



Elasticity of demand and supply

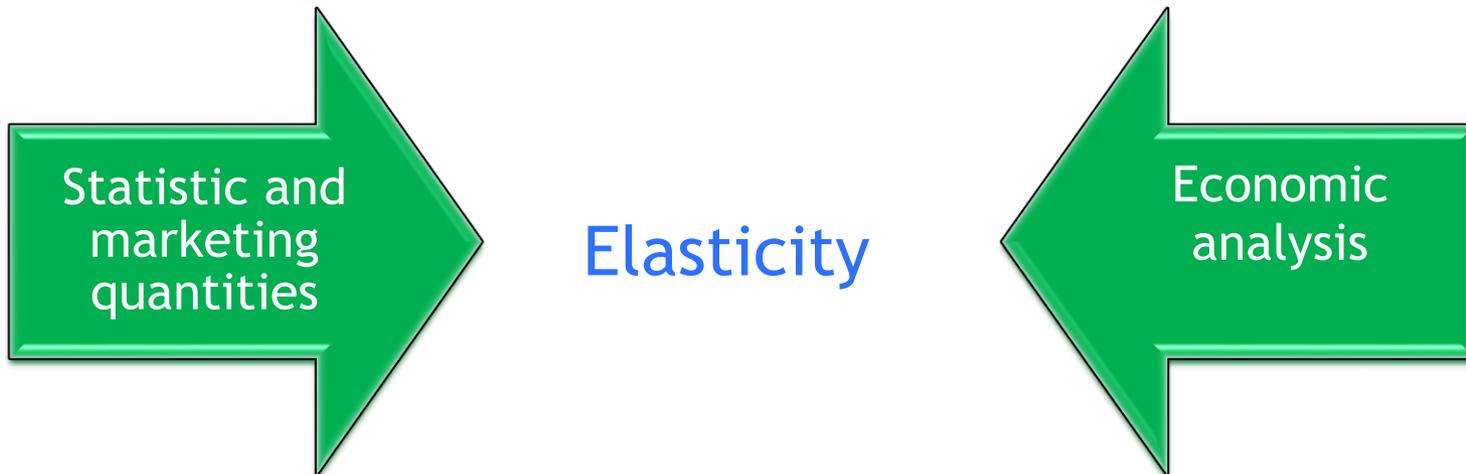
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Plan:

- Term of “Elasticity”;
- Elasticity coefficient;
- Elasticity of Demand;
- Elasticity of Supply;
- Conclusion.



Term of “Elasticity”



Elasticity
coef...
😊

Elasticity coefficient

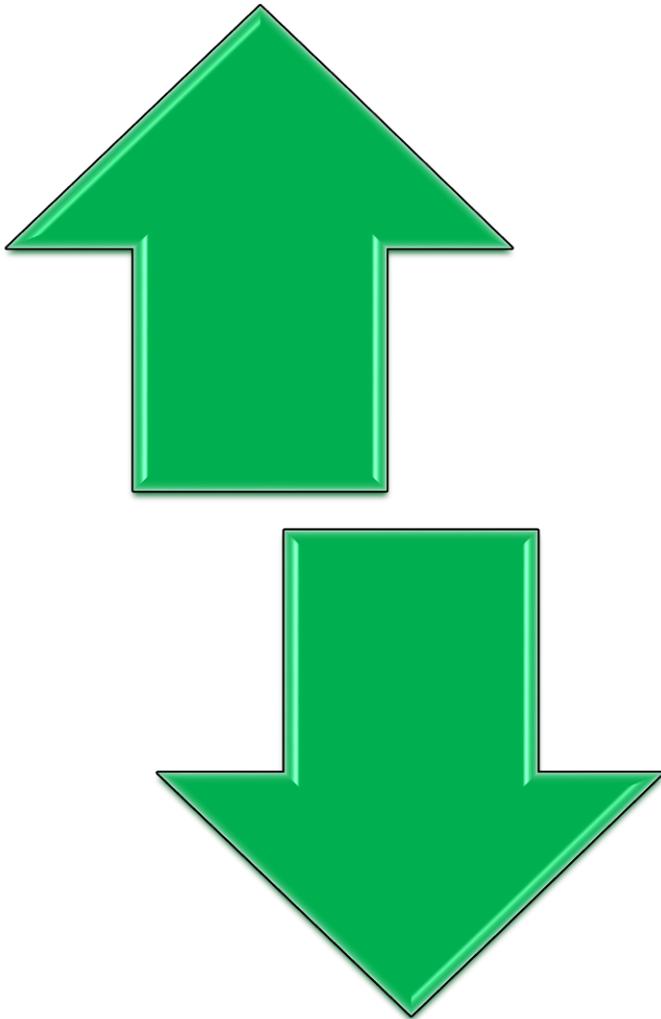
Elasticity coefficient E-
shows the rate of
quantitative change of one
factor according to the
change of another factor.

