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

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Abstract

We examine how salient signals of broad economic trends shape financial analysts' forecasting, using U.S. MSA-level electric vehicle (EV) adoption as a proxy for local environmental salience. After controlling for MSA, analyst, and firm characteristics, analysts in high-EV areas make more accurate forecasts for green firms. This improvement reflects not a net gain in forecasting ability, but a reallocation of limited attention and effort towards green firms. The effect is stronger among male, younger, and less busy analysts, in climate-conscious regions, and for harder-to-value firms, and is accompanied by more frequent forecast revisions, greater climate-related engagement during earnings calls, and increased use of opportunity-oriented climate language in analysts' reports. Markets respond more strongly to forecast revisions by these analysts, and the information environment of green firms improves under their coverage.

Keywords: Electric vehicles; financial analysts; local signals; limited attention; effort allocation; green firms
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