8 Elasticity – Part 2 —Answers

Answers

Work through these after trying the questions yourself.

8.6 How much demand reacts to a change (in price, income, etc.).
8.7 Inelastic.
8.8 Price elasticity of demand (PED).
8.9 A change in income.
8.10 No —inelastic demand barely changes, so few customers are lost.

8.11 A luxury product has a high positive YED, meaning its demand changes sharply with income. In a recession incomes fall, so demand for the luxury falls by an even larger percentage —the firm's sales are likely to drop a lot.