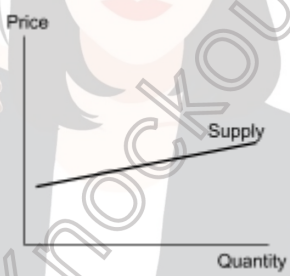



Price elasticities of supply

1. Definition of price elasticity of supply

: Price elasticity of supply(PES) measures the responsiveness of quantity supply to changes in price.

$\text{PES} = \frac{\% \text{ change in quantity of supply}}{\% \text{ change in price}}$		
	Price elastic supply	Price inelastic supply
Definition	The percentage change in quantity of supply is greater than the percentage change in price	The percentage change in quantity of supply is lesser than the percentage change in price
Value of PES	$\text{PES} > 1$	$0 < \text{PES} < 1$
Curve		

2. Determinants of price elasticity of supply

2.1) Time under consideration

: In the short run ; firms cannot employ more labour and capital \Rightarrow Inelastic PES

: In the long run ; firms can employ more labour and capital \Rightarrow Elastic PES

2.2) Production time

: Products which take long time to produce \Rightarrow Inelastic PES

: Products which take short time to produce \Rightarrow Elastic PES

2.3) Resources availability

: Products which take long time to produce \Rightarrow Inelastic PES


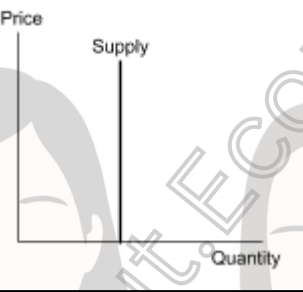

: Products which take short time to produce \Rightarrow Elastic PES

2.4) Perishability

: Products which are easily perishable e.g. vegetable ⇒ Inelastic PES

: Products which can be stored for long time ⇒ Elastic PES

3. Special supply curve

Perfectly price elastic	Perfectly price inelastic	Unitary price elastic
when a change in price causes a complete change in the quantity supplied.	when a change in price has no effect on the quantity supplied.	: when a change in price in the quantity supplied, leaving total revenue unchanged.
		
PES = ∞	PES = 0	PES = 1

4. Limitation of PES

1. It is difficult to calculate PES.
2. It has time consuming.
3. The value of PES changes over time.