

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**


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

$$e_{pd} = \frac{\% \Delta Q_d}{\% \Delta P}$$


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

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

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

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

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

