

Price Elasticity Of Demand

Charlotte Accattatis, Suveshha Iyanathan and Elise Tong

Section 1

Product chosen: Air travel
If the price of air travel tickets were to change, there wouldn't be a very drastic change in quantity demanded. Air travel tickets aren't that price sensitive, this is because people are very dependent on air travel to get to certain destinations either for work or holidays.



Section 3

Factor that determines Price Elasticity

- 1. Availability of substitutes
- 2. Proportion of income spent on the good
- 3. Time period
- 4. Habit formation
- 5. Necessity vs. luxury
- 6. Number of sellers

What

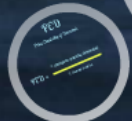
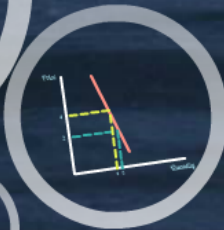

Price Elasticity of Demand (PED) is a measure of the responsiveness of quantity demanded to a change in price.

Section 2

Price Elasticity - measures how much the quantity demanded will change when price changes.

- Elastic - small change in price, large change in demand. More responsive.
- Inelastic - large change in price, small change in demand. Less responsive.

As mentioned before, air travel ticket prices aren't that price sensitive so they are said to be **INELASTIC**, people are so dependent on air travel.



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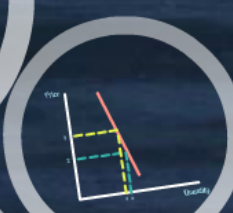

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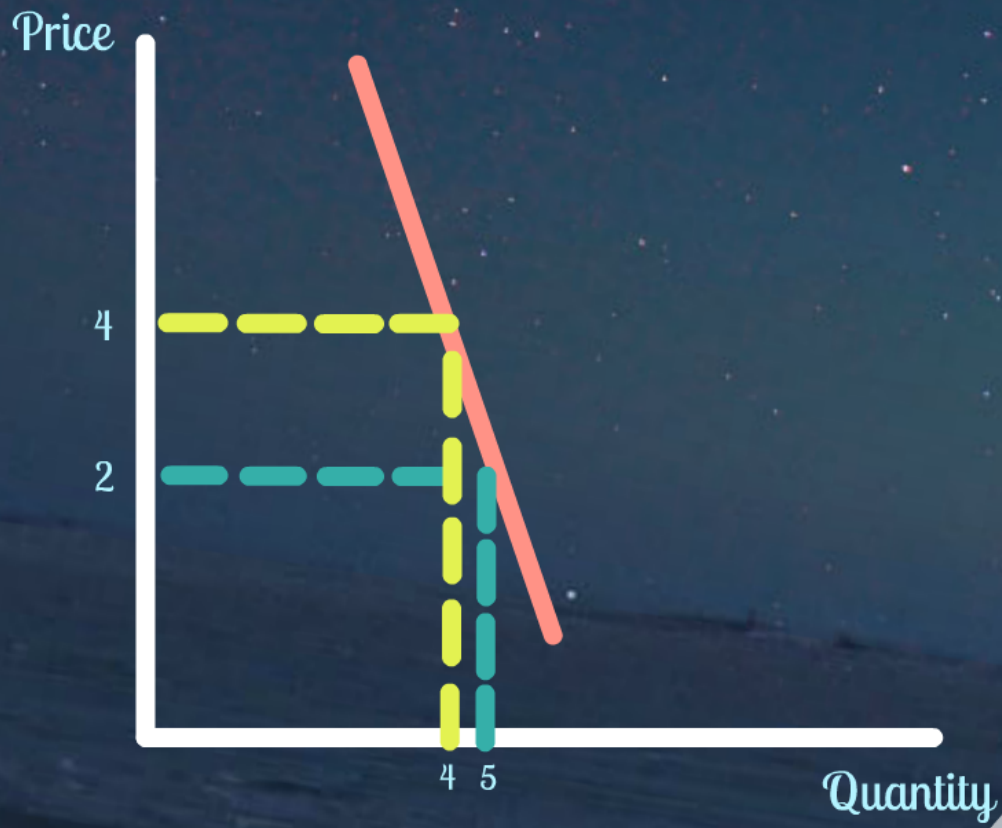
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PED

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$$\text{PED} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$



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