INCOME ELASTICITY OF DEMAND

\[ E_t = \frac{\% \Delta Q_d}{\% \Delta I_d} \]

Measures the sensitivity of DEMAND to changes in disposable income
Engel curve:

Shows the relationship between quantity demanded and disposable income given a constant price.

1. $E_t \geq 1$ --->

2. $E_t < 1$ --->

3. $E_t > 0$ --->

4. $E_t < 0$ --->
Some Income Elasticity Estimates:

- Beef: +.29
- Pork: +.13
- Chicken: +.18
- Milk: +.20
- All foods: +.18
- Non foods: +1.25

Cross-Price Elasticity