



Equity Market Risk Premium on the Finnish stock market 2026

October 2026



What is the equity market risk premium?

The Equity Market Risk Premium (EMRP for short, often also called market risk premium or equity risk premium) is an important component of the discounted cash flow (DCF) valuation approach.

In our experience, estimating it is one of the hardest and one of the most contentious parts of a DCF valuation. The EMRP is assumed to represent the excess return that equity investment provides over a risk-free rate.

PwC has studied the equity market risk premium on the Finnish stock market since 1999 with both survey-based and quantitative methods.

If you'd like to find out more about our research on the equity market risk premium and the valuation work we do, please get in touch with us!

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6.8%

Equity Market Risk Premium for Finland
according to our most recent study

According to our September 2026 study, the equity market risk premium in Finland is 6.8%.

The premium required by investors is 0.8 percentage points lower than last year.

The results of our latest study show that the market risk premium on the Finnish equity market is 6.8%.

The equity risk premium in Finland, which has been very high in the previous years, has now decreased two years in a row to the lowest level since we started conducting our quantitative studies in 2021. Especially since the significant increase in interest rates started in early 2022, stocks on the Finnish market have been priced with a relatively high premium compared to global mature equity markets, but as of 2026, Finland's premium is again close to the Nordic average.

Since our 2025 study, interest rates have continued to rise, and the 10-year Finnish Government bond yield has reached its highest level since 2010. Compared with the US equity market, which remains close to record levels, the Finnish equity market has strengthened materially and the OMX Helsinki All Share Index is currently above its 2021 peak. Finland's macroeconomic outlook has improved during 2026, supported by stronger exports and private investment. Increased Artificial Intelligence (AI) infrastructure investments continue to support the outlook for companies that are part of the AI value chain, while Finland's export-oriented industrial sector remains sensitive to developments in global demand, tariffs and international trade policy.

The Finnish economy continued its recovery during the first half of 2026. Seasonally adjusted GDP increased by 0.7% in the first quarter and by 0.3% in the second quarter compared with the preceding quarter. Growth was driven primarily by exports and private investment, while household demand and labour-market conditions remained subdued. Elevated oil and other energy prices driven by the turmoil in the Middle East are expected to lift inflation temporarily, with inflation forecast at 2.4% for the year. Persistent inflation could also keep interest-rate expectations higher for longer, slowing domestic demand and weighing on equity valuations.

For the remainder of 2026, economic activity is expected to remain on a positive trajectory, with the latest official forecasts indicating full-year GDP growth of 1.6–1.7%. Exports and investment are expected to remain the principal growth drivers, supported by data-centre projects, defence-related investment and industrial energy transition.

For comparison, we've also analysed other Nordic markets using the same research methods. Based on the results, the Finnish EMRP has converged towards the EMRP in the rest of the Nordics.

Sources: Statistics Finland, National Accounts, Q2 2026, updated 18 September 2026. Bank of Finland, Interim Forecast, 15 September 2026; Finnish Ministry of Finance, Autumn Economic Survey, 21 September 2026.

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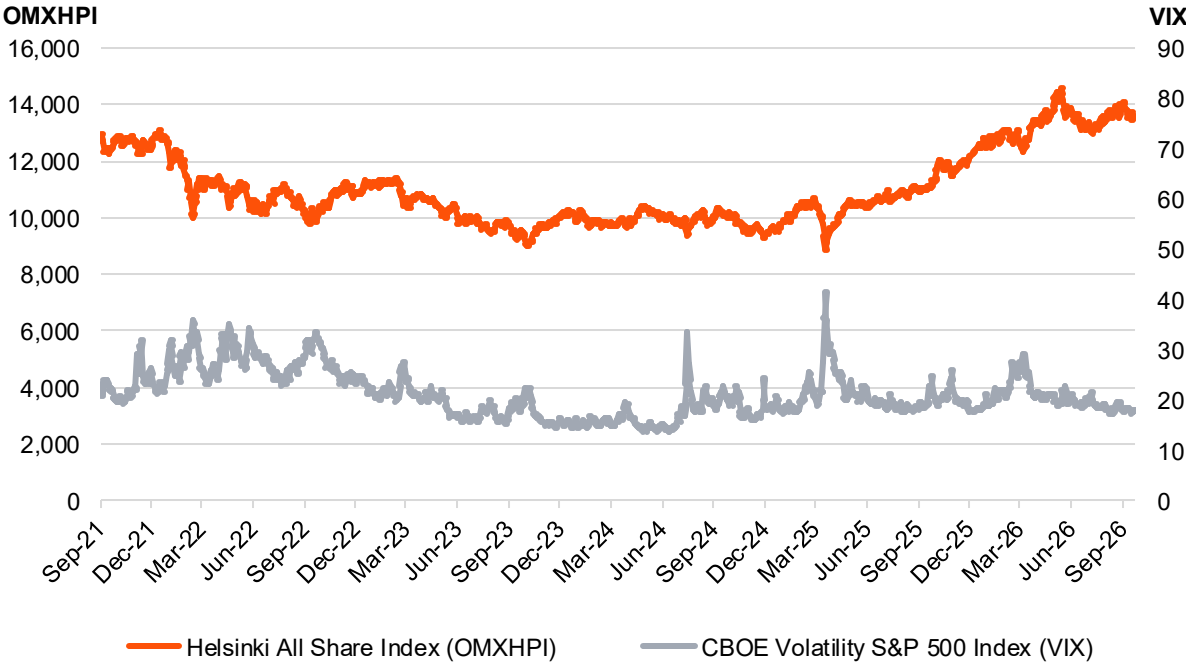
Finnish listed companies were included in our research sample

