Table 1. Investor Sentiment and Liquidity

Panel regression of annual industry-level employment growth in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD), defined as in Rajan and Zingales (1998) as stock market capitalization over GDP (1980-95 average), and the industry's degree of dependence on external finance (ED), defined as in Rajan and Zingales (1998) as the industry-level median fraction of capital expenditures not financed with cash flow from operations for US listed firms from the Compustat database (1980-1990 average); an interaction term between financial dependence and US investor sentiment, defined as Baker and Wurgler's (2006) index, orthogonalized to US business cycle indicators, normalized to have zero mean and unit variance, and lagged one year; an interaction term between US investor sentiment, financial development, and financial dependence; an interaction term between the level of aggregate liquidity in the US equity market from Pástor and Stambaugh (2003) and financial dependence; an interaction term between US liquidity, financial development, and financial dependence; an interaction term between US investor sentiment and financial development; and an interaction term between US liquidity and financial development. The specifications include country-year and industry fixed effects in column (1); country-industry and year fixed effects in column (2); industry-year and country fixed effects in column (3); country, year, and industry fixed effects in column (4); country-year, industry-year, and country-industry fixed effects in column (5); and country, year, industry, industry-year, and country-industry fixed effects in column (6). We winsorize the 1% tails of the employment growth distribution. The data set includes 28 manufacturing industries for 60 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Wins. Employment Growth (1%)	1	2	3	4	5	6
Share	−0.1698***	−1.1017***	−0.1650***	−0.1695***	−1.2120***	−1.1983***
	(−4.44)	(−7.40)	(−4.18)	(−4.42)	(−6.46)	(−6.68)
FD x ED	0.0306**		0.0334**	0.0308**		
	(2.27)		(2.56)	(2.27)		
ED x Sentiment	−0.0080**	−0.0071*		−0.0080**		
	(−2.23)	(−1.97)		(−2.22)		
FD x ED x Sentiment	0.0210***	0.0196***	0.0216***	0.0211***	0.0190**	0.0196***
	(2.88)	(2.72)	(2.83)	(2.88)	(2.52)	(2.59)
ED x Liquidity	0.1346	0.1093		0.1326		
	(1.31)	(1.07)		(1.29)		
FD x ED x Liquidity	0.0571	0.2916	0.1269	0.0632	0.3066	0.3490*
	(0.35)	(1.58)	(0.73)	(0.38)	(1.58)	(1.82)
FD x Sentiment		−0.0001	−0.0001	0.0002		−0.0000
		(−0.01)	(−0.02)	(0.04)		(−0.01)
FD x Liquidity		0.2532	0.2862	0.2942		0.2435
		(1.00)	(1.05)	(1.14)		(0.91)
Country-Year FE	Y	N	N	N	Y	N
Industry FE	Y	N	N	Y	N	Y
Country-Industry FE	N	Y	N	N	Y	Y
Year FE	N	Y	N	Y	N	Y
Industry-Year FE	N	N	Y	N	Y	Y
Country FE	N	N	Y	Y	N	Y
Observations	43,293	43,293	43,293	43,293	43,293	43,293
Adj. R-Squared	0.0067	0.0050	0.0556	0.0541	0.2890	0.1134

Table 2. Alternative Specifications for Financial Development

Panel regression of industry-level employment growth in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD) and the industry's degree of dependence on external finance (ED); an interaction term between financial dependence and US investor sentiment; and an interaction term between US investor sentiment, financial development, and financial dependence. US investor sentiment is defined as Baker and Wurgler's (2006) index, orthogonalized to US business cycle indicators, normalized to have zero mean and unit variance, and lagged one year. Financial dependence is defined as in Rajan and Zingales (1998) as the industry-level median fraction of capital expenditures not financed with cash flow from operations for US listed firms from the Compustat database (1980-1990 average). Financial development is defined as the ratio between total domestic credit and GDP in column (1); the sum of total domestic credit and stock market capitalization scaled by GDP in column (2); a country's accounting standards, as estimated by the Center for International Financial Analysis and Research in 1980 in column (3), and its revision in 1983 in column (4); the log-GDP per capita calculated in 1980, expressed in USD billions, in column (5); and private credit by deposit money banks and other financial institutions scaled by GDP, calculated in 1980, in column (6). All specifications include country-year and industry fixed effects. In Panel A, we winsorize the 1% tails of the employment growth distribution. In Panel B, we constrain employment growth to be between -1 and 1. The dataset includes 28 manufacturing industries for 113 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Panel A. Wins. Employment Growth (1%)

