



The price elasticity of Supply is 0.5

Calculate the change in Quantity Supplied that would result from a 6% decrease in price?

$$e^s_p =$$

% Δ P

%ΔQs



%ΔP

**%ΔNOs =**



xes<sub>p</sub>

—

6

x0.5

**= - 3%**

If the price decrease  
by 6% the  $Q^s$  will drop  
by 3%

%ΔORDs =

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Calculate the change in Quantity Supplied that would result from a 6% decrease in price?

$$e_p^s = \frac{\% \Delta Q^s}{\% \Delta P}$$

$$\% \Delta Q^s = \% \Delta P \times e_p^s$$

If the price decrease by 6% the  $Q^s$  will drop by 3%

$$\% \Delta Q^s = -6 \times 0.5 = -3\%$$

# The Effect of an Increase in Supply

