

% change in Income

% change in D

Size of the change in Demand

Size of the change in Income

$e_y d =$



Income

Demand



Formula to calculate the **Income** elasticity of
Demand





$$\left(\frac{\text{Change in } D}{\text{Average } D} \right)$$

$$\left(\frac{\text{Change in Income}}{\text{Average Income}} \right)$$

$$e_{y_d} = \frac{\% \Delta D}{\% \Delta \text{Income}}$$

Formula to calculate the **Income** elasticity of Demand

$e_{y^d} = \frac{\text{Size of the change in Demand}}{\text{Size of the change in Income}} = \frac{\left(\frac{\text{Change in D}}{\text{Average D}} \right)}{\left(\frac{\text{Change in Income}}{\text{Average Income}} \right)}$

Annotations:

- A blue arrow points from the word "Demand" to the e_{y^d} term.
- A pink arrow points from the word "Income" to the e_{y^d} term.
- The top part of the formula (the fraction) is highlighted in a light blue box.
- The bottom part of the formula (the fraction) is highlighted in a light pink box.

$$e_{y^d} = \frac{\% \Delta D}{\% \Delta \text{Income}}$$

Income	Demand Good X
1000	300
2000	400