	1	2	3	4	5	6
Share	-0.1643^{***}	-0.1627^{***}	-0.1644^{***}	-0.1193^{*}	-0.1260^{***}	-0.1924^{***}
	(-4.81)	(-4.43)	(-2.84)	(-1.83)	(-3.48)	(-6.10)
FD x ED	-0.0088^{*}	-0.0113^{**}	-0.0163^{*}	-0.0207^{**}	-0.0390^{*}	-0.0052
	(-1.74)	(-2.34)	(-1.87)	(-2.47)	(-1.86)	(-1.22)
ED x Sentiment	0.0382^{***}	0.0206^{***}	0.0007^{***}	0.0005^{**}	0.0110^{***}	0.0463^{***}
	(3.27)	(3.30)	(3.37)	(2.22)	(6.17)	(3.46)
FD x ED x Sentiment	0.0141^{**}	0.0117^{***}	0.0003^{*}	0.0003^{**}	0.0048^{*}	0.0188^{**}
	(2.15)	(2.87)	(2.01)	(2.65)	(1.97)	(1.99)
Country-Year FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
Observations	45,533	42,573	26,575	21,912	32,522	48,630
Adj. R-Squared	0.0047	0.0058	0.0115	0.0121	0.0041	0.0057

Panel B. Wins. Employment Growth $(-1, 1)$

	1	2	3	4	5	6
Share	-0.1843^{***}	-0.1725^{***}	-0.1746^{***}	-0.1242^{*}	-0.1352^{***}	-0.2121^{***}
	(-4.98)	(-4.51)	(-2.86)	(-1.81)	(-3.59)	(-6.17)
FD x ED	-0.0090^{*}	-0.0123^{**}	-0.0160^{*}	-0.0223^{**}	-0.0436^{**}	-0.0060
	(-1.71)	(-2.39)	(-1.76)	(-2.60)	(-2.09)	(-1.29)
ED x Sentiment	0.0376^{***}	0.0213^{***}	0.0007^{***}	0.0005^{*}	0.0125^{***}	0.0452^{***}
	(3.11)	(3.01)	(3.64)	(1.81)	(7.06)	(3.14)
FD x ED x Sentiment	0.0143^{**}	0.0124^{***}	0.0003^{*}	0.0004^{**}	0.0054^{**}	0.0204^{*}
	(2.07)	(2.81)	(1.88)	(2.72)	(2.20)	(1.97)
Country-Year FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
Observations	45,927	42,894	26,629	21,964	32,660	49,044
Adj. R-Squared	0.0028	0.0037	0.0094	0.0096	0.0027	0.0043

Table 3. Post-1980 Investor Sentiment, Pre-1980 Financial Development and Financial Dependence

Panel regression of annual industry-level employment growth in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD), defined as the log-GDP per capita, expressed in USD billions, and the industry's degree of dependence on external finance (ED), defined as the ratio of capital expenditure to net property plant and equipment, both calculated in year 1980; an interaction term between financial dependence and US investor sentiment, defined as Baker and Wurgler's (2006) index, orthogonalized to US business cycle indicators, normalized to have zero mean and unit variance, and lagged one year; an interaction term between US investor sentiment, financial development, and financial dependence; and an interaction term between US investor sentiment and financial development. The specifications include country-year and industry fixed effects in column (1); country-industry and year fixed effects in column (2); industry-year and country fixed effects in column (3); country, year, and industry fixed effects in column (4); country-year, industry-year, and country-industry fixed effects in column (5); and country, year, industry, industry-year, and country-industry fixed effects in column (6). In Panel A, we winsorize the 1% tails of the employment growth distribution. In Panel B, we constrain employment growth to be between -1 and 1. The data set includes 28 manufacturing industries for 60 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database, but we estimate the regressions in the post-1980 period. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Panel A. Wins. Employment Growth (1%)

	1	2	3	4	5	6
Share	−0.1190***	−1.2738***	−0.1033***	−0.1176***	−1.4233***	−1.3593***
	(−3.57)	(−5.99)	(−2.82)	(−3.48)	(−5.45)	(−5.56)
FD x ED	0.0375***		0.0334**	0.0370***		
	(2.76)		(2.26)	(2.69)		
ED x Sentiment	−0.5644***	−0.5427***		−0.5671***		
	(−2.96)	(−2.96)		(−2.97)		
FD x ED x Sentiment	0.0641***	0.0616***	0.0679***	0.0646***	0.0624***	0.0640***
	(2.93)	(2.92)	(2.94)	(2.94)	(2.74)	(2.81)
FD x Sentiment		−0.0129**	−0.0143**	−0.0140**		−0.0134**
		(−2.46)	(−2.42)	(−2.44)		(−2.35)
Country-Year FE	Y	N	N	N	Y	N
Industry FE	Y	N	N	Y	N	Y
Country-Industry FE	N	Y	N	N	Y	Y
Year FE	N	Y	N	Y	N	Y
Industry-Year FE	N	N	Y	N	Y	Y
Country FE	N	N	Y	Y	N	Y
Observations	20,348	20,348	20,348	20,348	20,348	20,348
Adj. R-Squared	0.0003	0.0012	0.0520	0.0542	0.3344	0.1309