$$E = A \div B$$

A= percent change of A

B= percent change of B

DEPENDENCE BETWEEN A&B



POSITIVE

$\uparrow A - B \uparrow$

$\uparrow A - B \downarrow$

$\uparrow B - A \downarrow$

NEGATIVE

Elasticity of Demand

Demand



Elastic Demand



price elasticity
of demand

income elasticity
of demand

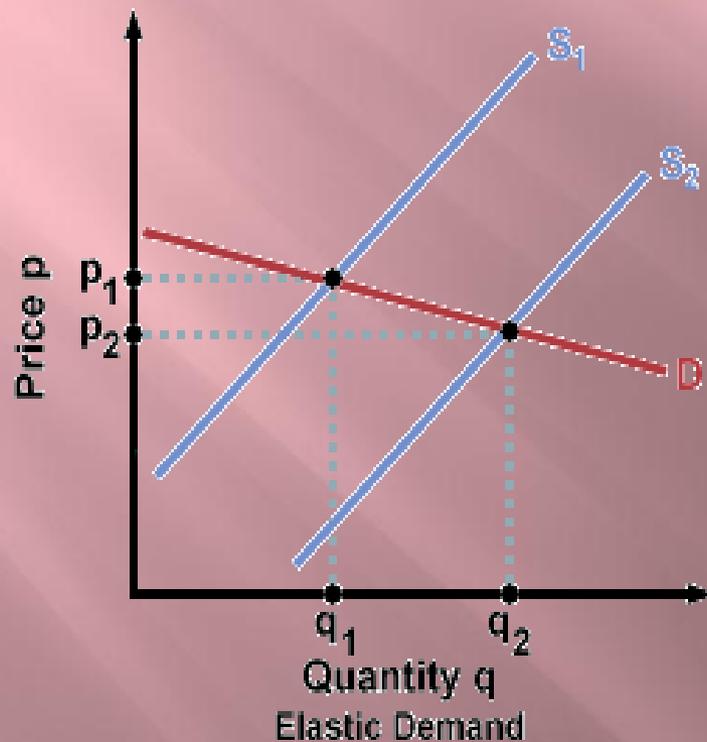
PRICE ELASTICITY OF DEMAND

$$\frac{\% \Delta Q}{\% \Delta P}$$

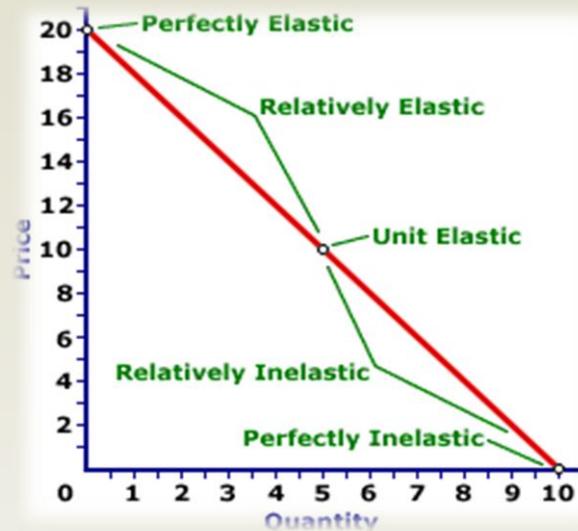
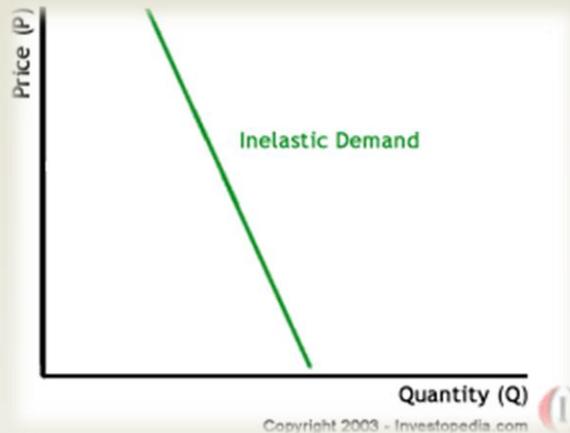
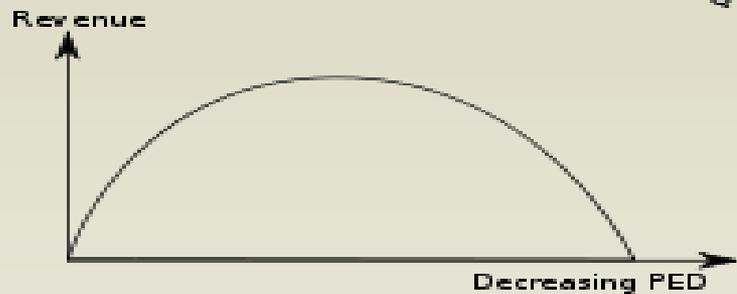
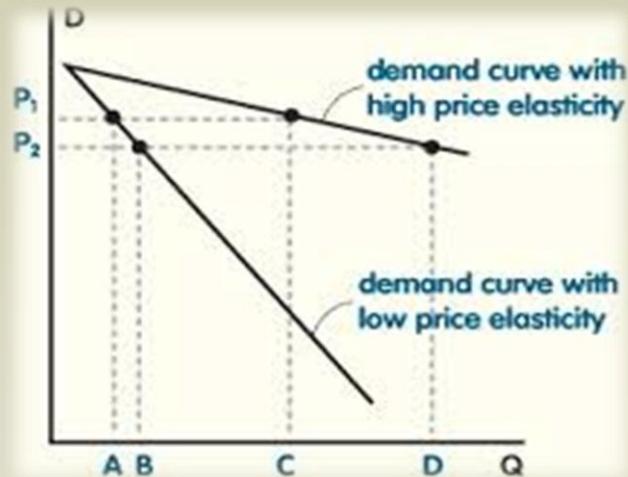
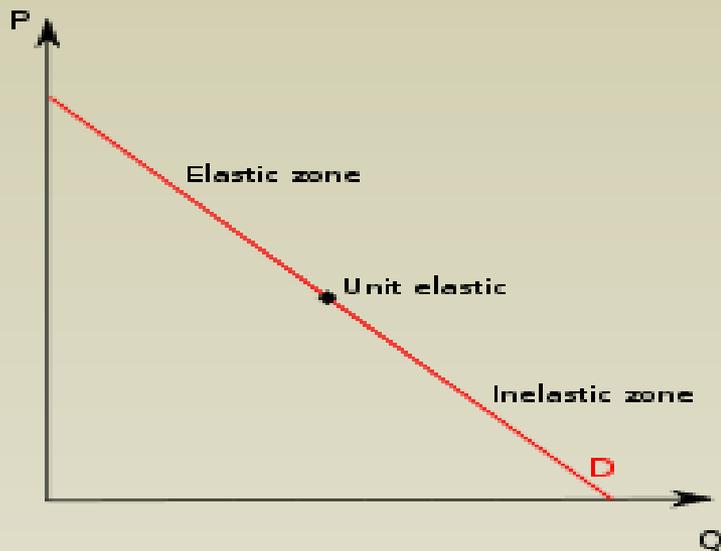
Numerator

