

Global trade redefined: Telco

**Dealing with
tariff uncertainty**

July 2025





This report has been developed in collaboration with the Strategy& team, PwC's global strategy house. Together, we transform organisations by developing actionable strategies that deliver results.

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Ref: *Accessing the situation and What could happen next*

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Introduction

The direct impact of tariffs on UK-based telecommunications companies is expected to be more limited than other sectors. This is largely because the sector exports few physical goods to the US and has relatively modest integration with American-based supply chains.

However, broader uncertainty in global financial markets could prompt industry leaders to reassess their capital expenditure plans. This caution may dampen long-term growth prospects across the sector.

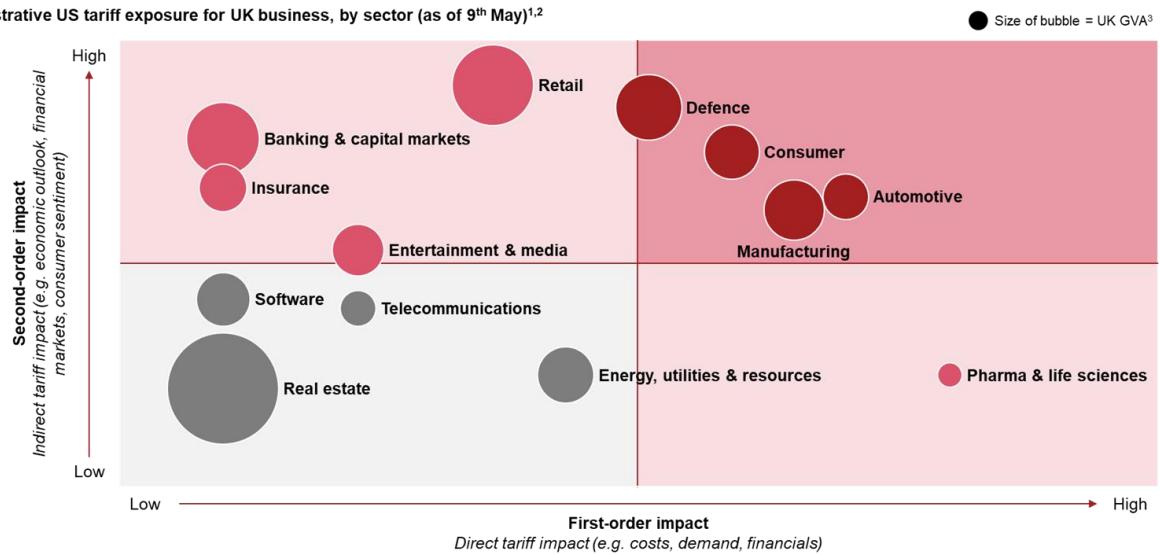
While the telecoms industry has historically shown resilience to macroeconomic shocks, a slowdown in overall economic growth could affect both consumer and enterprise demand. Consumers may shift towards lower-cost packages or providers. On the business side, as well as reduced capex, there could be a risk of an uptick in company closures.

Beyond economic implications, telecom operators are reevaluating the structure of their supply chains as geopolitical alliances shift. Within this, there is a growing emphasis on sovereignty, including local data hosting and reduced reliance/ greater caution around foreign technology partners.

Some common industry actions:

1. Scenario plan determining first-order and second-order impacts and risks.
2. Move ahead with 'no regret moves' in the short term while investing sufficient time to shape concrete strategic choices which can be executed based on downstream scenarios.
3. Be deliberate in seeking out growth opportunities, these may be in adjacent areas or as a consequence of how other markets react.
4. Embed ongoing resilience and decision-making frameworks to respond to geoeconomic shocks.

Illustrative US tariff exposure for UK business, by sector (as of 9th May)^{1,2}



Notes: 1. Estimated tariff impact assumes measures stay in place for a prolonged period, in line with Strategy&’s ‘Break and reorder’ scenario, 2. Featured sectors account for c.60% of UK GVA (Gross Value Added), 3. Estimated 2024 GVA based on ONS data.

Assessing the situation

On 2 April 2025, the US administration announced a sweeping package of tariffs on imported goods. This marked the beginning of a tumultuous period, during which sector-focused tariffs have been implemented, pauses have been extended, and tariff letters have been issued. Businesses continue to face a materially more volatile and uncertain global trading environment as a result.

What happened on 'Liberation Day'?