The graph on the right shows the movements of the OMX Helsinki All-Share Index (OMXHPI) and the CBOE Volatility Index for the S&P 500 Index (VIX) between September 2021 and October 2026. The OMXHPI includes all stocks listed on the Helsinki Stock Exchange and thus reflects the current state and changes on the Finnish market, whereas the VIX is used as a reference for measuring the intensity of market volatility. Based on the derivatives of the S&P 500 index stocks, the VIX indicates the probability of stock market volatility over the next 30 days. The VIX index value is considered high when it exceeds 30 and low when it falls below 20. Volatility had been declining until mid 2024, but the yen-interest rate arbitrage in August 2024, the announcement of U.S. tariffs in April 2025, and more recently the conflict in the Middle East have caused spikes in volatility. The instability of global markets also inevitably affects the volatility of a peripheral market like Finland.

The attractiveness of the Helsinki Stock Exchange to international investors has somewhat suffered in recent years due to Finland's status as a peripheral market, particularly after February 2022 when Russia invaded Ukraine. However, the strong performance of the Finnish stock market in late 2025 and during year 2026 tells us a different story and might turn out to be a reversal to this trend.

During periods of uncertainty, international institutional investors may reduce exposure to smaller, non-core markets. Given the relatively small size of the Finnish equity market, such reallocations can amplify price movements. Nevertheless, liquidity conditions have improved materially. The rolling 12-month average daily turnover on Nasdaq Helsinki was EUR614 million in September 2026¹, approximately 45% above the level reported a year earlier.

The stronger trading environment has coincided with improved market performance and renewed initial public offering (IPO) activity. The OMX Helsinki All-Share Index was approximately 27% higher year-on-year and Nasdaq Helsinki has also recorded nine listings during 2026, although some resulted from demergers or other corporate restructurings rather than conventional IPOs. Overall, Finnish capital-market activity has clearly intensified after several weaker years.



¹ Nasdaq OMX Helsinki, Statistics from Nasdaq Nordic Exchange September 2026, updated 1 October 2026

The yield requirement for Finland's 10-year Government bond began to rise rapidly along with the overall increase in interest rates at the beginning of 2021, consolidating in the 3–3.5 per cent range since 2023. However, the yield has recently risen to over 3.8%. The equity risk premium in the Finnish stock market has further declined by

