Earnings News and Local Household Spending*

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Abstract

Using debit and credit card data, we find a one standard-deviation increase in firms' earnings surprises are linked to a 2% or $0.7 billion aggregate bi-weekly increase in consumption of local households near the disclosing firms' headquarters. The effect is more pronounced when earnings news is informative about local households' wealth, disseminated widely through media, and searched more intensely by locals. The change in consumption is concentrated in less expensive goods, and present for various households, including small business owners or other nontraditional stakeholders. Consistent with households *not* being able to unravel fraud, their consumption reacts even to fraudulent earnings, which reverses only after the fraud is revealed. We conduct a two-round survey of 533 households during the pre- and post-earnings announcement periods of local firms in late 2024. We document that the financial news of local firms influenced over 40% of the respondents' spending decisions through changes in their perceptions of local firms' performance. Our findings indicate that financial reporting informs household consumption decisions.

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1. INTRODUCTION

According to data from the U.S. Bureau of Economic Analysis (BEA), personal consumption comprises approximately 68% of the country's gross domestic product, more than three times the share of all private investment from both firms and households. Thus, it is important to understand the drivers of personal spending, including information from and about firms. For example, if a town is economically reliant on a local, dominant firm, its residents are likely to consider the firm's prospects in certain spending decisions. Despite corporate earnings news being a central source of information to modern economies and potentially relevant for various stakeholders like consumers, the primary focus of prior research has been to investigate the impact of earnings on capital market outcomes (e.g., Dechow et al., 2010). A more recent strand of the literature examines the interplay of earnings and other firm-level activities, such as investment or innovation (e.g., Roychowdhury et al., 2019). Our goal is to extend this literature by examining whether and how corporate earnings news provides relevant information for other stakeholders, specifically geographically local residents' consumption.

Our central prediction is that firms' earnings news serves as informative signals for residents' consumption decisions. Specifically, we build on the idea that local residents' wealth is linked to the performance of local firms through its effect on wages, stock prices, real estate demand, among other factors (e.g., Coval and Moskowitz, 1999; Greenstone et al., 2010; Mehta and Zhao, 2020; deHaan et al., 2023; Choi et al., 2023; Dyer et al., 2023). For example, firms with better earnings are more likely to engage in activities that can spur local economic growth, such as hiring more employees and using local contractors to improve office spaces.[1] The opposite might be true for firms that are underperforming as they may respond by implementing layoffs and downsizing

[1] The economic multiplier associated with skilled jobs, like those in corporate headquarters, indicates that for every job created by a headquarters, another 2.5 new jobs are created in the local area (Moretti, 2010).

(John et al., 1992). Indeed, households may update their prospects of future income and wealth and adjust their consumption behaviors accordingly.[2] In addition to being salient and relevant, corporate earnings announcements are pre-scheduled and recurring—virtually all public firms announce their earnings every quarter. These characteristics make earnings announcements a setting conducive to studying the informational role of corporate information disclosures. However, our prediction is not without tension. Households may not respond to local firms' news because they may lack the sophistication, resources, or incentive to pay attention to such announcements (Leonelli et al., 2024). Moreover, earnings news may be fully preempted by other indicators of wealth, such as wages, which can dampen households' reactions to earnings news more generally. Thus, the relation between corporate earnings news and locals' consumption is not obvious.

To test our prediction, we use geographically local firms' analyst-based earnings surprise to proxy for earnings *news* following prior research (deHaan et al., 2015; Noh et al., 2021). We build on the idea that analysts' expectations correlate with the sentiment of the popular press or social media that households follow (Guest, 2021; Kimbrough et al., 2024). Thus, we expect analyst-based surprises to be a reasonable proxy for the "news" signaled to households. We define a household to be geographically local to a firm if the household resides in the county where the disclosing firm is headquartered. Our design relies on the assumption that a firm's headquarter approximates its geographic locality, where a significant amount of the firms' economic activity occurs (e.g., Mulligan, 1997; Cheng, 2021; Hou et al., 2023; Kim et al., 2024).

[2] We mainly interpret local firms' earnings news as informative about shocks to wealth of local households, including aspects of wealth like the value of being economically exposed to firms with high local spillovers. We argue that the earnings news of local firms can affect the future income of households via such spillovers and only in unique circumstances—e.g., an employee learning about firmwide bonus payouts or plans to commence layoffs—reveal a shock to current income of some households directly. Some wealth shocks, e.g., changes in regional economic spillover capital, may have a nuanced effect on consumption because it is unclear whether such wealth can relax borrowing constraints and so may not affect consumption when the household does not have liquidity or savings.

We use a proprietary database to measure local household consumption.[3] This database is sourced from a data vendor that provides financial software to large banks, including five of the top ten U.S. banks. The company collects transaction-level data from bank clients' accounts, any bank-issued cards, including debit and credit card transactions, as well as check and ACH payments at the household level. The unique granularity of these data enables us to observe the details of each transaction, including the dollar amount, merchant name, transaction location, and transaction type (debit vs. credit card). Moreover, the granularity allows us to infer the job category of each household, distinguishing between employees, investors, and business owners that we use in tests described further below. The data spans from 2011 to 2015 and covers all 50 states, along with Washington DC and Puerto Rico (see Figure 1).[4] Our sample of 31,635,444 county-earnings announcement-bi-weekly household consumption observations has data available to compute local earnings surprises, household consumption, and other covariates.

We begin by examining the link between local firms' reported earnings surprises and household consumption. We find that compared to the pre-period, a one standard-deviation increase in nearby firms' earnings surprises is linked to an increase in local household consumption by 2% relative to the income elasticity of consumption in the next three bi-weekly periods.[5] This translates into a U.S. aggregate bi-weekly consumption of $0.7 billion. These findings are robust to the inclusion of household and county-earnings announcement fixed effects to hold constant time-invariant household characteristics and factors specific to a given county-earnings

[3] The name of the data vendor cannot be disclosed due to contractual reasons. Throughout, we refer to the data as a "proprietary database".
[4] This data has been used in prior studies to construct a weekly measure of firms' revenues (Blankespoor et al., 2022), a monthly measure of household health care consumption (Diamond et al., 2023), and a measure of consumption by commuting zone and income group (Diamond and Moretti, 2023).
[5] Income elasticity of consumption is the change in consumption per one standard-deviation increase in logged income.

announcement. We also control for the quarterly income of each household from the last quarter as a control variable, which allows us to account for time-varying income levels.

We conduct four complementary cross-sectional tests to corroborate how the informational role of reported earnings impacts local households. First, we show the positive relation between local firms' earnings news and household consumption is more pronounced in counties where earnings have greater informational relevance to residents, proxied by local firms' earnings persistence and *ex-ante* local economic uncertainty. Second, the positive link is greater in counties with greater information dissemination, proxied by media coverage of local firms' earnings news and the number of local news outlets. Third, the positive link is concentrated in counties with greater information acquisition by local residents, proxied by greater local Google search volume and local EDGAR downloads of firms' SEC filings. Fourth, we find more pronounced effects among counties where the economic importance of a public firm(s) is greater (i.e., "company towns"), proxied by greater local public firms' revenue relative to local GDP or local public firms' employees relative to local population. In economic terms, counties in the highest quartile of our proxies experience an effect that is 1.1 to 3.8 times larger than the baseline average.[6]

To shed light on the channels through which local firms' earnings shape household consumption, we explore the types of local stakeholders (i.e., employees vs. small businesses vs. investors vs. others) that respond to earnings news. Specifically, using the descriptions of bank and card transaction data, we disaggregate local households into three non-mutually exclusive groups—employees of the reporting firms, small businesses, and investors—and a fourth "others" group. We find that local firms' earnings news is positively linked to consumption across all four stakeholder groups, but the link is significantly stronger for local employees and business owners

[6] Further, households' response to local firms' earnings news is more pronounced when they are more likely to anticipate increased corporate investment or additional local spending as a result of positive earnings performance.

of the reporting firms, consistent with earnings news being particularly informative about future wages and local economic activities.

We then examine the underlying nature of the local household consumption. First, we examine the types of household consumption by price category. Consistent with households making sustainable adjustments in their spending habits, the changes in consumption are primarily concentrated in inexpensive discretionary items, such as dining out. Second, we find that the change in consumption happens *after* the disclosure of earnings news, but not before, which alleviates concerns related to reverse causality and aligns with the notion that earnings surprise captures news. We find the relation appears within weeks and lasts for at least five subsequent weeks. In a test using county-quarter data, we find elevated consumption sensitivity to earnings news over the following six quarters. The prolonged association suggests that local firms' earnings surprises are likely a leading indicator of local economic activity (e.g., Savor and Wilson, 2016).

We next examine the role of financial misreporting. We find that the positive relation between local firms' earnings surprises and household consumption does not change during the period when fraudulent financial misreporting is occurring (but before it is revealed publicly). This is consistent with local residents not being able to fully discern earnings that are manipulated. However, when the misreporting is subsequently revealed, the positive association between local firms' *previously misreported* earnings surprises and household consumption reverses and temporarily becomes negative. Our findings suggest that fraudulent reporting can cause residents to spend suboptimally, potentially inducing residents to overspend relative to what they would have spent had earnings been truthfully reported.

We conduct several tests to mitigate concerns regarding the generalizability and sensitivity of our findings using another dataset. We obtain an alternative anonymized and aggregated spending data from Mastercard which covers a greater portion of the U.S. population (i.e., several hundreds

of millions of unique card accounts) and spans 2016Q1-2021Q2.[7] We corroborate our main results using the Mastercard anonymized and aggregated data, which suggests that our inferences are not limited to households and/or time periods included in our proprietary data. Furthermore, we perform a series of tests showing that the positive association between local firms' reported earnings and consumption is robust to using an alternative measure of earnings surprise, alternative sample, and different fixed effects.

Lastly, we conducted an experimental survey of 533 households to validate our archival findings and to gain a deeper understanding of the mechanisms through which local earnings news affects household spending (Leonelli et al., 2024). Specifically, we distributed pre- and post-earnings announcement surveys to the same group of participants. We document significant changes in the spending of households in the treatment group—counties where a local firm recently announced earnings—but not in the control group, based on both descriptive and regression analyses. We also show a significant positive relation between the intensity of earnings surprises and household consumption. The survey results also indicate that households primarily learn about local firm performance through media sources and word of mouth. Moreover, our findings suggest that information on local company earnings influences household consumption decisions through changes in their perceptions of local firms' performance. The impact is most evident in spending on less expensive items, such as dining out and entertainment, rather than on larger expenditures, such as education.

Our paper makes several contributions to the literature. First, our findings contribute to the vast literature exploring the impact of financial reporting (e.g., Dechow, 1994; Roychowdhury et al., 2019). We improve the understanding of financial reporting's effects on non-capital market

[7] The Mastercard anonymized and aggregated spending data is normalized for privacy reasons and therefore is only available in the form of an index, rather than a dollar amount. The index is constructed relative to average daily U.S. spending during 2018.

stakeholders, such as suppliers, employees, peer firms, and consumers (e.g., Durnev and Mangen, 2009; Badertscher et al., 2013; Li, 2016; Kim and Valentine, 2021; deHaan et al., 2023; Choi et al., 2023a; Lourie et al., 2023; Leonelli et al., 2024; Noh et al., 2025). Specifically, we examine an important, but underexamined, stakeholder of corporate disclosures—geographically local households. We find that local earnings news has the potential to significantly impact local household consumption. This finding also relates to prior research that suggests nearby communities are important stakeholders to firms (e.g., Chakravarthy et al., 2014; Kang et al., 2021).

Second, our findings contribute to the literature on financial misreporting (e.g., Desai et al., 2006; Kedia and Philippon, 2009; Beatty et al., 2013; Choi and Gipper, 2024). We find that households respond to, but are unable to fully see through, fraudulent earnings reports like most capital market participants. This suggests that shareholder-focused oversight and policy tools that curb fraudulent reporting has the potential to also impact households, which may misspend in reaction to fraudulent earnings.

Third, our results contribute to the broader field of macro-accounting research, which investigates the relation between accounting information and the drivers and consequences of economic activity, including household spending (Li et al., 2014; Konchitchki and Patatoukas 2014a, 2014b; Crawley 2015; Shivakumar and Urcan, 2017; Cheng, 2021). We are among the first to bring household-level spending data at a high frequency to show relatively quick local consumption reactions to firms' earnings news and to highlight the impact of local firms via multiplier effects on nearby communities. In this regard, our study complements a concurrent study by Kim and Weinrich (2023), who document an increase in financial distress among individuals residing in counties where firms with accounting fraud revelations are headquartered, and that individuals are unable to interpret fraudulent information.

Finally, our study broadly contributes to the household finance literature on households' consumption decision-making (e.g., Campbell and Cocco, 2007; Jappelli and Pistaferri, 2010; Garmaise et al., 2024) Our evidence suggests that firms' earnings news serves as informative signals for residents' consumption decisions, which adds to the findings in the literature that consumption appears to respond to anticipated income changes, over and above what is implied by standard models of consumption smoothing (Attanasio et al., 2009; Blanchard et al., 2013). Through the micro data and an experimental survey, our study further reveals that incremental information from local firms' earnings releases leads to changes in the expected net wealth of local households and affects their consumption behavior.

2. BACKGROUND AND HYPOTHESES

Households, as fundamental agents for making decisions regarding consumption that constitutes almost two-thirds of U.S. GDP, play a pivotal role in driving macro and local economies by stimulating production, employment, and growth (Campbell, 2006; Jappelli and Pistaferri, 2010; Dossche et al., 2018; U.S. Bureau of Economic Analysis, 2022). Previous studies show that households' consumption increases with their wealth or their perceptions of wealth (e.g., Mian et al., 2013, Di Maggio et al., 2020; Chodorow-Reich et al. 2021; Garmaise et al., 2024). Building on this work, our focus on household consumption aims to shed light on how these microeconomic agents respond to financial signals from local firms. We investigate an important question: Do households view local firms' earnings news as an informative signal for shifts in their wealth and whether these perceived shifts will prompt changes in their consumption.

We posit corporate earnings news to be an important driver of local household consumption. Earnings news is a leading indicator of economic growth, incremental to stock market returns (e.g., Konchitchki and Patatoukas, 2014b; Savor and Wilson, 2016; Cheng 2021). Previous papers show that earnings news is timelier than other economic reports, such as GDP growth rates (e.g.,

Konchitchki and Patatoukas, 2014a; Shivakumar and Urcan, 2017). Moreover, firms engage in many economic activities locally, and therefore we expect earnings announcements to provide timely signals of current and prospective local economic conditions (Cheng, 2021).

Moreover, a positive link between local earnings news and household consumption may arise from at least three non-mutually exclusive channels. First, firms that are performing well will likely hire new employees in the region, bring in more employees to the region, and/or increase average wages paid to their employees (e.g., Greenstone et al., 2010; Mehta and Zhao, 2020; Chodorow-Reich et al., 2021; Lourie et al., 2023). This effect is symmetric; firms performing poorly are likely to cut employees and (potentially) wages as part of efforts to raise performance in the future (e.g., John et al., 1992). Employees, potential employees, and other locals who could benefit, like real estate owners or merchants, from having more workers being brought into the community could understand from positive earnings news that their wealth, including wealth from regional economic spillovers, has increased. This wealth change could then affect consumption.

Second, positive (negative) earnings surprises can cause stock prices of firms to rise (fall), which could lead to increased (decreased) consumption near the company's headquarters due to the resulting wealth effects and local investing bias (e.g., Coval and Moskowitz, 1999). Additionally, the proximity to the headquarters can amplify this effect through spillovers, such as multipliers from investors' spending having an impact among non-investors. Together, these dynamics can create a localized economic boost (drop), resulting from the link where earnings news affects stock price performance, impacting regional—perhaps overinvested—investors and then affecting regional consumption.

Third, local firms' earnings news is likely an informative signal of how much these firms will contract with local suppliers, customers, and contractors, which can raise aggregate wealth in local communities, and in turn may boost their consumption. These might also affect the consumption

of local residents who are not directly affiliated with the firm (e.g., local businesses, merchants, and real estate owners) as they may benefit from the wealth created by these local expenditures.

In each of these three channels there are both direct, more traditional stakeholders—i.e., employees, investors, and contracting parties—and indirect, nontraditional stakeholders—i.e., other locals who benefit from regional economic spillovers, which are likely to be concentrated nearby to traditional stakeholders. While traditional stakeholders have long been the subject of academic studies, few papers document the specific consumption effects, especially as it relates to the information in earnings news (with exceptions like Lourie et al., 2023, who examine employees located anywhere in the U.S.). Further, firms have claimed to focus on their impact locally; in 2019, the Business Roundtable released a statement on the purpose of a corporation which expressed an interest to understand how their actions affect the "communities in which [corporations] work."

