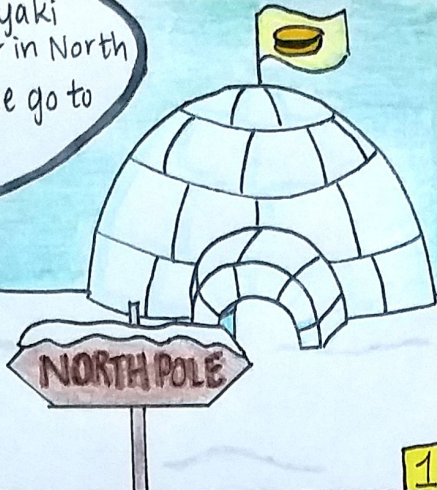


# DEMAND & SUPPLY

It is said that dorayaki has become very popular in North Pole these days. Let me go to have a try ~



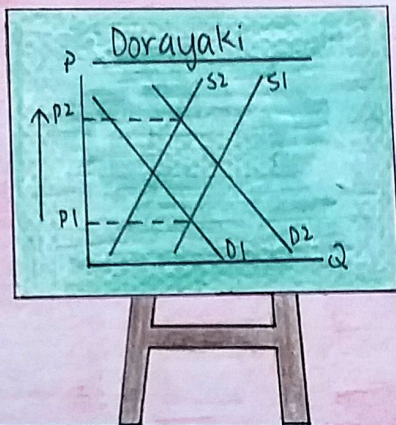
\$50 per each dorayaki



Why so expensive?! It just cost \$10 per each in HK!



Oh I see! Yummy!



It is because dorayaki becomes popular in North Pole, which leads to increase in demand and increase in price. Yet, due to higher cost of production, the supply of dorayaki decreases while price of it increases. As a result, dorayaki is much more expensive in North Pole. ( $D \uparrow, P \uparrow, S \downarrow, P \uparrow \Rightarrow P \uparrow \uparrow$ )



One Week Later...

Oh! The price of dorayaki increases but I don't have much money. I can't eat 10 dorayaki every day now. Let me buy 9 dorayaki then.

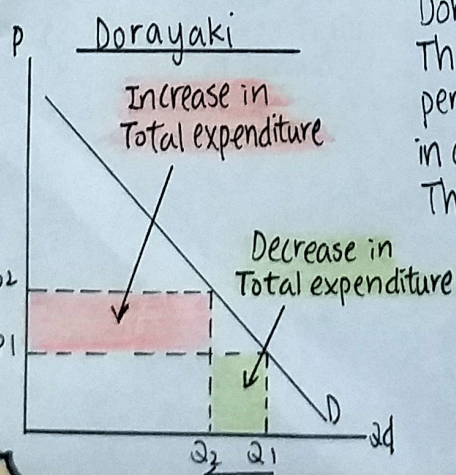
NOTE:  
~~\$50~~  
↓  
\$100



Two Week Later...

Why does the price increase again? I can't eat 9 dorayaki every day now. I can only buy 8 dorayaki.

NOTE:  
~~\$100~~  
↓  
\$200



Doraemon has an inelastic demand for dorayaki. The percentage increase in price is larger than the percentage decrease in quantity demanded. Increase in expenditure is larger than decrease in expenditure. Thus, total expenditure increases when price increases.

| Price (\$) | Qd of dorayaki | Price elasticity of demand |
|------------|----------------|----------------------------|
| 50         | 10             | —                          |
| 100        | 9              | $\approx 0.16$             |
| 200 ↓      | 8              | $\approx 0.18$             |

