

Price Elasticity of Supply (PES)

- **Definition:** How much supply changes when price changes.
- **Formula:** % change in quantity supplied ÷ % change in price.

Types of Supply

- **Elastic ($|PES| > 1$):** Supply changes a lot. Producers can respond quickly.
 - Example: T-shirts 🧥 (easy to produce more).
- **Inelastic ($|PES| < 1$):** Supply changes a little. Hard to adjust quickly.
 - Example: Oil 🛢️ (takes time to increase production).
- **Unitary ($|PES| = 1$):** Supply changes equally with price.

Total Revenue (TR)

- **Formula:** TR = Price × Quantity.

PES and TR Relationship

- **Elastic Supply:** Price ↑ → Quantity ↑ a lot → TR increases.
- **Inelastic Supply:** Price ↑ → Quantity ↑ a little → TR may not increase much.
- **Unitary Supply:** Price change → TR same.

Scenario (PES = 3 → Elastic)

- Producers can supply much more when price rises.
- **Result:** TR increases.