Moreover, the relation between earnings news and local household consumption is more ambiguous because the causal chain relies on nontraditional stakeholder locals to understand that there is a regional agglomeration of economic activity (e.g., Greenstone et al., 2010), and firm performance—revealed via earnings news—can create such spillovers. According to the BEA, for every one job created by a local firm, it creates 2.5 new jobs in the geographic area, referred to as a multiplier (e.g., Moretti 2011).[8] Hold this local multiplier fixed, we argue that nontraditional stakeholder households learn that they will experience direct net benefits, i.e., changes in wealth, from positive or negative inputs to a local multiplier learned via the earnings announcement. Similarly, we argue that nontraditional stakeholder households may learn about how local multipliers vary also from earnings announcements. Therefore, we expect local households'

[8] Similarly, Moretti (2010) estimate that the same-city employment multiplier is 1.6 jobs in the non-tradable sector and 2.5 jobs (1 job) for skilled (unskilled) jobs in the tradable sector. The multiplier also varies across industries, with high-tech industries having the largest multipliers.

consumption to respond to the disclosure of earnings news, as it could help them update their beliefs about their wealth. These discussions lead to our first hypothesis (***H1***) stated as follows:

H1: *Local households' consumption increases (decreases) with firms' reported positive (negative) earnings news.*

Our next hypothesis examines the role of financial *misreporting* on local household consumption. Misreporting conceals the actual performance and underlying trends in earnings growth, which can distort expectations by those unaware of the misstatement (e.g., McNichols and Stubben, 2008). Detecting fraud is challenging for outsiders, as they often lack the necessary information or sophistication to cast doubt on firms' accounting practices and/or firms can use real resources to perpetuate misreporting (Erickson et al., 2004; Kedia and Philippon, 2009; Choi and Gipper, 2024). Therefore, we posit that changes in local household consumption in response to firms' earnings news will not differ between truthful and misreported earnings. These discussions lead to our next hypothesis (***H2a***) stated as follows:

H2a: *Local households' consumption does not respond differentially to earnings news that is truthful versus misreported.*

Our last hypothesis explores local households' consumption after the revelation of financial misreporting. If local households spend more than they would have spent had the earnings been truthfully reported (consistent with ***H2a***), they will likely correct their overspending when they become aware of the misreporting and negatively update their beliefs about their prospective wealth. That is, we expect the positive link between local firms' previously misreported earnings surprises and household consumption to be reversed. This leads to our last hypothesis (***H2b***):

H2b: *Households reverse their consumption when local firms' misreporting is revealed.*

Nevertheless, there are reasons why we might not observe our expected outcomes. First, it is possible that local households do not learn about local earnings, despite prior evidence suggesting that consumers, employees, and job seekers learn about firms' earnings news through

intermediaries such as the media. Second, earnings may not be a useful source of information for updating local households' expectations about wealth due to other sources of information, such as wages and employment rates. Third, the association between local firms' earnings news and the average wealth of local households may not be economically significant enough to generate meaningful changes in their consumption.

3. DATA AND RESEARCH DESIGN

3.1 Data Sources and Sample Selection

We primarily use transaction-level data on local households' consumption from a proprietary database, which is sourced from a firm that provides financial software and services to large banks. The firm collects transaction-level data from bank clients' accounts and any bank-issued cards, which allows us to observe the transaction's date, amount, merchant name, and address, as well as the transaction category. The data spans 2011 through 2015 and covers households in 50 states, Washington DC, and Puerto Rico. The data comes from 78 banks, including the majority of the 10 largest U.S. banks (Diamond and Moretti, 2023). These data have been used in prior studies to construct a weekly measure of firms' revenues (Blankespoor et al., 2022), a monthly measure of household healthcare consumption (Diamond et al., 2023), and a measure of consumption by commuting zone and income group (Diamond and Moretti, 2023).

A key advantage of our proprietary database consumption data is that it has detailed geographical information, which allows us to study consumption at a granularity that can be tied to publicly-listed local firms, i.e., at the county level. The data includes information on the merchant, enabling us to infer each account holder's place of primary residence by extracting the county in which most of their physical transactions occurred in a year. We compute household consumption at the bi-weekly household level. To remove potential biases arising from changes in the coverage of our data through time, we only keep households that have transactions in all bi-

weekly periods between 2011 and 2015, although our results are not sensitive to this choice.[9]

We start with the universe of firms in Quarterly Compustat and IBES to compute each firm-quarter's earnings surprise. We then merge firms' headquarters information from WRDS SEC Analytics (to avoid headquarter location backfilling in Compustat) and collapse the data to the county-bi-weekly-period level by taking the weighted average of earnings surprises, where the bi-weekly-period group is matched with the earnings' release date. This measure is weighted by each firm's market value of equity, reported in each year-quarter. We call this the "county-earnings announcement" or "county-EA" data, although many county-earnings announcement observations can have two or more firms' earnings news included in that two-week period. Then, we match the county-earnings announcement data with bi-weekly household consumption data and keep the household consumption observations in the three bi-weekly periods before and after each county-earnings announcement observation. We retain only observations for which bi-weekly household level consumption data is available in the proprietary database and control variables are non-missing. This yields a final sample of 31,635,444 county-earnings announcement-bi-weekly household consumption observations spanning 2011 through 2015.[10] A detailed overview of our sample selection procedure is outlined in Appendix A.

In additional analyses, we use alternative anonymized and aggregated consumption data by Mastercard. The data covers several hundreds of millions of unique card accounts and a more recent time period of 2016Q1-2021Q2, showing the generalizability of our findings.[11] However,

[9] Another advantage of our consumption data is that the selection into the dataset does not depend on active user sign-up or opt-in. The data provider collects all bank client data, which alleviates concerns over self-selection bias, although selection into the dataset may depend on the specific banking clients of the data provider and a household's choice of bank. An additional caveat is that we miss unbanked households, which account for 7% of the U.S. population and have lower income (FDIC, 2015; Diamond and Moretti, 2023).

[10] To filter out outliers and data errors, we remove observations with a 4-quarter consumption growth rate that is three standard deviations away from the sample mean following Chen et al. (2001) and Chang et al. (2007), but our findings remain qualitatively similar even with these observations.

[11] Following their data privacy guidelines, Mastercard disclosed to us that their aggregated data contains unique card accounts in the order of several hundreds of millions across the U.S.

unlike our proprietary database consumption data, Mastercard data's consumption numbers are "normalized" as an index (benchmarked against the average of aggregate daily spending across the U.S. in 2018) and does not provide transaction amounts, description, or categories. Moreover, Mastercard data's location is based on the merchant, rather than the account holder's place of primary residence, and the spending entity is anonymized, which means that we may also measure business spending. Although these distinctions indicate a potential misalignment with the objective to measure local household spending (which is why we primarily use our proprietary database), we use Mastercard data to supplement our analyses.

3.2. Variable Measurement and Descriptive Statistics

3.2.1 Key Dependent Variable: Consumption

We measure our key dependent variable of local household consumption, *Consumption,* at the county-EA-bi-weekly household level. It is defined as the log of consumption of local household *j* at bi-weekly period *s* in county *i* at earnings announcement *t*. To measure each household's consumption in a bi-weekly period, we use the total dollar amount across all transactions paid out of bank accounts, removing transfers between accounts, income taxes, and transactions that do not reflect consumption realized in the current period, such as loans and retirement contributions, following Diamond and Moretti (2023). We exclude transactions which are likely to be business expenses, rather than personal consumption, based on category names such as COGS, sales, wages paid, etc.

Table 1 contains summary statistics for the consumption variable used in our analyses. Based on our proprietary database consumption data, the average county-EA-bi-weekly household consumption is $4,010 ($96,240 in annual terms), the average county-EA-bi-weekly household quarterly post-tax income is $26,551 ($106,204 in annual terms). Compared to the average annual household consumption of $77,533 in the National Accounts (NIPA), the difference is likely due

to the following reasons: (1) our sample selection criterion of retaining households with non-zero consumption in every bi-weekly period during the sample window;[12] (2) our dataset's exclusion of lower-income households, specifically those without bank accounts, and (3) potential under-reporting of self-employment and business income in the ACS, as noted by Rothbaum (2015).

Figure 1 Panel A illustrates the sample's household coverage rate by state. The sample is overrepresented by households in Washington, DC, New York, and California, which have some of the largest state-level economies in the U.S. Panel B illustrates the average quarterly household consumption by state. Although our household-level consumption figures are, as expected, slightly higher than the 2015 US BEA data on per capita personal consumption, both exhibit a similar pattern, with Connecticut, New York, and New Jersey showing the highest consumption areas.

3.2.2 Key Independent Variable: Earnings Surprise

Our analysis uses local firms' analyst-based earnings surprises as our independent variable of interest. This variable approximates the amount of earnings news generated by local firms. We use IBES data to construct county-EA bi-weekly *Earnings Surprise* defined as the average of earnings surprises, weighted by each firm's market value of equity reported in each year-quarter. The bi-weekly period's county-EA group is matched with the earnings release dates. We measure each firm's earnings surprise as the difference between the actual EPS before extraordinary items and analysts' consensus scaled by asset value per share at the quarter end. Mathematically, *Earnings Surprise* is defined as follows:

$$Earnings\ Surprise_{i,t} = \frac{\sum_{k=1}^{N} Earnings\ Surprise_{k,i,t} * Market\ Value_{k,i,t}}{\sum_{k=1}^{N} Market\ Value_{k,i,t}} \quad (1)$$

for public firm *k*, county *i*, and bi-weekly period earnings announcement window *t*. *N* denotes the total number of public firms in each county-EA bi-weekly period.

[12] Our results are robust when selecting a random 10% sample from the full dataset, as indicated in Table 8.

By calculating the weighted average of public firms' earnings within a county-bi-weekly period, we provide an aggregated measure of company earnings in the local economy, accounting for the relative importance of each public firm in a county. Table 1 shows that *Earnings Surprise* has a sample mean of 0.00 with a standard deviation of 0.01. In additional analyses, we show that our findings are robust to alternative measures of earnings surprises.

3.3. Research Design

We use an event study to test whether local household consumption changes in the weeks after the earnings announcement. We estimate the following regression using the sample of 31,635,444 observations in the [-3, +3] calendar-bi-weekly window (i.e., six calendar weeks before and after) around each earnings announcement in a county:

$$Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t} \times Post_{t,s} + \alpha_2 Post_{t,s} + \beta Control_{t,j} + \gamma_j + \rho_{i,t} + \epsilon_{i,t,j,s} \quad (2)$$

The unit of observation is at the county-earnings announcement (i.e., *i*, *t*)-bi-weekly household level (i.e., *s*, *j*). We double cluster standard errors at the state and year level to account for correlated disturbances within the same state over time and common shocks within the same year. $Consumption_{i,t,j,s}$ and $Earnings\ Surprise_{i,t}$ are defined above. Following prior research, we employ an event study within the [-3, +3] bi-weekly window to more precisely capture households' responses to local earnings news (Noh et al., 2025).

γ_j and $\rho_{i,t}$ are household and county-EA fixed effects, respectively. Household fixed effects are included primarily to control for time-invariant characteristics of households, and county-EA fixed effects are included to control for factors specific to earnings announcement within a particular county and 14-weeks surrounding an earnings announcement period, including local economic conditions (such as population, employment) and local firms' information environment (such as aggregated past analyst forecast error and stock return) that could affect all households in

the region during that time. In addition to fixed effects, our model incorporates the quarterly income of each household from the last quarter as a control variable, which allows us to account for time-varying income levels. In Section 4.6, we perform a series of additional robustness tests, including alternative measurements, sampling approaches, and regression specifications.

4. RESULTS

4.1 The Impact of Firms' Earnings on Local Household Consumption

To test H1 that local households' consumption changes with firms' reported earnings news, we estimate Equation (2). Consistent with our prediction, Table 2 Column (1) shows a significant positive link between *Consumption* and *Earnings Surprise* × *Post* (coef.=0.415; t-stat=2.81). In Column (2), we continue to find similar significant relations after we add household income as a control variable (coef.=0.415; t-stat=2.82). The coefficient of 0.415 suggests that compared to the pre-period, a one standard-deviation increase in local firms' earnings surprise increases local household consumption by 2% relative to the income elasticity of consumption (e.g., Mian et al., 2013), defined as change in consumption per one standard-deviation change in logged income.[13] Economically, the effect translates into a U.S. aggregate bi-weekly consumption of $0.7 billion.[14]

In subsequent tests, we study the dynamics of household consumption in event-time to provide a better understanding of how consumption evolves around the release of firms' earnings news. We analyze the data at the firm-bi-weekly level around each firm's earnings announcement. Figure 2 plots the coefficients on $Earnings\ Surprise \times Biweek$ for the bi-weekly periods surrounding the earnings announcement date and their 95% confidence intervals. We exclude weeks [-1, 0] as

[13] The 2% effect is computed as follows. The coefficient on log-transformed *Income* is 0.25 (Table 2), which has a standard deviation of 0.85 (Table 1). Similarly, the coefficient on *Earnings Surprise* is 0.42 (Table 2), which has a standard deviation of 0.01 (Table 1). The calculation (0.01*0.42)/(0.25*0.85) equals 2%.

[14] The $0.7B effect is computed as follows. Using the average bi-weekly household consumption of 4,010 (Table 1) and the average number of US households of 122,257,000 during 2011-2015 (Census Bureau), the aggregate average bi-weekly amount can be calculated as 0.01*0.42*(4,010*122,257,000)/3 = $0.7B.

the leave-out period. Therefore, the coefficients on the interaction terms measure the change in consumption relative to [-1, 0]. In Figure 2, we show that the trend line for consumption significantly diverges soon after the earnings announcement of a local firm, while showing insignificant estimates before that. These results provide additional assurance that increase in household consumption is driven by the release of local firms' earnings news, and unlikely a result of spurious trends.

Furthermore, to examine the consumption patterns over an extended duration, and to corroborate whether the effect that we documented is long-lived, we use a distributed lag model following prior research (e.g., Suárez Serrato and Zidar, 2016). This allows us to assess the cumulative estimates of the impact of firms' earnings news on local households' consumption across various time horizons. In Figure 3, we plot the quarterly point estimates by regressing *Consumption* on the contemporaneous as well as several lead and lag values of *Earnings Surprise*.

The x-axis represents the quarter in which *Consumption* is measured relative to the quarter in which *Earnings Surprise* is measured. Quarter $t = -3$ means that the coefficient is estimated using *Consumption* and the three-quarter lead of *Earnings Surprise.* Each subsequent quarter (i.e., $t = -2$ through $+5$) cumulates the quarterly coefficient estimates. Therefore, the cumulative coefficient plotted in quarter $t = 0$ is the sum of the effects of firms' earnings surprise from $t+0$ to $t+3$ on local households' consumption in $t+0$ (i.e., the sum of regression coefficients on contemporaneous, one-period lead, two-period lead, and three-period lead of *Earnings Surprise* relative to contemporaneous *Consumption*). Similarly, the cumulative point estimate plotted in quarter $t = 1$ shows the sum of the relations of firms' earnings surprise from $t-1$ to $t+3$ on local households' consumption in $t+0$.

We observe a statistically insignificant cumulative relationship until $t = 0$, consistent with the findings in Figure 2. This supports the notion that *Earnings Surprise* captures unexpected

variations in firms' performance rather than the overall trend in earnings. On the other hand, we find a statistically significant cumulative relation up to at least five quarters *after* the measurement of *Earnings Surprise*, most prominent within the first two quarters and gradually weakening thereafter. This aligns with prior findings that the effects on consumption can last for several quarters or even years in certain contexts (e.g., Gruber 1997; Chodorow-Reich et al., 2021; Di Maggio et al., 2020; Di Maggio et al., 2022). Moreover, the persistent relationship between *Earnings Surprise* and *Consumption* is less consistent with an attention-based interpretation of our findings, which would likely yield a more immediate rise and fall in consumption behavior.