An Executive Order introduced a dual framework of US import restrictions: (1) broad-based 'baseline' tariffs; and (2) targeted 'reciprocal' measures. The UK was subject to the 10% baseline rate, while other partners were subject to much higher rates.

These tariffs sat alongside a number of product-level distinctions (e.g. automobiles, steel, and aluminium), and exemptions (e.g. pharmaceuticals and critical minerals).

Activity in overdrive

On 9 April, reciprocal tariffs were paused for 90 days - creating a window for intense diplomatic engagement between the US and its main trading partners.

As only three 'agreements' were reached within the initial 90-day window, this pause has since been extended to 1 August. This extension was announced alongside the issuance of formal 'tariff letters' which confirmed and, in some cases, revised rates.

While these letters provided clarity, they have also sparked new complexities. Some countries such as Japan and Brazil saw steep increases, while others received conditional relief. Countries must now consider how to respond, either through acceptance, retaliation, or renewed deal-making efforts.

It remains unclear exactly what will happen next as we pivot from a predictable trading environment into uncharted territory, but it is evident that **global trade is being redefined**.

Extended fragmentation

While the initial focus has been on goods, trade disruption is likely to spill into other domains. For instance, some service sectors may see sharper regulatory divergence, while others trend towards regionalisation.

Labour mobility, too, is under pressure. Migration constraints and shifting geopolitical alliances are limiting access to global talent pools, while heightened restrictions on knowledge exchange and capital flows risk slowing innovation - particularly in sensitive areas like AI and tech.

These shifts may feel abstract for UK businesses, but they carry real implications. Fragmented capital markets could restrict cross-border investment, divergent data standards might hinder digital growth, and scaling innovation across borders may become more challenging.

Businesses that once optimised for cost and efficiency must now account for robustness and agility - embedding **resilience** as a guiding principle across supply chains, partnerships, and talent strategies.

Organisations must adapt to this redefined world, with success likely to belong to businesses that can bridge the divides that others can't yet see.



Trade is the hinge between economic theory and political reality. When it swings, the whole house can shake."

Barret Kupelian, Strategy& and PwC UK Chief Economist

What could happen next

The contours of a new trading system

While US trade policy remains volatile, there are three defining themes which we expect will underpin the future path. Most notably, it is our view that stronger protectionism will be a guiding principle for the US - a stance which may continue to evoke retaliatory action across the globe.

As the direction of trade policy becomes clearer, businesses must shift from reactive decisions to long-term strategic planning. This means developing investment strategies, risk management frameworks, and supply chain designs that build resilience against potential future changes.



US protectionism is here to stay

Enhanced US protectionism is likely to remain for a number of reasons:

Political sensitivity – the White House has framed the tariffs as a national security issue, making it difficult to roll back policy.

Tax revenue – tariffs may generate up to 6% of total US federal income in 2025.¹

Business backlash – businesses that have adapted operations in response to tariff announcements would be stung by policy U-turns.

New measures – even if the US decides to move beyond tariffs, other protectionist measures such as domestic subsidies or local content requirements, may be considered.



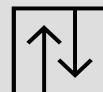
Shields will vary by sector

Policy specifics will evolve over time, but the US is likely to 'shield' particular sectors:

Tariffs will focus on industries where the US sees domestic opportunities, such as steel, automotives, and semiconductors.

Priority industries are likely to evolve over time, as the US administration better understands domestic capability and international reliance.

The US is open to carving out exemptions for partners who are willing to negotiate, as illustrated by the trade agreement reached with the UK.



Policy will remain dynamic and unpredictable

US policy will continue to evolve at pace, and is likely to remain somewhat unpredictable:

Dynamic – the US weighted average tariff rate has fluctuated through 2025, with continued volatility likely.

Unpredictable – ongoing Section 232 investigations into steel and aluminium hint that fresh measures could drop without warning.

Escalating – if threats towards trading partners such as Brazil, Mexico, and the EU materialise, the US weighted average tariff rate could climb to c.35% by 1 August 2025.²

Less credible – some Wall Street commentators have viewed US announcements as negotiation tactics rather than true policy direction, with policy credibility further eroded with each cycle of delay and de-escalation.