Denominator

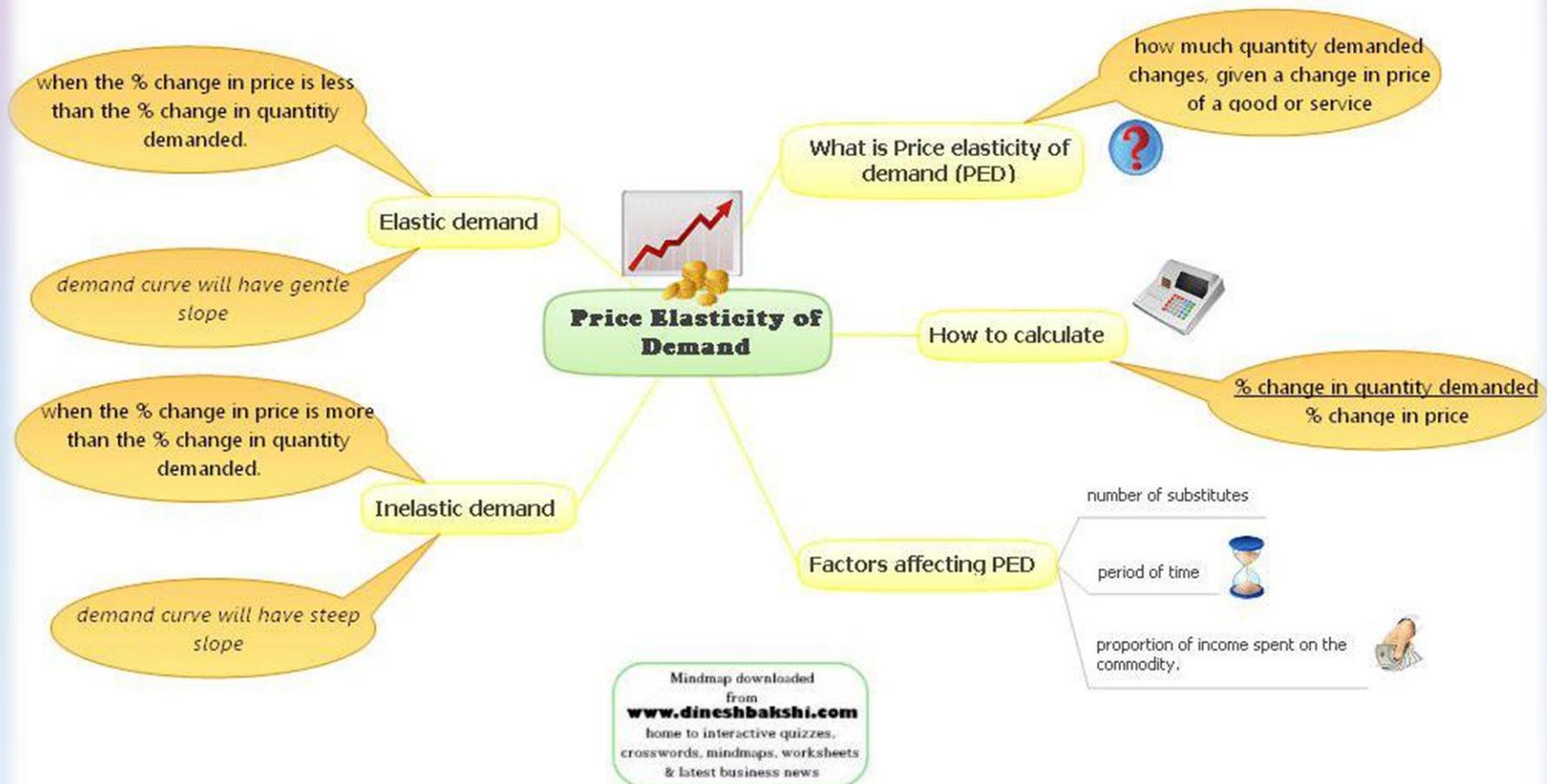
price elasticity of demand



Price elasticity of demand
 E_d^P - shows the rate of
quantitative change of
demand according to the
change of price to 1%