4.2 Corroborating the Informational Role of Local Firms' Earnings News

A key assumption underlying our hypothesis is that firms' earnings news provides important consumption-relevant information for local households, prompting them to adjust their consumption as they update their expectations about their future income and wealth. We corroborate this informational role of local firms' earnings news by examining how changes in local household consumption correlate with earnings news in the cross section in three ways. Specifically, we examine how the (i) relevance, (ii) dissemination, and (iii) acquisition of earnings news affect the link between local firms' earnings news and household consumption.[15]

First, we examine cases where public firm information is likely more relevant to local households. Specifically, we use earnings persistence and *ex-ante* economic uncertainty to measure the extent to which earnings information is likely more relevant following prior research (e.g., Dechow et al., 2010; Barrios et al., 2023). In Table 3 Panel A, we re-estimate Equation (2) after interacting *Earning Surprise*× *Post* with *High Information Relevance*, which takes the value

[15] Related to the findings our cross-sectional tests discussed in this section, in an untabulated test, we find a robust positive link between local earnings surprises in period *t* to future period household *income*. This is consistent with earnings surprises providing a useful signal for future household income, which in turn leads to more consumption contemporaneously.

of 1 if the county is in the highest quartile for one of our information relevance variables, and 0 otherwise. We first use *Earnings Persistence* to proxy for information relevance, which is measured as average earnings persistence of all public firms in a county-quarter following Chordia and Miao (2020) and Richardson et al. (2005). The sum of the coefficients of 0.072 on the interaction term *Earning Surprise* × *Post* × *High Information Relevance* and 0.401 on *Earnings Surprise* × *Post* in Column (1) suggests, among the counties in the top quartile of earnings persistence, a one standard-deviation increase in firms' earnings surprises leads to a 1.14 times greater increase in local household consumption in the post-EA period, compared to the baseline effect outlined in Table 2. This corresponds to 2.26% of the magnitude of the income elasticity of consumption.

As our second proxy for earnings relevance, we use *Ex Ante Economic Uncertainty,* defined as the volatility of wage growth rates in the past 20 quarters. The coefficients of 0.025 on *Earning Surprise* × *Post* × *High Information Relevance* and 0.411 on *Earnings Surprise* × *Post* in Column (2) suggest that, in top quartile counties of economic uncertainty, a one standard-deviation increase in local firms' earnings surprises results in a 1.05 times greater consumption increase in the post-EA period, compared to the baseline effect size in Table 2. This amounts to 2.08% of the income elasticity of consumption.

Second, to bolster the information-based interpretation of our findings, we examine whether the positive link between local firms' earnings news and household consumption is more pronounced when there is greater dissemination of firms' earnings news by media. We measure the extent of information dissemination of local firms' earnings news using two proxies: the number of local news outlets in a county available from the Expanding News Desert (e.g., Huang, 2023) (*Local Media Outlets*), scaled by population; and the average count of media articles from RavenPack about firms' earnings announcements in the county-bi-weekly period, scaled by firm

market value of equity (*Earnings News Articles*). In Columns (1), *High Information Dissemination* takes the value of 1 if the county is in the highest quartile of *Local Media Outlets,* and 0 otherwise. In Columns (2), *High Information Dissemination* takes the value of 1 if the county-EA is in the highest quartile of *Earnings News Articles*, and 0 otherwise.

Table 3 Panel B shows a positive and significant coefficient on *Earnings Surprise* × *Post* × *High Information Dissemination*, consistent with our prediction (Col (1): coef.=0.522; t-stat=2.97; Col (2): coef.=1.297; t-stat=3.15). In counties with the top quartile of local media coverage of firms' earnings news, increase in local household consumption is 1.88-3.85 times greater than the baseline relation shown in Table 2, consistent with the notion that the media is an important source of information through which households consume local firms' earnings news.

Third, we validate the informational role by examining whether the positive relation between local firms' earnings news and household consumption intensifies with the extent of information acquisition of local firms' earnings news. To proxy for information acquisition, we take the average of local Google search volume of firm names during the three days around their earnings announcements, as well as local EDGAR downloads of firms' SEC filings in the month following the earnings announcement, weighted by each firm's market value of equity, aggregated to county-EA level.[16,17] We then create an indicator variable *High Information Acquisition*, which takes the value of 1 if the county-EA is in the top quartile of information acquisition, and 0 otherwise.

Table 3 Panel C contains the results of estimating equation (2) after interacting *Earnings Surprise* × *Post* with *High Information Acquisition.* We find a positive and significant coefficient on the interaction term across all columns (Col (1): coef.=0.334; t-stat=3.20; Col (2): coef.=1.230;

[16] We use the volume of firm name searches made in the same state as the headquarters of the companies to proxy for local Google searches. Google Trends does not provide data on the county-level search volume.
[17] While we don't expect an average household to use EDGAR as their primary means of information acquisition, we expect them to be indirect consumers of EDGAR downloads initiated, e.g., by media or sophisticated acquaintances.

t-stat=6.80). The sum of the coefficients on *Earnings Surprise* × *Post* × *High Information Acquisition* and *Earnings Surprise* × *Post* in Columns (2) and (4) suggest that, for events in the top quartile of *Local Google Searches* (*Local EDGAR Downloads*), a one standard-deviation increase in local firms' earnings surprises leads to a household consumption increase 1.68 to 3.63 times greater than the baseline effect in Table 2.

Taken together, our cross-sectional tests suggest that an important mechanism that explains the positive link between local firms' earnings news and household consumption is the information content contained in the firms' earnings news.

4.3 Local Public Firm Importance and Household Consumption Responses to Earnings News

A second key assumption underlying our hypothesis is that local firms' earnings news affects household consumption because the disclosing firm (and therefore its news) is economically important to the households. To test this assumption, we consider two ways to capture local firms' economic importance to a county. First, we build on the idea that some firms have high importance to a geographic area if those firms are economically dominant. For example, a firm might exert significant economic influence on its local residents if it is part of a "company town." Second, firms can have high importance for a region if they make substantial corporate spending, such as investments or expenditures, in the area, which can boost local economic activity and wages. We expect a heightened responsiveness of households' consumption to corporate disclosures in areas where firms have relative dominance or are substantial spenders.[18]

[18] As an illustration of our public firm relative dominance measures, Monroe, located in Ouachita Parish, LA, ranks among the top 10 localities with the highest public firm relative dominance, according to our measures. Lumen Technologies (formerly CenturyLink) is headquartered there. Lumen Technologies is the sole public company in our sample from Ouachita Parish. The fourth largest telecommunications company in the U.S., Lumen Technologies is intricately connected to the local economy, with substantial investments in the area. Additionally, a majority of its Louisiana-based workforce is concentrated in the Monroe area (CenturyLink, 2010; Parker, 2020).

First, we capture the relative dominance of local public firms, e.g., company towns, with two measures. For our first measure, we proxy relative dominance as a percentage of public firm count by calculating the number of public firms in a county, divided by the total number of establishments in that county (*Number of Public Firms/Number of Establishments*). For our second measure, we use the employment ratio, derived from the number of employees of public firms in a county divided by the county's total labor force (*Number of Employees/Total Labor Force*). In Table 4, we estimate a version of Equation (2) where we interact *Earnings Surprise* × *Post* with *High Relevance Dominance*, which is an indicator variable if *Number of Public Firms/Number of Establishments* and *Number of Employees/Total Labor Force* are in the top quartile, respectively, in Column (1) and Column (2), and 0 otherwise.

Table 4 Panel A shows a positive and significant coefficient on *Earnings Surprise* × *Post* × *High Relative Dominance*, consistent with our prediction (Col (1): coef.=0.976; t-stat=4.18; Col (2): coef.=0.504; t-stat=6.22). In counties with the top quartile of public firm relative dominance, a one standard-deviation increase in local firms' earnings surprises results in household consumption increasing 1.90 to 2.68 times higher than the baseline relation documented in Table 2. These results suggest that households' response to local firms' earnings news is more pronounced when local public firms are economically more important to the area.

Second, we capture the counties with high corporate spending with four different cash flow or expense measures. Specifically, we examine capital expenditures, inventory purchases, SG&A expenses, and R&D expenses. Table 4 Panel B contains the results of estimating Equation (2) after interacting *Earnings Surprise* × *Post* with *High Corporate Spending*. Columns (1)-(4) contain the results for CAPEX, Inventory Purchase, SG&A Expense, and R&D Expense, respectively. We find a positive and significant coef. on the interaction term across all columns (Col (1): coef.=0.269; t-stat=6.55; Column (2): coef.=1.004; t-stat=3.78; Column (3): coef.=0.755; t-stat=4.53; Column

(4): coef.=0.659; t-stat=4.07). These results are consistent with economically important local firms being an important driver for the positive link between local firms' earnings news and household consumption.

4.4 Evidence on Types of Local Residents and Types of Consumption

To gain a better understanding of the channels through which local firms' earnings shape household consumption, we explore whether the positive relation is unique to certain stakeholders or influences a wider array of stakeholders. We also explore the types of consumption (e.g., dining out vs. buying a new car) affected by earnings news. Regarding stakeholders, we do not anticipate that everyone local to the firm is affected equally by good or bad news. To employees, the earnings of their employers can be informative about their future wages and job prospects. Local business owners or merchants (including local firms' suppliers or contractors) can also update their beliefs about their wealth based on local firms' earnings news, as it can offer insights into prospective local economic conditions and the spending of local firms or people, consistent with the regional multiplier effect mentioned above (e.g., U.S. BEA, 2022). Additionally, local investors' wealth can change more with local firms' earnings news because average investors tend to hold stocks of local firms (e.g., Poterba, 2000; Seasholes and Zhu, 2010; Loos et al., 2020). Regarding types of consumption, we expect earnings news to affect the household consumption of smaller-ticket, non-essential items because households likely expect modest, non-life-altering changes in their wealth coming from any one earnings surprise.

Using the descriptions of bank and card transaction data, we disaggregate local households into four non-mutually exclusive groups: employees of the reporting firms, small business owners, investors, and others (e.g., employees of firms not headquartered in the county, real estate

owners). [19] We re-estimate Equation (2) after replacing the dependent variable with the consumption of each of these four groups.

In Table 5 Panel A, we find that local firms' earnings news is positively linked to the consumption of all four stakeholder groups. Considering the baseline consumption of each stakeholder in Table 1, the coefficients in Table 5 Panel A Columns (1)-(4) suggest the effect of firms' earnings news on local employees and local small business owners are largest in magnitude. These findings suggest local firms' earnings news can shape the consumption of many different stakeholders as it is informative about wages, stock wealth, and local economic activities.

In Table 5 Panel B, we re-estimate Equation (2) using log consumption of products priced in the highest and lowest terciles, separately, as our dependent variables. The positive link between local firms' earnings news and household consumption is predominantly observed in the case of low-tercile-priced products. The estimate in Column (1) is statistically greater than the coefficient in Column (2) (Chi-square = 10.37, p-value < 0.01). This suggests that households make sustainable adjustments to their spending habits, particularly on inexpensive items (e.g., dining out more as opposed to buying a new car), in response to earnings news.

4.5 Evidence from Financial Misreporting

Next, we test H2a that local households' consumption increases with misreported earnings, because average households are unlikely to fully unravel fraudulent reporting. To the extent that managers use resources to hide misreporting, it is more likely that average households cannot differentiate truthful earnings from fraudulent ones. This will lead local households to spend more than they would have if earnings had not been misreported, and subsequently, to correct their

[19] Investors can include the employees of local firms or small business owners. For example, employees can hold the stock of their employers through stock-based compensation or due to local investment bias. The keywords we used to identify the four stakeholders are detailed in Appendix A.

overspending when they learn about the misreporting. We test these predictions by estimating the following county (*i*)- EA (*t*)- bi-weekly (*s*) household (*j*) level regression:

$$Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t(\tau)} \times Post_{t,s} \times High\ Misstatement\ Occurrence\ (Revelation)_{i,t} + \alpha_2 Earnings\ Surprise_{i,t(\tau)} \times Post_{t,s} + \alpha_3 Post_{t,s} \times High\ Misstatement\ Occurrence\ (Revelation)_{i,t} + \alpha_4 Post_{t,s} + \alpha_5 Control_{t,j} + \gamma_j + \rho_{i,t} + \epsilon_{i,t,j,s} \quad (3)$$

where *Misstatement Occurrence (Revelation)* is an indicator variable equal to 1 if there is at least one misstatement occurrence (misstatement revelation) in EA *t* (leading up to EA *t*), and 0 otherwise. *Misstatement Occurrence* is interacted with contemporaneous *Earnings Surprise.* On the other hand, *Misstatement Revelation* can be interacted with non-contemporaneous *Earnings Surprise* depending on whether a misstatement has occurred or not. If a misstatement has *not* occurred, *Misstatement Revelation* × *Post* is interacted with contemporaneous *Earnings Surprise.* If a misstatement has occurred, *Misstatement Revelation* × *Post* is interacted with *Earnings Surprise* which is the average value of *Earnings Surprise* over the misstatement earnings announcements, denoted as period τ.

Table 6 presents the results consistent with average households not being able to fully discern the implications of fraudulent earnings. In Column (1), we document an insignificant coefficient on the interactive term *Earnings Surprise* × *Post* × *Misstatement Occurrence* (coefficient=0.028; t-stat=0.05). On the other hand, we find a statistically positive main effect on *Earnings Surprise* × *Post* (coefficient=0.412; t-stat=2.72). These coefficients together suggest that the positive link between *Earnings Surprise* × *Post* and *Consumption* is not different in counties with fraudulent-reporting firms, at the time of occurrence.

We then examine how households react when the fraud is eventually revealed. In Table 6 Column (2), we find a negative coefficient on *Earnings Surprise* × *Post* × *Misstatement Revelation*

(coef.=-5.311; t-stat=-6.84). The sum of this coefficient and the coefficient on *Earnings Surprise* is statistically significant, with a p-value of less than 0.01. This suggests that the positive link between firms' earnings news and local households' spending *reverses* after the revelation of misreporting, in line with H2b.

The results in Table 6 are consistent with households making consumption decisions based on fraudulent earnings and subsequently reversing their spending. This evidence highlights an important role of financial reporting in driving potentially (in)efficient household consumption.[20]

4.6 Generalizability and Robustness

To address concerns over our proprietary consumption data, we replicate our main findings using alternative anonymized and aggregated spending data obtained from Mastercard. This alternative anonymized and aggregated spending data covers several hundreds of millions of unique card accounts at the county-day level in the US and spans 2016Q1-2021Q2, unlike our primary data covering 2011-2015. The Mastercard data available to us, however, to ensure anonymity and protect privacy, is anonymized, aggregated, and normalized as an index relative to average US daily spending in 2018 and does not show the dollar amounts and types of transactions, which limits analysis by local stakeholder or by price category. The data also includes county-level spending based on the location of the credit card transaction (i.e., merchant), not based on the residential location of the cardholder, which may not fully align with our intent to measure local residents' consumption.

With these caveats in mind, we re-estimate Equation (2) after replacing the dependent variable with the log of aggregated county-bi-weekly period level consumption from the Mastercard anonymized and aggregated spending data to test for the generalizability of our findings. Table 7

[20] We conduct two untabulated tests. First, we find similar results if we use contemporaneous surprises as opposed to historic, fraudulent surprises, consistent with revelations of frauds undermining households' trust in the quality of financial reporting (e.g., Giannetti and Wang, 2016). Second, we match the fraud periods to similar periods for non-fraud firms and conduct a falsification test based on pseudo-fraudulent earnings announcements. We do not find a significant link between pseudo revelations and consumption, suggesting our findings here are unlikely to be spurious.

Panel A presents summary statistics for the variables used in the regression analysis, and the results of the regression are tabulated in Table 7 Panel B. We find a positive and significant coefficient on *Earning Surprise* × *Post*, which aligns with our main findings documented in Table 2.

In Table 8, we run a series of robustness tests. In Panel A Column (1), we re-estimate Equation (2) using an alternative measure of Earnings Surprise*,* denoted as *Rev. Weighted Earnings Surprise*, calculated as revenue-weighted average surprises of firms in a county-earnings announcement window. In column 2, we use an alternative sample, where we select a random 10% sample from each county in the full dataset. In column (3), we include county and state-quarter fixed effects and include a set of control variables on county economic condition and information environment (*Income*, *Population*, *Employment*, *Past Analyst Forecast Errors*, *Stock Return*).

4.7 Household Survey Analysis

Finally, we conducted an experimental survey among households in the state of Ohio to validate our archival findings. Additionally, our analysis of the survey data provided insights into the mechanisms by which earnings information influences local households' consumption patterns (Bernard et al., 2018; Hanlon and Shroff, 2022; Call et al., 2024; Leonelli et al., 2024). Specifically, we conducted two rounds of surveys with the same participants on Prolific. In the first round, we collected data on the participants' typical spending habits, their perceptions of local companies' performance, and their demographic information.[21] We then collected data on the earnings announcement dates of firms in these counties and distributed the second-round survey to the same group of participants in a staggered manner, one week after the earnings announcements of local firms headquartered in their counties. In the second-round survey, we distributed the post-earnings announcement questionnaire to participants in counties where local firms had made earnings

[21] Because we could only distribute the survey based on the participants' states of residence on Prolific during the initial distribution, we also gathered information about the counties where the participants reside.

announcements in our survey period. These participants constitute the treatment group. To address concerns that our questions might heighten attention to the news about these companies, we distributed the same survey questions mentioning the companies in the treatment group to participants residing in counties without any earnings announcements during our survey period. These participants are defined as the control group. We conducted a difference-in-differences analysis to compare the treatment group with the control group. Additionally, we collected data on their sources of information acquisition, their relationships with local firms, and their recent consumption patterns.

