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Define Demand and Explain Various Types of Demand

Demand: The demand for the product is the desire for that product backed by willingness as well as ability to pay for it. It is always defined with reference to a particular time, place price and given values of other variables on which it depends.

Demand for the product implies

- Desire to acquire it.
- Willingness to pay for it.
- Ability to pay for it.

Various type of demands are

1. Direct and derived demands: Direct demand refers to demand for goods meant for final consumption. By contrast, derives derived demand refers to demand for goods which are needed for further production. It is the demand for producer's goods like industrial raw material, machine tools and equipments.
2. Autonomous and induced demand: When the demand for the product is tied to the purchase of some parent product, its demand is called induced or derived. For example the demand of cement is derived from demand for housing. Autonomous demand, on the other hand is not derived or induced. All direct demand may be loosely called autonomous.
3. Perishable and durable goods demand: Both consumer's goods and producer's goods are classified into perishable and non durable, single use goods, durable, non perishable, repeated use goods. Non-durable goods meet immediate demand, but durable goods are designed to meet current as well as future demand as they are used than ones. When durable items are purchased, they are considered to be an addition to stock of assets or wealth. Due to continuous use, durables suffer depreciation and thus call for replacement. Thus the demand for durable goods has two aspects-replacements of old products and expansion of total stock.
4. New demand and replacement demand: If the purchase of an item is meant as an addition to stock, it is a new demand. If the purchase of an item is meant for

maintaining the old stock of capital/asset intact, it is replacement demand. Such replacement expenditure is to overcome depreciation in the existing stock.