

Industry trends – Electronics/ICT

A temporary de-escalation in the US-China tariff war will support global electronics growth

July 2025



Global overview

Trade policy uncertainty causes impact, despite robust growth rates

We expect electronics/ICT production to grow by 6.7% in 2025 and by 4.0% in 2026. In May the US and China agreed to slash punitive tariffs against each other, at least temporarily. This is in addition to the tariff exclusions the US previously announced for smartphones, PCs, display monitors, semiconductors and other types of digital ICT equipment.

However, uncertainty over trade policy remains and will continue to weigh on investment and capital-dependent electronics production. Global electronics production will be 0.7% lower in 2026 than our forecasts prior to the US tariff announcements on April 2, the so-called 'Liberation Day'. Lower business investments and a slowdown in manufacturing activity will lead to softer demand for lower-end chips and other electronic components.

Despite policy uncertainty hitting capital expenditure, investment in high-tech goods will be relatively strong, due to its long-term strategic importance. Electronics components, boards, and semiconductors will account for a large share of sector growth over the coming years. Primary demand drivers will be accelerating digitalisation, industrial automation and the increased need for high-end semiconductors, particularly from growth segments such as artificial intelligence (AI) and electric vehicles (EV).

Electronics/ICT is expected to be one of the fastest-growing sectors in manufacturing in the medium- and long-term.

However, growing so-called chip nationalism could lead to technological divergences and inefficient production processes. The US is using tariffs to reshore chip production capacity away from Taiwan. While supply chain diversification could deliver stability, production costs could rise and likely lead to cost inefficiency.

Computers and office equipment – After a robust 8.3% increase in 2024, we expect growth will remain largely unchanged at 8.4% in 2025, thanks to a replacement cycle. This includes computing devices bought during the pandemic coming to an end of their lifecycles, as well as the launch of Windows 11.

Electronic components and boards – After an 18.4% surge in 2024, production in this segment is predicted to settle into a growth rate of 9.2% in 2025 and 4.4% in 2026. Semiconductor sales are forecast to grow by more than 10% annually in the coming two years, driven by the AI boom.

Telecommunications equipment – After a 10.8% contraction in 2024, we expect robust production and sales in 2025 and 2026. The sector is buoyed by growth and upgrades to mobile and broadband infrastructure, in particular for 5G.

Industry performance forecast					
Europe		Asia and Oceania		Americas	
Austria	Netherlands	Australia	Philippines	Brazil	Excellent The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend. Good The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend. Fair The credit risk situation in the sector is average / business performance in the sector is stable. Poor The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend. Bleak The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.
Belgium	Poland	China	Singapore	Canada	
Czech Republic	Portugal	Hong Kong	South Korea	Mexico	
Denmark	Slovakia	India	Taiwan	USA	
France	Spain	Indonesia	Thailand		
Germany	Sweden	Japan	UAE		
Hungary	Switzerland	Malaysia	Vietnam		
Ireland	Turkey	New Zealand			
Italy	UK				



Industry trends

Electronics / ICT

Electronics and computers output	2023	2024	2025*	2026*
Global	1.3	8.5	6.7	4.0
Americas	2.2	7.1	5.6	3.1
Asia-Pacific	0.6	10.8	8.0	4.6
Europe	3.8	0.0	1.0	0.9

Year-on-year, % change /*forecast
Source: Oxford Economics

Global output per subsector	2023	2024	2025*	2026*
Computers and office items	-4.0	8.5	6.7	4.0
Electronic components/boards	3.3	18.4	9.2	4.4
Telecoms equipment	0.0	-10.8	5.4	9.8
Consumer electronics	4.6	8.1	0.5	0.6

Year-on-year, % change /*forecast
Source: Oxford Economics

Strengths and growth drivers

High-tech expansion. Electronics/ICT is an innovative and technology-driven industry. In particular, the semiconductor segment is highly value added and provides robust margins for manufacturers.

