

The Market Risk Premium

In 2012 Pablo Fernandez, Javier Aguirreamalloa and Luis Corres surveyed a large sample of business people and academics to seek their views on the required market risk premium. The table below shows the responses by country. Countries are listed in order of the number of respondents. The sample size for countries at the bottom of the table is therefore small.

A simple average across countries of the required risk premium is 7.8%. The average for the 19 countries depicted in Figure 7.3 is 5.8% (i.e., 1.1 percentage points less than the historical average).

	Required Risk Premium, %				No. of Respondents
	Average	Median	Q1	Q3	
United States	5.5	5.4	4.5	6.0	2,223
Spain	6.0	5.5	5.0	6.3	958
Germany	5.5	5.0	4.5	6.0	281
United Kingdom	5.5	5.0	4.5	6.0	171
Italy	5.6	5.5	4.8	6.1	120
Canada	5.4	5.5	4.7	6.0	94
Mexico	7.5	6.8	6.0	9.0	87
Brazil	7.9	7.0	5.3	8.6	86
France	5.9	6.0	5.0	6.1	85
China	8.7	7.1	6.6	9.4	82
Australia	5.9	6.0	5.0	6.0	73
South Africa	6.5	6.0	5.5	7.2	73
Netherlands	5.4	5.5	5.0	6.0	72
Russia	7.6	7.0	6.0	8.5	70
Switzerland	5.4	5.3	4.5	6.0	68
India	8.0	8.0	6.0	9.0	66
Chile	6.1	5.6	5.3	7.0	63
Norway	5.8	5.5	5.0	6.0	58
Sweden	5.9	6.0	5.0	6.5	58
Austria	5.7	6.0	5.0	6.0	57
Colombia	7.9	7.5	6.5	9.0	57
Belgium	6.0	6.0	5.0	7.1	54
Portugal	7.2	6.5	6.0	9.0	53
Argentina	10.9	10.0	8.5	14.8	50
Greece	9.6	7.4	6.1	12.2	47
Poland	6.4	6.0	5.0	7.5	45
Denmark	5.5	5.0	4.5	6.0	43
Japan	5.5	5.0	4.0	7.1	41
Peru	8.1	8.0	6.9	9.0	41
New Zealand	6.2	6.0	5.5	7.0	40
Czech Republic	6.8	7.0	5.6	7.3	38
Finland	6.0	6.0	5.0	6.0	37
Turkey	8.4	9.0	5.5	10.5	37
Luxembourg	6.0	6.0	6.0	6.1	35
Taiwan	7.7	7.1	6.5	8.0	32
Ireland	6.6	6.0	5.3	8.8	31

Israel	6.0	5.8	4.5	7.3	30
Korea (South)	6.7	7.3	6.4	7.5	30
Indonesia	8.1	8.0	7.3	9.6	28
Hungary	7.4	7.0	6.0	9.6	26
Hong Kong	6.4	6.2	5.5	6.4	24
Pakistan	9.5	9.5	6.5	11.3	24
Egypt	9.2	8.0	7.6	13.3	23
Singapore	6.0	5.7	5.5	6.0	23
Thailand	8.1	8.1	7.0	8.3	22
Malaysia	5.9	6.4	4.0	7.7	21
Saudi Arabia	6.5	6.5	5.5	7.1	21
Kazakhstan	7.5	8.0	7.4	8.6	20
Philippines	7.4	6.1	6.0	10.1	18
Kuwait	6.8	6.6	6.5	6.8	17
Nigeria	10.1	8.5	8.5	10.0	17
Romania	7.7	8.0	7.0	9.0	17
UAE	8.0	8.0	6.8	9.0	17
Ecuador	13.5	15.9	6.8	18.8	16
Bahrain	7.3	8.3	5.5	8.3	14
Croatia	7.8	9.0	6.6	9.0	14
Oman	6.6	7.3	5.0	7.3	14
Bulgaria	8.3	8.6	7.8	8.6	13
Qatar	7.1	7.0	6.8	7.0	13
Bolivia	10.2	10.5	8.4	12.0	12
Lebanon	9.0	9.0	6.0	12.0	12
Morocco	7.3	7.3	5.0	9.6	12
Senegal	11.0	11.0	10.0	12.0	12
Vietnam	10.8	12.0	10.0	12.0	12
Panama	9.2	9.0	9.0	9.6	11
Venezuela	12.2	12.0	12.0	13.5	11
Malta	6.6	7.5	6.6	7.5	10
Slovenia	6.5	7.3	6.0	7.3	10
Zimbabwe	10.5	12.5	8.0	12.5	10
Costa Rica	8.5	9.0	9.0	9.0	9
Cyprus	7.9	9.0	9.0	9.0	9
Iran	17.2	19.5	10.0	22.9	9
Kenya	6.2	7.0	6.2	7.0	9
Slovakia	6.9	7.3	7.3	7.3	9
Uruguay	9.3	9.6	9.6	9.6	9
Zambia	7.2	7.0	7.0	7.0	9
Albania	11.1	12.0	12.0	12.0	8
Trinidad&Tobago	9.8	8.3	8.3	8.4	8
Guatemala	10.1	9.6	9.6	9.6	7
Honduras	13.9	13.5	13.5	13.5	7
Lithuania	7.9	8.3	8.3	8.3	7
Ghana	9.6	10.0	8.0	10.0	5

Source: P. Fernandez, J. Aguirreamalloa, L.C. Avendaño, "Market Risk Premium Used in 82 Countries in 2012: A Survey with 7,192 Answers," June 13, 2012. Available at SSRN: <http://ssrn.com/abstract=2084213>.

