

Global outlook

Looking ahead to 2026 and beyond

Get to Fast Faster US, Nokia, November 11th 2025

Agenda

Global outlook: Looking ahead to 2026 and beyond

1. **Economic outlook:** Where does the economy stand and what is driving the outlook for 2026?
2. **Trade outlook:** How are the tariffs affecting industry?
3. **Broadband sector in focus:** What investment, policy, merger and supply-chain trends are driving the industry?

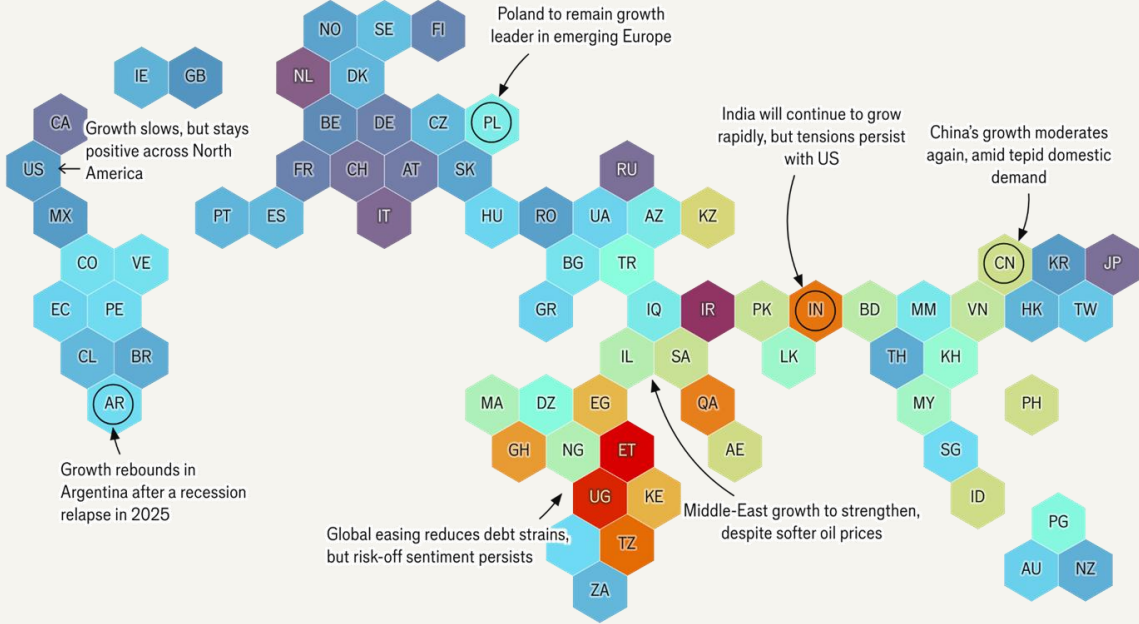
1. Economic outlook

Global growth is slowing

Softer outturns in the US and Europe will keep global growth below trend in 2026

Global GDP is forecast to slow marginally further in 2026, to 2.4%

Forecast change in real GDP by geography, 2026; %



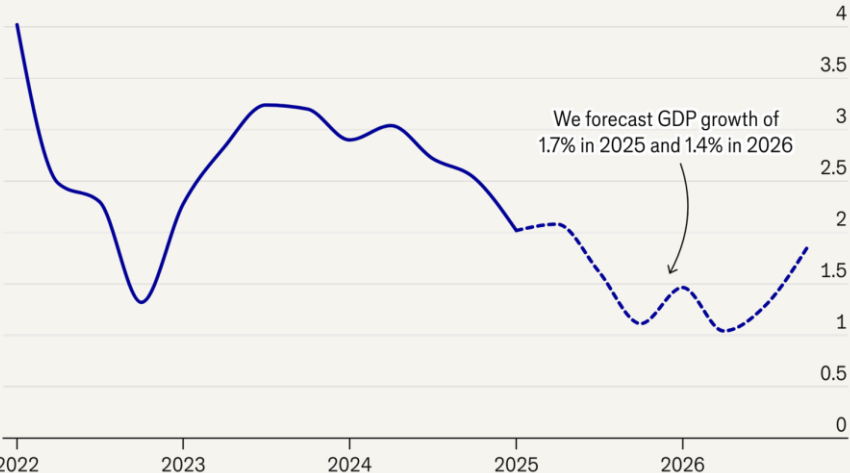
US growth has softened despite ongoing uncertainty

Interest-rate cuts have resumed and will provide some support over the coming months

US growth has been resilient but remains on a moderating path

Real GDP growth, actual and forecast; % change year on year

— Actual — EIU forecast

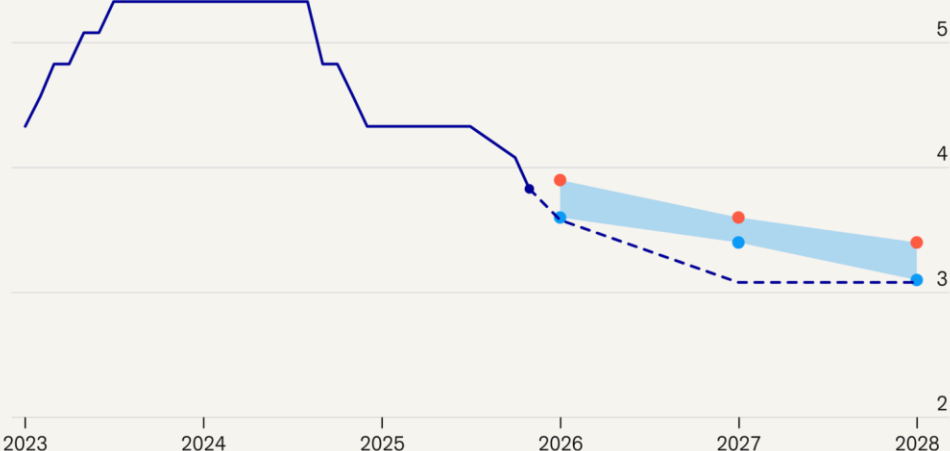


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We expect the Fed to cut again in December and then twice in 2026

Effective federal funds rate and FOMC median forecasts; %

— Actual — EIU forecast ● June 2025 FOMC projection ● September 2025 FOMC projection



Source: Federal Reserve Board; EIU. Copyright © The Economist Intelligence Unit 2025. All rights reserved.

