

hemlines, lipsticks & the ECONOMY



Calling all finance and economics majors – there is a new (or rather, old) indicator in town! While you may not want to ditch the traditional indicators and measures concerning interest rates, gross domestic product (GDP), inflation and unemployment just yet, you might want to consider the role of fashion and makeup in your next *Excel* formula.

The Hemline Index

The Hemline Index is a theory suggesting skirt lengths, or hemlines, can be used to measure the performance and health of an economy. According to the theory, shorter skirts suggest a more booming economy and a more confident, and optimistic mood. When an economy is in boom, it suggests a period of significant and rapid economic growth characterised by low unemployment, and profitable assets. On the contrary, when skirts are longer, the theory suggests this represents an economic downturn with a more somber look. An economic downturn refers to where performance of an economy is worse than usual, with a decline in overall economic activity.

The Lipstick Index

Similarly the Lipstick Index, coined by Estée Lauder's very own son, is an indicator to represent consumer spending. According to the Lipstick

Index, when the economy is in a downturn, or a recession is looming (which refers to two consecutive quarters of negative GDP growth), consumers increase their demand for affordable luxury items including lipstick, nail polish and perfume. Thus, there may be a noticeable increase in lipstick sales during economic hardship, providing an insight into human nature and decision-making. And so, analysts can consider the sales performance of lipstick to forecast the market and health of the economy.

Reliability

Both of the indexes grew out of historical economic events including the Great Depression and the early 2000s recession respectively. Ultimately hemline lengths and lipstick purchases can be driven by a multitude of external factors. However, the link between fashion and the economy isn't entirely severed, with trends in the corporate-core aesthetic coinciding with economic tension.

