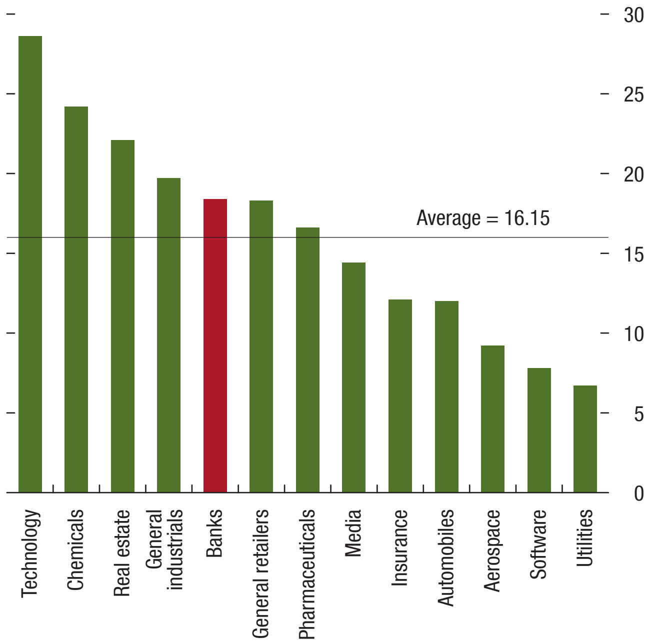
Figure 3.1. Corporate Complexity and Opacity: Dispersion of Earnings-per-Share Forecasts by Sector

(Coefficient of variation)



Sources: Thomson Reuters Datastream; and IMF staff calculations.
Note: The figure shows the coefficient of variation of analysts' earnings-per-share forecasts (2012–13) for the largest firms in each economic sector. The measure underestimates the relative opacity of banks because it mixes opacity with hard-to-measure risk, which is probably more prevalent in innovation-driven sectors such as technology. Furthermore, because disclosure requirements are much higher for financial companies than for nonfinancial firms, information-based ambiguity is smaller for banks than for nonbanks, and bank opacity is mostly due to disagreement about firm fundamentals (that is, difficulty in understanding the business model) as a result of corporate opacity.