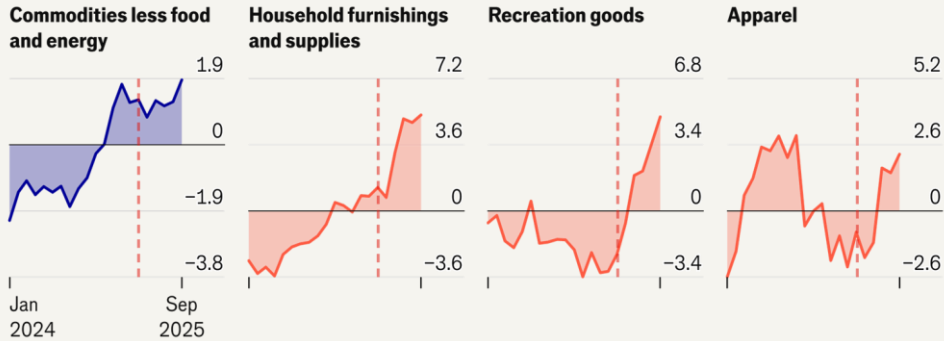


The tariffs are now showing up in consumer prices

So far, firms have absorbed most of the tariffs through lower margins and slower labour-cost growth

Tariff effects are now clearly visible in **import-exposed categories** after "liberation day"

Consumer price index, six-month annualised change; %

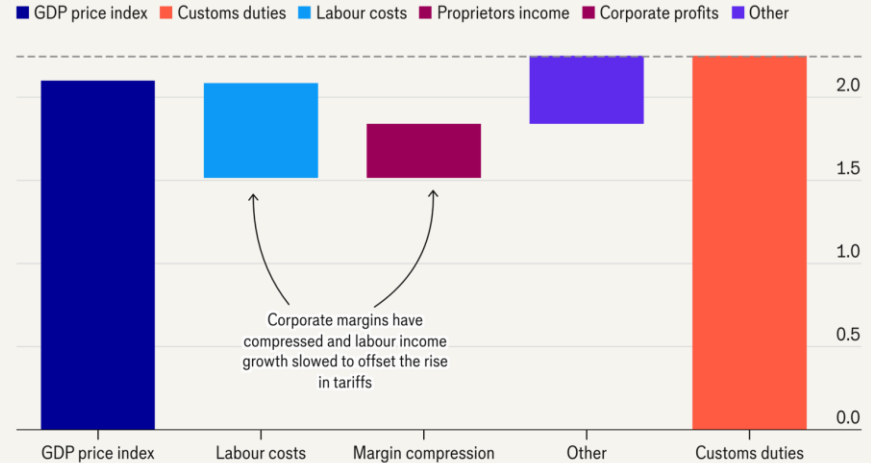


Source: Bureau of Labour Statistics; EIU.

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Increases in customs duties more than account for Q2 GDP price changes

Contributions to Q2 GDP price inflation; percentage points, annual rate



Source: BEA; Haver Analytics; EIU.

Note. The GDP price index is an economy-wide value-added measure. Its growth can be decomposed from either the expenditure or factor-payment side of the national accounts. The factor-payment approach is superior to measures limited to the non-financial corporate sector, as it captures inflation across the whole economy and allows a complete decomposition of price contributions.

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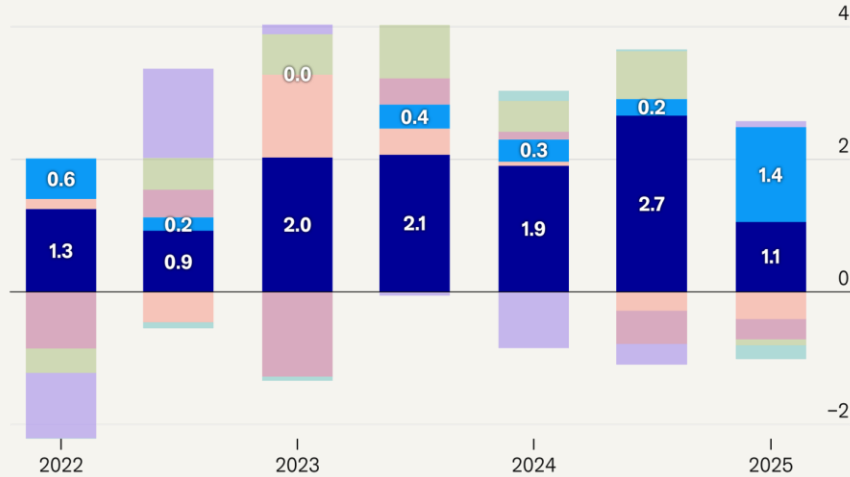
AI is supporting US GDP growth, as consumption slows

The AI-driven stock market, strong US productivity, and firms' ability to absorb tariffs are key factors

AI-related investment drove expansion in the US in H1 2025, as consumption slowed and other investment dragged

Contributions to real GDP growth; two-quarter annualised change; percentage points

■ Consumption ■ Fixed investment excl AI investment* ■ AI investment* ■ Inventories
■ Government ■ Net exports ■ Residual