Panel B. Wins. Employment Growth (−1, 1)

	1	2	3	4	5	6
Share	−0.1319***	−1.3846***	−0.1103***	−0.1305***	−1.5605***	−1.4734***
	(−3.85)	(−4.93)	(−2.83)	(−3.77)	(−5.37)	(−4.53)
FD x ED	0.0402***		0.0311*	0.0391***		
	(3.09)		(1.96)	(2.96)		
ED x Sentiment	−0.6514***	−0.6776***		−0.6596***		
	(−3.01)	(−3.24)		(−3.04)		
FD x ED x Sentiment	0.0741***	0.0774***	0.0837***	0.0751***	0.0723***	0.0801***
	(3.00)	(3.22)	(3.19)	(3.04)	(2.85)	(3.12)
FD x Sentiment		−0.0196***	−0.0211***	−0.0199***		−0.0202***
		(−2.84)	(−2.74)	(−2.70)		(−2.72)
Country-Year FE	Y	N	N	N	Y	N
Industry FE	Y	N	N	Y	N	Y
Country-Industry FE	N	Y	N	N	Y	Y
Year FE	N	Y	N	Y	N	Y
Industry-Year FE	N	N	Y	N	Y	Y
Country FE	N	N	Y	Y	N	Y
Observations	20,458	20,458	20,458	20,458	20,458	20,458
Adj. R-Squared	0.0002	0.0017	0.0471	0.0513	0.4089	0.1218

Table 4. US Investor Sentiment vs. Local Stock Returns

Panel regression of annual industry-level employment growth in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD), defined as in Rajan and Zingales (1998) as stock market capitalization over GDP (1980-95 average), and the industry's degree of dependence on external finance (ED), defined as in Rajan and Zingales (1998) as the industry-level median fraction of capital expenditures not financed with cash flow from operations for US listed firms from the Compustat database (1980-1990 average); an interaction term between financial dependence and investor sentiment, defined as Baker and Wurgler's (2006) investor sentiment index for the US, orthogonalized to US business cycle indicators, and returns on country-specific MSCI equity indices; an interaction term between investor sentiment, financial development, and financial dependence; an interaction term between investor sentiment and financial development; and an interaction term between investor sentiment and US foreign direct investments (FDI), defined as the US direct investment position with respect to a foreign country on a historical-cost basis, expressed in USD billions and lagged one year, from the Bureau of Economic Analysis. In columns (4) to (6), local stock returns are orthogonalized to real GDP growth and US consumer sentiment. Columns (2) and (5) only include the countries that received a high (above-median) amount of FDI over the previous year, normalized by local employment, while columns (3) and (6) include the other countries. All specifications include country, year, and industry fixed effects, and the following battery of controls: the level of FDI; a country's net foreign direct investments, defined as the difference between foreign direct investments made abroad by a given country and foreign direct investments received from foreign countries, expressed in USD billions, from the International Monetary Fund's Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources; an interaction term between investor sentiment and net foreign direct investments; and an interaction term between net foreign direct investments and FDI. We winsorize the 1% tails of the employment growth distribution. The data set includes 28 manufacturing industries for 60 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database. The data set for FDI, however, is only available from 1983. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Wins. Employment Growth (1%)	Non-Orthog. Sentiment			Orthog. Sentiment		
	1	2	3	4	5	6
	Full Sample	High FDI	Low FDI	Full Sample	High FDI	Low FDI
Share	−0.1007***	−0.0963**	−0.2000**	−0.1006***	−0.0968**	−0.2022**
	(−2.68)	(−2.18)	(−2.31)	(−2.67)	(−2.18)	(−2.31)
FD x ED	0.0087	0.0038	0.0024	0.0104	−0.0034	0.0450**
	(1.07)	(0.31)	(0.09)	(1.20)	(−0.29)	(2.10)
FD x Returns	0.0313	0.0405	−0.0301	0.0441	0.0458	0.0306
	(0.95)	(0.89)	(−0.16)	(1.11)	(0.92)	(0.16)
ED x Returns	−0.0044	0.0308	−0.0410**	−0.0037	0.0297	−0.0471**
	(−0.31)	(1.39)	(−2.00)	(−0.27)	(1.46)	(−2.30)
FD x ED x Returns	0.0201	−0.0540	0.3423*	0.0097	−0.0693	0.4052**
	(0.53)	(−1.19)	(1.92)	(0.25)	(−1.52)	(2.18)
Returns x FDI	0.0006	−0.0001	0.0070	0.0005	−0.0003	0.0068
	(0.94)	(−0.26)	(1.45)	(0.71)	(−0.60)	(1.12)
FD x Sentiment	−0.0307**	−0.0316**	−0.0804	−0.0308**	−0.0319**	−0.0879
	(−2.28)	(−2.45)	(−1.42)	(−2.34)	(−2.47)	(−1.88)
ED x Sentiment	−0.0192**	−0.0078	−0.0238*	−0.0192**	−0.0077	−0.0255**
	(−2.39)	(−1.09)	(−1.76)	(−2.38)	(−1.06)	(−1.98)
FD x ED x Sentiment	0.0246**	0.0088	−0.0075	0.0249**	0.0091	−0.0029
	(2.03)	(0.81)	(−0.15)	(2.03)	(0.79)	(−0.08)
Sentiment x FDI	0.0004***	0.0004***	0.0015	0.0004**	0.0004***	0.0019
	(2.73)	(2.89)	(0.42)	(2.56)	(2.79)	(0.54)
Country FE	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
Controls	Y	Y	Y	Y	Y	Y
Observations	11,330	7,049	4,281	11,330	7,049	4,281
Adj. R-Squared	0.0815	0.1035	0.1025	0.0819	0.1042	0.1040

