# Answer on Question #67169 – Economics - Macroeconomics

Question

Your fruit stall has 100 peaches that must be sold at once. your supply curve for peaches **is vertical. From past experience, 100 peaches are demandes when price is £1.**
The demand elasticity is -0.5. You discover 10 of your peaches are rotten and cannot be sold. Draw the new supply curve. What is the equilibrium price? Explain your answers in details.

Solution
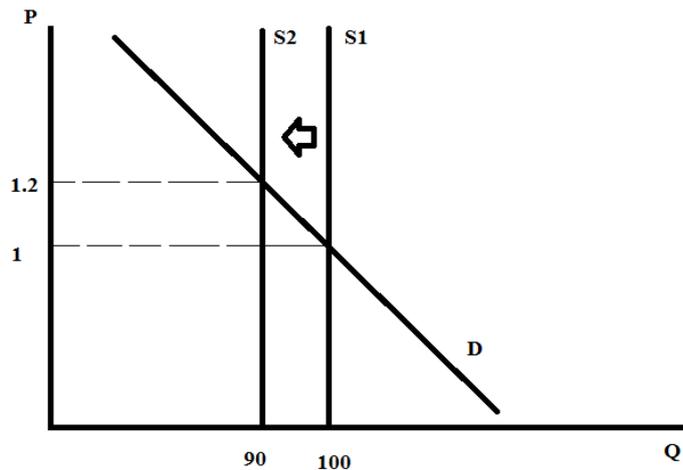
Non price factor caused the decrease in supply, so S-curves shifted leftward. New equilibrium quantity corresponds to higher price which depends on demand elasticity:

Demand elasticity:
$E_x = -0.5$
$E_x = \Delta Q_x / \Delta P_x$
$\Delta Q_x = -10\%$, so $\Delta P_x = 20\%$
$P_2 = 1£ * 0.2 = 1.2£$

Answer: $P_2 = 1.2£$