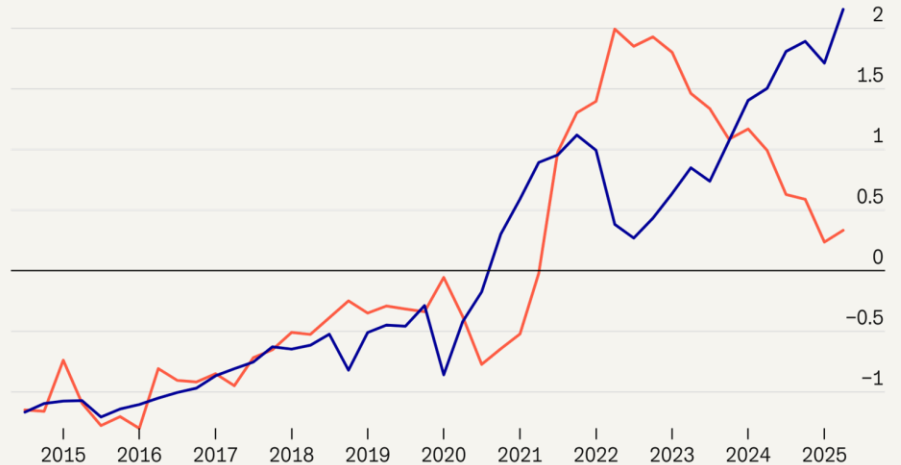
Source: Bureau of Economic Analysis; EIU.

*Sum of real private non-residential fixed investment in information-processing equipment and software; includes broader IT hardware/software and other non-AI software spending.
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US wage growth has slowed, while equities have surged, supporting consumption

Standardised US asset and wages measures; z-scores

— Household equity assets — Employment Cost Index, wages and salaries; year-on-year % change



Source: BLS; Federal Reserve; EIU.

Note. Standardised over the period shown.
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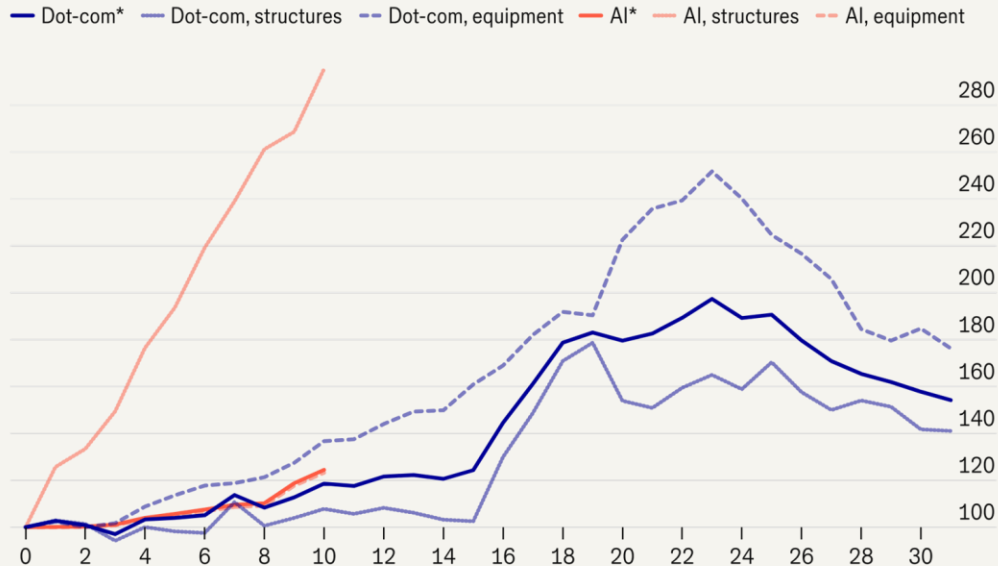
AI investment is approaching historic proportions

A bust would be more severe than the dot-com bubble

AI investment is tracking the dot-com period

Real investment, by technology cycle and category; start = 100*

Quarters since start of the boom



Source: Bureau of Economic Analysis; EIU. *Dot-com period begins in the first quarter of 1995. AI period begins in the fourth quarter of 2022.

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- The AI boom has lifted the S&P 500 by more than 70% since 2022, but unlike the dot-com era, it is driven by profitable incumbents funding capex from earnings rather than speculative equity issuance.
- Risks are building as investment becomes more leveraged and exuberance spreads across the supply chain, echoing late-1990s dynamics.
- A sharp correction would reverberate across the economy, given how deeply AI valuations are now embedded in US household wealth, business investment and credit conditions.
- Even if a pullback occurs, the capital being built—data centres, chips and software—will underpin future productivity gains, meaning a bust would wound the cycle, not end it.

2. Trade outlook

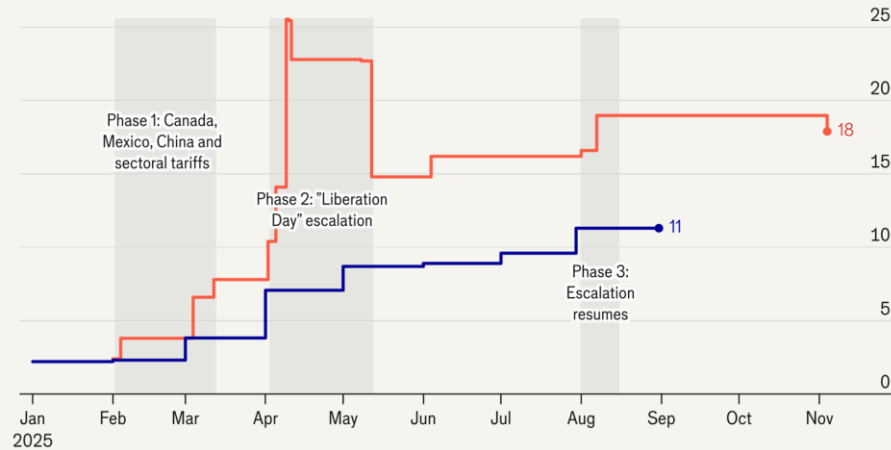
The tariffs are here to stay (irrespective of the IEEPA case outcome)

Deals to date have locked in higher rates, and political pressures will keep them largely in place

Tariffs are historically high

US effective tariff rates, as at November 1st; %

— Actual effective rate* — Pre-substitution rate†



Source: USITC; Census Bureau; White House; EIU.