Price Elasticity of Demand



Point Elasticity method

$$E = \dot{Q}(P) \frac{P}{Q(P)}$$

Here,

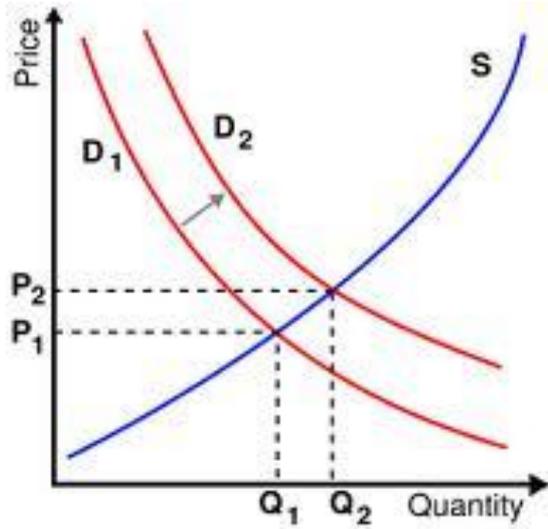
E- Elasticity coefficient

P- market price

$\dot{Q}(P)$ – derivative function of demand



ARC ELASTICITY METHOD

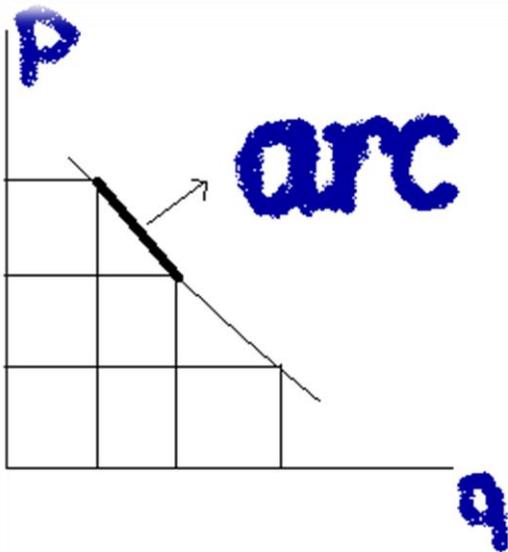


$$E = \frac{2(Q_2 - Q_1)}{(Q_2 + Q_1)} \cdot \frac{2(P_2 - P_1)}{(P_2 + P_1)}$$

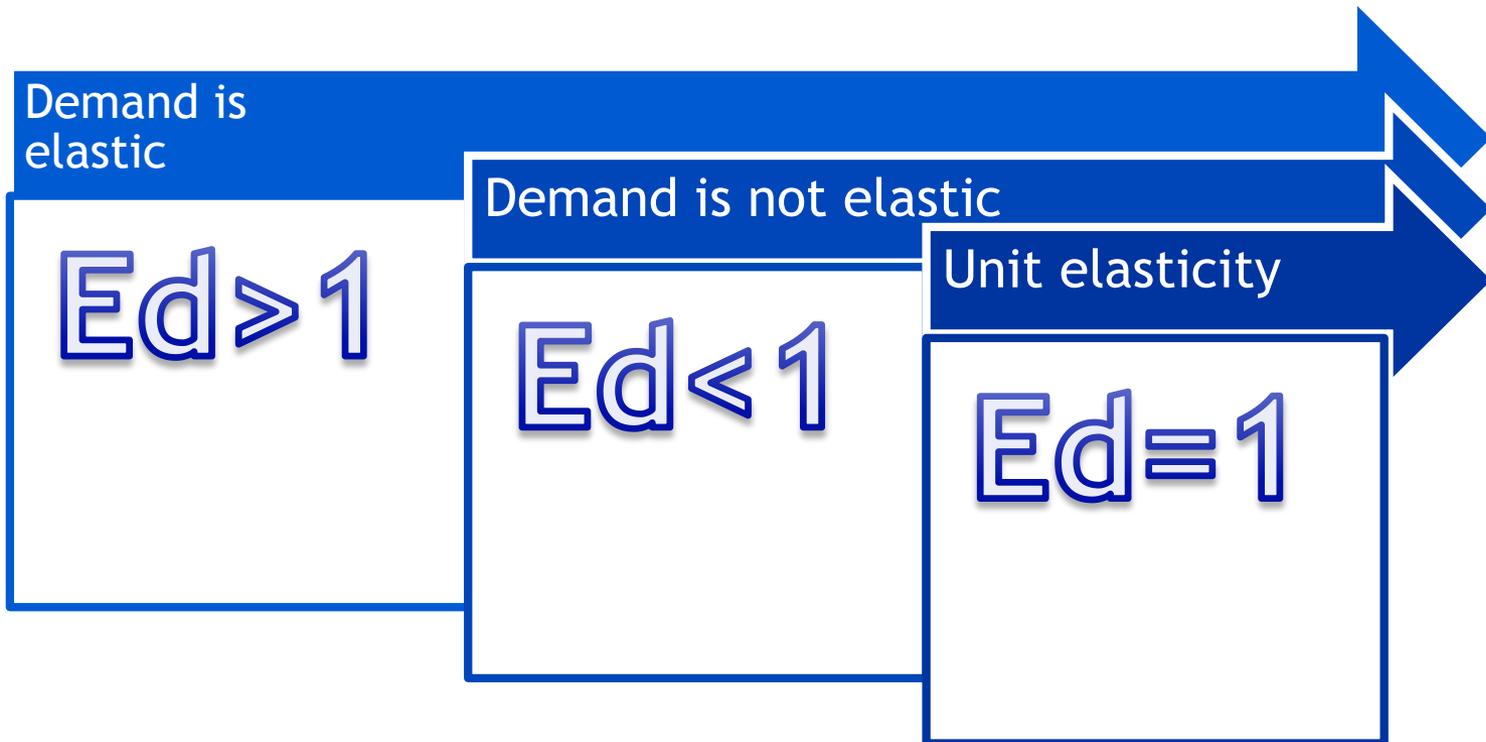
