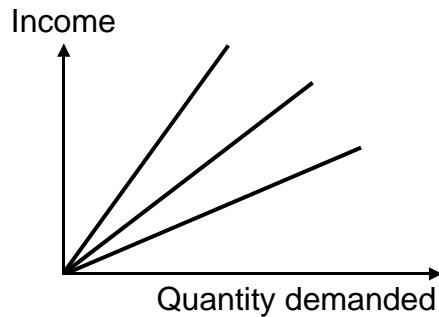


Income Elasticity of Demand

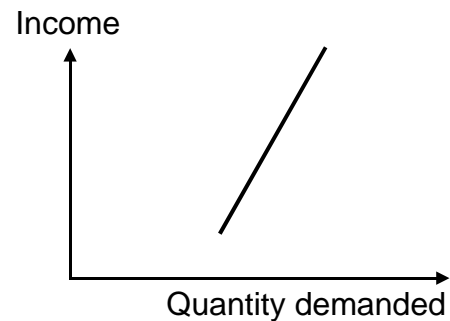
1 Income elasticity of demand (le) = $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}}$

2 $le > 0$ (Normal goods)

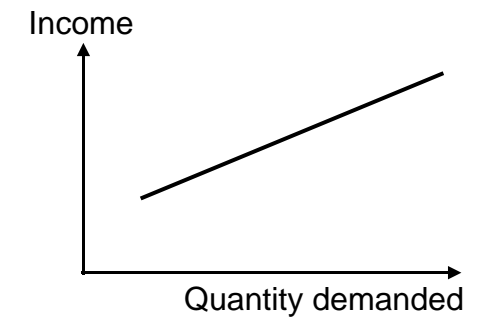
21 $le = 1$



22 $1 > le > 0$ (Necessities)

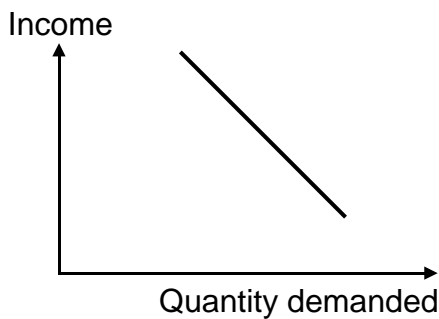


23 $le > 1$ (Luxuries)

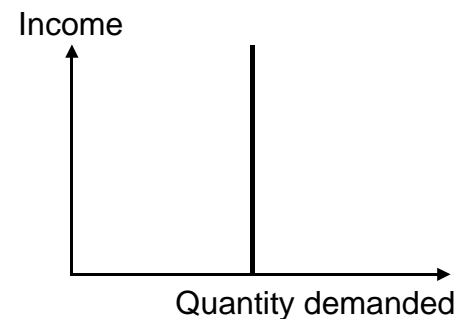


3 Special cases

31 $le < 0$ (Inferior goods)



32 $le = 0$



33 $le = \infty$

