

Salient Cues of Economic Transitions in Analyst Forecasting: Evidence from the Electric Vehicle Era

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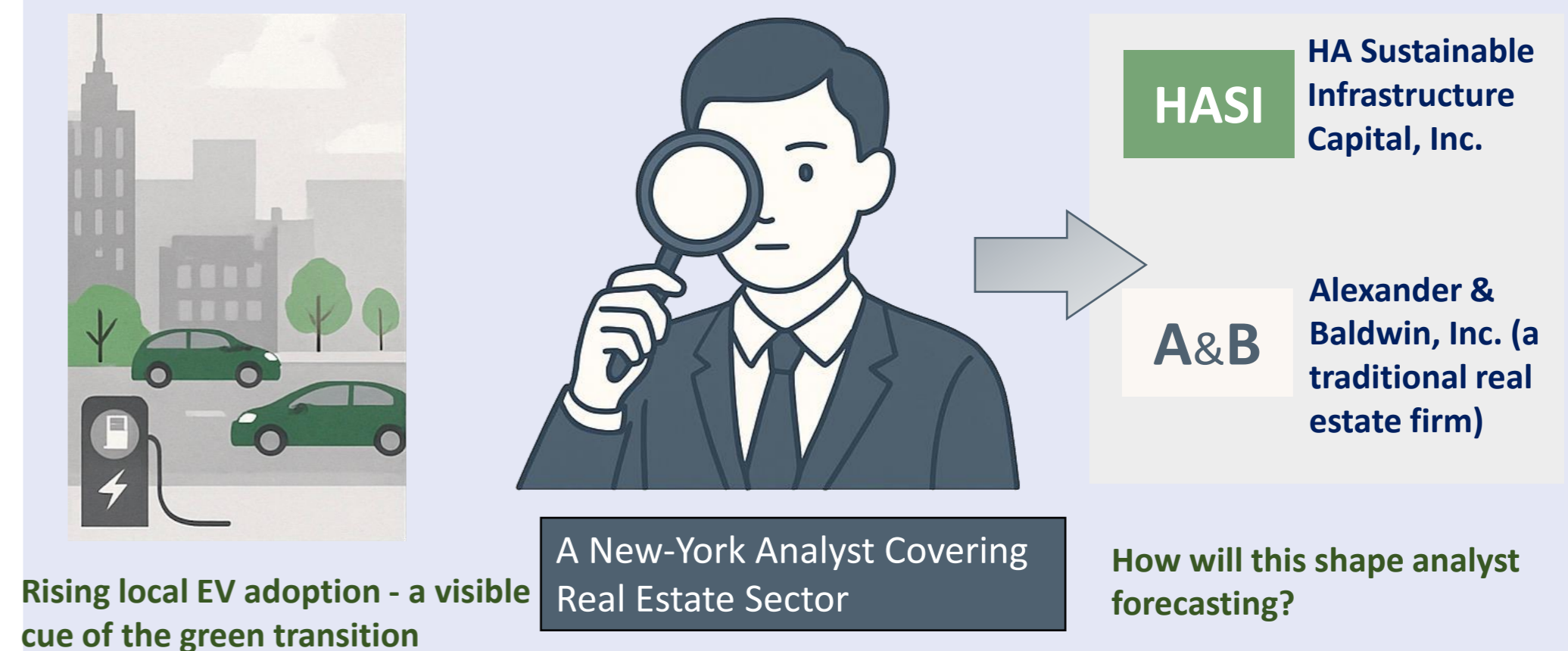
Motivation

How do analysts allocate attention?



Setting

How does local EV (electric vehicle) Adoption, a proxy for the green transition trend, affect analysts' forecasting?



Hypotheses Development

H1
Strategic Attention Reallocation
Greater local EV salience leads analysts to strategically reallocate attention toward firms perceived as more important under the green transition.

H1a
Broad Sustainability Attention
Path A: EV cues elevate salience of sustainability as a topic
Analysts devote more effort to **both green and brown firms** relative to firms less exposed to sustainability issues.

H1b
Selective Attention to Green Firms
Path B:
1. Green transition increases perceived importance of green firms
2. Analysts avoid emphasizing downside risks of brown firms
Analysts selectively devote greater effort to **green firms** than others

Empirical Design

$$AbsFE_{ikjq} = \alpha + \beta_1 \cdot EVSalience_{kq} \times Green_{jq} + \beta_2 \cdot EVSalience_{kq} + \beta_3 \cdot Green_{jq} + \gamma \cdot Controls + \delta \cdot FE + \epsilon$$

AbsFE_{ikjq}: Absolute forecast error of analyst i (MSA k) for firm j in quarter q
EVSalience_{kq}: Increase in EV chargers in MSA k in quarter q, scaled by land area
Green_{jq}: = 1 if firm j's Scope 1 emission intensity is in the lowest quintile within its FF12 industry

Control: Forecast age (log days to EA date)

Fixed Effects	Rules Out
Analyst × Firm	X Certain analysts systematically better at forecasting green firms
Firm × Fiscal Quarter	X Green firms become easier to forecast
Analyst × Quarter	X Regional characteristics affects forecasting accuracy
MSA × Year × Green	X Local factors confound EV adoption & forecasts for green firms

Performance Outcome: Forecast Accuracy

	(1)	(2)	(3)	(4)
EV Salience × Green	-0.0618***	-0.0772*** (0.0159)		-0.0767*** (0.0156)
EV Salience × Brown			0.0696* (0.0377)	0.0450 (0.0423)
Forecast Age	0.0006*** (0.0002)	0.0005** (0.0002)	0.0005** (0.0002)	0.0005** (0.0002)
Firm × Fiscal-Qtr FE	Yes	Yes	Yes	Yes
Analyst × Yr-Qtr FE	Yes	Yes	Yes	Yes
Analyst × Firm FE	No	Yes	No	No
N	267,898	264,001	266,524	266,524
Adj. R ²	0.887	0.895	0.889	0.889

Net Effect or Limited Attention Reallocation?

	Full Sample	Green Firms	Non-Green
EV Salience	0.0196 (0.0123)	-0.0290** (0.0125)	0.0411* (0.0207)
Forecast Age	0.0004*** (0.0001)	0.0001 (0.0001)	0.0005*** (0.0002)
Firm × Fiscal-Qtr FE	Yes	Yes	Yes
Analyst FE	Yes	Yes	Yes
N	267,911	66,504	201,365
Adj. R ²	0.888	0.920	0.882
Green firms: ↓ forecast error	Brown firms: less accurate than green, indistinguishable from neutral		
No net effect: ↓ for green, ↑ for non-green → selective attention reallocation			

Behavioral Evidence: Analyst Attention and Effort

- More frequent forecast revisions for green firms
- More climate-related questions during green earnings calls
- More opportunity-oriented climate language in analyst reports

Economic Consequences

- Markets react more strongly to forecast revisions from high-EV analysts
- Information environment of green firms improves
- These analysts are more likely to become all-stars

Robustness

Robust to: level (vs. growth), excluding auto industry, excluding NY/CA