

Analyst Forecast Properties, Analyst Following and Governance Disclosures: Cross-country Evidence

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I investigate whether the provisions of corporate governance information by companies through annual reports improve earnings forecasts by financial analysts and lead to a higher level of analyst following. For a sample of 1,142 largest companies from 34 countries, I find that, controlling for firm size and country-level differences in legal and financial systems, analyst forecast accuracy is positively associated with the quantity of governance disclosures measured by T&D ranking. Analyst forecast dispersion is negatively associated with it. Disclosures on investor rights and board structure are particularly relevant to analysts. I also document a positive link between analyst following and T&D ranking. All three types of disclosures considered have an impact on analyst following. The findings in this paper indicate that, through the information intermediation by analysts, corporate governance disclosures do alleviate the information asymmetry between investors and management.
