# ELASTICITY OF SUPPLY

Elasticity of supply measures the degree of responsiveness of quantity of a commodity supplied to a change in price of the commodity. Supply is elastic when it is greater than 1, inelastic when it is less than 1, unitary elastic when it is equal to 1,

## Price elasticity of supply

This measures the degree of responsiveness of quantity demanded of a commodity to a change in price of that commodity

Formular

$$\frac{\%\ \text{change in quantity supplied}}{\%\ \text{change in price}}$$

For example if the price of sugar increase from N10 per packet to N15 and the quantity sold increased from 200 to 250 per packet per week, determine the elasticity of supply**.**

Percentage change in quantity supplied

$$\frac{\text{Change in quantity demanded}}{\text{Old quantity demanded}} \mathbf{X} \frac{100}{1}$$

$\frac{250-200}{200}$ X 100

50/200x100=25%

Percentage change in price

$\frac{\text{Change in quantity price}}{\text{Old price}}$ X 100

$\frac{15-10}{15}$ x 100

$\frac{5}{15}$ x 100=20%

$\frac{25}{50}$ = 0.5

PES=0.5

Elasticity of demand is said to be inelastic

**Determinate of elasticity of supply**

- Time factor: Agricultural product takes time before harvest. After harvest supply is made and it become elastic
- cost of attracting factors of production : when the cost of production is low it results to elastic supply

- Availability of storage facilities: when there is storage facility supply becomes inelastic but when there is none supply becomes elastic as producers will supply all so the product won't get bad.
- Nature of the goods: durable goods are inelastic as the producer can take time in supplying them but if the goods are perishable the producer will supply immediately to avoid it going bad.