HOME BROADBAND SPEED IMPACTS
HOUSEHOLD INCOME

- First study to quantify impact of broadband speed on household income
- Upgrade from 4 to 8 Mbps increases income by USD 120 per month in OECD countries
- Increase from 0.5-4 Mbps gives a USD 46 per month increase in income in Brazil, India and China (BIC)
- Principle holds for both OECD and BIC countries, however returns are correlated to country GDP

Ericsson (NASDAQ:ERIC), in conjunction with Arthur D. Little and Chalmers University of Technology, today releases results of a joint study on the economic effects of broadband access speed on households.

This household-level (microeconomic) study reveals thresholds for the minimum speed upgrade needed to provide a statistically significant impact on household income. These thresholds are different for OECD (Organization for Economic Cooperation and Development) and BIC (Brazil, India and China) countries.

Absolute levels of return*, were found to be higher for OECD economies, which supports the idea that gains from broadband increase if more advanced services are available via the broadband access.

Key findings, after controlling for factors known to influence income (i.e. age, sex/gender, education, household size, skills and type of occupation):

- The average increase in household income for a broadband speed upgrade from 4 to 8 Mbps is USD 120 per month in OECD countries
- BIC households benefit most by upgrading from 0.5 to 4 Mbps, at USD 46 per month

Sebastian Tolstoy, VP Radio Business Development and Strategy, Ericsson, says: “Results are in line with our previous study that quantified the impact of broadband speed increases on the gross domestic product of 33 countries, as well as a slew of other studies we reviewed. All indicate that broadband access has a positive effect on the economy. We know that speed matters and that upgrading broadband speed has a positive impact. Now we have shown this quantitatively using large data samples in both OECD and BIC economies, even at the household level.”

Martin Glaumann, Partner at Arthur D. Little, says: “The evidence is building for broadband speed as a driver of economic growth. Yet in many countries, not least in the EU, regulatory developments are holding back the full growth potential. Regulators need to rethink and
recognize high-speed broadband as a national imperative for BIC countries. Broadband gives households the means to improve skills and productivity through e-learning and business services, but also to gain access to new venues for consumption.”

Erik Bohlin, professor at Chalmers University of Technology, says: “This is one of the first studies to address impacts from broadband speed on household income. Based on rigorous scientific methods and comprehensive data, the study can show that increased broadband speed increases income, which has a number of important policy and strategy implications.”

There are several key sources to this study, including Ericsson ConsumerLab survey data from 2010, covering more than 19,000 households from 8 OECD countries (UK, France, Germany, Italy, Spain, Sweden, Japan and the US), as well as Brazil, India and China.

* All results have been adjusted for Purchasing Power Parity (PPP), to reflect absolute level of returns.

NOTES TO EDITORS
Press release from September 2011: New study quantifies the impact of broadband speed on GDP

This research will also be included in the Broadband Commission State of Broadband Report, published on Sept 21


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PRESS RELEASE
SEPTEMBER 17, 2013

FOR FURTHER INFORMATION, PLEASE CONTACT

Ericsson Corporate Communications
Phone: +46 10 719 69 92
E-mail: media.relations@ericsson.com

Ericsson Investor Relations
Phone: +46 10 719 00 00
E-mail: investor.relations@ericsson.com