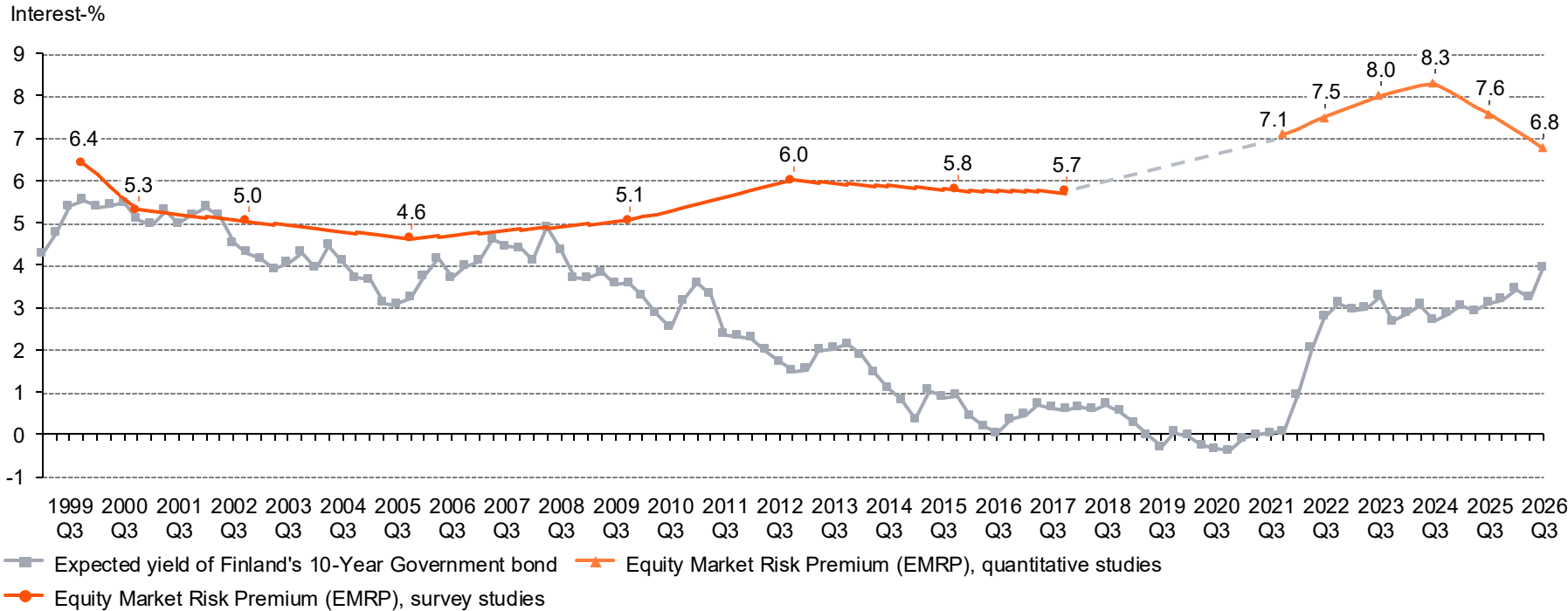
0.8

percentage points in 2026 compared to 2025.

PwC's studies on the equity risk premium in the Finnish stock market have been conducted using quantitative methods since 2021. From 1999 to 2017, the studies were carried out in survey format.

EMRP and risk-free rate in Finland during 1999–2026

The expected yield of Finland's 10-year Government bond¹ and the equity risk premium of the Finnish stock market according to PwC Finland's research findings²



¹ Bank of Finland, 30 September 2026. Accessible on: https://www.suomenpankki.fi/en/Statistics/interest-rates/tables/korot_taulukot/viitelainojen_korot_en/

² PwC Finland, Equity market risk premium studies 1999-2026. The previous EMRP study (2025) version accessible on: <https://www.pwc.fi/en/publications/equity-market-risk-premium-on-the-finnish-stock-market-2025.html>