Here,

P₁ and P₂- initial and subsequent costs

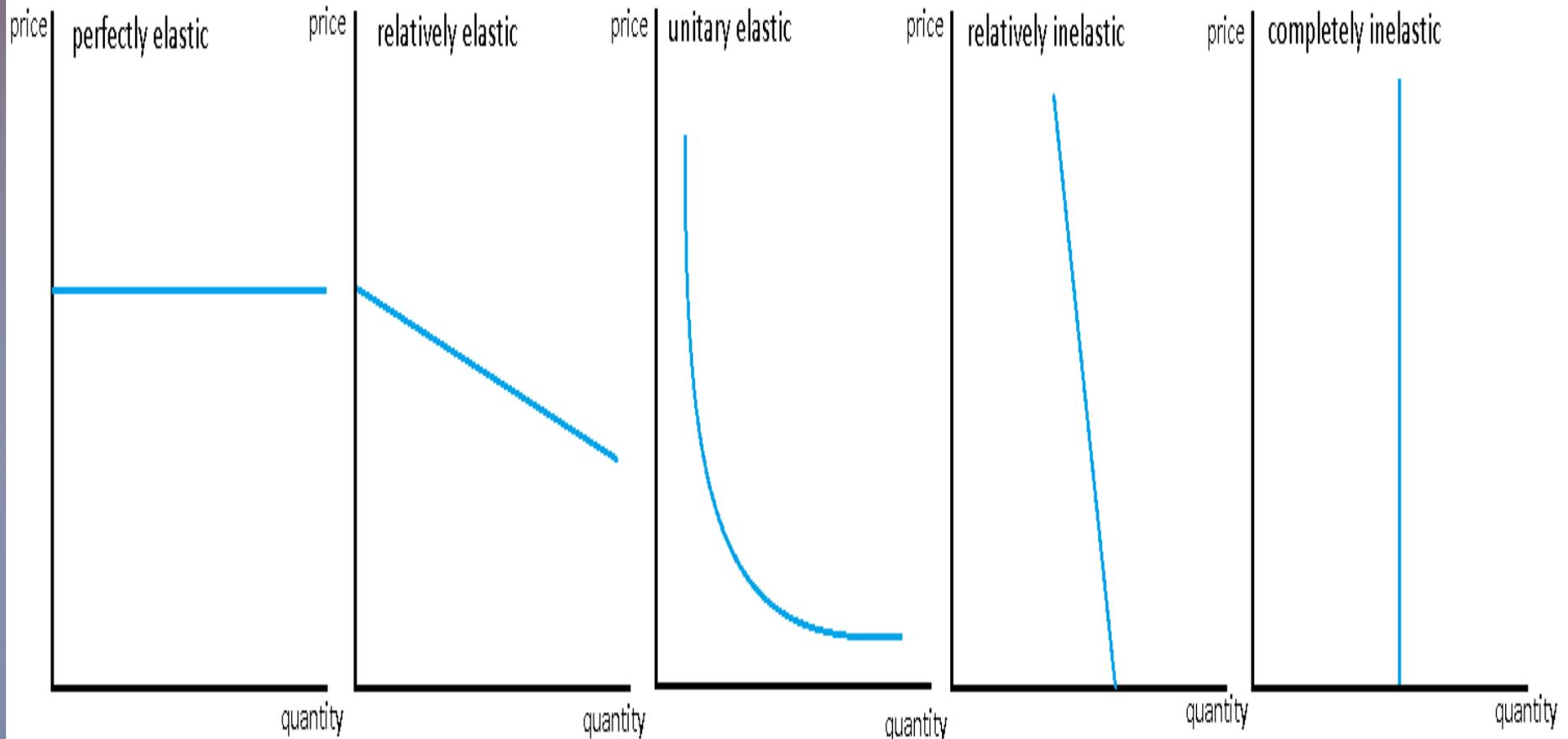
Q₁ and Q₂- initial and subsequent quantities of demand



ACCORDING TO THE ELASTICITY COEFFICIENT DEMAND CAN BE:



Elasticities of Demand



$PED = \infty$. (Don't really need to know much else about this one).

$PED > 1$. Decreasing the price will lead to a greater increase in quantity demanded.