Table 5. Local vs. US vs. Global sentiment

Panel regression of annual industry-level employment growth in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD), defined as in Rajan and Zingales (1998) as stock market capitalization over GDP (1980-95 average), and the industry's degree of dependence on external finance (ED), defined as in Rajan and Zingales (1998) as the industry-level median fraction of capital expenditures not financed with cash flow from operations for US listed firms from the Compustat database (1980-1990 average); an interaction term between financial dependence and investor sentiment; an interaction term between investor sentiment, financial development, and financial dependence; an interaction term between investor sentiment and financial development; and an interaction term between investor sentiment and US foreign direct investments (FDI), defined as the US direct investment position with respect to a foreign country on a historical-cost basis, expressed in USD billions and lagged one year, from the Bureau of Economic Analysis. In columns (1) and (2), we define US sentiment as the University of Michigan consumer confidence index, orthogonalized to US business cycle indicators and expressed in rank order; local sentiment as the country-specific consumer confidence indicators from the OECD (CCI); and global sentiment as country-specific sentiment aggregated across the G7 countries, excluding the US. In columns (3) and (4), we define US sentiment as Baker and Wurgler's (2006) investor sentiment index for the US, orthogonalized to US business cycle indicators; local sentiment as the returns on country-specific MSCI equity indices; and global sentiment as country-specific returns aggregated across the G7 countries (CCI_G7), excluding the US. In columns (2) and (4), the measures of local (and global) consumer sentiment are orthogonalized to real GDP growth and US consumer sentiment. All sentiment measures are lagged one year. All specifications include country, year, and industry fixed effects, and the following battery of controls: the level of FDI; a country's net foreign direct investments, defined as the difference between foreign direct investments made abroad by a given country and foreign direct investments received from foreign countries, expressed in USD billions, from the International Monetary Fund's Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources; an interaction term between investor sentiment and net foreign direct investments; and an interaction term between net foreign direct investments and FDI. We winsorize the 1% tails of the employment growth distribution. The data set includes 28 manufacturing industries for 60 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database. The data set for FDI, however, starts in 1983. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Wins. Employment Growth (1%)	Consumer Confidence		Stock Returns	
	1	2	3	4
	Non-Orthog.	Orthog.	Non-Orthog.	Orthog.
Share	−0.0581	−0.0587	−0.1004***	−0.1001***
	(−1.06)	(−1.06)	(−2.66)	(−2.64)
FD x ED	3.4817	−0.1529**	0.0013	0.0094
	(1.52)	(−2.00)	(0.11)	(0.97)
FD x CCI	0.0118	0.0171	0.0436*	0.0585*
	(1.07)	(1.36)	(1.56)	(1.73)
ED x CCI	−0.0011	−0.0046	0.0010	0.0028
	(−0.31)	(−1.06)	(0.06)	(0.17)
FD x ED x CCI	0.0107**	0.0171**	−0.0130	−0.0234
	(1.98)	(2.30)	(−0.21)	(−0.34)
CCI x FDI	0.00007	0.00001	0.00121	0.00090
	(0.79)	(0.13)	(1.20)	(0.94)
FD x UMC	−0.0058***	−0.0008	−0.0276*	−0.0280*
	(−3.20)	(−0.54)	(−1.71)	(−1.85)
ED x UMC	−0.0019	−0.0013	−0.0171**	−0.0171**
	(−1.58)	(−1.07)	(−2.02)	(−2.11)
FD x ED x UMC	0.0063**	0.0044**	0.0184	0.0194
	(2.37)	(2.02)	(1.25)	(1.37)
UMC x FDI	0.00004***	0.00002*	0.00039***	0.00039***
	(4.61)	(1.87)	(3.05)	(2.75)
FD x CCI_G7	0.0254	−0.0354**	−0.0691	−0.0932
	(1.65)	(−2.41)	(−0.99)	(−1.38)
ED x CCI_G7	0.0260*	0.0208	−0.0319	−0.0436
	(1.65)	(1.38)	(−0.70)	(−0.99)
FD x ED x CCI_G7	−0.0475**	−0.0306	0.1224	0.1371
	(−2.11)	(−1.32)	(0.94)	(0.94)
CCI_G7 x FDI	−0.00039***	−0.00009	−0.00083	−0.00058
	(−2.85)	(−0.52)	(−1.03)	(−0.70)
Industry FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Country FE	Y	Y	Y	Y
Controls	Y	Y	Y	Y
Observations	7,181	7,181	11,330	11,330
Adj. R-Squared	0.0929	0.0929	0.0822	0.0828

