

Market Demand for Durable Goods Considering Economic State

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Abstract

Market demand and market saturation are important indicators especially regarding durable goods that are usually bought from the people savings rather than immediate income. That is why economic state can influence market situation with durable goods more than other articles. It is visible also now in the time of economical and finance crises, for instance on automobile industry, when a numerous amount of goods are cumulated in the stocks.

Key words: Market demand, market saturation, durable goods, automobile industry, econometric, econometric modelling

JEL Classification: C01 - Econometrics

1 Introduction

Durable goods are characteristic by their quality, price, age and production amount. Their amount and quality are also one of the characteristics of both household and society levels. Econometrics deals with market demand for durable goods, stock market and budget planning, what are questions, that are typical especially now, in the time of credit, currency, banking and market crisis.

Econometrics was found as a new discipline between mathematics, statistics and economics. It is counted to have two main goals: to give economic theory empirical data and to empirically verify it. We can say that qualitative data is turned into quantitative mathematical forms, while statements are empirically proven, disproven, measured and compared. This way econometric modelling is useful in predicting data.

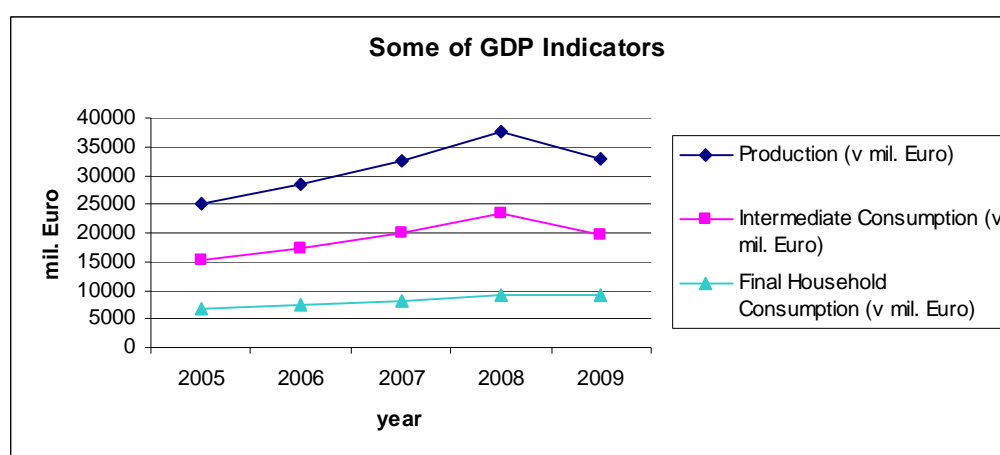
2 Durable Goods Considering Economic State

It is not clear, what was the problem leading to crises in 1929, but activity to restrain the development in the real economy and the speculation in the stock market are considered as ones of the reasons for economy downward. Crash of attitude toward further purchases of durable goods, both consumer and producer goods have strong influence on further process. The stocks of durable goods were so high, that only anticipation of continued rapid growth could have sustained continued high investment into new production.

One of the crisis results in 2008 is also a numerous amounts of goods, which are cumulated in the stocks. That is typical especially for durable goods that are usually bought from the people savings rather than immediate income.

Table 1: Some of gross domestic product (GDP) indicators.

Year	2005	2006	2007	2008	2009
Production (in mil. Euro)	25238	28435	32587	37587	32839
Intermediate Consumption (in mil. Euro)	15229	17320	19964	23286	19676
Final Household Consumption (in mil. Euro)	6622	7366	8052	9072	9272



Graph 1: Some of gross domestic product (GDP) in graphical expression.