*The ratio of total tariff revenue collected to the value of goods imports actually observed, reflecting real-world substitution and trade-flow changes.

†The pre-substitution rate is an estimate obtained by applying announced tariff rates to 2024 goods import values (holding import shares fixed), before any behavioural response.

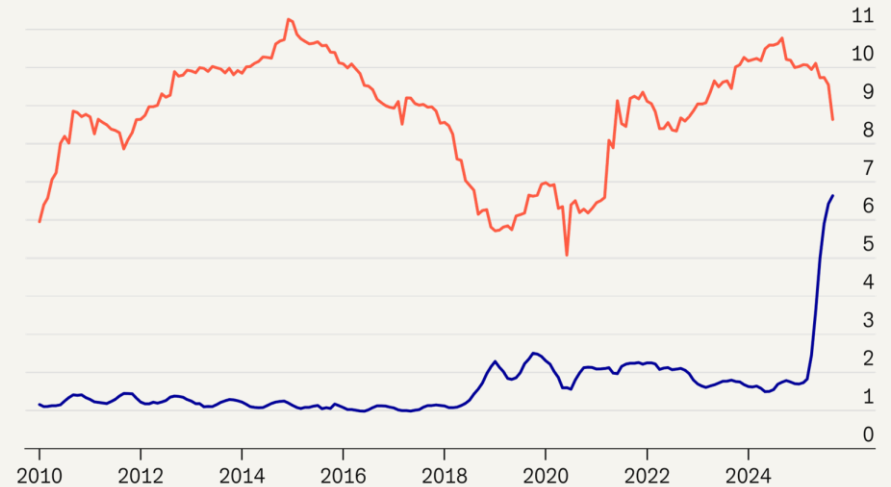
Note. Actual effective rate for August implied from Treasury customs receipts.

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Fiscal revenue from tariffs will make them difficult to undo

Share of net federal receipts, 12-month rolling sum, by source; %

— Customs duties* — Corporation tax



Source: UST; EIU.

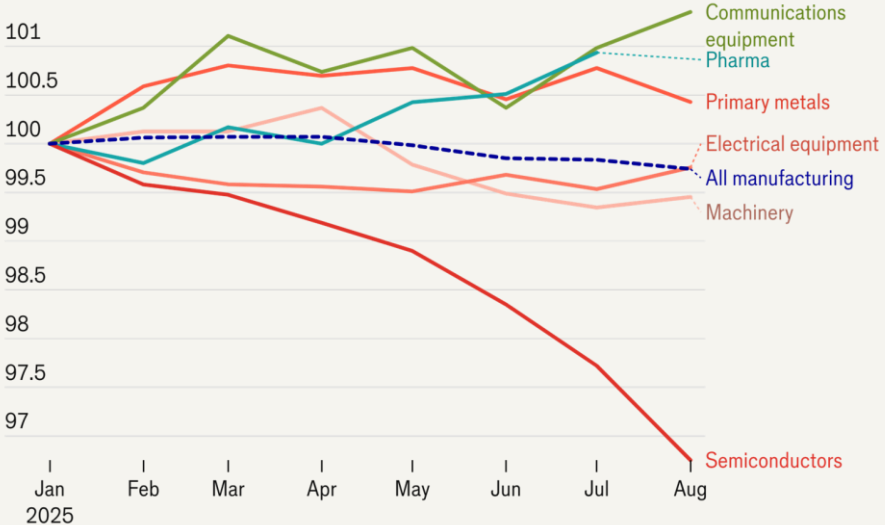
*Customs duties are 3-month annualised levels.
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Reshoring is front and centre but faces challenges

Higher input costs and persistent challenges around labour availability will weigh on the outlook

Manufacturing employment continues to be weak

Payroll employment, by industry; January 2025 = 100

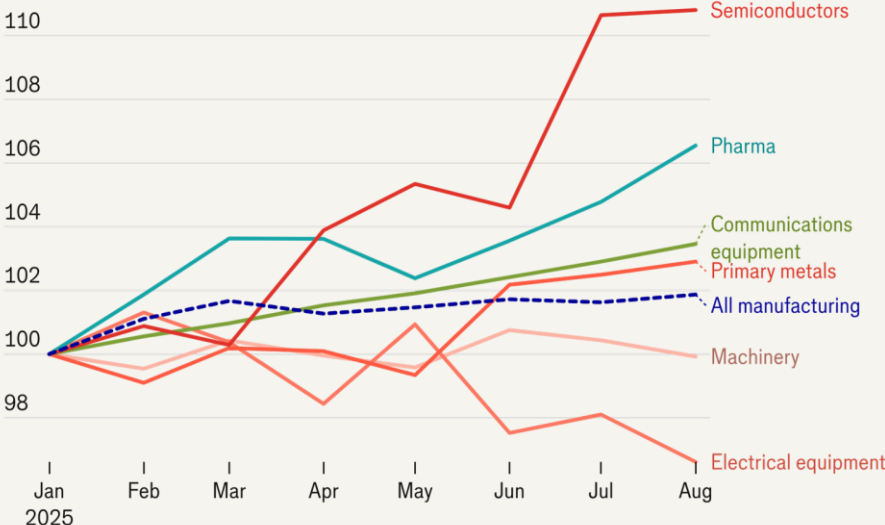


Source: BLS; EIU.

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Signs of a manufacturing resurgence are mixed at best

Industrial production, by industry; January 2025 = 100



Source: BEA; EIU.