Table 6. Cross-Industry Effects: Above vs. Below Median Portfolios

Panel regression of annual industry-level employment growth in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD), defined as in Rajan and Zingales (1998) as stock market capitalization over GDP (1980-95 average), and the industry's degree of dependence on external finance (ED), defined as in Rajan and Zingales (1998) as the industry-level median fraction of capital expenditures not financed with cash flow from operations for US listed firms from the Compustat database (1980-1990 average); an interaction term between financial dependence and investor sentiment, lagged one year, and defined as the University of Michigan consumer confidence index for the US (UMC), orthogonalized to US business cycle indicators and expressed in rank order, and country-specific consumer confidence indicators from the OECD (CCI); an interaction term between investor sentiment, financial development, and financial dependence; an interaction term between investor sentiment and financial development; and an interaction term between investor sentiment and US foreign direct investments (FDI), defined as the US direct investment position with respect to a foreign country on a historical-cost basis, expressed in USD billions and lagged one year, from the Bureau of Economic Analysis. For each year in the sample, we divide industries into those that lie above and below the median level of the following three characteristics from Baker and Wurgler (2006): market capitalization, dividend-to-price ratio, and volatility of stock returns. All specifications include country, year, and industry fixed effects, and the following battery of controls: the level of FDI; a country's net foreign direct investments, defined as the difference between foreign direct investments made abroad by a given country and foreign direct investments received from foreign countries, expressed in USD billions, from the International Monetary Fund's Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources; an interaction term between investor sentiment and net foreign direct investments; and an interaction term between net foreign direct investments and FDI. We winsorize the 1% tails of the employment growth distribution. The data set includes 28 manufacturing industries for 60 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database. The data set for FDI, however, is only available from 1983. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Wins. Employment Growth (1%)	Size		Dividend-to-Price		Volatility	
	1	2	3	4	5	6
	$\geq$ Median	$<$ Median	$\geq$ Median	$<$ Median	$\geq$ Median	$<$ Median
Share	-0.1116^{**}	0.0338	-0.0738	-0.0371	-0.0184	-0.0769
	(-2.15)	(0.41)	(-1.29)	(-0.39)	(-0.18)	(-1.52)
FD x ED	-4.5018^{***}	0.4872	-3.5354^{***}	0.8532	-0.4516	-3.0633^{**}
	(-3.08)	(0.53)	(-3.28)	(0.57)	(-0.85)	(-2.57)
FD x CCI	0.0088	0.0152	0.0115	0.0141	0.0132	0.0118
	(0.95)	(1.18)	(1.11)	(1.03)	(1.22)	(0.97)
ED x CCI	-0.0009	0.0019	-0.0031	0.0062	0.0032	-0.0077
	(-0.13)	(0.44)	(-0.55)	(1.10)	(1.04)	(-1.29)
FD x ED x CCI	0.0445^{***}	-0.0061	0.0345^{***}	-0.0109	0.0027	0.0315^{***}
	(3.00)	(-0.69)	(3.02)	(-0.79)	(0.52)	(2.62)
CCI x FDI	0.00003	0.00001	0.00003	-0.00006	-0.00004	0.00006
	(0.28)	(0.14)	(0.29)	(-0.62)	(-0.43)	(0.51)
FD x UMC	-0.0021	-0.0046^{***}	-0.0027^{**}	-0.0085^{***}	-0.0049^{***}	-0.0021
	(-1.31)	(-4.33)	(-2.14)	(-2.89)	(-3.59)	(-1.53)
ED x UMC	-0.0006	0.0005	0.0011	-0.0005	-0.0009	0.0038
	(-0.29)	(0.40)	(0.84)	(-0.19)	(-1.37)	(1.33)
FD x ED x UMC	0.0017	0.0035	0.0024	0.0075	0.0047^{**}	-0.0022
	(0.58)	(1.40)	(1.10)	(1.36)	(2.20)	(-0.66)
UMC x FDI	0.00000	0.00001^{**}	0.00001	0.00003^{***}	0.00002^{***}	0.00002
	(0.07)	(2.40)	(0.95)	(3.26)	(2.90)	(1.47)
Country FE	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
Controls	Y	Y	Y	Y	Y	Y
Adj. R-Squared	3,273	3,656	5,053	1,876	3,797	3,320
Observations	0.0685	0.1211	0.0789	0.1370	0.1215	0.0723

