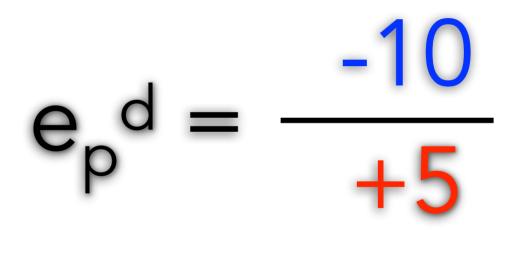






## Example: It has been observed that a 5% increase in price, caused a 10% reduction in quantity demanded. Calculate the elasticity

## Elasticity of Demand (ignoring the sign) is greater than one: Demand is Elastic



$$e_p d = \frac{\% \Delta Q^d}{\% \Delta P}$$

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$$e_p^d = \frac{-10}{+5} = -2$$

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$$e_p^d = \frac{\%\Delta Q^d}{\%\Delta P}$$