It is typical for our society, according to the research, that households younger than 40 years bought their houses, flats, automobiles or the other durable goods using the mortgage or charge account banking. Households over 50 years have almost no mortgage loading. [5]

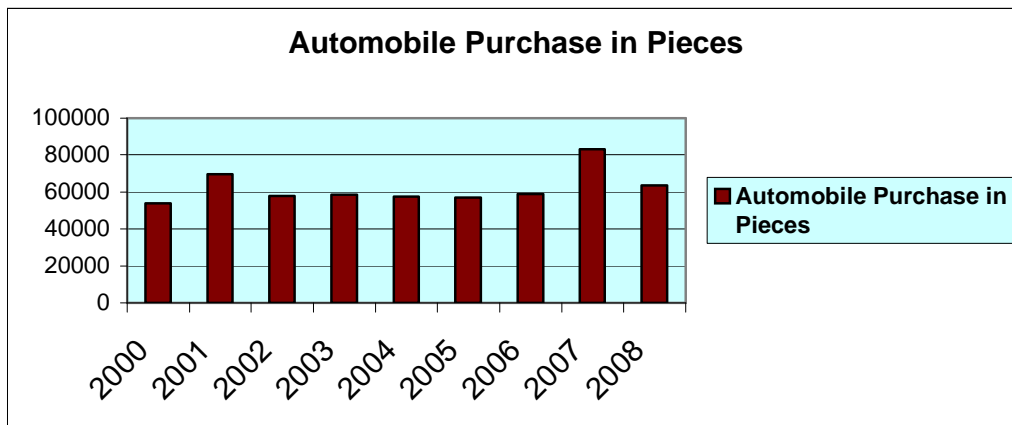
3 Automobiles as Durable Goods

Automobile industry is typical for its dynamic and customers influence its results. This is the reason, why for a while its tendency is increasing and for a while decreasing. To keep the industry on increasing level means to create new progressive technology, better equipment, properties and safeties.

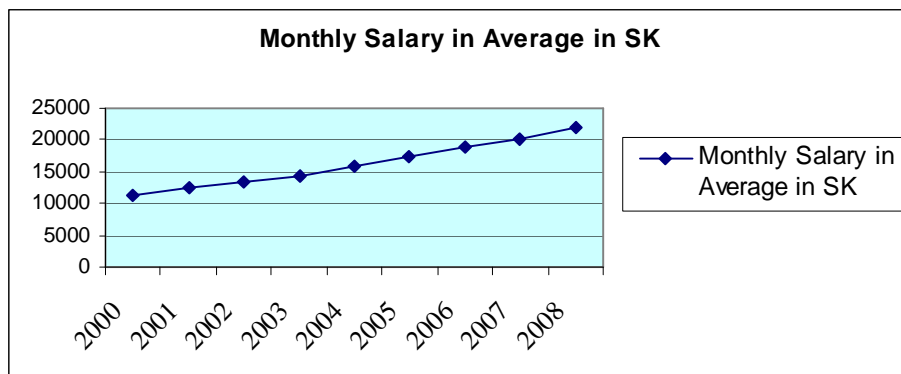
But however the main condition for business increasing tendency is customers' needs and ability to buy the things. That means the number of automobiles, that are bought depends also on customers' income that can be expressed for instance as monthly salary in average (Table 2). Statistics that expresses number of automobiles, which were bought, means the number of new registered automobiles.

Table 2: Automobile purchase and monthly salary in average that is expressed in SK in Slovak Republic during the years from 2000 to 2008.

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Automobile Purchase in pieces	54000	69655	58074	58613	57430	56916	59084	83255	63647
Monthly Salary in Average in SK	11430	12365	13511	14365	15825	17274	18761	20146	22056



Graph 2: Graphical expression of automobile purchase in Slovak Republic.



Graph 3: Graphical expression of monthly salary in Slovak Republic.

Using the rules of multiple regression we can suggest approximate demand for automobiles in 2009:

71834,98343

4 Conclusion

Durable goods require be renewed or replaced because of declination in efficiency with age or present development of science. One of the development results is appearance of new client needs. But only developed society with high level of economic state can afford research of high quality with inhabitants that can afford durable goods in amount, which influence their lifestyle in positive way.

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