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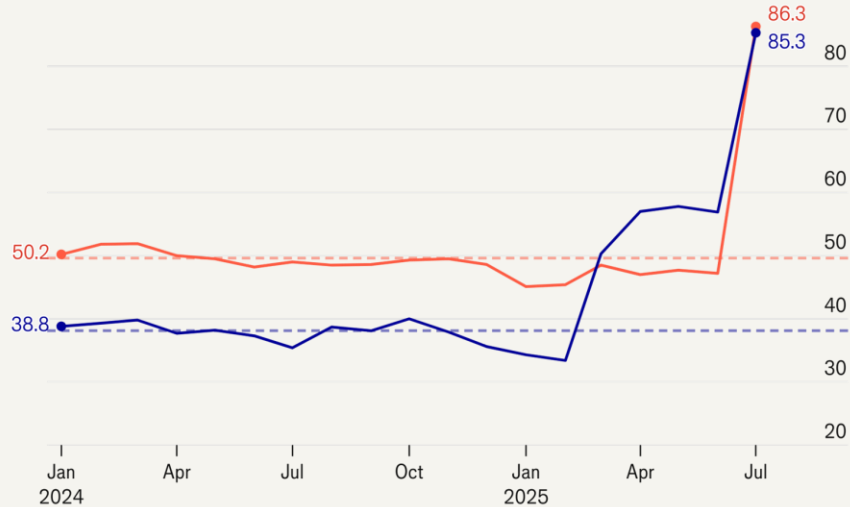
The US is shifting towards solidifying a North American trade bloc

The 2026 USMCA renewal will be contentious, but the agreement should remain largely intact

Canada and Mexico's share of USMCA-compliant exports to the US jumped again in July

Share of US imports claiming USMCA treatment, by country; %

— Canada — Mexico



Source: USITC; EIU.

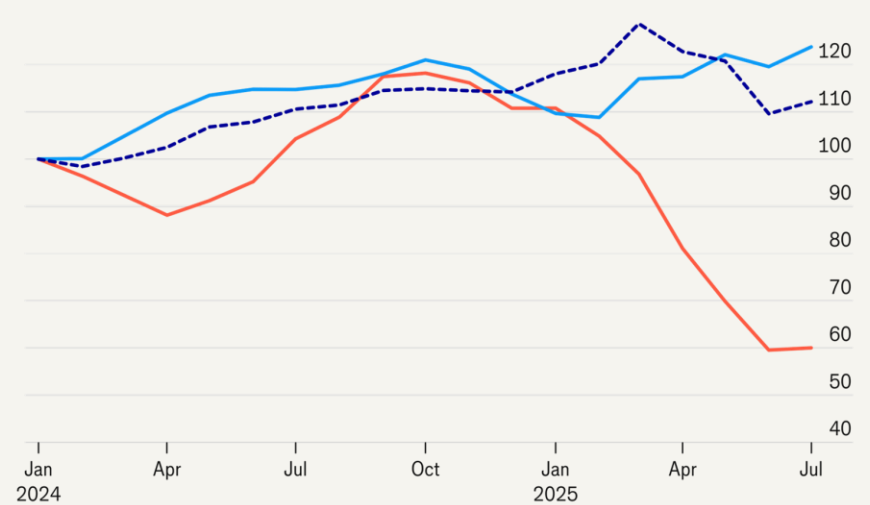
Note. 2024 average USMCA import shares shown by dotted lines.

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High value goods imports from Mexico are growing

US imports of manufactured goods; 3-month moving average, US\$ thousands, January 2024 = 100

--- All — China — Mexico



Source: USITC; EIU.

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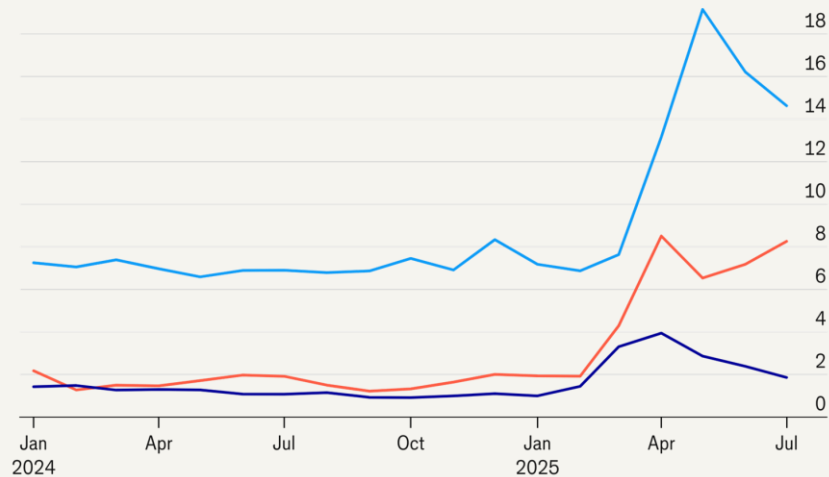
Tariffs are having a varied effect on the broadband industry

Higher tariffs on imports from Europe and Asia are driving up costs

Tariffs have risen on broadband sector inputs

US effective tariff rate, by HS code; %

— Network gear (8517.62) — Optical cable (8544.70) — Optical fibre (9001.10)



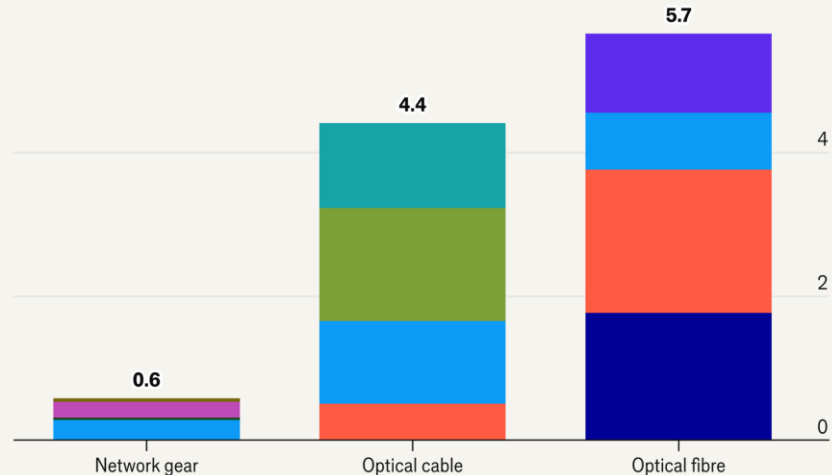
Source: USITC; EIU.