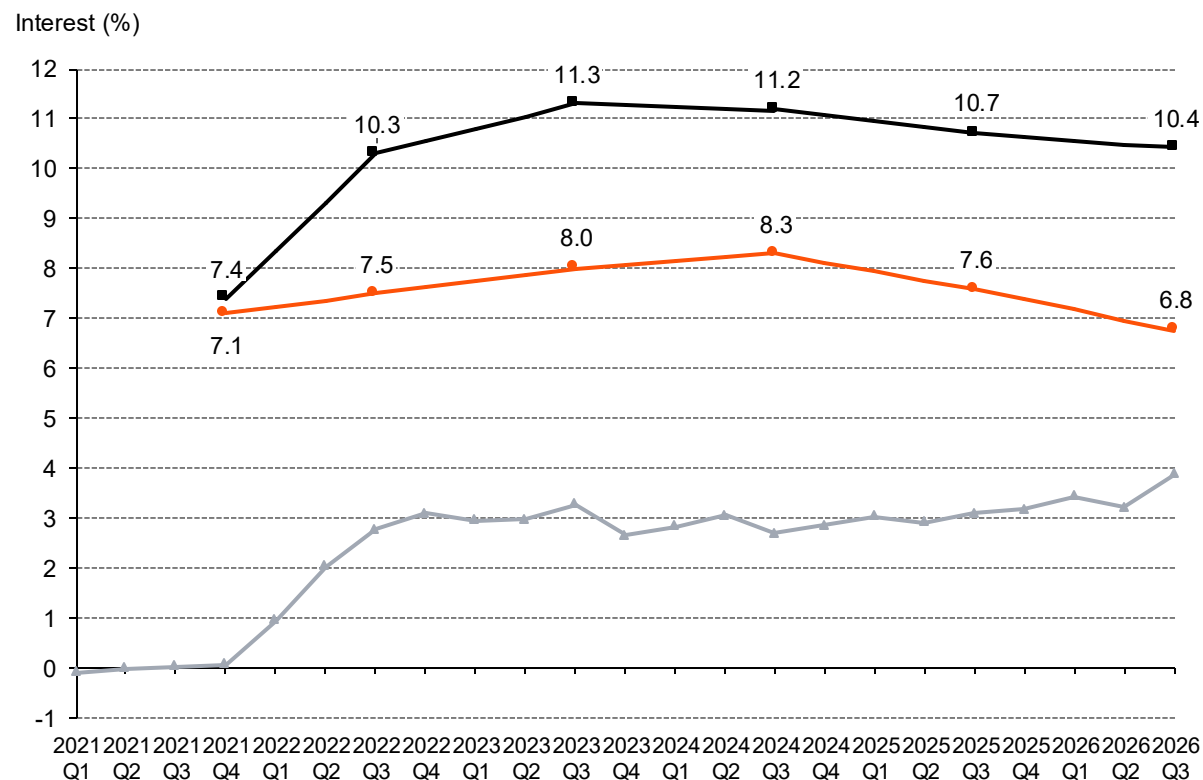


The increase in the Finnish risk-free rate since 2021 has been the main driver of the higher required return on equity. While the EMRP has fluctuated over the period, it has been comparatively less sensitive to changes in the risk-free rate.

Required return on equity, EMRP and risk-free rate during 2021–2026

- Required return on equity (CoE)
- Equity Market Risk Premium (EMRP)
- ▲ 10-year Finnish Government bond yield

The required return on equity, expected yield of Finland's 10-year Government bond¹ and the Equity Risk Premium of the Finnish stock market according to PwC Finland's research findings²



¹ Bank of Finland, 30 September 2026. Accessible on: https://www.suomenpankki.fi/en/Statistics/interest-rates/tables/korot_taulukot/viitelainojen_korot_en/

² PwC Finland, Equity Market Risk Premium studies 2021-2026. The previous EMRP study (2025) version accessible on: <https://www.pwc.fi/en/publications/equity-market-risk-premium-on-the-finnish-stock-market-2025.html>

When analysing the corresponding sample, we applied the same methodology as in our previous studies between 2021–2025. Our 2026 study included 162 Finnish listed companies, whose cash flows we analysed based on available forecasts for the upcoming five years.

Research methodology

The implicit equity market risk premium is a relation between the equity analysts' cash flow forecasts and the current market prices of shares: the lower the market prices are relative to the analysts' forecasts, the higher the implicit stock market risk premium will be, and vice versa.

Our sample consists of 162 Finnish listed companies. We excluded financial institutions such as banks, insurance companies and holding companies, as their cash flows are reported in a way that makes it difficult to compare them with other companies.

First, we estimated the unlevered free cash flow¹ for each company from calendar year 2026 to calendar year 2031 using two approaches. Primarily, we utilised market consensus estimates whenever they were available, which was the case for most companies. If the consensus estimate did not cover the whole forecast period, we assumed a 2% cash flow growth rate for the missing years.

As for the small number of companies with no consensus estimates available, we assumed a 2% cash flow growth rate based on 2025 cash flows.

