Abstract: This paper investigates the contest in information disclosure between competing firms who can reveal positive own information or negative information about the rival. We show that a firm is more likely to disclose information when facing a non-strategic rival than when facing a rival who is strategic. The main analysis examines the effect of a limited bandwidth on disclosure incentives. Limited bandwidth force firms to make a trade-off between disclosing own positive information and disclosing rival’s negative information. A negative communication equilibrium, in which firms disclose rival’s negative information whenever possible, exists when consumers have poor outside options or if they expect the firms to be better informed. In the presence of an attractive outside option, consumers switch to outside option if firms engage in negative communication. We provide a rational explanation for the phenomenon of the backlash effect of negative communication. Finally, bandwidth limitations which reduce the direct transmission of information can paradoxically make competitive firms more likely to disclose information. This result has implications for policymakers seeking to enhance flow of information from firms to consumers.