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The tariff burden on broadband equipment is shared widely across suppliers

Contribution to change in effective tariff rate, by product and source country; percentage points

■ Denmark ■ Japan ■ China ■ Germany ■ Finland ■ Indonesia ■ Vietnam ■ India ■ Mexico ■ Canada



Source: USITC; EIU.

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3. Broadband sector in focus

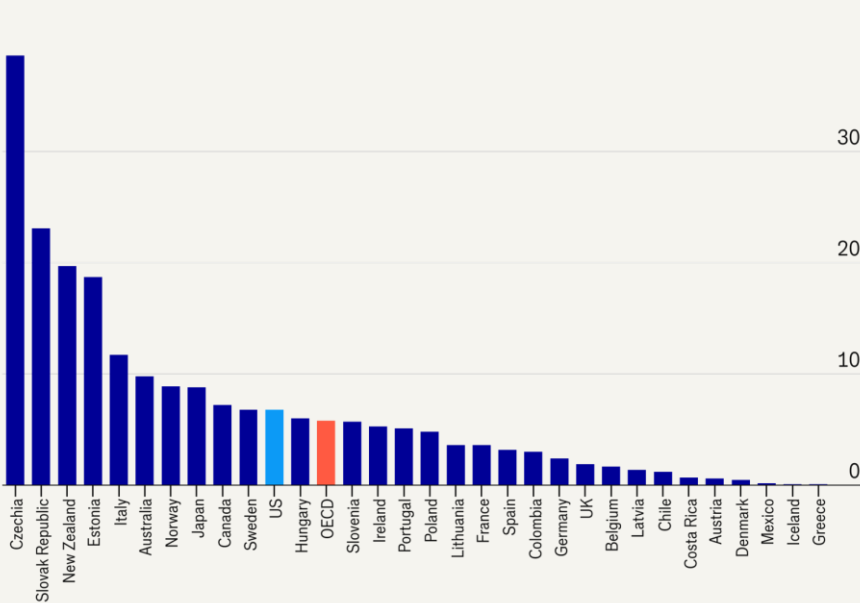
Fibre growth is robust and lower rates will support further expansion

FWA growth stays strong subject to capacity limits and pricing pressure

There remains a large opportunity in the US FWA market

Share of fixed wireless access (FWA) subscriptions in total fixed broadband in OECD countries, June 2024; %

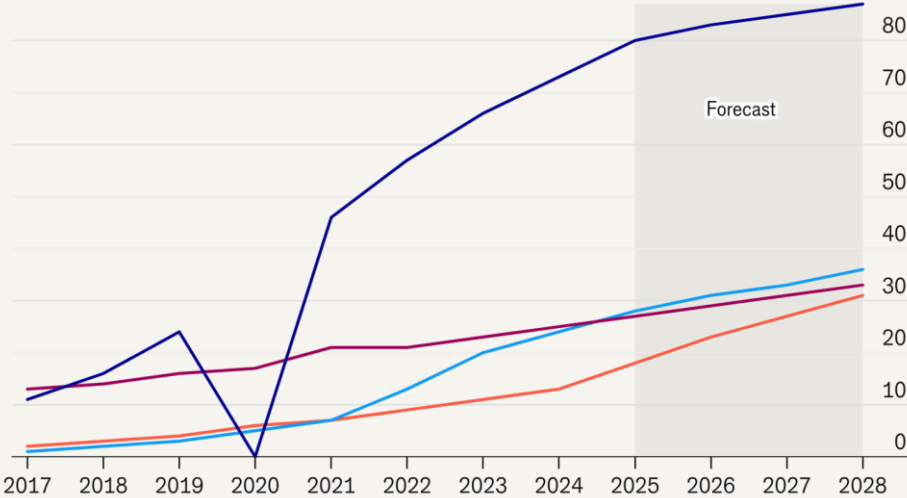
■ US ■ OECD average



We forecast fibre broadband demand will continue to grow in the US

Fibre broadband subscriptions as a share of total fixed broadband subscriptions; %

— France — Germany — UK — US



Source: ITU; EIU.

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US investment in broadband remains strong

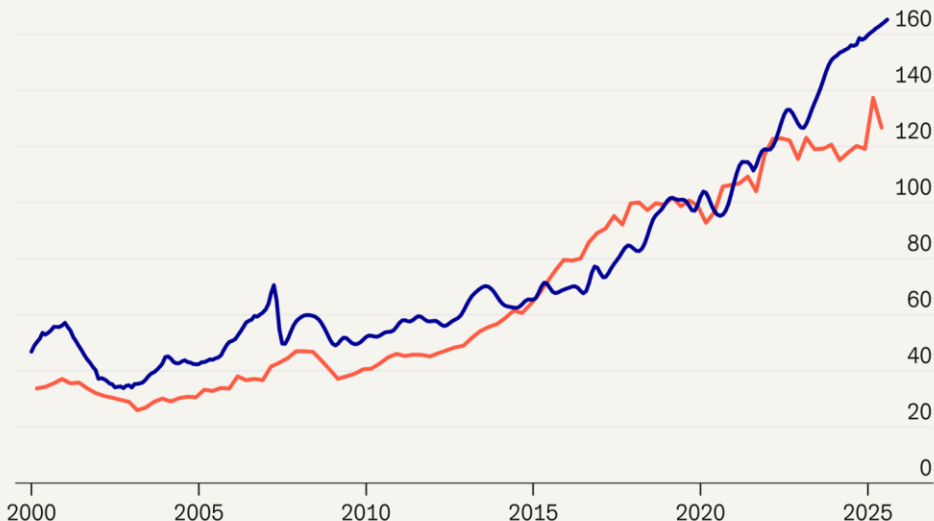
Investment has picked up since 2023, although domestic production has been slower to gain momentum

Broadband investment is robust while production is picking up

Communications industry production and investment; 2019 = 100

— Industrial production, communications equipment

— Real private investment, communication facilities and equipment



Source: BEA; EIU.

