

## **Price Elasticity of Supply Formula**

Price elasticity of supply measures the responsiveness of quantity supplied corresponding to a change in price. In other words, price elasticity of supply forms a quantitative relationship between the supply of a product and price of the product.

Businesses need to have this information as they need to know how quickly and effectively they can adapt to the changing market conditions. This is especially applicable in price changes.

The major factor that contributes to the supply of commodities is the price. Therefore, price elasticity of supply is said to be the percentage change in quantity supplied by the percentage change in price.

The price elasticity of supply formula can be represented as

Price elasticity of supply = % change in quantity supplied / % change in price

Types of Price elasticity of supply

1. Perfectly inelastic : This is the situation where only one quantity of product will be supplied at any price.
2. Perfectly elastic : In this situation, the supply is infinite at any rise in price
3. Unitary elastic : It is shown as a linear supply curve which means change in price and supply is equal to each other. Therefore, the elasticity of supply is one.