$PED = 1$. A change in the price will lead to a directly proportionate change in quantity demanded.

$PED < 1$. A change in price will have little effect on quantity demanded.

$PED = 0$. Changing the price will have no effect on quantity demanded.

FACTORS THAT AFFECT TO PRICE ELASTICITY OF DEMAND

Presence
and
availability
of
substitute
goods

Time
factor

Unit
weight of
product`s
expendi-
ture

Necessity
of the
product
to the
costumer

INCOME ELASTICITY OF DEMAND

Income elasticity of demand E_d^R - shows the rate of quantitative change of demand according to the change of costumers' income to 1%.

It's a positive size.

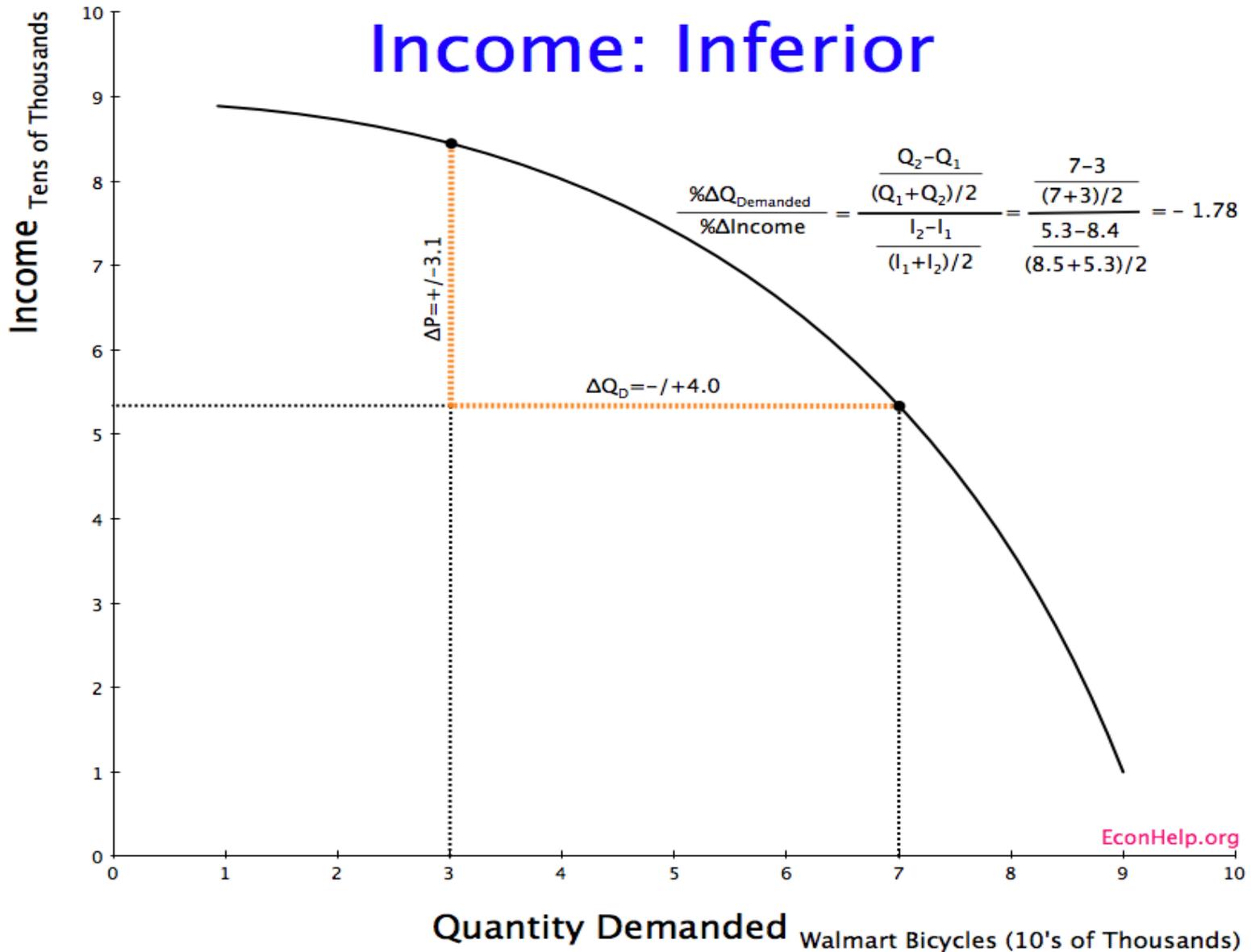
According to the size goods are divided into:

first-necessity / essential goods

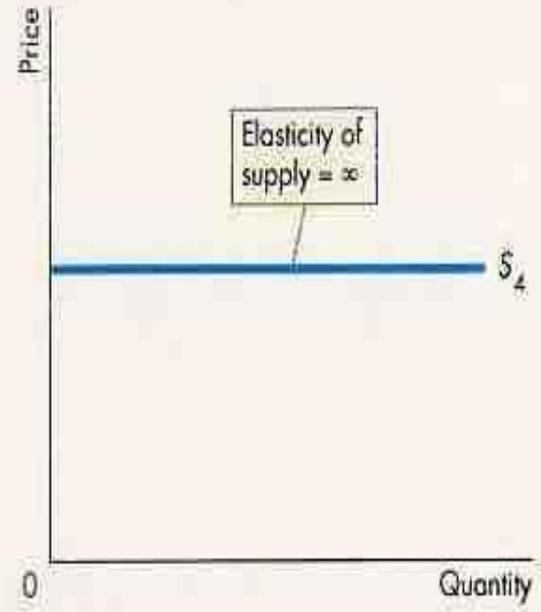
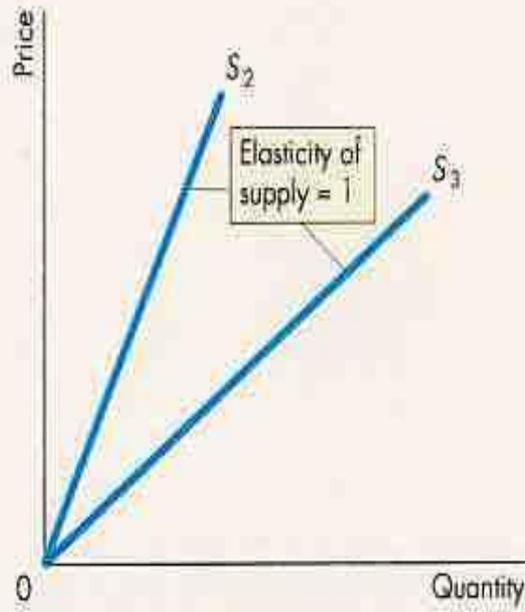
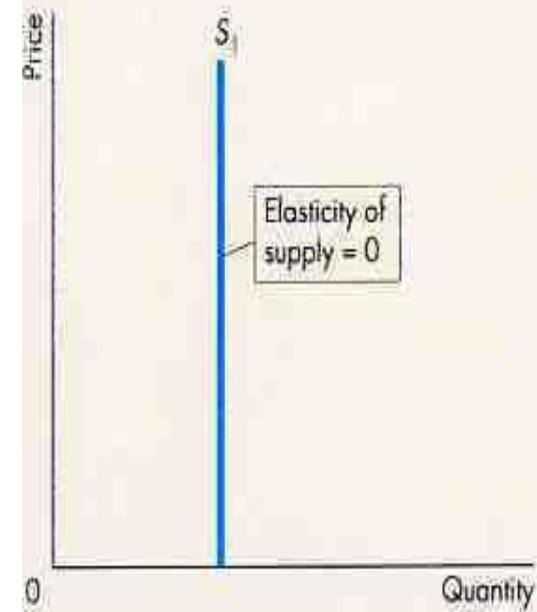
second-necessity goods

third-necessity goods

Income: Inferior



Inelastic and Elastic Supply



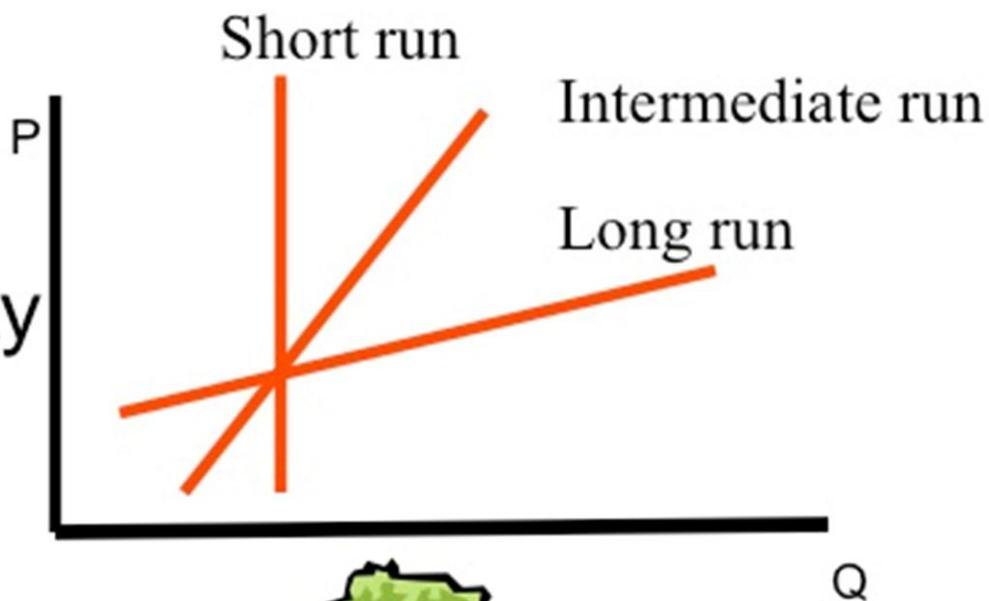
a) Perfectly inelastic supply

(b) Unit elastic supply

(c) Perfectly elastic supply

Determinants of Supply Elasticity

- Product type
- Time
- Production capacity
- Input substitution
 - Flexibility
 - Mobility