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- Investment is robust. Real investment in communications infrastructure has accelerated sharply since 2023, driven by fibre deployment, and hyperscaler data-centre expansion.
- Industrial production of communications equipment has inched higher since 2023, supported by domestic manufacturing regulations like Build America, Buy America.
- Exports of communications equipment have recovered from the post-pandemic slump and are growing again.

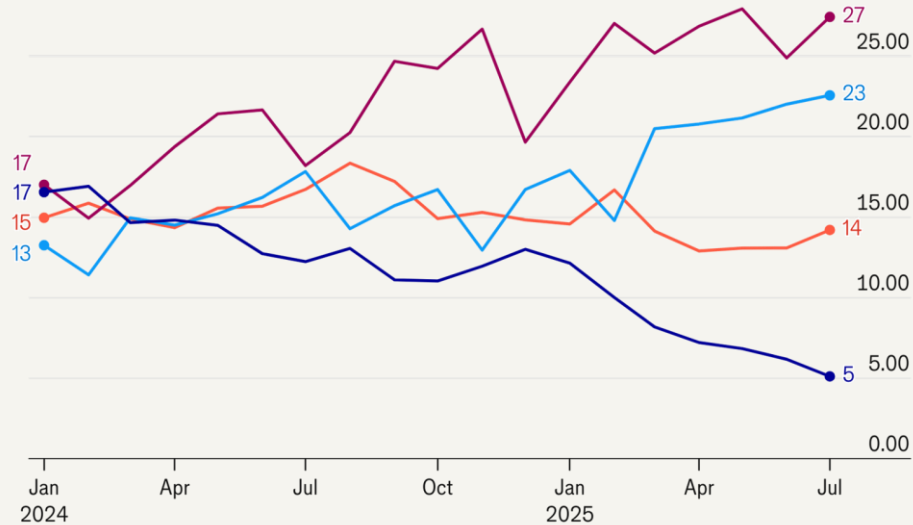
Tariffs are driving significant import sourcing changes

Prices of industry inputs are also rising

Imports from China have fallen as the tariffs have set in

Share of US imports of network gear, by source country; %

— China — Mexico — Thailand — Vietnam



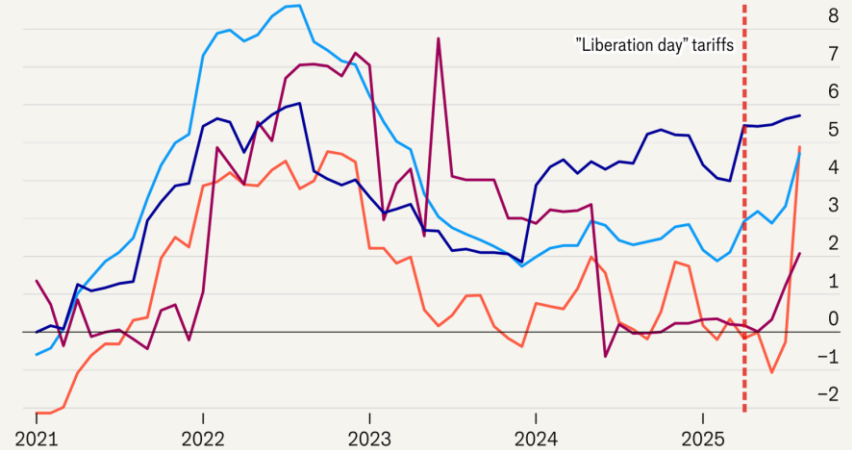
Source: EIU.

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Broadband industry input prices are rising again after the pandemic surge had dissipated

Producer price index (PPI), by commodity; year-on-year % change

— Communications equipment — Electronic components — Electrical machinery — Wireline data networking equipment



Source: BLS; EIU.

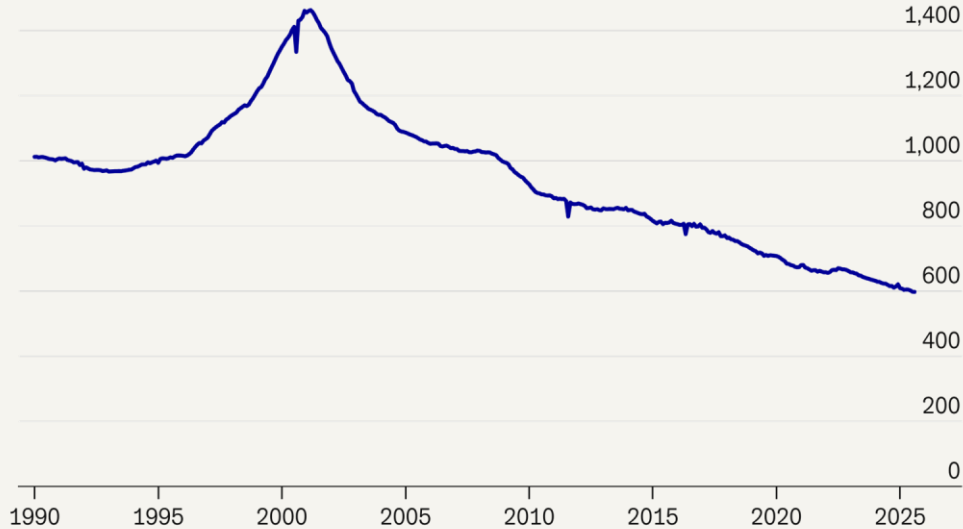
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Policy support is strong, but execution risks persist

BEAD delays, labour gaps, and localisation rules are slowing delivery despite federal support

The telecoms workforce continues to decline

US telecommunications employees; thousands



Source: BLS; EIU.

