

Race for 5G Speeds Up, Lifting West's Top Suppliers

Nokia and Ericsson say U.S. wireless carriers are planning to upgrade to 5G sooner than expected



Nokia CEO Rajeev Suri—seen above in Barcelona in February—said U.S. wireless carriers should start significant spending on 5G equipment in 2018's second half. Carriers originally weren't expected to spend heavily on 5G until 2019 or later. PHOTO: YVES HERMAN/REUTERS

By

Stu Woo

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The race for 5G, the next generation of wireless technology, is heating up sooner than expected.

That is promising to benefit two struggling Nordic telecommunications-equipment makers just as their two largest competitors—both from China—are hitting potentially serious hurdles.

[Ericsson](#) [ERIC -0.46%](#) AB of Sweden and Finland's [Nokia](#) Corp. [NOK -2.19%](#) said in the past week that U.S. wireless carriers were planning to upgrade their networks sooner than expected, which would give a boost to both companies' long-declining equipment sales.

"5G momentum is building fast," Nokia Chief Executive Rajeev Suri said Thursday, referring to the next, superfast generation of network technology. "There is competition between countries on 5G, with many pushing to be first, the United States and China to be sure, Japan and South Korea, but also within the Nordics and the Middle East."

Mr. Suri said U.S. wireless carriers should start significant spending on 5G equipment—which includes cellular-tower electronics and related components—in the second half of 2018. Carriers originally weren't expected to spend heavily on 5G until 2019 or later. The new technology promises superfast connections.

Meanwhile, China's booming telecommunications-equipment makers, Huawei Technologies Co. and [ZTE](#) Corp. [ZTCOY -15.37%](#), are facing growing pressure in the U.S.

Last week, the Commerce Department all but [banned ZTE from buying components from U.S. suppliers](#), though much is still unclear about how sweeping enforcement will be.

Global Powers

Huawei has zoomed ahead of rivals in the telecom-equipment market.

*Includes all categories of equipment, including wireless gear, towers, routers and switches.

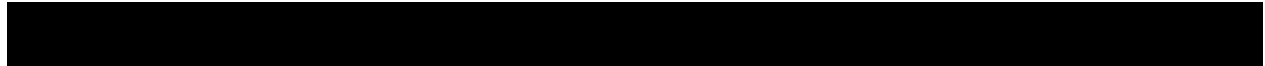
Source: Dell'Oro Group

The sanctions stemmed from U.S. allegations that ZTE broke the terms of a previous settlement, brokered after the company admitted to shipping U.S. telecoms equipment to Iran and North Korea, in breach of U.S. sanctions.

The Wall Street Journal reported on Wednesday that [the Justice Department is investigating whether Huawei](#) also violated U.S. sanctions related to Iran. After that report, [the company scrapped plans for a €500 million bond sale](#).

The actions come amid a broader Washington campaign to curb Huawei and ZTE [over national-security fears that their equipment could be used to spy or disable communications](#). Both companies have said they pose no threat.

Related Video



The U.S. wireless industry is dominated by four major players: Verizon, AT&T, T-Mobile and Sprint. Now that just about everyone has a cellphone, each operator is looking for new ways to grow. But how did we go from the days of one giant landline monopoly to four competitive cell companies? Illustration: Shaumbe Wright/WSJ

Nokia and Ericsson once dominated the global telecom-equipment industry, but have steadily lost ground to the Chinese rivals in the past decade. Huawei in 2017 led the global telecom-equipment market with a 27% share, followed by Nokia's 17%, Ericsson's 13%, and ZTE's 10%, according to Dell'Oro Group, a research firm.

Besides different countries vying to win the 5G race, customers are generally demanding faster internet, for streaming videos and other reasons, Nokia's Mr. Suri said Thursday. Wireless carriers want to keep up with rivals who will be advertising

their 5G networks. Mr. Suri said manufacturers are also investing in 5G connections for factories and other industrial uses.

Partly because of the stepped-up pace, Nokia said Thursday it now expects industrywide declines in equipment sales to carriers to come in less than feared. Nokia said those sales should fall just 1% to 3% in 2018. In February, Nokia predicted a 2% to 4% drop.

Turning Up? Nokia and Ericsson are both showing signs of a turnaround. Quarterly net income attributable to shareholders
Ericsson Source: FactSet \$1= 8.71 Swedish krona
2015'16'17'18-20-15-10-505103Q 2017x-4.452 billion Swedish krona

Nokia Sources: FactSet, the company (Nokia 1Q 2018) €1=\$1.21
2015'16'17'18-1.0-0.50.00.51.01.5€2.0

Meanwhile, Ericsson shares have risen 20% since it reported last week that its losses narrowed sharply. Investors see a turnaround effort—involving cutting jobs and divesting itself of businesses that aren't related to selling telecom equipment—taking hold. Ericsson also sees 5G momentum rising in the U.S.

Chief Executive Borje Ekholm said carriers in North America are “investing heavily...in order to be early on 5G.”

There is still a long way before either company climbs out of the deep holes that years of losses have left them in. They are both still losing money, just not as much of it.

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Ericsson said its first-quarter loss was 725 million Swedish kronor (\$83 million), compared with 10 billion kronor in the same period a year earlier. Sales fell 9% to 43.4 billion kronor.

On Thursday, Nokia reported a first-quarter loss of €191 million (\$232 million), compared with €450 million a year earlier. Its first-quarter revenue was €4.9 billion, down 8%.

Huawei is the world's biggest telecoms-equipment maker and it is the No. 3 smartphone manufacturer behind [Apple](#) Inc. and [Samsung Electronics](#) Co. Last month, it said its net profit rose 28% to 47.5 billion yuan (\$7.5 billion) for 2017 [on the back of strong smartphone sales](#).

Write to Stu Woo at Stu.Woo@wsj.com