



Example: The price elasticity of Supply is 0.5

Use the elasticity to calculate the change in Quantity Supplied that would result from a 6% decrease in price.

$$e^s_p =$$

**% Δ P**

% Δ Q's



**%ΔP**



%ΔO<sub>2</sub> =

$x e^s p$

-6

**x0.5**

**= -3%**

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

%ΔQs =

Example: The price elasticity of Supply is 0.5

Use the elasticity to calculate the change in Quantity Supplied that would result from a 6% decrease in price.

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

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

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

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



# The Effect of an Increase in Supply