Table 7. Cross-Industry Effects: Extreme vs. Middle Portfolios

Panel regression of annual industry-level employment growth in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD), defined as in Rajan and Zingales (1998) as stock market capitalization over GDP (1980-95 average), and the industry's degree of dependence on external finance (ED), defined as in Rajan and Zingales (1998) as the industry-level median fraction of capital expenditures not financed with cash flow from operations for US listed firms from the Compustat database (1980-1990 average); an interaction term between financial dependence and investor sentiment, lagged one year, and defined as the University of Michigan consumer confidence index for the US (UMC), orthogonalized to US business cycle indicators and expressed in rank order, and country-specific consumer confidence indicators from the OECD (CCI); an interaction term between investor sentiment, financial development, and financial dependence; an interaction term between investor sentiment and financial development; and an interaction term between investor sentiment and US foreign direct investments (FDI), defined as the US direct investment position with respect to a foreign country on a historical-cost basis, expressed in USD billions and lagged one year, from the Bureau of Economic Analysis. For each year in the sample, we divide industries into those that lie in the middle 40% and the top-bottom 30% observations for the following three characteristics from Baker and Wurgler (2006): book-to-market, EBIT-to-price, and EBITDA-to-price. All specifications include country, year, and industry fixed effects, and the following battery of controls: the level of FDI; a country's net foreign direct investments, defined as the difference between foreign direct investments made abroad by a given country and foreign direct investments received from foreign countries, expressed in USD billions, from the International Monetary Fund's Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources; an interaction term between investor sentiment and net foreign direct investments; and an interaction term between net foreign direct investments and FDI. We winsorize the 1% tails of the employment growth distribution. The data set includes 28 manufacturing industries for 60 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database. The data set for FDI, however, is only available from 1983. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Wins. Employment Growth (1%)	Book-to-Market		EBIT-to-Price		EBITDA-to-Price	
	1	2	3	4	5	6
	Extreme	Middle	Extreme	Middle	Extreme	Middle
Share	−0.0575	−0.0528	−0.0964	0.0682	−0.0592	−0.0289
	(−0.73)	(−0.74)	(−1.46)	(0.87)	(−0.71)	(−0.44)
FD x ED	−0.4886	−0.6816	−1.1426	0.4807	−0.5525	0.1357
	(−0.64)	(−0.94)	(−1.29)	(0.40)	(−0.61)	(0.13)
FD x CCI	0.0126	0.0129	0.0103	0.0189	0.0116	0.0166
	(1.09)	(1.71)	(0.98)	(1.56)	(1.07)	(1.68)
ED x CCI	0.0025	0.0019	0.0037	0.0002	0.0049	−0.0005
	(0.52)	(0.53)	(0.77)	(0.05)	(1.24)	(−0.10)
FD x ED x CCI	0.0036	0.0074	0.0102	−0.0047	0.0044	−0.0007
	(0.50)	(1.04)	(1.21)	(−0.40)	(0.52)	(−0.07)
CCI x FDI	0.00000	0.00003	0.00000	0.00004	−0.00002	0.00011
	(0.00)	(0.34)	(0.03)	(0.34)	(−0.24)	(0.83)
FD x UMC	−0.0044***	−0.0009	−0.0049***	−0.0002	−0.0045***	−0.0000
	(−4.85)	(−0.67)	(−3.37)	(−0.10)	(−3.62)	(−0.02)
ED x UMC	−0.0004	0.0017	−0.0005	0.0012	−0.0009	0.0019
	(−0.41)	(1.44)	(−0.40)	(0.95)	(−1.03)	(1.47)
FD x ED x UMC	0.0034	−0.0015	0.0038	−0.0005	0.0033	−0.0023
	(1.21)	(−0.59)	(1.11)	(−0.23)	(1.41)	(−0.87)
UMC x FDI	0.00002***	0.00001	0.00002***	−0.00000	0.00002**	−0.00000
	(2.63)	(0.74)	(2.71)	(−0.33)	(2.31)	(−0.07)
Country FE	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
Controls	Y	Y	Y	Y	Y	Y
Observations	5,226	1,703	4,804	2,125	5,024	1,905
Adj. R-Squared	0.0945	0.1332	0.0881	0.1340	0.0922	0.1259

