# Do sales of men's underwear really predict the state of the economy?

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Abstrak

Alan Greenspan, the then Chairman of the US Federal Reserve, was reported in 1997 to have studied men’s underwear sales, to provide an early warning for recession in the US economy. Since then many economics editors have written about men’s underwear sales and a Men’s Underwear Index, to support their views on the future direction of the economy; and the OECD use a basket of indicators to forecast the world economy (OECD, 2008). This paper explores the theory and its empirical robustness for 57 countries. There is some limited statistical evidence that sales of men’s underwear might be an indicator of the US economy, or more precisely of looming recession. But the relationship is far from clear; therefore as an indicator it should be approached with extreme caution. Certainly more detailed and robust investigation is required. Looking across a further 56 counties, men’s underwear sales appear to be unrelated to the economy as a whole, seeming to behave as a basic commodity. However, for Armenia, Ecuador and Kuwait, there may be some validity in understanding the relationship further.