First, Tables B1 and Figure B1 show the composition of our survey sample. Table B1 presents the distribution of our sample, covering 93 counties and 533 participants. Figure B1 illustrates the participants' relationships with companies in counties that experienced earnings surprises. We find that 58.14% of respondents report that the company is covered in the media; 23.26% are employed by the company or have friends, family, neighbors, or acquaintances who are; 9.30% do business with the company; and 1.16% invest in the company's stock. These results validate the assumption that residents are important stakeholders of local firms, on average, and help explain the motivations for their interest in local firm news. Additionally, they are informed about company news through various media sources.

Next, we provide descriptive evidence on how households acquire information about firms. Figure B2 shows that the most frequently mentioned category of news is firm performance (48.28%), followed by labor-related news (24.14%), news on products or investments (13.79%), and news on changes in company management (6.90%). Figure B3 presents the sources through which households learn about local firms' news. The primary sources are online news outlets, media platforms, and interpersonal communication networks. Specifically, 75.86% of participants indicate that they learn about local firms' news through online news sources, 31.03% report

obtaining information from TV news, 24.14% from social media, and 17.24% from word of mouth. These findings corroborate those in Table 3, which suggest that local residents primarily acquire information through media platforms and highlight the importance of word-of-mouth communication within and across households.

Then, we examine the change in household spending in response to local firms' earnings news. Descriptively, Figure B4 Panels A and B demonstrate how respondents' spending behaviors were influenced by positive and negative earnings announcements. Figure B4 Panel A shows that compared to the spending before the local firms' earnings announcements, 39.29% (36.97%) of participants increased (decreased) their spending following positive (negative) earnings surprise of the local firms. Cross-sectionally, Figure B2 Panel B indicates that following earnings surprises in the top (bottom) quartile in the sample, 45.95% (46.67%) of participants increased (decreased) their spending. Furthermore, we conducted a difference-in-differences regression analysis on the spending behavior of the treatment and control groups. In Table B2, Panel A, after including income group, bi-week, and county fixed effects, we observe a significantly positive coefficient on *Treatment* × *Post* × *Earnings Surprise* (coef.=0.721; t-stat=1.87) and an insignificant coefficient on *Post* × *Earnings Surprise*. The results suggest that participants in the treatment group changed their spending in response to local firms' earnings news but those in the control group did not.

Next, we consider how changes in perceptions of local firms' performance affect spending behavior after the release of earnings news. Specifically, we conducted a within-participant analysis to see how changes in perceptions about local economy impact spending behaviors in the treatment group. In Table B2 Panel B, we include an interaction term, *Earnings Surprise* × *Post* × *High Perception Change*. The significantly positive coefficient on this interaction term suggests that households that significantly change their perceptions in the same direction as local firms'

earnings news adjust their spending more after earnings announcements.[22]

Lastly, we examine how households adjust their consumption across different categories of goods and services in response to local firms' financial news. Figure B5 shows spending changes across different categories. For households who increased (decreased) their spending, 66.15% (81.69%) respondents say they increased (decreased) their frequency of dining out, while 32.31% (66.20%) increased (decreased) their spending on entertainment. In contrast, the least selected choice is investing in education or professional development (9.23%, 1.41%). These results corroborate our findings in Table 5 that the link between earnings news and local household consumption is predominantly observed in inexpensive products or short-term leisure.

From the two rounds of surveys distributed to the same participants before and after the earnings announcements, the results suggest that local households change their spending following the earnings announcement. Moreover, participants are aware of the local earnings news, primarily acquiring information from media sources and personal connections. We also find that participants who significantly alter their expectations tend to change their spending more substantially. Lastly, we document that the effects are more pronounced on inexpensive, discretionary items.

5. CONCLUSION

We study the link between firms' reported earnings news and the consumption of people residing near the reporting firms' headquarters. Using a proprietary database of households' bank transactions, including linked debit and credit cards, we find the earnings news of local firms is positively associated with subsequent household consumption. We show that a plausible reason for this relation is that firms' earnings news serves as an informative signal about local residents' wealth, including potential wealth changes from indirect channels like creating jobs through local

[22] *Earnings Surprise* in Panel B is subsumed by county fixed effects because Panel B only includes households in the treatment group. We find similar results using both treatment and control groups in Panel B.

multipliers, for both traditional stakeholders of the firm (e.g., employees, investors, or contracting parties) or nontraditional stakeholders of nearby firms (e.g., local, small business owners or even other unaffiliated residents). We document that households do not seem to discern fraudulently reported earnings but substantially reverse spending after fraud is revealed. Survey findings validate our archival results and suggest households perceive local firms' financial news and change their perceptions of local firms' performance, prompting some to adjust their spending behavior. Collectively, our results demonstrate that the earnings reports of firms play an important informational role in shaping the consumption of local communities.

Our findings, however, should be interpreted with some caution. First, while our fixed effect structure and additional tests help us to conclude that the relation we document between firms' earnings news and local households' consumption is not spurious, we cannot fully rule out the possibility that there are remaining omitted correlated factors. Second, while we provide suggestive evidence that firms' high quality reported earnings (e.g., non-fraudulent) facilitate more informed consumption, our findings cannot fully speak to the welfare implications. Third, the transaction-level spending data covers a specific period and set of households. Moreover, the data is not comprehensive; for example, it does not cover unbanked households, which account for 7% of the U.S. population (Federal Deposit Insurance Corporation, 2015).

Our paper makes contributions in several dimensions. First, we highlight local households as an important but overlooked stakeholder of financial statements and broaden the understanding of the impacts of local firms on their communities beyond the impact via stock prices. Second, we find that financial reporting matters for local household consumption and contributes to the stream of research that examines the role of corporate disclosures in providing information about the future path of the economy. Third, our finding that misreporting affects household consumption is useful to firms, merchants, and policymakers in their efforts to understand and react to fraudulent

corporate reporting. Last, our findings contribute to the broad household finance literature on households' consumption decision making. Our study further unveils that incremental information from local firms' earnings release leads local households to change their expectations regarding their own wealth and change their consumption behavior.

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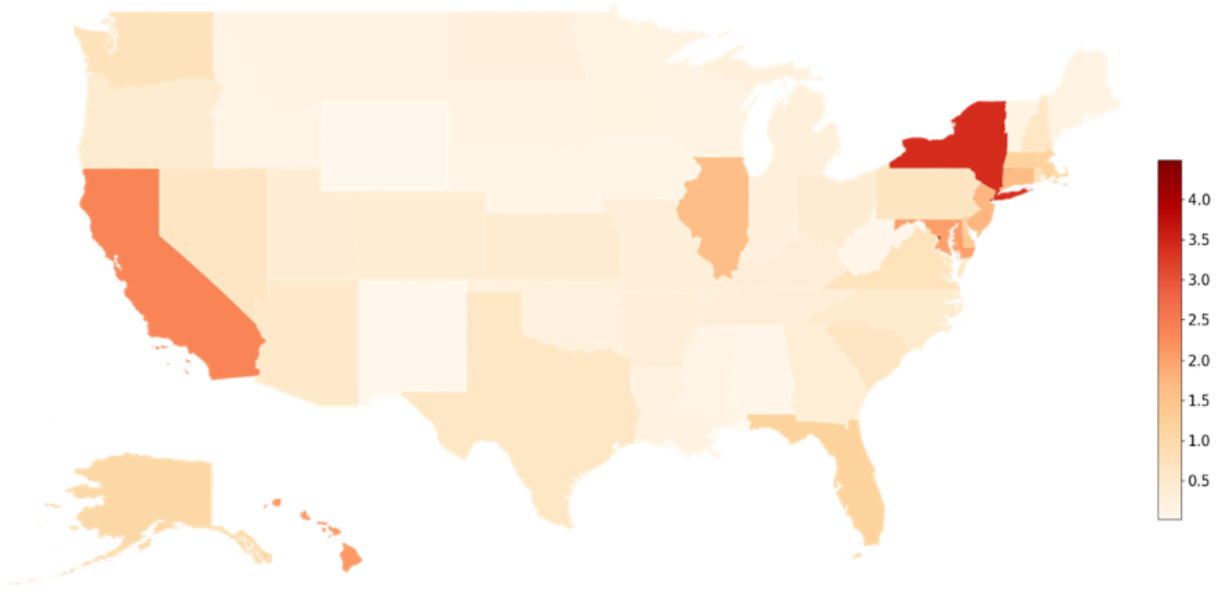
Figure 1. Heatmaps of Data Coverage and Consumption Value

The figure illustrates the household coverage ratio and average household consumption by state in our consumption data. Panel A shows the coverage ratio by state, defined as total number of households in the regression sample divided by the average number of households from the Census Bureau in 2011-2015. Panel B shows the average quarterly consumption of households in the regression sample in 2011-2015.

Panel A. Household Coverage Rate (%)



Panel B. Average Quarterly Household Consumption (2011-2015 US Dollar)

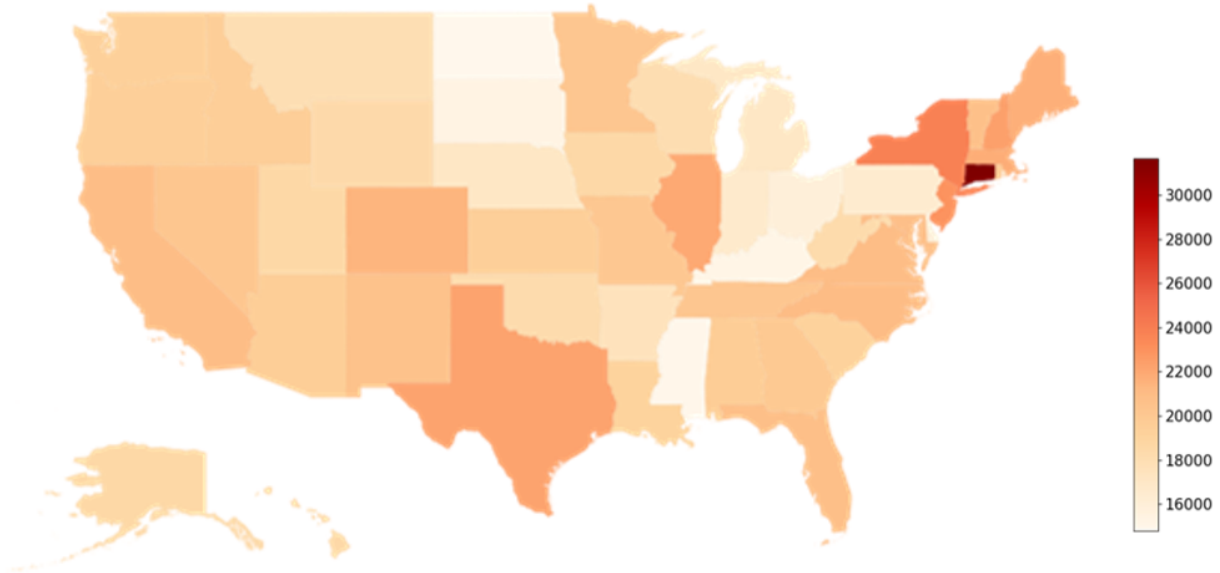


Figure 2. Trend Surrounding Firms' Earnings Announcement Date

This figure shows the results from the consumptions' bi-weekly-level regression estimated around each firm's earnings announcement date: $Consumption_{i,j,t,s} = \sum_{k=-3,k\neq-1,0}^{3} \alpha_k \, Earnings\ Surprise_{i,t} \times Biweek_{j,t,s} + \theta Earnings\ Surprise_{f,t} + \sum_{k=-3,k\neq-1,0}^{3} \phi_k \, Biweek_{j,t,s} + \sum \beta \, Control_{t,j} + \gamma_j + \rho_{i,t} + \epsilon_{i,t,j,s}$, where the dependent variable $Consumption_{i,j,t,s}$ is defined as the log of consumption of local household *j* at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*. The key independent variable $Earnings\ Surprise$ is defined as the average of earnings surprises in county *i* at earnings announcement *t*, weighted by each firm's market value of equity. *Biweek* is an indicator equal to 1 if household *j*'s consumption is measured in bi-weekly period *s* relative to the earnings announcement *t*, and 0 otherwise. Point estimates are derived from a regression including household and event fixed effects, and household income as control variable. Standard errors are clustered at the state and year level. See Appendix A for variable definitions.

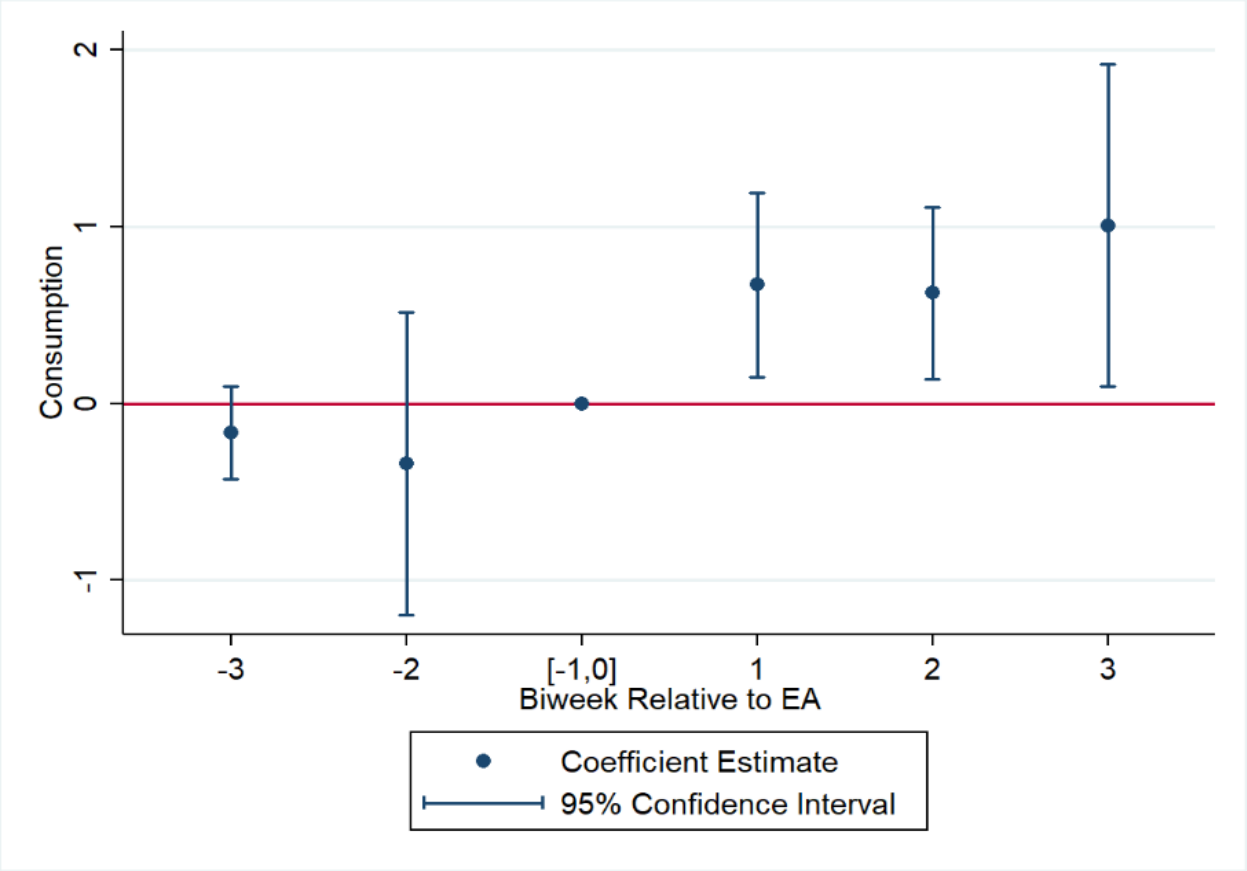


Figure 3. Cumulative Relations between Earnings Surprise and Local Households' Consumption

This figure shows the cumulative estimates from the household-county-quarter-level regression: $Consumption_{i,j,t} = \sum_{h=-3}^{5} \alpha_h \, Earnings\ Surprise_{i,t-h} + \gamma_j + \rho_s + \phi_t + \epsilon_{i,j,t}$, which shows the dynamic effects of firms' reported earnings surprise, *Earnings Surprise*, on local households' consumption, *Consumption*. On the x-axis, the figure shows the sum of the point estimates of *Earnings Surprise* measured at different points in time *t*+3, *t*+2, *t*+1, *t*+0, …, *t*-5 relative to the year-quarter in which the outcome variable, *Consumption,* is measured in time *t*+0. 95% confidence intervals for the estimates are reported by the dashed lines. For example, the cumulative point estimate of 2.71 together with the confidence band overlapping the red line of zero in the year-quarter *t* = 0 imply that the sum of the effects of firms' earnings surprise from *t*+0 to *t*+3 do not have a statistically significant effect on local households' consumption in *t*+0. The cumulative point estimate of 4.68 in the year-quarter *t* = 1 implies that the sum of the effects of firms' earnings surprise from *t*-1 to *t*+3 have a significantly positive effect on local households' consumption in *t*+0. The *p*-values for the F-tests that the cumulative estimates leading up to the quarter in which *Earnings Surprise* is measured (i.e., *t* = 0) are jointly not statistically distinguishable from zero. Point estimates are derived from a regression including household, state and year-quarter fixed effects. See Appendix A for variable definitions.

