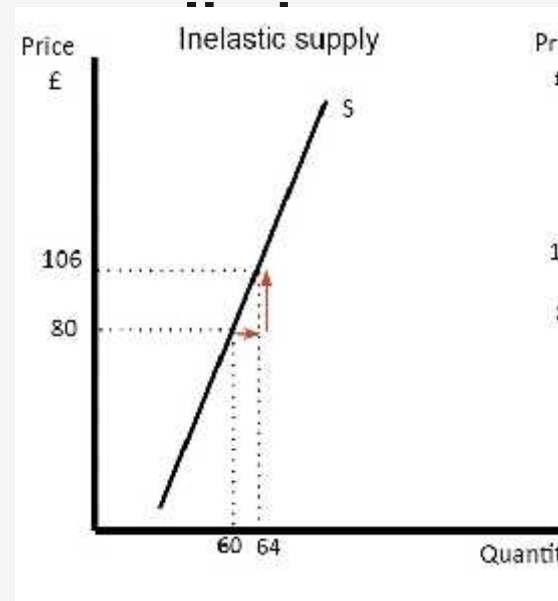


*PRICE  
ELASTICITY  
OF SUPPLY*

*What is PES?*  
*Price*  
*Elasticity of*  
*supply* - *the measure*  
*of responsiveness of the*  
*quantity supplied*  
*following a change in*  
*price.*

## INELASTIC SUPPLY

- **It has a PES less than 1**
- **A large price change will have little effect on the amount**



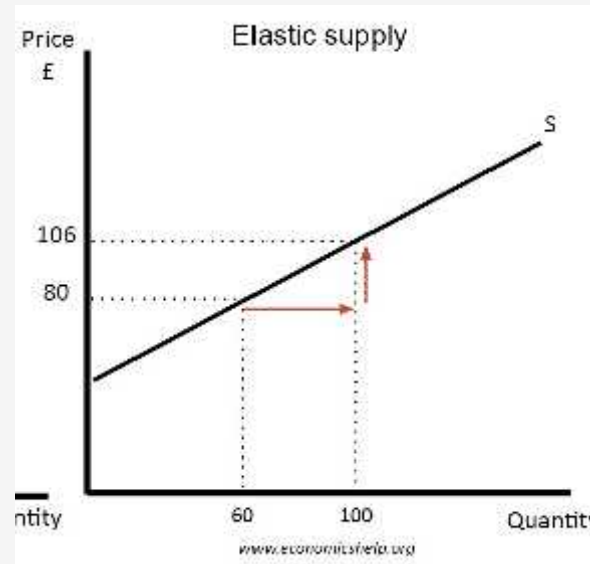
# Calculating PES

*You can calculate PES  
using a formula*

$$\text{Price Elasticity of Supply (PES)} = \frac{\% \Delta \text{ in } Q_s}{\% \Delta \text{ in } P}$$

## ELASTIC SUPPLY

- It has a PES more than 1
- A large price change will have a large effect on the amount supplied.



# *Factors Affecting PES*

The following  
factors can  
affect the  
PES

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- **Productive efficiency**-the less productive more elastic. This is because you have more of a potential to output more if you change in price.
- **Levels of stocks**- The more stocks=more elastic.
- **Over time**-companies can increase their productive capacity by investing in more capital equipment often taking advantage of technological advances.