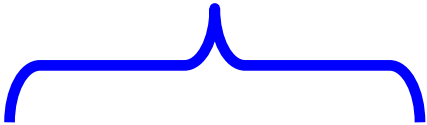




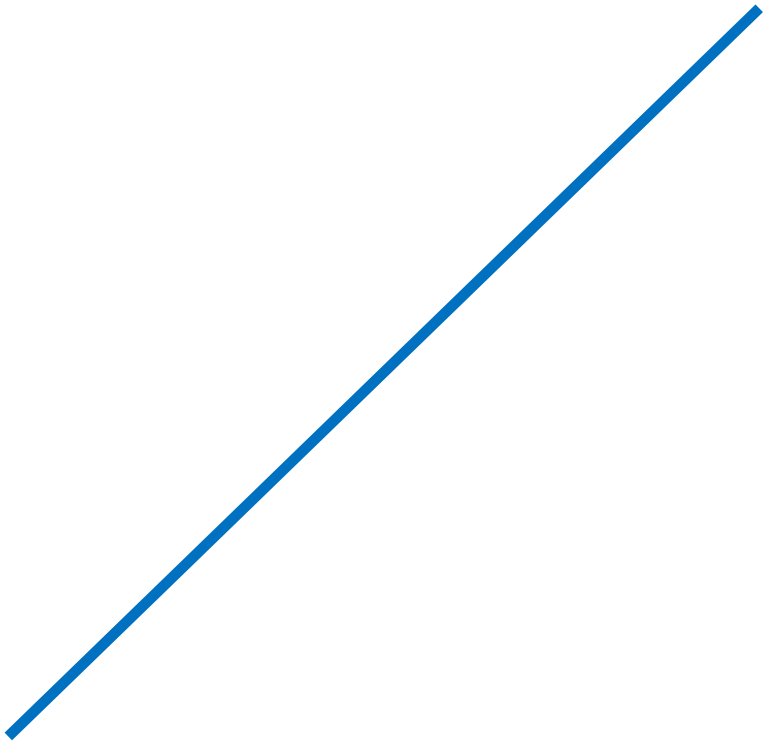
4%













90

P

1

Q1



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

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



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

**0% Δ Pre = 220%**

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

P

O

%o



Pre

4



(0.5 + 1.5)

$\% \Delta \text{Supply}$

---

$(e^d + e^s)$















A red speech bubble with a long tail pointing towards the top-left corner. The bubble is outlined in red and has a subtle drop shadow. Inside the bubble, the word "Positive" is followed by four exclamation marks, all in a bold red font.

**Positive!!!!**

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

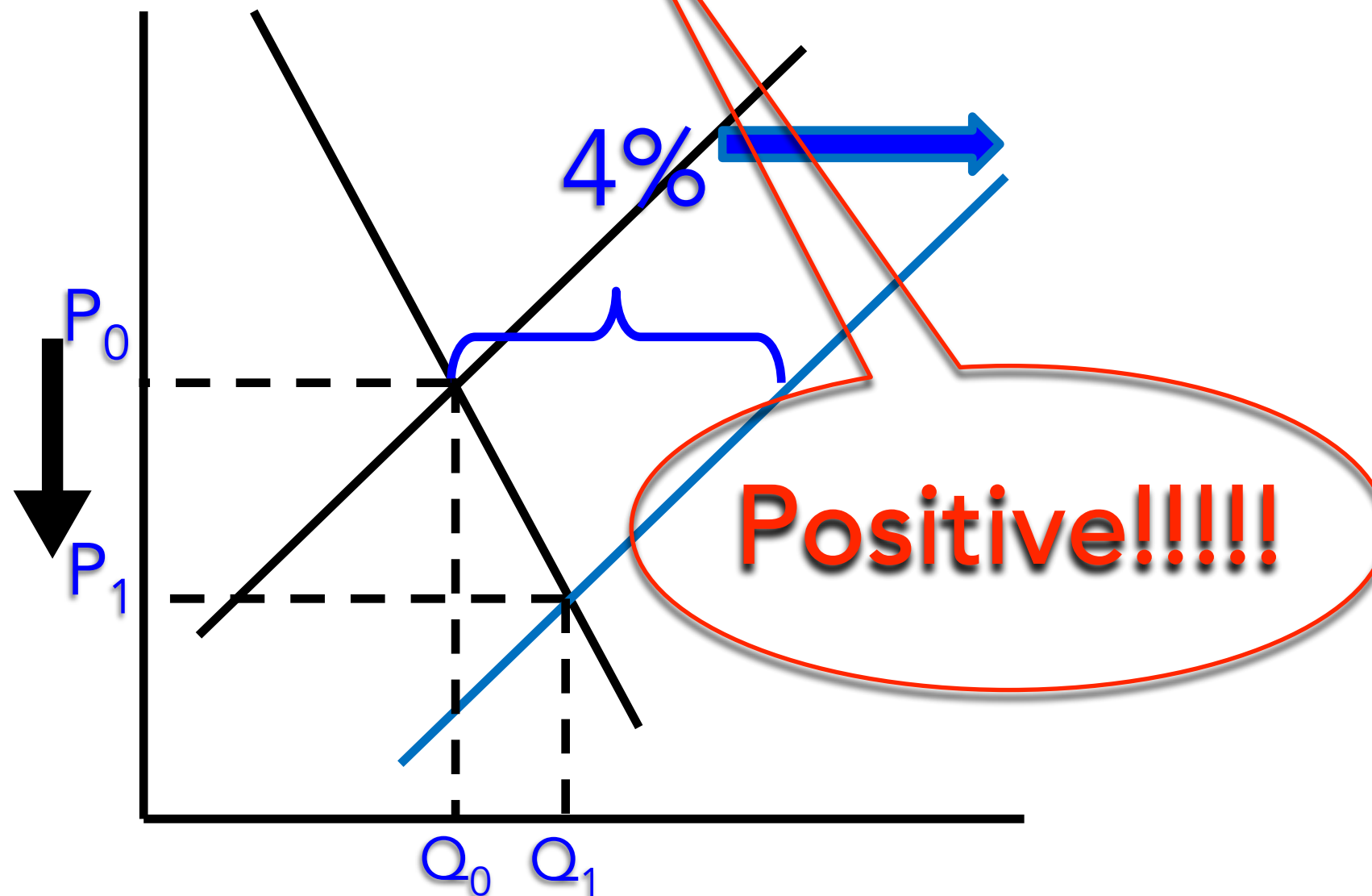
If Supply increase by  $4\%$  calculate the resulting change in  
Equilibrium Price

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

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

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

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



# The Effect of an Increase in Demand

