

**23. Correct. The answer is false.** Income elasticity is  $(dQ_d/Q_d)/(dY/Y) = 0.5$ . If income fell by 1%, then  $(dQ_d/Q_d)/(-0.01) = 0.5$ . Solving for  $dQ_d/Q_d = -0.005$ . Or gas demand would fall by 0.5%. Demand before the income decrease was 38 billion cubic meters. You would forecast new demand to be  $(1-0.005)*38 = 37.81$ .