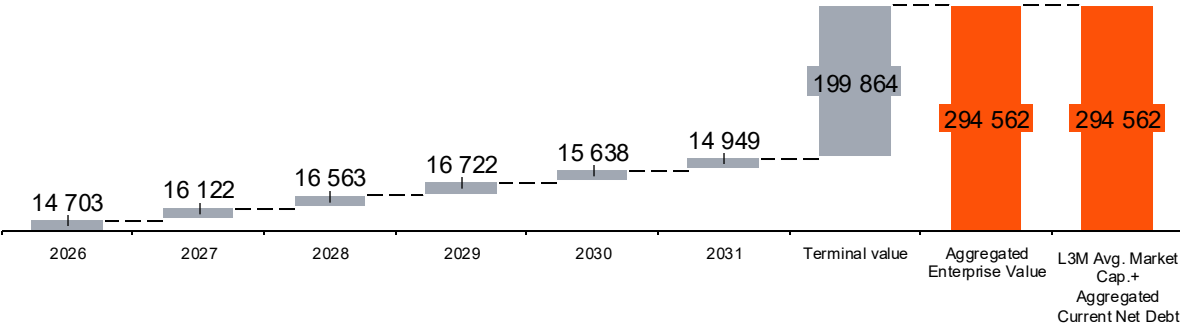
After adding up the aggregated cash flows in each forecast year and the terminal value calculated with a 2% growth rate, we determined the discount rate which would make the sum of discounted cash flows equal to the total enterprise value (EV) based on three-month average market capitalisation and current net debt of our sample companies.

The discount rate that set the present value of the cash flows equal to the aggregated enterprise value of the market is 9.63%. As the cash flows we used do not include interest or repayment of debt, the discount rate equals to the weighted average cost of capital (WACC).

Thereafter, we calculated the required rate of return for equity (10.42%) on the market level based on aggregated amount of net debt, estimated cost of debt², and three-month average market capitalisation.

The required rate of return for equity is composed of two components: the risk-free rate and the equity market risk premium. Given that our sample of companies represents the entire Finnish stock market, we assumed that the beta is equal to 1. This means that deducting the risk-free rate from the discount rate results in the Equity Market Risk Premium. For the risk-free rate we applied the three-month rolling average yield for a 10-year Finnish Government bond. As per 13 October 2026, this was equal to 3.65%. After subtracting this from the required rate of return for equity calculated above (10.42%), the Equity Market Risk Premium is 6.8%.

Total unlevered free cash flows of the listed companies included in the sample (EUR millions)



¹ The unlevered free cash flow is defined as: EBIT (net of tax) + Depreciation and amortisation + Amortisation of deferred charges - Capital expenditure + Sale (purchase) of intangible assets + Total stock-based compensation - Change in net working capital. The tax rate is assumed to be 20%, 20.6%, 22%, and 22% for Finnish, Swedish, Danish, and Norwegian stock markets, respectively.

² We use aggregated interest expense divided by aggregated amount of interest-bearing debt as a proxy for cost of debt in each stock market. Tax shield effect is also taken into account when calculating WACC.

9.6%

The implied total return requirement of the Finnish stock market according to our 2026 study

0.1

The implied total return requirement of the Finnish stock market is 0.1 percentage points higher than in our October 2025 study

Although our current methodology differs slightly from our survey methodology prior to 2021, our quantitative studies for the years 2021–2025 are still comparable to the earlier surveys.

Compared with the result of last year's study (7.6%), conducted in October 2025, we see a decrease of 0.8 percentage points in the risk premium. The decline in the risk premium is explained by the increase in the risk-free rate and the good performance of the equity market during 2026, while the implied expected return on market portfolio has increased slightly. The implied total return requirement of the Finnish stock market (WACC) has remained on the same level compared to our 2025 study, in which it was 9.5%.



The strength of our approach lies in the fact that we monitor the cash flows that form the basis for a typical discounted cash flow (DCF) valuation. Another option would have been to look at dividend yield and possible share buybacks, but this approach overlooks a significant portion of incoming cash flows for many companies. Forecasting dividends is also more difficult and could introduce greater potential for our own biases to influence the results.

Comparison to our past studies

We conducted our most recent survey-based study in late 2017 as a survey of brokerage firms, asset management companies, private equity companies, insurance companies, universities, and other professional firms and institutions. We had initially planned to conduct the next survey in 2020 but due to the outbreak of COVID-19, we decided to postpone our survey for an indefinite period.

Since then, we have conducted our equity market risk premium studies with quantitative methods. The main reason for this is that Finland is a comparatively small market and the number of responses had been low, approaching a threshold where the answers would not have covered enough viewpoints for us to yield a reliable result. For the years 2021–2026, our methodology has remained unchanged.

