

Automobile product recall and stock price crash risk

Shishi Liu

Freie Universität Berlin

Cite as:

Liu Shishi (2026), Automobile product recall and stock price crash risk. *Proceedings of the European Marketing Academy*, 55th, (134304)

Paper from the 55th Annual EMAC Conference, Bath, United Kingdom, June 2-5, 2026



Automobile product recall and stock price crash risk

Abstract

Vehicle safety recalls are a routine yet costly feature of the global automobile industry, while stock price crash risk has become a key concern for investors and regulators. Prior work links crash risk mainly to financial reporting, leaving the role of operational shocks such as product recalls largely unexplored. Using 2,627 recalls by 14 automakers from 2012–2021, we combine NHTSA recall and quarterly completion reports with Compustat fundamentals and LSEG return data. Firm fixed-effects regressions of one-quarter-ahead crash metric on recall pressure, recall completion, and their interaction show that recall pressure is positively associated with future crash risk, but this effect is significantly weaker when lagged completion rates are higher. These results suggest that recalls are an operational channel of bad-news hoarding and that effective recall completion helps unwind negative information and buffer downside risk.

Track: Product and Brand Management