

Managerial Economics

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Demand Determinants for Consumer Durable

- ① Choice between using the good for longer time by repairing it or disposing it off and replacing it with the new one
- ① They require special facilities for their usage e.g. roads for automobiles
- ① Generally consumed by family not individual
- ① Total demand = New owner demand and replacement demand

Demand for Automobiles

- ⦿ A study published in Chicago Journal of Business in July 1965 carried out by Thomas Dyckman, Associate Professor in Cornell University, on 'An aggregate demand model for Automobiles' tries to identify important factors affecting demand for new cars in US
- ⦿ This study provides clear understanding of determinants of demand for consumer durables

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- He employed econometric modeling technique where, he found that factors that significantly influence car sales are:
 - > change in **Income per capita** (discretionary income i.e. real disposable income after adjusting for outlays on necessities),
 - > **Prices** (relative price index of new cars and used cars)
 - > **Automobile stocks** (used car stocks) at the end of preceding year as measured by Bureau of Public Roads,
 - > **Credit terms** (ease of access to credit)
 - > **Attitudes** (consumer preferences)

Demand Determinants for Capital Goods

- ① Used for further production
- ① Demand depends upon specific markets they serve and end uses for which they are bought
- ① Data Required for forecasting demand for capital goods
 - > The growth prospects of user industries

A study on Determinants of demand for Steel

- ① A study published in Economic and Political Weekly during 1977 by S.D. Khirsagaron 'Growth in consumption of Steel in India: Performance and Prospects' tries to explain factors that affect the demand for steel
- ① The study tries to explore the reasons for decline in the demand for steel during the period of 1975-76

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- ◎ The factors responsible for influencing demand for steel found in the study are:
 - > **Pattern of development**-share of industrial growth in the overall growth
 - > **Development of steel consuming industries**- level of growth in industries such as steel pipes and tubes, structural fabrication, cement machinery, passenger cars, commercial vehicles , Railways etc.
 - > **Proportion of new investment (in new projects) to the total investment in the industrial sector**
 - > **Level of construction activity in the country**(housing, roads, bridges etc) measured by gross capital formation in construction
 - > **Competition from other materials**-like plastic,aluminium, cement etc.