

NEED FOR SPEED

A new study confirms the positive effects of an
increased broadband speed on GDP



NEW STUDY QUANTIFIES THE IMPACT OF BROADBAND SPEED ON GDP

A new report, conducted jointly by Ericsson (NASDAQ:ERIC), Arthur D. Little and Chalmers University of Technology in 33 OECD countries, quantifies the isolated impact of broadband speed, showing that doubling the broadband speed for an economy increases GDP by 0.3%.*

A 0.3 percent GDP growth in the OECD region is equivalent to USD 126 billion. This corresponds to more than one seventh of the average annual OECD growth rate in the last decade.

The study also shows that additional doublings of speed can yield growth in excess of 0.3 percent (e.g. quadrupling of speed equals 0.6 percent GDP growth stimulus)

Both broadband availability and speed are strong drivers in an economy. Last year Ericsson and Arthur D. Little concluded that for every 10 percentage point increase in broadband penetration GDP increases by 1 percent.

This growth stems from a combination of direct, indirect and induced effects. Direct and indirect effects provide a short to medium term stimulus to the economy. The induced effect, which includes the creation of new services and businesses, is the most sustainable dimension and could represent as much as one third of the mentioned GDP growth.

“Broadband has the power to spur economic growth by creating efficiency for society, businesses and consumers,” says Johan Wibergh, Head of Business Unit Networks, Ericsson. “It opens up possibilities for more advanced online services, smarter utility services, telecommuting and telepresence. In health care, for instance, we expect that mobile applications will be used by 500 million people.”

During a keynote speech at Broadband World Forum 2011 in Paris, Wibergh said: “We expect a huge increase from the current estimate of around 1 billion people with broadband access to about 5 billion in 2016, most of whom will have mobile broadband. Connectivity and broadband are just a starting point for new ways of innovating, collaborating and socializing.”

Erik Almqvist, Director at Arthur D. Little, says: “Until now there has been an absence of hard facts investigating the effects of broadband speed on the economy. This unique empirical study may help governments and other

Impact of Broadband Speed

- › **Doubling the broadband speed for an economy increases GDP by 0.3%.**
- › **Research conducted by Ericsson, Arthur D. Little and Chalmers University of Technology confirms that increased broadband speed contributes significantly to economic growth**
- › **Positive effects come from automated and simplified processes, increased productivity as well as better access to basic services such as education and health**



decisions makers in society make more correct tradeoffs and policy choices.”

“These results have been derived using rigorous scientific methods where the direction of causality, data quality and significance levels have been appropriately tested,” says Erik Bohlin, Professor at Chalmers University of Technology. “The results of this study support governmental policies that recognize and promote the importance of broadband.”

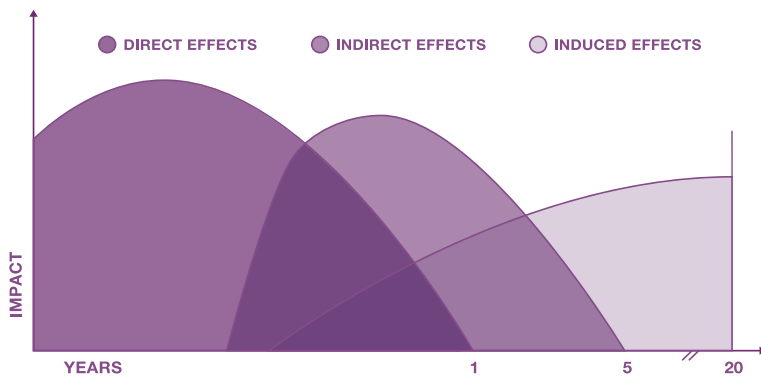
This study is the first of its kind in that it quantifies the economic impact of increases in broadband speed in a comprehensive scientific method using publicly available data.

Significant Growth

› A 0.3% GDP growth in the OECD region is equivalent to USD126 billion, which in turn corresponds to:

- More than the combined GDP of the Baltic countries
- More than one seventh of average OECD growth rate in the last decade
- Equivalent to the annual total OECD aid to Africa

Positive Effects of Broadband Speed on the Economy



- › **Direct effect:** In the short run, more jobs will be needed to create the new infrastructure, such as construction, telecommunications and electronics. This is referred to as the direct effect.
- › **Induced effect:** New ways of doing business that are caused by increased broadband speed. This creates: more advanced online services and new utility services, such as telecommuting and telepresence.
- › **Indirect effect:** Include spillover effects from one sector to another and efficiency improvement in the economy.

NOTES TO EDITORS

- * The economic impact of average attained broadband speed, both fixed and mobile, has been analyzed using panel data regression analysis with quarterly data points from 2008-2010 for 33 OECD countries.
- * One-directional, isolated effect.
- * Countries considered in the study are Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UK and US.
- * Average achieved broadband speed data provided by Ookla

Our multimedia content is available at the broadcast room:

www.ericsson.com/broadcast_room

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Ericsson is advancing its vision of being the "prime driver in an all-communicating world" through innovation, technology, and sustainable business solutions. Working in 180 countries, more than 90,000 employees generated revenue of SEK 203.3 billion (USD 28.2 billion) in 2010. Founded in 1876 with the headquarters in Stockholm, Sweden, Ericsson is listed on NASDAQ OMX, Stockholm and NASDAQ New York.