

LIPSTICK EFFECT IN ROMANIA: PROPENSITY TO BUY COSMETICS AND STOCK MARKET EVOLUTIONS

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Abstract:

Usually, consumer spending declines during recession. Cosmetics seem to disobey this rule; there are evidences to prove that women spending on beauty products increased during the economic turmoil. The scarcity of detailed data regarding this industry makes very hard to test this effect. The present paper tries to overcome the problem, proposing an alternative methodology to analyze if the propensity to buy beauty products, especially lipstick, increased during the last economic crisis. More exactly, we use the normalized number of individuals searching from Romania the word "ruj" (lipstick) on Google as a proxy of aggregate weekly propensity to buy these products and we investigate if BET evolutions (as a proxy for the financial turmoil) are inversely correlated with it. The results drawn from the empirical analysis show the presence of such an inverse correlation on the Romanian market. The decision to buy cosmetics and especially lipstick (a product that instantly change the person imagine and could serve as a rapid mood enhancer) seems to be driven by psychological factors and less by rational ones.

Keywords: *beauty products, recession, lipstick effect, mood*

JEL codes: *D01, D12, D53*