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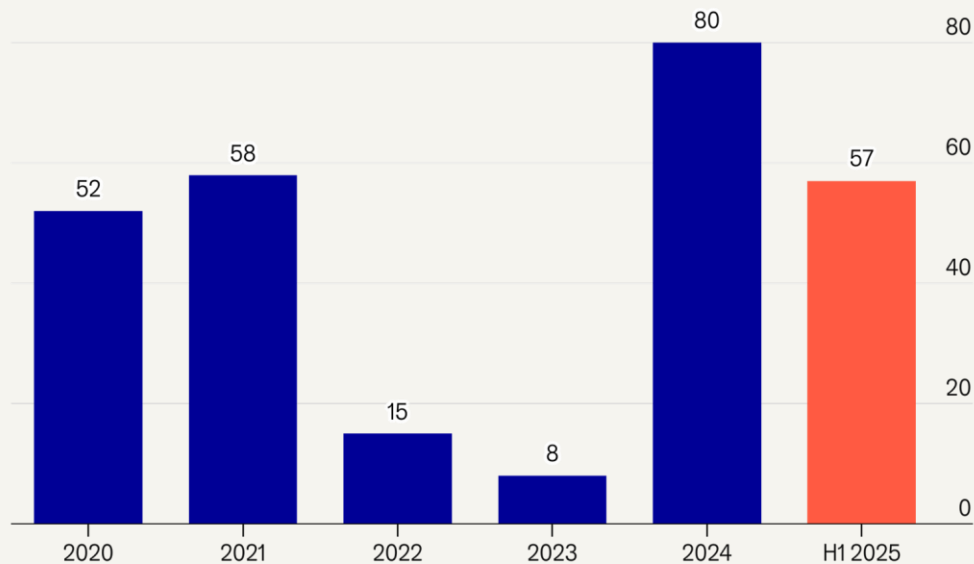
- The Broadband Equity Access and Deployment Program (BEAD) disbursements are still in early stages, though states are advancing proposals and some requirements have been relaxed.
- Buy America requirements under BEAD continue to apply—and despite a limited waiver, they remain a material cost-and-timing risk for equipment sourcing and contract structuring. Firms are adapting and investing in US capacity.
- The US telecoms sector is grappling with a shrinking and ageing workforce, a shortage of skilled technicians, real-wage pressures, and rising competition for talent—all of which threaten its ability to scale up infrastructure and services.

M&A activity is rebounding

US telecom M&A surges on fibre scale and bundling plays, albeit underpinned by fewer, large deals

Telecom M&A activity has jumped

Americas telecom M&A deal value; US\$ bn



Source: Bain and Company; EIU.

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- Consolidation activity has picked up, driven by fibre-scale economics, fixed-mobile convergence, and easing financing conditions. H1 2025 saw a 44% rise in Americas telecom M&A value compared with H1 2024.
- Two landmark deals illustrate the trend: Charter's proposed US\$34.5bn merger with Cox aims to expand fixed broadband coverage and strengthen mobile bundling, while AT&T's US\$5.75bn acquisition of Lumen's mass-market fibre assets extends AT&T's fibre footprint.
- Looking ahead to 2026, deal flow will partly hinge on interest-rate dynamics.

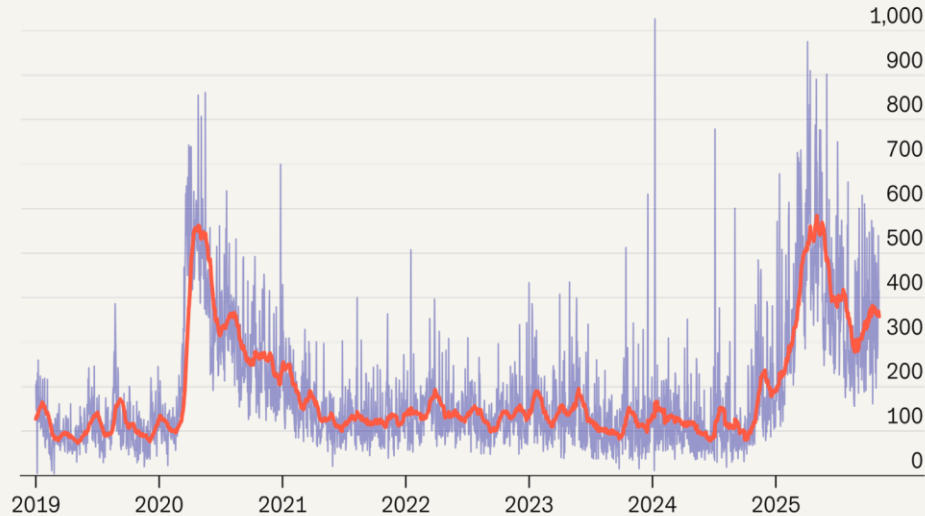
2026 will bring challenges as well as opportunities

Uncertainty is set to remain elevated, as macroeconomic, policy and trade risks rise

Uncertainty remains high by recent historical standards

US daily economic policy uncertainty index

— Daily index — 30-day average



Source: Baker, Bloom and Davis (2016);
EIU.

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- The US economy has so far absorbed recent policy shocks but growth is moderating.
- The upside case is that resilient household demand and strong corporate investment—particularly in AI—keep activity steady through 2026.
- A renewed flare-up in trade or wider policy unsettle supply chains and investment confidence.
- Higher US tariffs are becoming a structural feature of the global economy, raising costs. Significant re-industrialisation remains unlikely, but some new domestic capacity will come online.
- Supply-chain diversification continues, with North America still the most likely safe haven.