Despite this change in methodology, the studies from 2021–2026 remain somewhat comparable to all our past survey-based studies for Finland. This is indicated when the similar results¹ obtained by PwC Sweden through a survey-based approach are compared to our results for Sweden obtained through a quantitative approach. The Equity Market Risk Premium in the PwC Sweden survey was 5.7% in 2026 whereas the result obtained from our study with quantitative methods was 6.1%.

¹ See "Riskpremien på den svenska aktiemarknaden", published by PwC Sweden in June 2026, accessible on: <https://www.pwc.se/riskpremiestudien>.



Comparing Finland's risk premium of 6.8% with other Nordic risk premiums in 2026, we see that the risk premium for Finland is converging to the Nordic average.

Contextualising the study results

Estimating and interpreting equity market risk premium is tricky and requires judgement. The result is dependent on, for example, consensus forecasts and moving averages of market capitalisations. The terminal growth rate is also a very important estimate. To get a firmer grip on the result, we conducted sensitivity analyses on the market capitalisations and terminal growth rates. Our sensitivity analysis shows that the risk premium ranges from 4.91% to 6.76%:

	2.0%	1.5%	1.0%	0.5%	0.0%
-3mo	6.76%	6.35%	5.94%	5.53%	5.13%
-2mo	6.62%	6.21%	5.80%	5.39%	4.98%
-1mo	6.55%	6.14%	5.73%	5.32%	4.91%
t=0	6.64%	6.23%	5.82%	5.41%	5.00%

Our results based on market data give higher values for the risk premium of the Finnish stock market compared to, for example, NYU Stern's finance professor Aswath Damodaran's research¹ that is based on country risk. Damodaran assesses market risk by adding a premium based on the country risk to the implied equity risk premium of the S&P 500 index, which is derived by subtracting the risk-free rate from the total return requirement of the index.

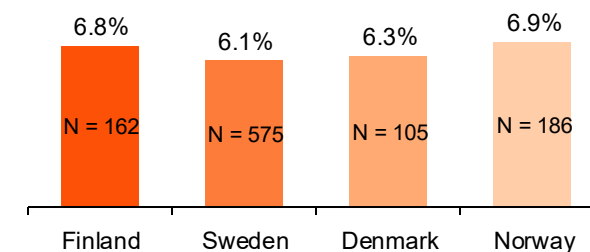
For Finland, Damodaran obtains an equity risk premium of 4.54%, where Finland's country risk premium of 0.34% based on Moody's rating is added to the implied equity risk premium of the S&P 500 index of 4.2%.

It is important to note that applying Damodaran's methodology to Finland does not take into account the specific characteristics of our stock market, such as market size, the industry structure of companies, or its status as a peripheral market. The Finnish stock market is not as liquid in terms of stock turnover, nor are Finnish companies as large compared to, for example, U.S. technology companies. These companies, priced with high valuation multiples, have significant weight in the S&P 500 index, from which Damodaran measures the equity risk premium.

In the adjacent graph, we compare the Finnish equity market risk premium to other Nordic markets. The Finnish premium is the second highest among the Nordic premiums. The premiums in Denmark and Sweden are almost at the same level, whereas Norway's premium is the highest and slightly above Finland's.

To derive the Swedish risk premium, we used the three-month rolling average of the Swedish Government 10-year bond yield (3.09%) as the risk-free rate per 12 October 2026. When this is subtracted from the stock market's return requirement (9.23%), the stock market's risk premium is 6.1%, which is slightly higher than the 5.7% reported in PwC Sweden's own survey study².

Similarly, for Denmark we used the rolling three-month average yield of the Danish Government 10-year bond (3.14%). Given that the required return on the Danish stock market is 9.48%, Denmark's risk premium is 6.3%³. For Norway, we used the rolling three-month average yield of the Norwegian Government 10-year bond (4.46%). When this is subtracted from the required return on the Norwegian stock market (11.39%), the Norwegian equity market risk premium is 6.9%.



¹ See Aswath Damodaran: "Country and Equity Risk Premiums", 1 July 2026; accessible on: https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datacurrent.html

² See "Riskpremien på den svenska aktiemarknaden", PwC Sweden, June 2026; accessible on: <https://www.pwc.se/riskpremiestudien>

³ The pharmaceutical company Novo Nordisk A/S was excluded from the Danish sample, as its market value represents about 30% of the Copenhagen stock exchange, and would thus affect the results with a disproportionate weight.

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