Table 8. Investor Sentiment, Output, and Labor Productivity

Panel regression of annual industry-level output (Panel A), defined as real value added growth, and labor productivity (Panel B), defined as the difference between output and employment growth, in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD), defined as in Rajan and Zingales (1998) as stock market capitalization over GDP (1980-95 average), and the industry's degree of dependence on external finance (ED), defined as in Rajan and Zingales (1998) as the industry-level median fraction of capital expenditures not financed with cash flow from operations for US listed firms from the Compustat database (1980-1990 average); an interaction term between financial dependence and US investor sentiment, defined as Baker and Wurgler's (2006) index, orthogonalized to US business cycle indicators, normalized to have zero mean and unit variance, and lagged one year; an interaction term between US investor sentiment, financial development, and financial dependence; and an interaction term between US investor sentiment and financial development. The specifications include country-year and industry fixed effects in column (1); country-industry and year fixed effects in column (2); industry-year and country fixed effects in column (3); country, year, and industry fixed effects in column (4); country-year, industry-year, and country-industry fixed effects in column (5); and country, year, industry, industry-year, and country-industry fixed effects in column (6). We winsorize the 1% tails of the distribution of the dependent variable. The data set includes 28 manufacturing industries for 60 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Panel A. Wins. Output (1%)

	1	2	3	4	5	6
Share	−0.1291***	−0.8133***	−0.1213***	−0.1285***	−0.9135***	−0.8930***
	(−4.57)	(−6.51)	(−3.84)	(−4.52)	(−6.57)	(−6.11)
FD x ED	0.0326**		0.0289**	0.0317**		
	(2.07)		(2.01)	(2.03)		
ED x Sentiment	−0.0103**	−0.0091*		−0.0103**		
	(−2.12)	(−1.99)		(−2.14)		
FD x ED x Sentiment	0.0232	0.0227	0.0244	0.0234	0.0223	0.0230
	(1.63)	(1.58)	(1.65)	(1.64)	(1.49)	(1.54)
FD x Sentiment		0.0015	0.0014	0.0015		0.0013
		(0.16)	(0.15)	(0.17)		(0.14)
Country-Year FE	Y	N	N	N	Y	N
Industry FE	Y	N	N	Y	N	Y
Country-Industry FE	N	Y	N	N	Y	Y
Year FE	N	Y	N	Y	N	Y
Industry-Year FE	N	N	Y	N	Y	Y
Country FE	N	N	Y	Y	N	Y
Observations	43,614	43,614	43,614	43,614	43,614	43,614
Adj. R-Squared	0.0036	0.0374	0.0651	0.0634	0.3450	0.1025

Panel B. Wins. Labor Productivity (1%)

	1	2	3	4	5	6
Share	0.0419**	0.2752***	0.0478*	0.0433**	0.2779***	0.2893***
	(2.17)	(2.96)	(1.98)	(2.19)	(3.78)	(2.84)
FD x ED	0.0042		−0.0007	0.0035		
	(0.57)		(−0.09)	(0.48)		
ED x Sentiment	−0.0039	−0.0030		−0.0039		
	(−0.98)	(−0.79)		(−0.99)		
FD x ED x Sentiment	0.0017	−0.0006	0.0007	0.0016	0.0006	−0.0006
	(0.18)	(−0.07)	(0.08)	(0.17)	(0.06)	(−0.07)
FD x Sentiment		0.0025	0.0021	0.0017		0.0023
		(0.38)	(0.32)	(0.26)		(0.34)
Country-Year FE	Y	N	N	N	Y	N
Industry FE	Y	N	N	Y	N	Y
Country-Industry FE	N	Y	N	N	Y	Y
Year FE	N	Y	N	Y	N	Y
Industry-Year FE	N	N	Y	N	Y	Y
Country FE	N	N	Y	Y	N	Y
Observations	43,293	43,293	43,293	43,293	43,293	43,293
Adj. R-Squared	0.0012	0.0427	0.0536	0.0526	0.3228	0.0840