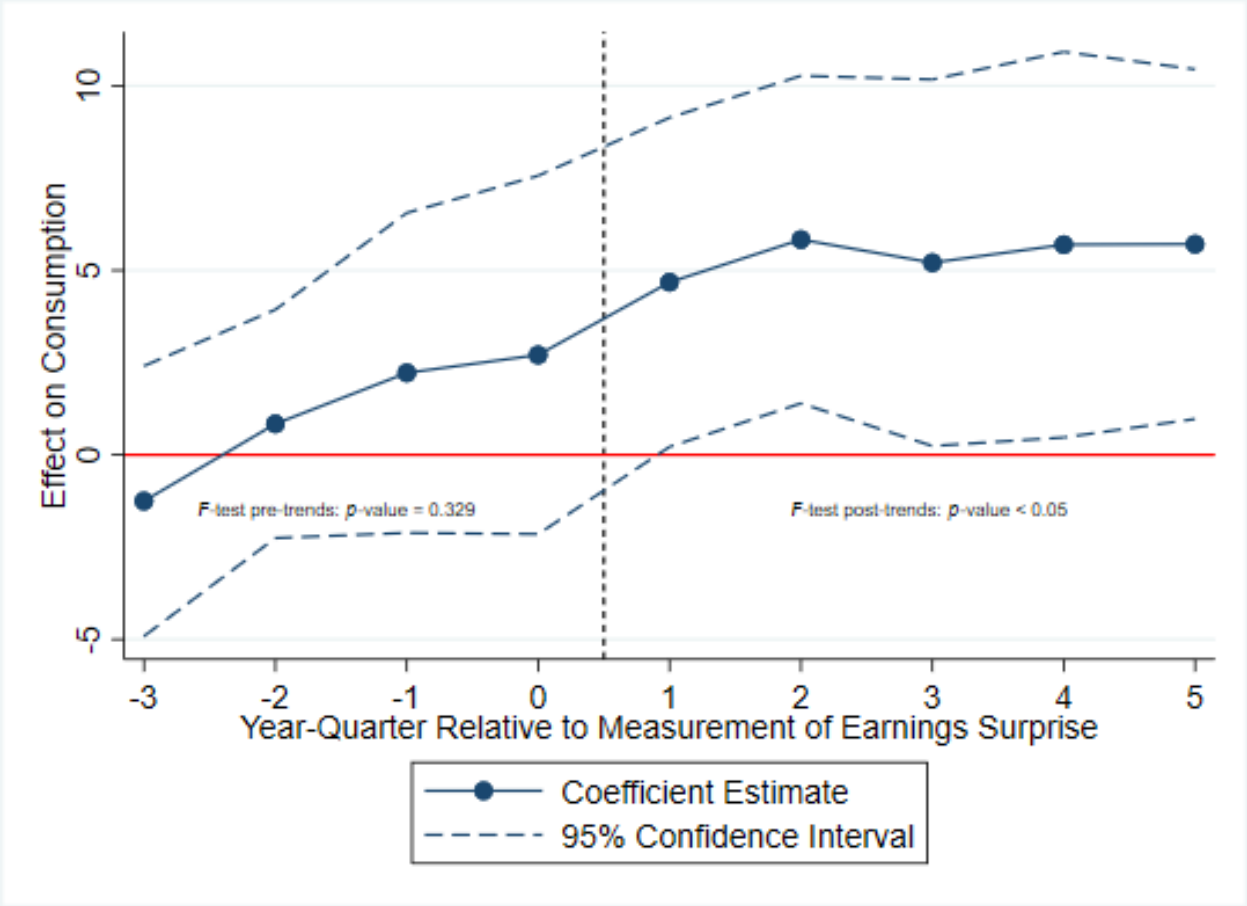


Table 1. Descriptive Statistics of Sample

This table presents descriptive statistics for our sample. The unit of observation is at the county-earnings announcement-bi-weekly household level. The sample period is 2011-2015. The table presents summary statistics for the variables used in the regression analyses.

	Obs.	*Mean*	*SD*	*P25*	*Median*	*P75*
Dependent Variables						
Consumption	31,635,444	7.81	1.02	7.17	7.83	8.48
Consumption (raw)	31,635,444	4009.65	4515.51	1301.85	2520.32	4829.58
Consumption (Low Price Tag, raw)	30,698,261	3658.69	4114.40	1272.94	2362.02	4350.09
Consumption (High Price Tag, raw)	22,591,515	4105.13	4544.49	1373.21	2601.71	4936.23
Stakeholders' Consumption (Employees of Local Firms, raw)	171,310	4368.83	4174.84	1795.96	3191.92	5459.98
Stakeholders' Consumption (Small Business Owners, raw)	3,520,261	4547.34	5017.25	1512.67	2858.52	5433.34
Stakeholders' Consumption (Investors, raw)	15,477,845	4759.03	4981.40	1628.55	3113.58	5862.29
Stakeholders' Consumption (Others, raw)	12,580,675	2937.08	3417.85	1008.92	1888.21	3490.88
Independent Variables						
Earnings Surprise	31,635,444	0.00	0.01	0.00	0.00	0.00
Post	31,635,444	0.43	0.49	0	0	1
Income	31,635,444	9.87	0.85	9.36	9.91	10.45
Population	31,635,444	14.37	0.99	13.75	14.26	14.97
Employment	31,635,444	13.48	1.03	12.79	13.24	14.49
Past Analyst Forecast Error	31,635,444	0.00	0.01	0.00	0.00	0.00
Stock Return	31,635,444	0.04	0.15	-0.04	0.03	0.11
Income (raw)	31,635,444	26550.73	21934.71	11594.41	20187.97	34422.82
Stakeholders' Income (Employees of Local Firms, raw)	171,310	35132.11	24154.88	18823.29	28682.19	44592.35
Stakeholders' Income (Small Business Owners, raw)	3,520,261	29013.62	23036.35	13413.65	22410.89	37228.89
Stakeholders' Income (Investors, raw)	15,477,845	31693.99	23793.06	14934.36	25404.32	41278.39
Stakeholders' Income (Others, raw)	12,580,675	19510.96	16673.20	8928.88	14724.68	24602.60

Table 1. Descriptive Statistics of Sample (continued)

	Obs.	*Mean*	*SD*	*P25*	*Median*	*P75*
Cross-sectional Variables						
Earnings Persistence	31,635,444	0.11	0.28	0.00	0.03	0.15
Ex Ante Economic Uncertainty	31,635,444	0.05	0.02	0.04	0.05	0.05
Local Media Outlets (scaled by Population)	31,635,444	0.00	0.00	0.00	0.00	0.00
Earnings News Articles	31,635,444	3.86	8.76	0.00	0.49	3.31
Local Google Searches	31,635,444	8.86	17.09	0.00	1.56	8.68
Local EDGAR Downloads	31,635,444	7.59	18.57	0.01	0.71	5.00
Number of Public Firms/Number of Establishments	31,635,444	0.00	0.00	0.00	0.00	0.00
Number of Employees/Total Labor Force	31,635,444	0.00	0.00	0.00	0.00	0.00
CAPEX	31,635,444	0.00	0.02	0.00	0.00	0.01
Inventory Purchase	31,635,444	0.23	0.71	0.00	0.04	0.20
SG&A	31,635,444	0.00	0.01	0.00	0.00	0.00
R&D Expense	31,635,444	0.00	0.00	0.00	0.00	0.00
Misstatement Occurrence (indicator)	31,635,444	0.29	0.45	0	0	1
Misstatement Revelation (indicator)	31,635,444	0.02	0.15	0	0	0
Misstatement Occurrence (count)	31,635,444	7.83	15.60	0	0	8
Misstatement Revelation (count)	31,635,444	0.02	0.16	0	0	0

Table 2. Corporate Earnings News and Local Household Consumption

This table reports estimates from the county-earnings announcement-bi-weekly household level regression: $Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t} \times Post_{t,s} + \alpha_2 Post_{t,s} + \beta Control_{t,j} + \gamma_j + \rho_{i,t} + \epsilon_{i,t,j,s}$. The key dependent variable is *Consumption*, which is defined as the log of consumption of local household *j* at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*. The key independent variable is *Earnings Surprise*, which is defined as the average of earnings surprises in county *i* at *t*, weighted by each firm's market value of equity. *Earnings Surprise* is interacted with *Post*. γ_j and $\rho_{i,t}$ are household and county-earnings announcement (county-EA) fixed effects, respectively. Standard errors are clustered at the state and year level. See Appendix A for variable definitions. All continuous variables are winsorized at the 1% and 99% levels. *, **, *** indicate statistical significance at less than 10%, 5%, and 1%, respectively.

	Consumption	
	(1)	(2)
Earnings Surprise × *Post*	0.415***	0.415***
	(2.81)	(2.82)
Post	0.003	0.003
	(0.84)	(0.85)
Income	-	0.247***
		(10.06)
Household FE	Yes	Yes
County-EA FE	Yes	Yes
Observations	31,635,444	31,635,444
Adjusted R^2	0.525	0.534

Table 3. Consumption and Information Relevance, Dissemination, and Acquisition

This table reports estimates from the county-earnings announcement-bi-weekly household level regression: $Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t} \times Post_{t,s} \times High\ Information\ Relevance\ (Dissemination\ /\ Acquisition)_{i,t} + \alpha_2 Earnings\ Surprise_{i,t} \times Post_{t,s} + \alpha_3 Post_{t,s} \times High\ Information\ Relevance\ (Dissemination\ /\ Acquisition)_{i,t} + \alpha_4 Post_{t,s} + \alpha_5 Control_{t,j} + \gamma_j + \rho_{i,t} + \epsilon_{i,t,j,s}$. The key dependent variable is *Consumption*. The key independent variable is *Earnings Surprise*, which is defined as the average of firms' earnings surprise at *t* in a county, weighted by each firm's market value of equity. *Earnings Surprise* is interacted with *Post* and other indicators. *High Information Relevance (Dissemination / Acquisition)* is an indicator equal to 1 if the county's related proxy is in the highest quartile, and 0 otherwise. γ_j and $\rho_{i,t}$ are household and county-earnings announcement (county-EA) fixed effects, respectively. Standard errors are clustered at the state and year level. See Appendix A for variable definitions. All continuous variables are winsorized at the 1% and 99% levels. *, **, *** indicate statistical significance at less than 10%, 5%, and 1%, respectively. For all tests, the observation count is 31,635,444 and the adjusted R^2 is 0.534.

	Consumption	
	(1)	(2)
Panel A. Information Relevance		
Information Relevance Proxies:	*Earnings Persistence*	*Ex Ante Economic Uncertainty*
Earnings Surprise × Post ×	0.072***	0.025**
High Information Relevance	(7.35)	(2.10)
Earnings Surprise × Post	0.401**	0.411**
	(2.52)	(2.54)
Post × High Information Relevance	-0.003	-0.002
	(-0.70)	(-0.44)
Panel B. Information Dissemination		
Information Dissemination Proxies:	*Local Media Outlets*	*Earnings News Articles*
Earnings Surprise × Post ×	0.522***	1.297***
High Information Dissemination	(2.97)	(3.15)
Earnings Surprise × Post	0.257**	0.299
	(2.19)	(1.44)
Post × High Information Dissemination	-0.001	-0.003
	(-0.36)	(-0.74)
Panel C. Information Acquisition		
Information Acquisition Proxies:	*Local Google Searches*	*Local EDGAR Downloads*
Earnings Surprise × Post ×	0.334***	1.230***
High Information Acquisition	(3.20)	(6.80)
Earnings Surprise × Post	0.364**	0.275*
	(2.26)	(1.68)
Post × High Information Acquisition	-0.002	-0.003
	(-0.38)	(-0.33)
Controls and Main Effects	Yes	Yes
Household FE	Yes	Yes
County-EA FE	Yes	Yes

Table 4. Local Public Firm Importance and Household Consumption

This table reports estimates from the county-earnings announcement-bi-weekly household level regression: $Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t} \times Post_{t,s} \times High\ Relative\ Dominance\ (Corporate\ Spending)_{i,t} + \alpha_2 Earnings\ Surprise_{i,t} \times Post_{t,s} + \alpha_3 Post_{t,s} \times High\ Relative\ Dominance\ (Corporate\ Spending)_{i,t} + \alpha_4 Post_{t,s} + \alpha_5 Control_{t,j} + \gamma_j + \rho_{i,t} + \epsilon_{i,t,j,s}$. The key dependent variable is *Consumption*, which is defined as the log of consumption of local household *j* at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*. The key independent variable is *Earnings Surprise*, which is defined as the average of firms' earnings surprise at *t* in a county, weighted by each firm's market value of equity. *Earnings Surprise* is interacted with *Post* and other indicators. *High Public Firm Importance* is an indicator equal to 1 if the county's public firm importance proxy is in the highest quartile, and 0 otherwise. Panel A uses measures of public firms' relative dominance to proxy for local public firm importance as noted in the column headers. Panel B uses measures of public firms' corporate spending to proxy for local public firm importance as noted in the column headers. Standard errors are clustered at the state and year level. See Appendix A for variable definitions. All continuous variables are winsorized at the 1% and 99% levels. *, **, and *** indicate statistical significance at less than 10%, 5%, and 1%, respectively. For all tests, the observation count is 31,635,444 and the adjusted R^2 is 0.534.

Panel A. Public Firms' Relative Dominance

	Consumption	
Relative Dominance Proxies:	*Number of Public Firms/ Number of Establishments*	*Number of Employees/ Total Labor Force*
	(1)	(2)
Earnings Surprise × Post ×	0.976***	0.504***
High Relative Dominance	(4.18)	(6.22)
Earnings Surprise × Post	0.135	0.285**
	(0.79)	(2.57)
Post × High Relative Dominance	-0.002	-0.004
	(-1.17)	(-0.85)
Controls and Main Effects	Yes	Yes
Household FE	Yes	Yes
County-EA FE	Yes	Yes

Panel B. Public Firms' Corporate Spending

	Consumption			
Corporate Spending Proxies:	*Capital Expenditures*	*Inventory Purchase*	*SG&A Expense*	*R&D Expense*
	(1)	(2)	(3)	(4)
Earnings Surprise × Post ×	0.269***	1.004***	0.755***	0.659***
High Corporate Spending	(6.55)	(3.78)	(4.53)	(4.07)
Earnings Surprise × Post	0.002	-0.022***	-0.001	0.004
	(0.31)	(-2.84)	(-0.13)	(0.92)
Post × High Corporate Spending	0.334**	0.407***	0.115	0.126
	(2.51)	(2.81)	(0.55)	(1.00)
Controls and Main Effects	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes
County-EA FE	Yes	Yes	Yes	Yes

Table 5. Earnings News and Local Consumption by Stakeholders and by Price Category

This table reports estimates from the county-earnings announcement-bi-weekly household level regression: $Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t} \times Post_{t,s} + \alpha_2 Post_{t,s} + \beta Control_{t,j} + \gamma_j + \rho_{i,t} + \epsilon_{i,t,j,s}$ with alternative categories of dependent variables for each Panel. In Panel A, the key dependent variable is *Stakeholders' Consumption*, which the log of local stakeholder j's consumption at relative bi-weekly period *s* in county *i* centered around earnings announcement *t* as indicated in the column headers. In Panel B, the key dependent variable is *Consumption (Below / Above Median Price),* which is the log of average local households' consumption on transaction categories with an average transaction value that is in the lowest (highest) tercile at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*. For both Panels, the key independent variable is *Earnings Surprise*, which is defined as the average of firms' earnings surprise at *t* in a county, weighted by each firm's market value of equity. *Earnings Surprise* is interacted with *Post*. Standard errors are clustered at the state and year level. See Appendix A for variable definitions. All continuous variables are winsorized at the 1% and 99% levels. *, **, and *** indicate statistical significance at less than 10%, 5%, and 1%, respectively.

