Determinants

Availability of raw materials

For example, availability may cap the amount of gold that can be produced in a country regardless of price. Likewise, the price of Van Gogh paintings is unlikely to affect their supply.[2]

Length and complexity of production

Much depends on the complexity of the production process. Textile production is relatively simple. The labor is largely unskilled and production facilities are little more than buildings – no special structures are needed. Thus the PES for textiles is elastic. On the other hand, the PES for specific types of motor vehicles is relatively inelastic. Auto manufacture is a multi-stage process that requires specialized equipment, skilled labor, a large suppliers network and large R&D costs.[3]

Mobility of factors

If the factors of production are easily available and if a producer producing one good can switch their resources and put it towards the creation of a product in demand, then it can be said that the PES is relatively elastic. The inverse applies to this, to make it relatively inelastic.

Time to respond

The more time a producer has to respond to price changes the more elastic the supply.[2][3] Supply is normally more elastic in the long run than in the short run for produced goods, since it is generally assumed that in the long run all factors of production can be utilised to increase supply, whereas in the short run only labor can be increased, and even then, changes may be prohibitively costly.[1] For example, a cotton farmer cannot immediately (i.e. in the short run) respond to an increase in the price of soybeans because of the time it would take to procure the necessary land.

Inventories

A producer who has a supply of goods or available storage capacity can quickly increase supply to market.

Spare/Excess Production Capacity

A producer who has unused capacity can (and will) quickly respond to price changes in his market assuming that variable factors are readily available.[1] The existence of spare capacity within a firm, would be indicative of more proportionate response in quantity supplied to changes in price (hence suggesting price elasticity). It indicates that the producer would be able to utilise spare factor markets (factors of production) at its disposal and hence respond to changes in demand to match with supply. The greater the extent of spare production capacity, the quicker suppliers can respond to price changes and hence the more price elastic the good/service would be.

Various research methods are used to calculate price elasticities in real life, including analysis of historic sales data, both public and private, and use of present-day surveys of customers' preferences to build up test markets capable of modelling elasticity such changes. Alternatively, conjoint analysis (a ranking of users' preferences which can then be statistically analysed) may be used.[