Table 9. Investor Sentiment, Capital, and Capital Intensity

Panel regression of annual industry-level capital (Panel A), defined as growth in fixed assets, and capital intensity (Panel B), defined as the difference between capital and employment growth, in non-US countries, on the following set of regressors: the industry's share of employment in the manufacturing sector in the previous year; an interaction term between the country's financial development (FD), defined as in Rajan and Zingales (1998) as stock market capitalization over GDP (1980-95 average), and the industry's degree of dependence on external finance (ED), defined as in Rajan and Zingales (1998) as the industry-level median fraction of capital expenditures not financed with cash flow from operations for US listed firms from the Compustat database (1980-1990 average); an interaction term between financial dependence and US investor sentiment, defined as Baker and Wurgler's (2006) index, orthogonalized to US business cycle indicators, normalized to have zero mean and unit variance, and lagged one year; an interaction term between US investor sentiment, financial development, and financial dependence; and an interaction term between US investor sentiment and financial development. The specifications include country-year and industry fixed effects in column (1); country-industry and year fixed effects in column (2); industry-year and country fixed effects in column (3); country, year, and industry fixed effects in column (4); country-year, industry-year, and country-industry fixed effects in column (5); and country, year, industry, industry-year, and country-industry fixed effects in column (6). We winsorize the 1% tails of the distribution of the dependent variable. The data set includes 28 manufacturing industries for 60 countries for the period 1970-2003 from the Unido Indstat-3 (United Nations Industrial Development Organization, Industrial Statistics) 2006 database. Heteroskedasticity-robust t-statistics, allowing for clustering by country, are reported in parentheses (* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$).

Panel A. Wins. Capital (1%)

	1	2	3	4	5	6
Share	−0.2026***	−1.4567***	−0.1652**	−0.1941***	−1.7944***	−1.5398***
	(−2.98)	(−6.05)	(−2.24)	(−2.81)	(−5.75)	(−5.24)
FD x ED	0.0188		0.0194	0.0187		
	(1.16)		(1.38)	(1.21)		
ED x Sentiment	−0.0102	−0.0067		−0.0105		
	(−0.81)	(−0.50)		(−0.83)		
FD x ED x Sentiment	0.0440*	0.0487*	0.0475*	0.0451*	0.0393	0.0457*
	(1.92)	(1.90)	(1.93)	(1.96)	(1.42)	(1.67)
FD x Sentiment		0.0111	0.0115	0.0149		0.0110
		(0.41)	(0.42)	(0.52)		(0.39)
Country-Year FE	Y	N	N	N	Y	N
Industry FE	Y	N	N	Y	N	Y
Country-Industry FE	N	Y	N	N	Y	Y
Year FE	N	Y	N	Y	N	Y
Industry-Year FE	N	N	Y	N	Y	Y
Country FE	N	N	Y	Y	N	Y
Observations	29,419	29,419	29,419	29,419	29,419	29,419
Adj. R-Squared	0.0009	0.0136	0.0267	0.0251	0.2382	0.0749

Panel B. Wins. Capital Productivity (1%)

	1	2	3	4	5	6
Share	0.0273	0.0131	0.0485	0.0312	−0.1295	0.0730
	(0.45)	(0.07)	(0.78)	(0.52)	(−0.75)	(0.39)
FD x ED	−0.0130		−0.0151	−0.0134		
	(−0.90)		(−1.09)	(−0.96)		
ED x Sentiment	−0.0020	−0.0002		−0.0020		
	(−0.17)	(−0.01)		(−0.17)		
FD x ED x Sentiment	0.0324	0.0336	0.0342	0.0331	0.0275	0.0316
	(1.23)	(1.19)	(1.22)	(1.25)	(0.92)	(1.07)
FD x Sentiment		0.0112	0.0101	0.0114		0.0107
		(0.48)	(0.42)	(0.48)		(0.44)
Country-Year FE	Y	N	N	N	Y	N
Industry FE	Y	N	N	Y	N	Y
Country-Industry FE	N	Y	N	N	Y	Y
Year FE	N	Y	N	Y	N	Y
Industry-Year FE	N	N	Y	N	Y	Y
Country FE	N	N	Y	Y	N	Y
Observations	29,358	29,358	29,358	29,358	29,358	29,358
Adj. R-Squared	0.0001	0.0159	0.0205	0.0201	0.2218	0.0676