Panel A. Consumption by Different Local Stakeholders

	Stakeholders' Consumption			
	Employees of Local Firms	*Small Business Owners*	*Investors*	*Others*
	(1)	(2)	(3)	(4)
Earnings Surprise × Post	0.574***	0.506**	0.342**	0.483***
	(8.14)	(2.31)	(2.23)	(2.98)
Post	0.007**	0.003	0.003	0.004
	(2.06)	(0.86)	(0.64)	(1.11)
Income	0.256***	0.24***	0.236***	0.262***
	(6.03)	(9.77)	(10.01)	(10.19)
Household FE	Yes	Yes	Yes	Yes
Event FE	Yes	Yes	Yes	Yes
Observations	171,310	3,520,261	15,477,845	12,580,675
Adjusted R^2	0.506	0.514	0.504	0.513

Panel B. Consumption by Different Price Categories

	Consumption	
	Low Price Tag	*High Price Tag*
	(1)	(2)
Earnings Surprise × Post	0.673***	0.041
	(3.34)	(0.31)
Post	-0.004	0.006
	(-0.76)	(1.59)
Income	0.256***	0.164***
	(9.25)	(11.61)
Household FE	Yes	Yes
Event FE	Yes	Yes
Observations	30,698,261	22,591,515
Adjusted R^2	0.470	0.443
	Chi^2 [H0: (1) - (2) = 0] = 10.37, p < 0.01	

Table 6. Misstatements and Local Household Consumption

This table reports estimates from the county-earnings announcement-bi-weekly household level regression: $Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t(\tau)} \times Post_{t,s} \times Misstatement\ Occurrence\ (Revelation)_{i,t} + \alpha_2 Earnings\ Surprise_{i,t(\tau)} \times Post_{t,s} + \alpha_3 Post_{t,s} \times Misstatement\ Occurrence\ (Revelation)_{i,t} + \alpha_4 Post_{t,s} + \alpha_5 Control_{t,j} + \gamma_j + \rho_{i,t} + \epsilon_{i,t,j,s}$. The key dependent variable is *Consumption*, which is defined as the log of average local household consumption at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*. *Earnings Surprise* is interacted with *Post* and other indicators. $Misstatement\ Occurrence\ (Revelation)_{i,t}$ is an indicator equal to 1 if there is at least one misstatement occurrence (misstatement revelation) in period (leading up to period) *t*, and 0 otherwise. Misstatements related to fraud and SEC investigations identified by Audit Analytics are used. $Misstatement\ Occurrence_{i,t}$ is always interacted with contemporaneous $Earnings\ Surprise_{i,t}$. If a misstatement has occurred, $Misstatement\ Revelation_{i,t}$ is interacted with $Earnings\ Surprise_{i,T}$, which is the average value of *Earnings Surprise* over the misstatement earnings announcements, denoted as period τ. If a misstatement has not occurred, $Misstatement\ Revelation_{i,t}$ is interacted with contemporaneous $Earnings\ Surprise_{i,t}$. Standard errors are clustered at the state and year level. See Appendix A for variable definitions. All continuous variables are winsorized at the 1% and 99% levels. *, **, and *** indicate statistical significance at less than 10%, 5%, and 1%, respectively.

	Consumption	
	(1)	(2)
Earnings Surprise × *Post* × *Misstatement Occurrence*	0.028	
	(0.05)	
Earnings Surprise × *Post* × *Misstatement Revelation*		-5.311***
		(-6.84)
Earnings Surprise × *Post*	0.412***	0.431**
	(2.72)	(2.51)
Post × *Misstatement Occurrence*	-0.002	
	(-0.88)	
Post × *Misstatement Revelation*		0.010
		(0.97)
Post	0.004	0.003
	(0.92)	(0.85)
Income	0.247***	0.247***
	(10.06)	(10.07)
Household FE	Yes	Yes
County-EA FE	Yes	Yes
Observations	31,635,444	31,635,444
Adjusted R^2	0.534	0.534

Table 7. Generalizability: Anonymized and Aggregated Mastercard Data

This table reports estimates from the county-earnings announcement-bi-weekly period level regression: $Mastercard\ Consumption\ Index_{i,t,s} = \alpha_1 Earnings\ Surprise_{i,t} \times Post_{t,s} + \alpha_2 Post_{t,s} + \beta Control_{t,j} + Fix\ Effects + \epsilon_{i,t,j,s}$, and the descriptive statistics for our sample. The unit of observation is at the county-earnings announcement-bi-weekly period level, lacking household data compared with the proprietary database used elsewhere. Panel A presents summary statistics for the variables used in the regression analysis. Panel B reports the regression results. In Panel B, the key dependent variable is *Mastercard Consumption Index*, which is defined as the log of aggregated local households' consumption at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*. The key independent variable is *Earnings Surprise*, which is defined as the average of firms' earnings surprise at *t* in county i, weighted by each firm's market value of equity. *Earnings Surprise* is interacted with *Post*. Column (1) includes county fixed effects, and Column (2) includes event fixed effects. Standard errors are clustered at the state and year level. See Appendix A for variable definitions. All continuous variables are winsorized at the 1% and 99% levels. *, **, and *** indicate statistical significance at less than 10%, 5%, and 1%, respectively.

Panel A. Descriptive statistics

	Obs.	***Mean***	***SD***	***P25***	***Median***	***P75***
Mastercard Consumption Index	131,325	217.14	4.34	214.82	217.67	220.17
Earnings Surprise	131,325	0.00	0.95	-0.00	0.00	0.00
QCEW Individual Income	131,325	9.55	0.25	9.38	9.52	9.69
Population	131,325	12.90	1.31	12.13	13.15	13.76
Employment	131,325	12.13	1.38	11.36	12.35	13.10
Past Analyst Forecast Error	131,325	0.00	0.01	0.00	0.00	0.00
Stock Return	131,325	0.00	0.11	-0.03	0.00	0.03

Panel B. Regression results

	Mastercard Consumption Index	
	(1)	(2)
Earnings Surprise × Post	0.001*	0.001**
	(1.79)	(2.03)
Post	0.025***	0.026***
	(6.01)	(5.11)
Earnings Surprise	-0.000	-
	(-0.75)	
QCEW Individual Income	-0.122	-
	(-1.68)	
Population	-0.344	-
	(-1.17)	
Employment	0.512**	-
	(4.03)	
Past Analyst Forecast Errors	0.139	-
	(0.76)	
Stock Return	0.006	-
	(1.27)	
County-EA FE	No	Yes
County FE	Yes	No
State-Quarter FE	Yes	No
Observations	131,325	131,325
Adjusted R^2	0.955	0.982

Table 8. Robustness

This table reports estimates from the county-earnings announcement-bi-weekly household level regression: $Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t} \times Post_{t,s} + \alpha_2 Post_{t,s} + \alpha_3 Earnings\ Surprise_{i,t} + \sum \beta\ Controls + Fixed\ Effects + \epsilon_{i,t,j,s}$. The key dependent variable is *Consumption*, which is defined as the log of average local household consumption at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*. The key independent variables are *Rev. Weighted Earnings Surprise* (column (1)) and *Earnings Surprise* (column (2)-(3)). *Earnings Surprise* is interacted with *Post*. We use household and county-earnings announcement fixed effects in the regression for columns (1) and (2), and county and state-quarter fixed effects in the regression for column (3). Column (2) uses an alternative sample of 10% of the entire population of bi-weekly household consumption data, as opposed to requiring that each household be observed in all 130 bi-weekly periods between 2011 and 2015 (as in columns (1) and (3)). Standard errors are clustered at the state and year level. In the regression for Panel A, the controls include *Income*, *Population*, *Employment*, *Past Analyst Forecast Error,* and *Stock Return.* See Appendix A for variable definitions. All continuous variables are winsorized at the 1% and 99% levels. *, **, and *** indicate statistical significance at less than 10%, 5%, and 1%, respectively.

	Consumption		
	(1)	(2)	(3)
Rev. Weighted Earnings Surprise × Post	0.380**	-	-
	(2.101)		
Earnings Surprise × Post	-	0.453***	0.416***
		(3.98)	(2.91)
Post	0.003	0.007**	0.003
	(0.850)	(2.09)	(0.81)
Earnings Surprise	-	-	-0.219
			(-1.60)
Income	0.247***	0.211***	0.716***
	(10.070)	(9.78)	(54.04)
Population	-	-	0.096
			(0.69)
Employment	-	-	-0.04
			(-1.19)
Past Analyst Forecast Errors	-	-	0.044
			(0.47)
Stock Return	-	-	0.007*
			(1.67)
Household FE	Yes	Yes	No
Event FE	Yes	Yes	No
County FE	No	No	Yes
State-Quarter FE	No	No	Yes
Observations	31,635,444	56,518,931	31,635,444
Adjusted R^2	0.534	0.570	0.533

Appendix A. Variables Definitions and Sample Selection

Name	Definition	Source
Dependent Variables		
Consumption	The log of consumption of local household *j* at relative bi-weekly period *s* in county *i* centered around earnings announcement *t.*	Proprietary database
Mastercard Consumption Index	The log of aggregated and anonymized individual account's consumption at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*. Each daily spending value is benchmarked against the average aggregated daily spending in 2018, and then we take the average of county-daily spending values to obtain county-bi-weekly level spending.	Mastercard
Consumption (Low Price Tag)	The log of consumption on transaction categories with an average transaction value in the lowest tercile group of local household *j* at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*	Proprietary database
Consumption (High Price Tag)	The log of consumption on transaction categories with an average transaction value in the highest tercile group of local household *j* at relative bi-weekly period *s* in county *i* centered around earnings announcement *t*	Proprietary database
Stakeholders' Consumption	The log of consumption of local household *j* at relative bi-weekly period *s* in county *i* centered around earnings announcement *t. Employees of Local Firms* are identified as local households whose accounts have wage transactions (keywords: paychecks, salary, wages, compensation) with firms headquartered in the same county. *Small Business Owners* are local households who have accounts including business transactions (keywords: payroll services, business miscellaneous, office maintenance, COGS, goods & product sales) exceeding $500, following Diamond and Moretti (2023). We measure the consumption of *Small Business Owners* based on their spending using their personal accounts, not their business accounts. *Investors* are local households whose accounts have investment transactions (keywords: security trades, securities trades, investment income). *Others* are all remaining accounts that do not fall into the three categories above.	Proprietary database
Independent Variables		
Earnings Surprise	The average of earnings surprises in county *i* in a two-week period *t*, weighted by each firm's market value of equity reported in each year-quarter. The bi-weekly group *t* is matched with the earnings release date. *SURP* is the difference between the actual EPS before extraordinary items and analysts' consensus (= median analysts' EPS forecasts) scaled by asset value per share at the quarter end.	IBES and Compustat
Post	An indicator that equals 1 if the consumption bi-week falls within the post-earnings announcement bi-weekly period, and 0 otherwise. Specifically, the indicator equals 1 for bi-weekly periods [1, 3] and 0 for bi-weekly periods [-3, 0], relative to the earnings announcement bi-week.	
Income	The log of post-tax income in the previous quarter of local household *j* in county *i* relative to earnings announcement *t*. We compute household post-tax income as the total dollar amount credited to a bank account excluding transfers and income taxes.	Proprietary database

Population	The log of population in the previous quarter in county *i* relative to earnings announcement *t*.	Census
Employment	The log of the number of firms' employees in the previous quarter in county *i* relative to earnings announcement *t.*	QCEW*
Past Analyst Forecast Error	The average of historical analyst forecast errors of firms in county *i* relative to earnings announcement *t,* weighted by each firm's market value of equity. For each firm, we measure the average of analyst forecast errors from quarter t-4 to quarter t-1, where analyst forecast error is the absolute value of the difference between the actual EPS before extraordinary items and analysts' consensus (= median analysts' EPS forecasts) scaled by asset value per share at the quarter end.	IBES and Compustat
Stock Return	The average of cumulative stock return of firms in county i in the past month relative to earnings announcement t, weighted by each firm's market value of equity.	Compustat
Stakeholders' Income	The log of average local stakeholders' (*Employees of Local Firms*, *Small Business Owners*, *Investors*, and *Others*) post-tax income in the previous quarter of local household *j* in county *i* relative to earnings announcement *t*.	Proprietary database
QCEW Income	The log of average individual employee's wage in the previous quarter in county *i* relative to earnings announcement *t.*	QCEW*
Rev. Weighted Earnings Surprise	The average of earnings surprises in county *i* in two-week period *t*, weighted by each firm's revenue reported in each year-quarter. The bi-weekly group *t* is matched with the earnings release date.	IBES and Compustat
Cross-sectional Variables		
High Information Relevance (Earnings Persistence)	An indicator equals 1 if the county's *Earnings Persistence* is in the highest quartile, and 0 otherwise. *Earnings Persistence* is the county-earnings announcement period average of the coefficient α_1 estimated for each firm using their past 8 quarters' data from the regression $(EPS_t - EPS_{t-4}) = \alpha_0 + \alpha_1(EPS_{t-4} - EPS_{t-8}) + \gamma_t$ following Richardson et al. (2005) and Chordia and Miao (2020) relative to earnings announcement *t*.	Compustat
High Information Relevance (Ex Ante Economic Uncertainty)	An indicator equals 1 if the county's average *Ex Ante Economic Uncertainty* is in the highest quartile; and 0 otherwise. *Ex Ante Economic Uncertainty* is the standard deviation of seasonally-adjusted same-quarter wage growth rates in the pre-20 quarter period in a county relative to earnings announcement *t*.	QCEW*
High Information Dissemination (Local Media Outlets)	An indicator equals 1 if the county's *Num. Local Media* is in the highest quartile, and 0 otherwise. *Num. Local Media* is the sum of local newspapers, TV channels and websites in a county scaled by population.	The Expanding News Desert
High Information Dissemination (Earnings News Articles)	An indicator equals 1 if the county's *Media Coverage* is in the highest quartile, and 0 otherwise. *Media Coverage* is the average count of positive and negative earnings-related news articles (RavenPack group= "earnings") during the three days centered on their earnings announcements, weighted by each firm's market value of equity, aggregated to county-EA level.	RavenPack
High Information Acquisition (Local Google Searches)	An indicator equals 1 if the county's *Local Google Searches* is in the highest quartile, and 0 otherwise. *Local Google Searches* is the average local Google search volume of firms' names during the three days centered on their earnings announcements, weighted by each firm's market value of equity, aggregated to county-EA level. We construct this measure using the daily search index provided by Google Trends. Because Google	Google Trends

	Trends normalizes their daily index within each 9 months, we adjust the index following the approach taken by Huang et al. (2019) such that the index is inter-temporarily comparable for periods longer than 9 months.	
High Information Acquisition (Local EDGAR Downloads)	An indicator equals 1 if the county's *Local EDGAR Downloads* is in the highest quartile, and 0 otherwise. *Local EDGAR Downloads* is the average downloads of 10-K and 10-Q company reports in a county in the month following the earnings announcement date, weighted by each firm's market value of equity, aggregated to county-EA level.	EDGAR**
High Relative Dominance (Number of Public Firms/Number of Establishments)	An indicator equals 1 if the county's *Number of Public Firms/Number of Establishments* is in the highest quartile, and 0 otherwise. *Number of Public Firms/Number of Establishments* is the number of public firms headquartered in the county divided by number of establishments in the county in the previous quarter relative to EA *t*.	Compustat, U.S. Bureau of Economic Analysis
High Relative Dominance (Number of Employees/Total Labor Force)	An indicator equals 1 if the county's *Number of Employees/ Total Labor Force* is in the highest quartile, and 0 otherwise. *Number of Employees/Total Labor Force* is total number of employees of public firms divided by total labor force in the county in which they are headquartered in the previous quarter relative to county-EA *t*.	Compustat, Census
High Corporate Spending (Capital Expenditures)	An indicator equals 1 if the county's *Capital Expenditures* is in the highest quartile, and 0 otherwise. *Capital Expenditures* is the average of firms' capital expenditure scaled by assets, aggregated to county-EA level, weighted by each firm's market value of equity.	Compustat
High Corporate Spending (Inventory Purchase)	An indicator equals 1 if the county's *Inventory Purchase* is in the highest quartile, and 0 otherwise. *Inventory Purchase* is the average of firms' change in inventory balance plus the cost of goods sold scaled by assets, aggregated to county-EA level, weighted by each firm's market value of equity.	Compustat
High Corporate Spending (SG&A)	An indicator equals 1 if the county's *SG&A* is in the highest quartile, and 0 otherwise. *SG&A* is the average of firms' selling, general and administrative expenses scaled by assets, aggregated to county-EA level, weighted by each firm's market value of equity.	Compustat
High Corporate Spending (R&D Expense)	An indicator equals 1 if the county's *R&D Expense* is in the highest quartile, and 0 otherwise. *R&D Expense* is the average of firms' research and development expense scaled by assets, aggregated to county-EA level, weighted by each firm's market value of equity.	Compustat
Misstatement Occurrence	An indicator equals 1 if the number of misstatements in the county-EA *t* in county *i* is greater than zero, and 0 otherwise. We only use misstatements identified by Audit Analytics as relating to fraud or SEC investigations, following Lo et al. (2017).	Audit Analytics
Misstatement Revelation	An indicator equals 1 if the number of misstatement revelations in period leading up to the county-EA *t* in county *i* is greater than zero, and 0 otherwise. Misstatement is measured as those identified by Audit Analytics as relating to fraud or SEC investigations, following Lo et al. (2017).	Audit Analytics

*QCEW is the US Department of Labor Bureau of Labor Statistics Quarterly Census of Employment and Wages.
**EDGAR is the Securities and Exchange Commission Electronic Data Gathering, Analysis, and Retrieval database.

