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The Determinants of Beer Consumption versus Wine Consumption: A Cross-Country Panel Analysis

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Using a comprehensive panel dataset of over 150 countries for the period 1990-2012, this paper compares the socio-economic and religious determinants of beer and wine consumption. This paper contributes to the literature by conducting a most comprehensive cross-country panel analysis, to the best of our knowledge.

Controlling country-specific effects, this paper finds that there is an inverse U-shape relation between income and beer consumption. Specifically, as income increases, beer consumption begins to increase but beyond the per capita income level of about US$ 23,000 (PPP), beer consumption decreases with income. In contrast, there appears is a linear (log) positive relationship between income and wine consumption. This paper also finds that when unemployment rate increases, wine consumption decreases but beer consumption does not appear to change. Thus, wine consumption is adversely affected by economic downturns while beer consumption is not.

By pooling the panel data with year fixed effects, this paper also finds that beer is consumed more in Catholic and Orthodox countries but less in countries with a larger population share of Protestants and Muslims. In contrast, wine is found to be consumed less in Catholic countries and more in Orthodox countries. Wine consumption is not found to be influenced by the population share of Protestants or Muslims. This paper also finds that both beer and wine are consumed more in cold countries but wine is more responsive to the temperature. Specifically, a 10 percent higher annual average temperature, beer consumption is 2.7 percent lower while wine consumption is 8.3 percent lower. It is also found that beer is consumed more in countries with more rainfall. Specifically, with a 10 more precipitation a countries consumes 3.4 percent more beer.

As a robustness check, this paper also employs the system Generalized Method of Moments (GMM) estimator of Blundell and Bond (1998) as the consumption of beer and wine is rather persistent. The results are found similar.

Keywords: wine, beer, consumption, determinants

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