2.3 Price elasticity of supply

Name: ____________ Class: ________ Date: __________ **Total: 19 marks**

KEY WORDS price elasticity of supply 供给价格弹性 • supply 供给 • price 价格 • short run 短期 • stocks 库存

Objective

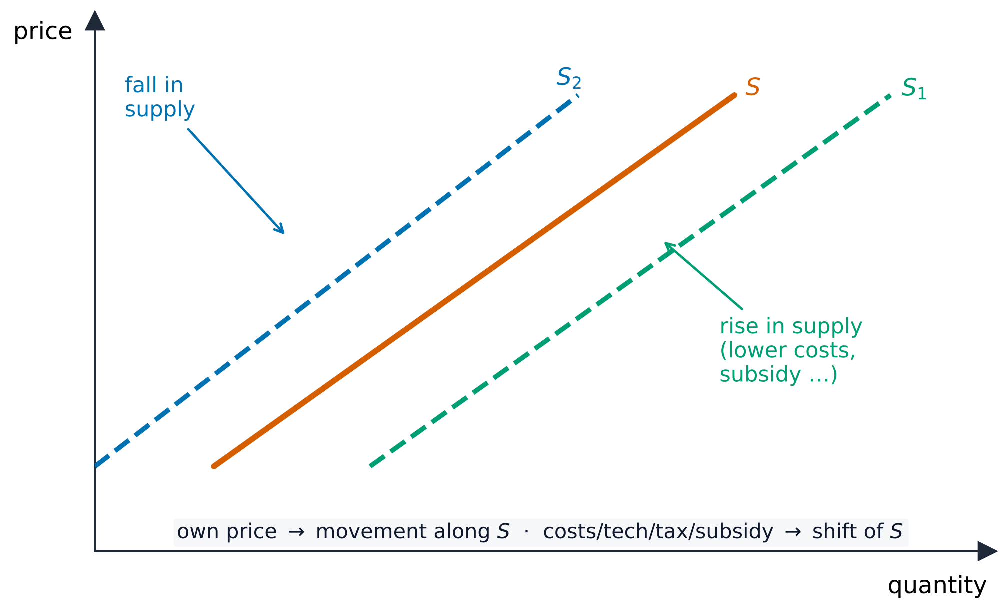
Build the skills to answer exam questions on **price elasticity of supply 供给价格弹性** (PES) — its formula, what makes supply more or less elastic, and the role of **time 时间**.

You must be able to:

- calculate and interpret PES
- explain the determinants of PES (spare capacity, stocks, mobility, time)
- analyse why supply is more elastic in the long run

1 Worked examples

■ Price elasticity of supply



PES measures how strongly quantity supplied responds to a price change

$$\text{PES} = \frac{\%\Delta Q_s}{\%\Delta P}$$

- **Worked:** price +8%, quantity supplied +4% $\rightarrow \frac{4}{8} = 0.5 \rightarrow$ **inelastic** (<1).
- **More elastic supply when:** there is **spare capacity** 闲置产能, **stocks** 库存, mobile factors, and more time.
- **Time:** momentary (PES = 0) → short run (a little) → long run (most elastic).

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (judgement, for evaluate questions).

2 Practice

2.1 Define *price elasticity of supply (PES).* [2]

2.2 Price rises by 20% and quantity supplied rises by 30%. Calculate the PES and classify the supply. [2]

2.3 State two factors that make supply more elastic. [2]

3 Exam-style questions

3.1 Supply is most likely to be **price inelastic** when: [1]

A	B
C	D

A firms have spare capacity
B there are large stocks of the good
C the good takes a long time to produce
D factors of production move easily into the industry

3.2 Explain why the supply of a good is usually more elastic in the long run than in the short run. [6]

3.3 Explain, with an example, why the supply of agricultural products is often price inelastic. [6]