Notes: (1) January 2025 Congressional Budget Office projections – prior to the announcement of Liberation Day tariffs (2) US weighted average tariff rate reflects the average tariff imposed on goods imports to the US, considering both country-specific and sector-specific rates due to be implemented on 1 August. **Sources:** WITS, the Budget Lab at Yale, Reuters, Congressional Budget Office

Taking stock of tariffs

Understanding the tariff impact on the telco sector

First-order impacts

UK telecommunications businesses are largely insulated from the direct effects of US import tariffs, both in terms of revenue and costs. With limited export activity to the US and hardware components typically sourced from supply chains outside US jurisdiction, most UK and European telcos are unlikely to experience immediate or significant changes in the cost or complexity of doing business – however this may change if services exports eventually fall within the remit of US tariffs.

US telcos are expected to be more impacted and are likely to face steep increases in input costs as handsets and hardware are typically sourced from countries that now have significant import tariffs applied (notwithstanding any tariff exemptions). As a result, many of these goods may now be rerouted to the UK and Europe, leading to a large surplus of hardware in the market.

As a result, businesses involved in specific sub-sectors with greater hardware exposure (such as vendors/suppliers of telco equipment) may be more impacted in the short term.

Second- and third-order impacts

For UK telco companies, the more material impact of US tariffs are likely to emerge through second- and third-order effects. The most immediate is the macroeconomic impact of slowing global growth and increased market uncertainty. While the sector enjoys a degree of insulation as an essential utility, declining consumer confidence could lead to a reduced spend on services, while weak business sentiment could delay investment decisions.

Companies undertaking infrastructure upgrades are particularly exposed to financial market volatility. Fluctuations in share price, currency values and interest rates are causing a reevaluation of capex plans – with some commitments deferred. Beyond economic pressures, shifting geopolitical dynamics are prompting businesses to reassess supply chains and infrastructure with a view to sovereignty. There is an increasing need to more carefully evaluate reliance on foreign jurisdictions. This builds on longstanding concerns, such as the extraterritorial reach of the US CLOUD Act (Clarifying Lawful Overseas Use of Data Act), which allows access to data regardless of where it is stored, and the continued removal of Chinese equipment from UK networks.

In response, Telcos will need to manage not only economic uncertainty but also growing pressure to localise key functions, diversify technology partners and strengthen data governance. This shift brings both risk and opportunity. Domestic providers may benefit, while those dependent on foreign vendors are likely to face complex, costly adjustments. In a landscape increasingly shaped by geopolitical alignment, long-term competitiveness will depend on balancing performance, compliance, and sovereignty.

A tax perspective

01

Tariffs are applied to tangible goods when they are physically imported across an international border. This concept only extends to certain services integral to the goods themselves. What this means is that tariffs don't directly attach to the services provided by telco companies but would indirectly increase the cost for the consumer of services.

02

Some devices, such as smartphones, and key components used in technology, such as semiconductors, are currently excluded from US tariffs. But the list of exclusions is not exhaustive and the situation is fluid – telco businesses can expect further disruption and pricing impacts.

Navigating the potential fallout

Actions you can consider

UK telco businesses can consider various short- and long-term moves to address the evolving market and ongoing volatility.

Short-term 'no regret' moves	Moves to capture maximum value over the longer term
<ul style="list-style-type: none">Understand and map out the supply chain exposures to US tariffs, both direct and indirect, and identify alternative suppliers or markets where possible.	<ul style="list-style-type: none">Explore new or emerging markets or segments, where the tariffs may create opportunities or lower barriers to entry. For example, European markets that may seek to reduce reliance on certain providers, or which may offer higher margins or differentiation.
<ul style="list-style-type: none">Focus on cost reduction initiatives, such as operational efficiency, organisational restructuring, or divesting from non-core areas, to improve profitability and resilience.	<ul style="list-style-type: none">Innovate and develop new or value-added services or products, that can meet the changing needs and expectations of customers and create a competitive edge. For example, invest in 5G or digital infrastructure or offer cyber support or managed services
<ul style="list-style-type: none">Monitor and anticipate the changes in customer behaviour and preferences and adjust the pricing and marketing strategies accordingly. For example, offer more flexible or customised plans, or launch a low-cost brand to compete with budget providers.	<ul style="list-style-type: none">Invest in local or regional manufacturing or sourcing, where feasible, to reduce dependency on global supply chains and enhance resilience against trade disruptions.

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It's crucial for UK telcos to understand where their supply chains are exposed, both directly and indirectly, to US tariffs. This involves a detailed analysis of the entire supply chain to identify any potential vulnerabilities.”

Russell Taylor, PwC UK Telecommunications Leader

Key contacts

Contact us to discuss how best to respond to the changing rulebook for global trade



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