Appendix A. Variables Definitions and Sample Selection (cont'd)

This table presents the sample selection criteria for our main analyses.

	Firms	Counties
(1) All counties with U.S. public firm headquarters	5,310	666
(2) Not covered by our proprietary dataset	(3)	(1)
(3) Non-missing covariates, including *SURP*	(1,551)	(146)
(4) Main Sample	3,756	519

Appendix B. Household Survey Analysis, Statistics, and Results

Table B1. Survey Sample Distribution

This table shows the distribution of the treatment and control groups within the survey sample.

	Treatment	Control
Number of Counties	25	68
Number of Participants	270	263

Table B2. Regression Analysis with Survey Sample

This table reports estimates from county-EA-bi-weekly household level regressions: $Consumption_{i,t,j,s} = \alpha_1 Treatment_{j,t} \times Post_{t,s} \times Earnings\ Surprise_{i,t} + \alpha_2 Treatment_{j,t} \times Post_{t,s} + \alpha_3 Post_{t,s} \times Earnings\ Surprise_{i,t} + \alpha_4 Treatment_{j,t} \times Earnings\ Surprise_{i,t} + \alpha_5 Earnings\ Surprise_{i,t} + \alpha_6 Post_{t,s} + \alpha_7 Treatment_{j,t} + \gamma_j + \tau_t + \rho_i + \epsilon_{i,t,j,s}$ $(Panel\ A)$; $Consumption_{i,t,j,s} = \alpha_1 Earnings\ Surprise_{i,t} \times Post_{t,s} \times High\ Perception\ Change_{i,t} + \alpha_2 Earnings\ Surprise_{i,t} \times Post_{t,s} + \alpha_3 Earnings\ Surprise_{i,t} \times High\ Perception\ Change_{i,t} + \alpha_4 Post_{t,s} \times High\ Perception\ Change_{i,t} + \alpha_5 Earnings\ Surprise_{i,t} + \alpha_6 Post_{t,s} + \alpha_7 High\ Perception\ Change_{i,t} + \gamma_j + \tau_t + \rho_i + \epsilon_{i,t,j,s}$ $(Panel\ B)$. γ_j , τ_t , ρ_i are income group, bi-weekly period and county fixed effects. Standard errors are clustered at the county level. In Panel A, the sample includes both treatment and control groups. In Panel B, the sample includes treatment group only. *Consumption* is defined as the dollar value weekly spending reported in post-Q11 and pre-Q10. *Treatment* is an indicator equal to 1 if the participant is in the treatment group, and 0 if the participant is in the control group. *Post* is an indicator equal to 1 if the consumption value is reported in the post-EA survey. *High Perception Changes* is defined as an indicator if participant's response to post-EA Q7 is "much better" for positive earnings surprise, or "much worse" for negative earnings surprise. All continuous variables are winsorized at the 1% and 99% levels. *, **, *** indicate statistical significance at less than 10%, 5%, and 1%, respectively.

Panel A. Consumption Response to Earnings Surprise

	Consumption	
	(1)	(2)
*Treatment * Post * Earnings Surprise*	0.699*	0.721*
	(1.89)	(1.87)
*Treatment * Post*	0.031	0.037
	(0.16)	(0.18)
*Post * Earnings Surprise*	-0.564	-0.586
	(-1.43)	(-1.45)
*Treatment * Earnings Surprise*	2.031	0.554
	(0.61)	(0.16)
Earnings Surprise	-2.073	-0.705
	(-0.64)	(-0.20)
Post	0.194	0.090
	(1.18)	(0.26)
Treatment	0.071	-0.009
	(0.53)	(-0.04)
Income Group FE	Yes	Yes
Bi-week FE	Yes	Yes
County FE	No	Yes
Obs.	1,066	1,066
Adjusted R^2	0.176	0.283

Panel B. The Effect of Perception Changes on Consumption Behavior in Treatment Group

	Consumption	
	(1)	(2)
*Earnings Surprise * Post * High Perception Change*	1.712***	1.458***
	(5.76)	(4.17)
*Earnings Surprise * Post*	0.013	0.013
	(1.45)	(1.43)
*Earnings Surprise * High Perception Change*	-2.171	-2.741
	(-1.46)	(-1.52)
*Post * High Perception Change*	-0.251	-0.126
	(-0.96)	(-0.78)
Earnings Surprise	-0.005	-
	(-0.57)	
Post	0.238	-0.024
	(0.76)	(-0.05)
High Perception Change	0.461**	0.469
	(2.58)	(1.56)
Income Group FE	Yes	Yes
Bi-week FE	Yes	Yes
County FE	No	Yes
Obs.	540	540
Adjusted R^2	0.189	0.239

Figure B1. Households Relationship with Local Firms

This figure shows the results of participants' responses to Q2 in our survey: "Q2. How do you know about XXX? (Select all that apply)" XXX is filled with the names of local public companies that announced earnings in the local county. We present 95% confidence intervals in the figure.

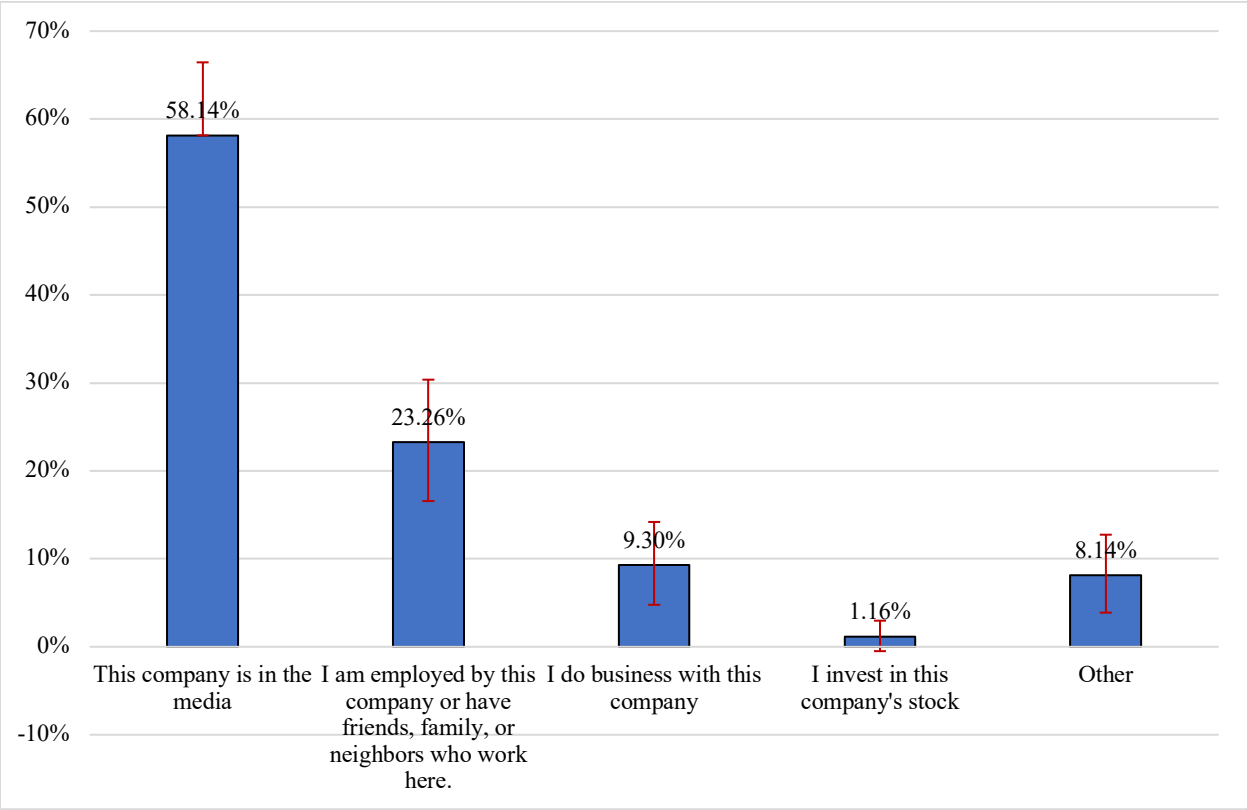


Figure B2. Categories of News Acquired by Households About Local Firms

This figure shows the results of participants' responses to Q4 in our survey: "Q4. What did you hear about XXX? (Select all that apply)" XXX is filled with the names of local public companies that announced earnings in the local county. We present 95% confidence intervals in the figure.

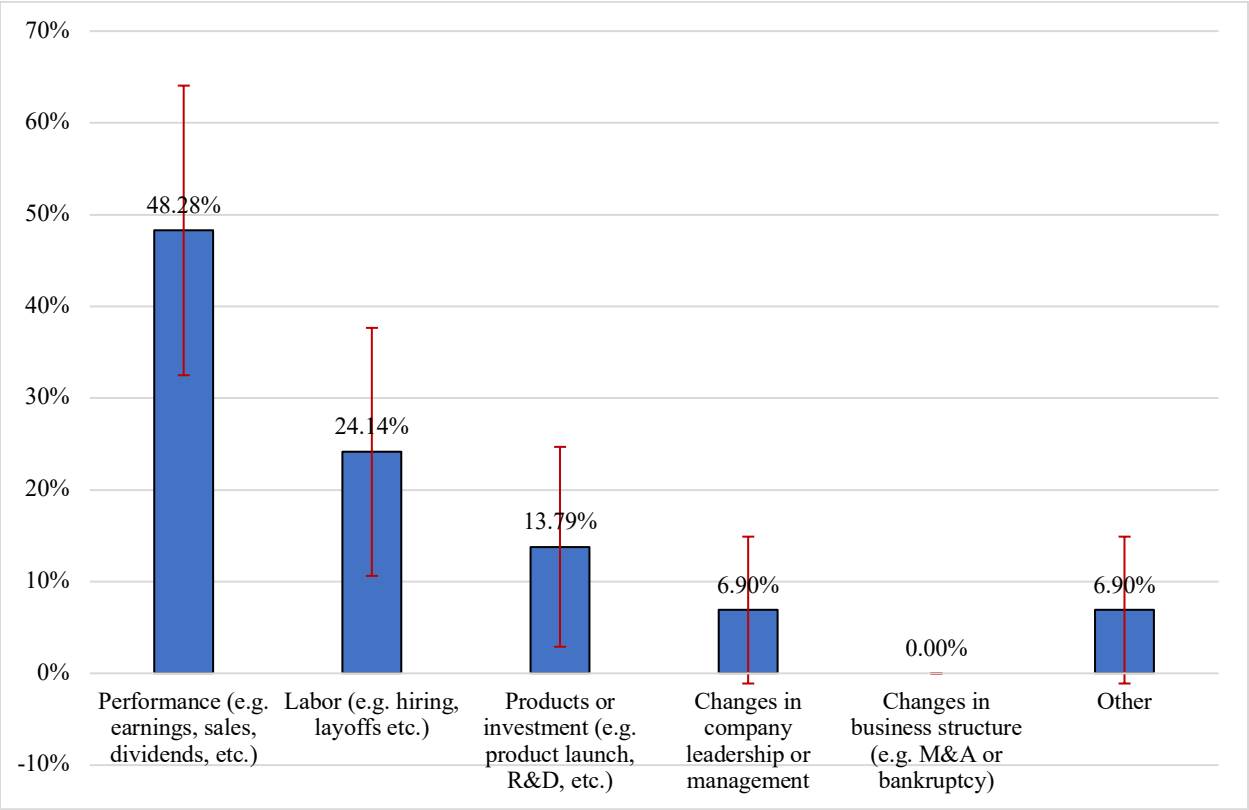


Figure B3. How Households Acquire Information about Local Firms' News

This figure shows the results of participants' responses to Q5 in our pre-earnings announcement survey: "Q5. You responded with "Yes" to Q3, where did you hear about this news? [Select all that apply]" We present 95% confidence intervals in the figure.

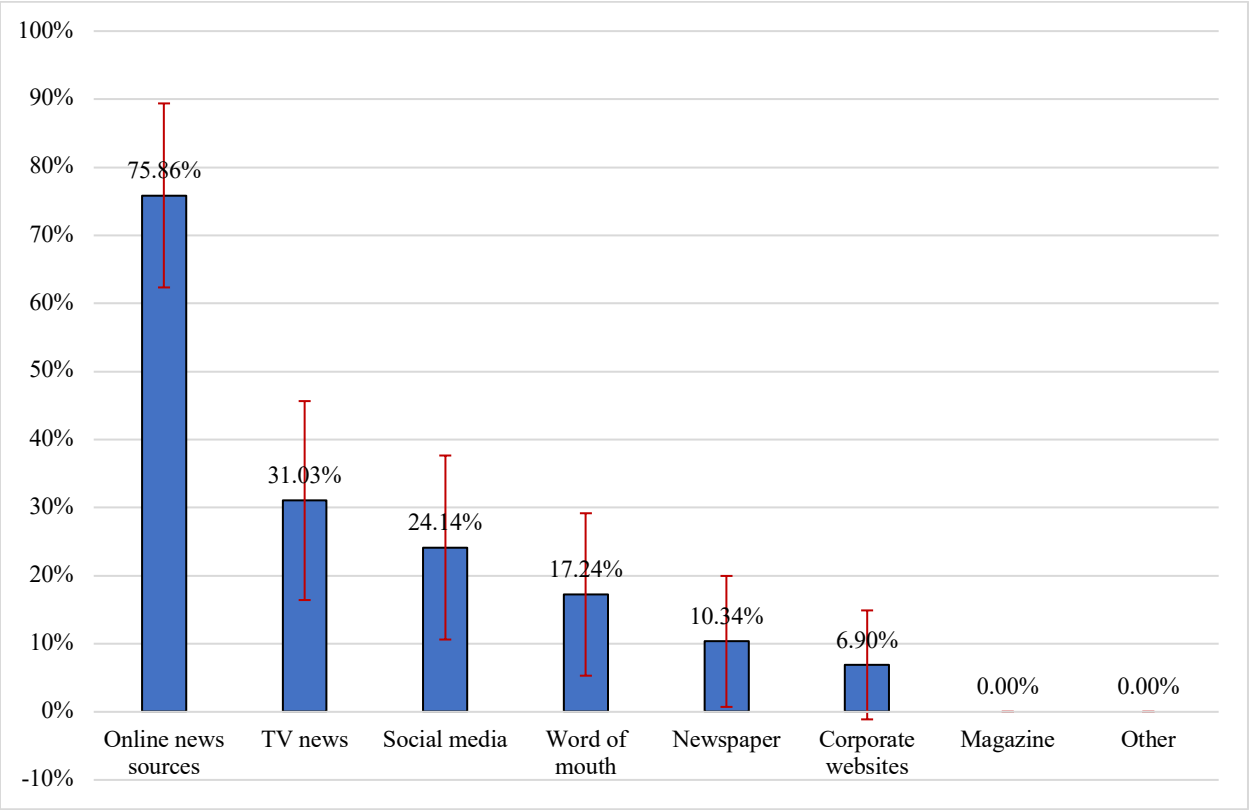
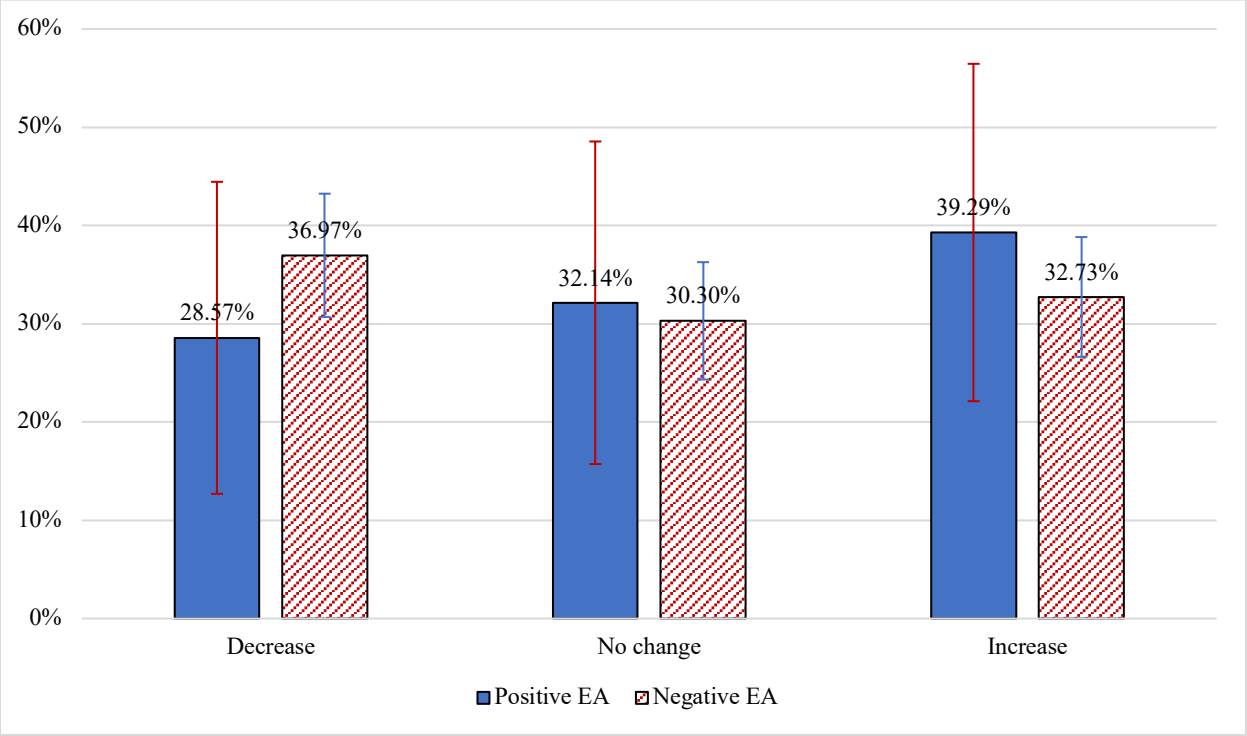


