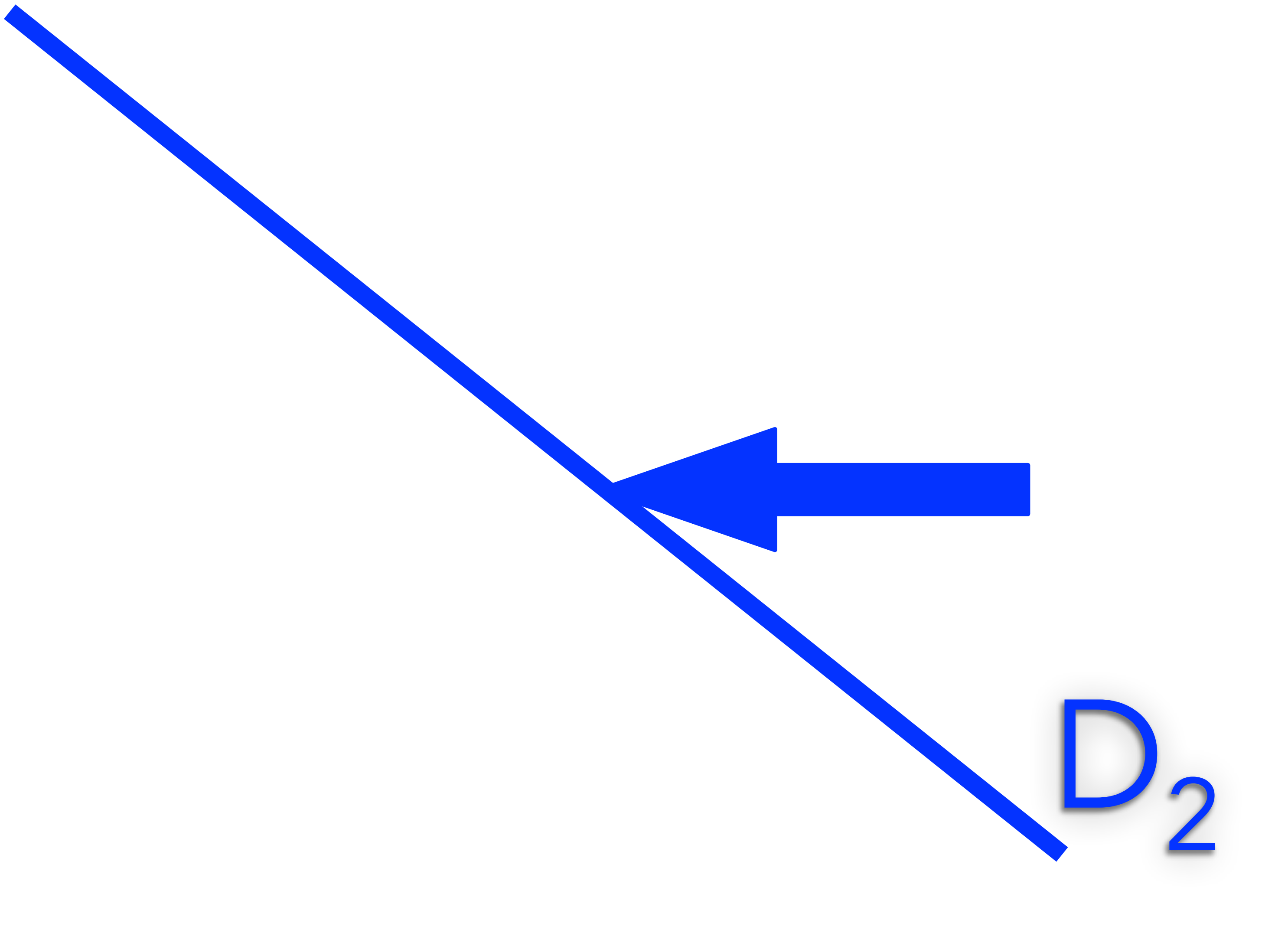
P_x

When a substitute of good x becomes more expensive,



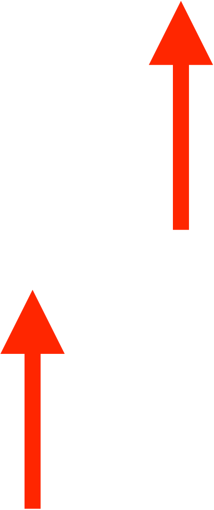
D_1


D_2

D_0

demand for good x increase

The cross price elasticity for substitute goods is always positive



When a complement of good x becomes more expensive, demand for good x decrease

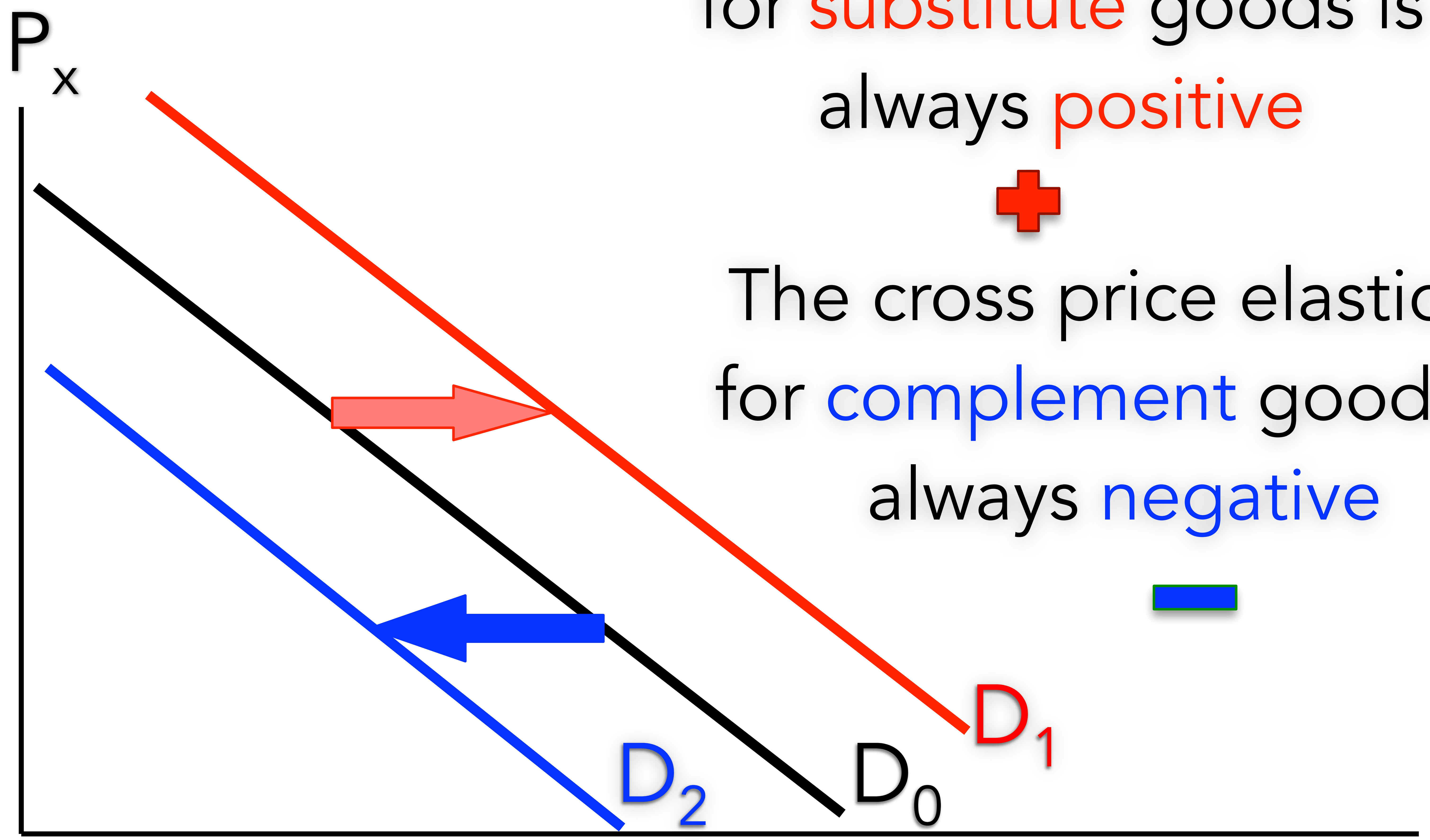
The cross price elasticity for complement goods is always negative

The sign of the Cross Price Elasticity tells us how are goods related…

The sign of the Cross Price Elasticity tells us how are goods related...

When a substitute of good x becomes more expensive, ↑ demand for good x increase ↑

When a complement of good x becomes more expensive, ↑ demand for good x decrease ↓



The cross price elasticity for substitute goods is always positive

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The cross price elasticity for complement goods is always negative

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The size of the Cross Price Elasticity tells us how closely are goods related....