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Ericsson Exceeds Q2 Profit Forecasts but Flags Risk from U.S. Tariff Policy

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Ericsson reported stronger-than-expected earnings for the second quarter, driven by cost reductions and solid demand in North America. However, the telecoms giant cautioned that proposed U.S. tariffs on European goods could weigh on its future profit margins.

The Swedish telecommunications equipment manufacturer posted an adjusted operating profit of 7.0 billion Swedish crowns (approximately $728 million), beating analyst estimates of 6.1 billion crowns. This marks a strong turnaround from a loss of nearly 12 billion crowns in the same period last year. The company attributed the improvement to a leaner cost structure and ongoing operational efficiencies. Chief Executive Officer Borje Ekholm stated that Ericsson had successfully reduced its cost base and would continue pursuing further efficiencies.

Revenue came in at 56.1 billion crowns, down 6 percent year-on-year, largely due to foreign exchange impacts totaling 4.7 billion crowns. However, on an organic basis, sales grew by 2 percent, reflecting strong performance in North America, which helped offset slower growth in markets like India. Gross margins improved to 47.5 percent from 43.1 percent a year earlier, signaling stronger profitability in key regions.

Despite the upbeat earnings, Ericsson expressed concern over the possibility of increased tariffs from the United States on European imports. The company warned that such measures could restrict margin expansion, especially in its core markets. Chief Financial Officer Lars Sandström noted that while Ericsson maintains production capacity in several regions, including North America, global supply chains remain vulnerable to trade policy shifts.

Shares of Ericsson fell by about 3 percent following the earnings release, as investors reacted to the tariff warning and cautious margin outlook.

From a center-to-right economic perspective, Ericsson's performance illustrates the benefits of disciplined cost management and market diversification. Rather than relying on government subsidies or protectionist measures, the company has strengthened its position through private-sector agility and strategic investments.

Trade policy clarity remains critical. Unpredictable tariff changes not only disrupt global supply chains but also undermine investor confidence. Policymakers should prioritize stable, rules-based trade frameworks to support economic growth without stifling competition.

In summary, Ericsson's second-quarter results highlight its operational resilience and strategic focus. While looming U.S. tariffs pose a potential headwind, the company's emphasis on cost control and regional flexibility puts it in a strong position to navigate future challenges. A stable global trade environment will be key to sustaining this momentum.