Figure B4. How Households Change their Spending

This figure shows the results of participants' responses to Q8 in our post-earnings announcement survey: "Q8. Do you think you have spent more or less than usual in the past week? (e.g. Dining out, buying gifts, drinking, leisure, etc.)" We present 95% confidence intervals in the figure.

Panel A. Household Spending Responses in All Counties with Local Earnings Announcements



Panel B. Household Spending Responses in Counties with Local Earnings Announcements in the Extreme Quartiles

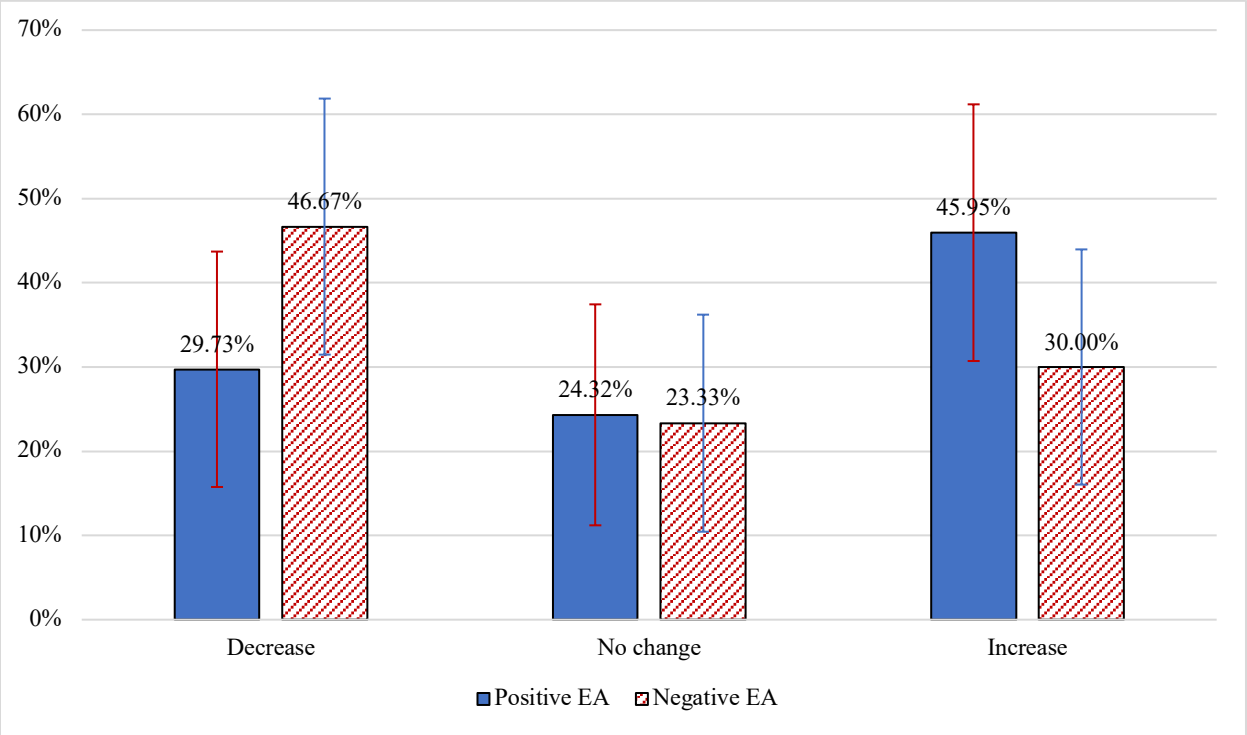
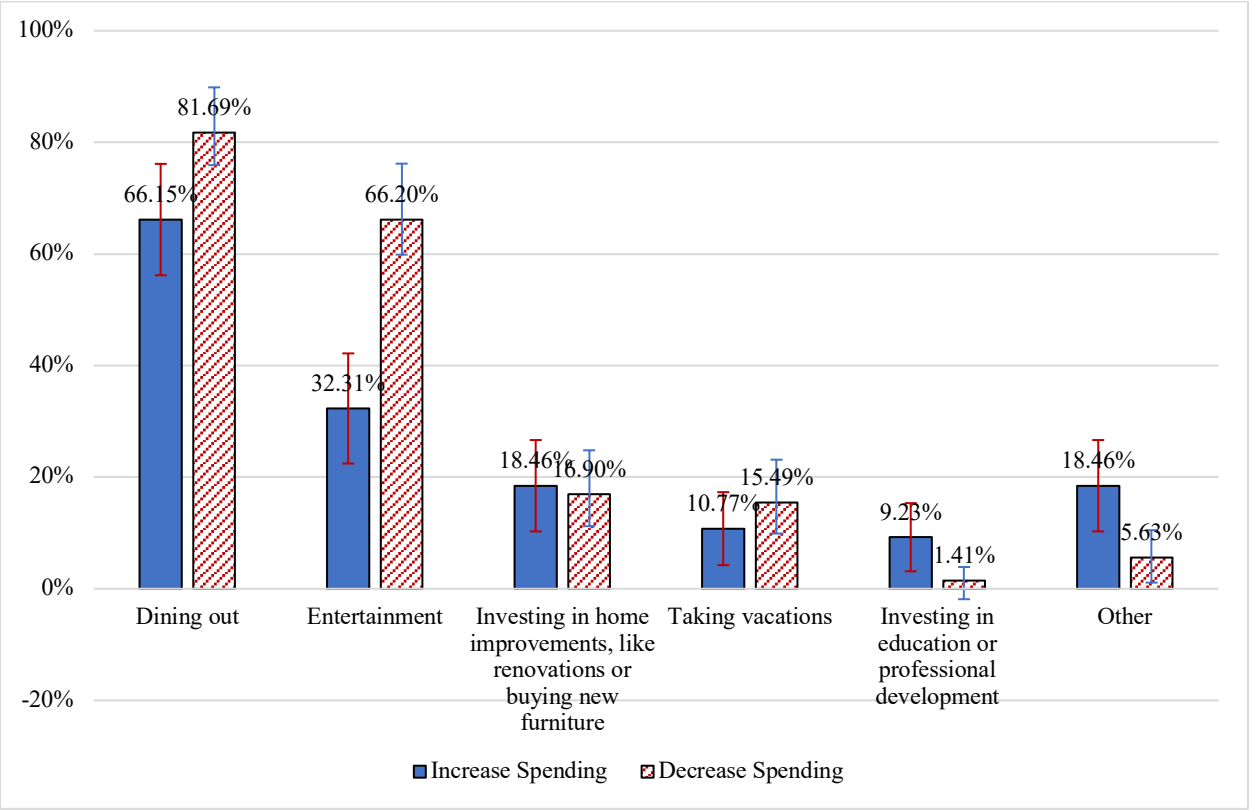


Figure B5. Spending Changes across Different Categories

This figure shows the results of participants' responses to Q9 and Q10 in our post-earnings announcement survey: "Q9. You responded with "I think I spent more" to Q8. What best describe your changes in spending? (Select all that apply)" "Q10. You responded with "I think I spent less" to Q8. What best describe your changes in spending? (Select all that apply)" We present 95% confidence intervals in the figure.



Appendix C. Household Survey Questionnaires

Pre-EA Questions:

This survey consists of up to 14 questions, which will take about 5 minutes to complete. We appreciate your time and invaluable responses that will be helpful in shaping better financial policy and regulation. **This is the first part of a two-part study; You will be invited to participate in the second part approximately one month from now, contingent on the completeness and thoroughness of your responses in this survey.** You will receive compensation for completing each part of the study, with a total of two separate payments.

Q1. Which county in Ohio do you live in? If you are unsure, we recommend that you Google search either your city or Zip code.

Q2: which of the following companies do you know about? Select all that apply. (the list should be customized to each county. It should show all public companies headquartered in that county)

Q3a. Rank the selected companies in the previous question based on your level of familiarity (e.g., You or your friends and family are employees, investors, customers, or suppliers of the company, etc.). Start ranking from most familiar at the top (= 1) by drag and dropping (make sure to click on a company to enable the ranking).

Q3b. Based on your previous ranking, you are most familiar with the following company. Please select the company to confirm and proceed to the next question, or return to the previous question if you would like to adjust your rankings.

Q4. How are you familiar with XXX? (Select all that apply)

- I am an **employee** of this company
- I do **business** with this company
- I **invest** in this company's stock
- This company is in the **media**
- **Other**: (please specify):

XXX is headquartered in your county XXX. We will now proceed to ask you questions about XXX in the following 5 questions. Please answer to the best of your knowledge.

Q5. Considering factors such as profitability, growth, and business activities, how do you anticipate XXX will perform in the future compared to its current performance?

- Much Better
- Better
- About the Same
- Worse
- Much Worse

Q6. Imagine a scenario where you've heard that XXX is performing exceptionally well, leading to increased job opportunities, community investments, and overall economic growth. Knowing this, would you increase your spending, and if so, by how much, based on the financial performance of this company?

- Yes, increase more than 20%
- Yes, increase 10%-20%
- Yes, increase 5-10%
- Yes, increase less than 5%
- No

Q7. You responded with "Yes" to Q6. How do you anticipate your spending to change? (Select all that apply)

- Dining out more
- Investing in education or professional development
- Taking more vacations
- Spending more on entertainment
- Investing in home improvements, like renovations or buying new furniture
- Other (please specify):

Q7. You responded with "No" to Q6. What news about the company would lead you to consider increasing your spending? (Select all that apply)

- Announcements of record-breaking financial profits or dividends
- Plans to create more local job opportunities or employee benefits
- News of major expansions, mergers, or acquisitions
- Reports on significant community investments or charitable contributions
- Launch of innovative and groundbreaking products or services
- Positive changes in company leadership or management that promise growth
- Other (please specify):

Q8. Conversely, imagine a scenario where you've heard that XXX is performing exceptionally poorly, there might be layoffs, reduced community support, and economic downturns. Knowing this, would you decrease your spending, and if so, by how much, based on the financial performance of this company?

- Yes, decrease more than 20%
- Yes, decrease 10%-20%
- Yes, decrease 5-10%
- Yes, decrease less than 5%
- No

Q9. You responded with "Yes" to Q8. How do you anticipate your spending would decrease? (Select all that apply)

- Dining out less
- Investing less in education or professional development
- Taking fewer vacations
- Spending less on entertainment
- Investing less in home improvements, like renovations or buying new furniture
- Other (please specify):

Q9. You responded with “No” to Q8. What news about the company might lead you to consider decreasing your spending? (Select all that apply)

- Announcements of poor financial profits or dividends
- Plans to cut down on local job opportunities or employee benefits
- News of bankruptcy
- News of major company fraud
- Other (please specify):

Q10. How much would you estimate your typical weekly spending is in dollars? Please exclude major recurring expenses like rent, mortgage, and tuition. While precise amounts are preferred, best guess answers are perfectly fine.

Demographic questionnaire

Q11. What is your annual household income?

- $0 to $11,000
- $11,001 to $44,725
- $44,726 to $95,375
- $95,376 to $182,100
- $182,101 to $231,250
- $231,251 to $578,125
- $578,126 or more

Q12. What is your highest level of education attainment?

- Primary school
- Middle school
- High school
- Bachelor’s degree
- Master’s degree
- Doctoral degree

Q13. What is your gender?

- Male
- Female
- Other

Q14. What is your age?

Post EA Questions:

This survey consists of 14 questions and will take approximately 6 minutes to complete. We appreciate your time and invaluable responses, which will be helpful in shaping better financial policy and regulation.

Q1. Do you recognize the company XXX?

- Yes
- No

Q2. How do you know about XXX? (Select all that apply)

- I am an employee of this company
- I do business with this company
- I have friends, family, neighbors, etc. who are employed by this company
- I invest in this company's stock
- This company is in the news
- Other: (please specify):

Q3. XXX is a company headquartered in your county. Have you heard any recent news about XXX?

- Yes
- No

Q4. What did you hear about XXX? (Select all that apply)

- News on performance (e.g. earnings, sales, dividends, etc.)
- News on products or investment (e.g. product launch, R&D, etc.)
- News on labor (e.g. hiring, layoffs etc.)
- News on changes in business structure (e.g. M&A or bankruptcy)
- News on changes in company leadership or management
- Other (please specify):

Q5. You responded with "Yes" to Q3, where did you hear about this news? [Select all that apply]

- Online news sources
- Newspaper
- Corporate websites
- Magazine
- Social media
- TV news
- Word of mouth
- Other (please specify):

Q6. You responded with "Yes" to Q3. How would you categorize the companies' news?

-
- Extremely good
- Good
- Neutral

- Bad
- Extremely bad

Q7. Considering factors such as profitability, growth, and business activities, how do you anticipate XXX will perform compared to its current performance?

- Much Better
- Better
- About the Same
- Worse
- Much Worse

Q8. Do you think you have spent more or less than usual in the past week? (e.g. Dining out, buying gifts, drinking, leisure, etc.)

- I think I spent more
- I think I spent less
- I don’t my spending changed

Q9. You responded with “I think I spent more" to Q8. What best describe your changes in spending? (Select all that apply)

- Dining out more.
- Investing in education or professional development.
- Taking more vacations.
- Spending more on entertainment.
- Investing in home improvements, like renovations or buying new furniture.
- Other (please specify):

Q10. You responded with “I think I spent less" to Q8. What best describe your changes in spending? (Select all that apply)

- Dining out less.
- Investing less in education or professional development.
- Taking fewer vacations.
- Spending less on entertainment.
- Investing less in home improvements, like renovations or buying new furniture.
- Other (please specify):

Q11. How much would you estimate your spending was last week in dollars? Please exclude major recurring expenses like rent, mortgage, and tuition. While precise amounts are preferred, best guess answers are perfectly fine.

Q12. Do you plan to spend more or less in upcoming weeks? (e.g. Dining out, buying gifts, drinking, leisure, etc.)

- I think I will spend more
- I think I will spend less
- I don’t plan to change my spending

Q13. You responded with “I think I will spend more" to Q12. What best describe your changes in spending? (Select all that apply)

- Dining out more.
- Investing in education or professional development.
- Taking more vacations.
- Spending more on entertainment.
- Investing in home improvements, like renovations or buying new furniture.
- Other (please specify):

Q14. You responded with “I think I will spend less" to Q12. What best describe your changes in spending? (Select all that apply)

- Dining out less.
- Investing less in education or professional development.
- Taking fewer vacations.
- Spending less on entertainment.
- Investing less in home improvements, like renovations or buying new furniture.
- Other (please specify):