FACTORS THAT AFFECT TO PRICE ELASTICITY OF SUPPLY

Presence of unloaded producing forces

kinds of goods and services prepared for selling

Opportunity of long-term storage of production

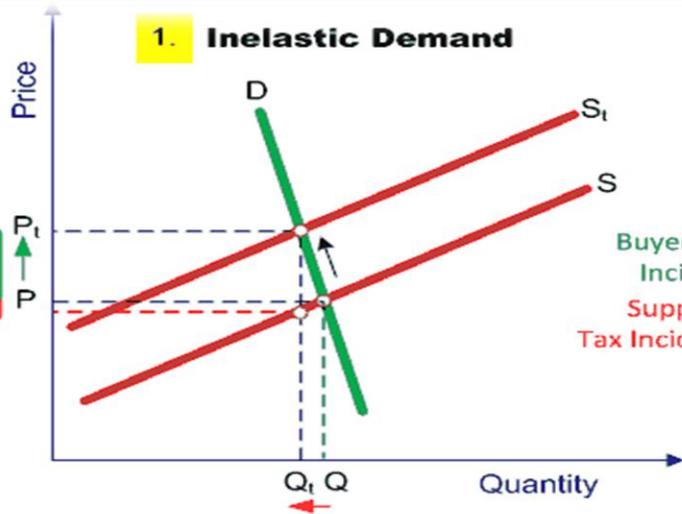
Minimum volume of expenditure necessary to the expansion of manufacturing

Period of time

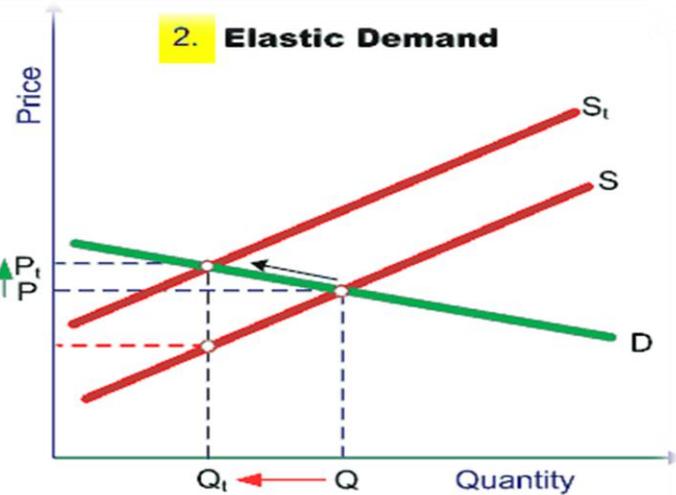
economic activities(conjuncture) of the market

TAX-INCIDENCE-SUPPLY-DEMAND-DIAGRAMS

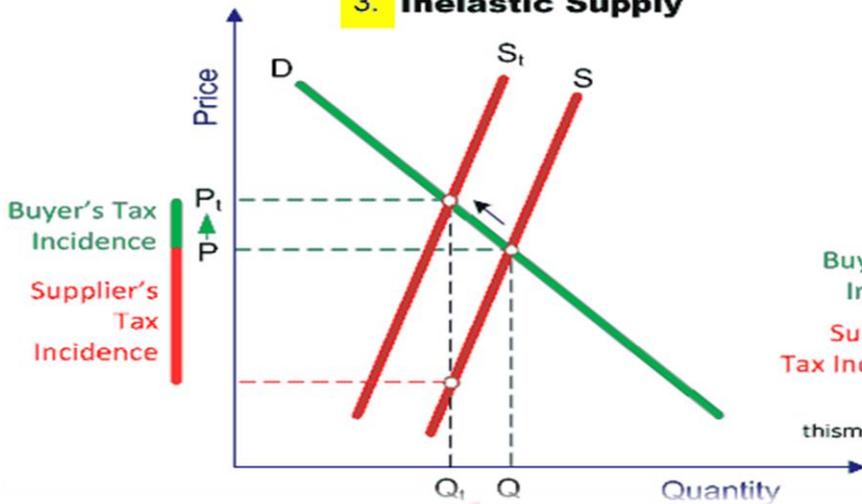
1. Inelastic Demand



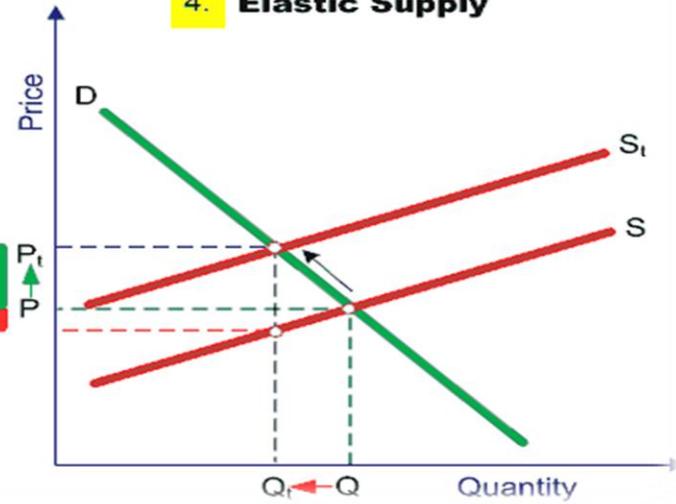
2. Elastic Demand



3. Inelastic Supply



4. Elastic Supply



CONCLUSION:



Demand and supply elasticity are one of the main terms of micro economy and play efficient role in the market economy. With the help of demand and supply elasticity we can conduct very important economic analysis. Prices, revenue, market conjuncture depend on elasticity. Supply and demand elasticity assist to carry on statistic and analytic inquiries , marketing research, economic analysis.



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**THANK YOU
FOR YOUR
ATTENTION!**

