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IGCSE ECONOMICS

PRICE ELASTICITY OF DEMAND

1. EXPLAIN WHAT IS MEANT BY PRICE ELASTICITY OF DEMAND.

Price elasticity of demand measures the sensitivity of demand to a change in price.

FORMULA:

$$\frac{\text{Percentage change in quantity demanded of a product}}{\text{Percentage change in price of a product}}$$

1. A rise in income tax may not reduce consumer expenditure. If savings fall wages increase more than tax rise

It is usually negative. It can range from perfectly inelastic to perfectly elastic

Also note: All material provided in the LMR section is purely based on past papers. The material are guidelines around which you need to elaborate your answers.