

Factors Affecting Elasticity

Demand Elasticity (PED)	Supply Elasticity (PES)
<p>Availability of Substitutes – More substitutes → More demand is elastic, meaning can change <i>Example: Cola vs. Pepsi</i></p>	<p>Time – More time to adjust → more elastic, we can increase supply <i>Example: Farmers planting crops</i></p> <p>Less time or short period supply is inelastic, because we cannot increase it in short period; <i>Example making cars</i></p>
<p>Nature of Product – Necessities → If product is necessity of life the demand is Inelastic, meaning not change a lot, <i>example bread</i></p> <p>Luxuries → Elastic/change. <i>Example: Jewelry</i></p>	<p>Ease of Storage – Easy to store → More elastic</p> <p>Hard to store → Inelastic. <i>Example: Steel vs. Fresh milk, we cant store milk for long time</i></p>
<p>Fraction of Income – Products that take a big share of income → Elastic; <i>example car</i></p> <p>Products that take a small share of income → Inelastic. <i>Example: Salt</i></p>	<p>Cost Factors – Products which have low costs of making are → More elastic <i>Example: pen</i></p> <p>High costs → Less elastic.</p>

	<i>Example car and building new factories</i>
Time Available – In a short period demand is Inelastic. Long period → More elastic (substitutes found).	