

Cross price elasticity of demand(XED/CED)

- **Cross price elasticity of demand (XED/CED)** measures the responsiveness of quantity demand for good A to changes in price of good B.

$$\text{CED} = \frac{\% \text{ change in quantity of demand of good A}}{\% \text{ change in price of good B}}$$

Value of CED	Types of product	Explanation
CED > 0	Substitute goods	Goods which can replace another product e.g. coke and Pepsi. When price of Pepsi rises, consumers will demand for coke instead.
CED < 0	Complementary goods	When a product is demanded, another product will be demanded too e.g. printer and ink. When price of printer rises, consumers will reduce demand for printer and also ink.
CED = 0	No relationship	When price of printer rises, there is no effect on demand for Coke.

Cross price elastic demand: $IXEDI > 1$

- % change in quantity of demand for product A is greater than % change in price of product B
- Strong relationship between both products

Cross price inelastic demand: $0 < IXEDI < 1$

- % change in quantity of demand for product A is smaller than % change in price of product B
- Weak relationship between both products