Expanding semiconductor production. This is a strategic target in the US, EU and Asia. Legislation has been passed recently to support the growth of domestic production in all three areas.

Growth of digitalisation, automation, AI and electric vehicles. Accelerating digitalisation, industrial automation, and increased demand for advanced semiconductors from new growth segments like artificial intelligence and EVs will all help the ICT industry become one of the fastest growing sectors in manufacturing.

Constraints and downside risks

Market saturation. In some advanced economies, the market for certain ICT products (e.g., personal computers, tablets and smartphones) is nearing saturation, which affects growth prospects.

US-China tensions. Trade issues have spilled over to technology. Both the Trump and Biden administrations have imposed regulations to prevent Chinese companies from acquiring US semiconductor manufacturing technologies and equipment. Both sides perceive high-tech leadership as a strategic asset. A further deterioration of the Sino-US relationship could negatively affect global ICT/electronics supply chains.

Growing 'chip nationalism'. In addition to technological divergences, (e.g. in 5G deployment), chip nationalism could lead to inefficient production processes and increased production costs, with impacts on sector productivity and profitability.





Electronics/ICT outlook Americas

Electronics and computers output	2023	2024	2025*	2026*
Brazil	-10.1	11.7	-1.1	6.4
Canada	-8.9	-5.0	-2.6	-3.5
Mexico	1.5	-0.5	0.5	2.1
USA	3.0	8.5	6.5	3.3

Year-on-year, % change /*forecast – Source: Oxford Economics

USA

Semiconductor output to drive robust growth in the near term

We expect US electronics/ICT production to grow by 6.5% in 2025, followed by a 3.3% increase in 2026. Growth is being driven by the largest subsector, electronic components and boards. We expect this segment to expand by 10.5% this year and by 6.4% in 2026, despite the ongoing trade policy uncertainty. The US administration's strong resolve to increase domestic production of semiconductors is a growth driver. Additionally, cloud computing and storage, automated data processing, and cybersecurity solutions, such as colocation services, are increasingly becoming priorities for businesses. Robust demand for AI chips will continue to boost investment in the industry, which is expected to increase by 10% in 2025 and by 6.5% in 2026. US chip production capacity will likely continue to ramp up over the coming years due to high investment, including from several global players like Samsung, Intel and TSMC.

Production in the computer and office equipment segment has accelerated since H2 2024, which will push up annual growth to 10.6% in 2025. This is due to a replacement cycle, where people and business that invested in equipment during the pandemic are now looking to upgrade and replace their tech. The end to Windows 10 support in October is also likely to lead to strong demand for new Windows 11 computers throughout the coming months.

US production of telecommunications equipment has grown strong in recent years due to upgrades to broadband infrastructure and to 5G mobile systems. After a 16.1% surge in 2024 we expect output growth to cool down to 5.2% in 2025 and 2.3% in 2026.

After a robust 14.4% increase in 2024, consumer electronics sales will contract by 5.8% this year and by 3.8% in 2026. Demand will be curbed due to the direct and indirect impacts of tariffs on consumer spending.

The precision instruments segment is facing headwinds, as uncertainty over US trade policy weighs on investments by US businesses. Both new orders and order backlogs have decreased since start of the year. We expect growth in this subsector to slow down to 3.4% in 2025 and 1.3% next year.

The Trump administration's fiscal policy continues to provide significantly reduced tax rates, including a corporate tax rate lowered to 15%. This should benefit US technology businesses, as a considerable number of them are highly leveraged and capital-intensive.

Due to generally low margins for segments like consumer electronics and computer and office equipment, low input costs are critical. This will hamper initiatives to shift manufacturing back to a high-cost environment such as the US. A comprehensive revitalisation of the US electronics manufacturing sector would only be possible either through reskilling and training of the domestic workforce (a highly costly and lengthy endeavour) or through the use of low-cost labour from overseas.

Industry performance forecast

- Brazil**
- Canada**
- Mexico**
- USA**

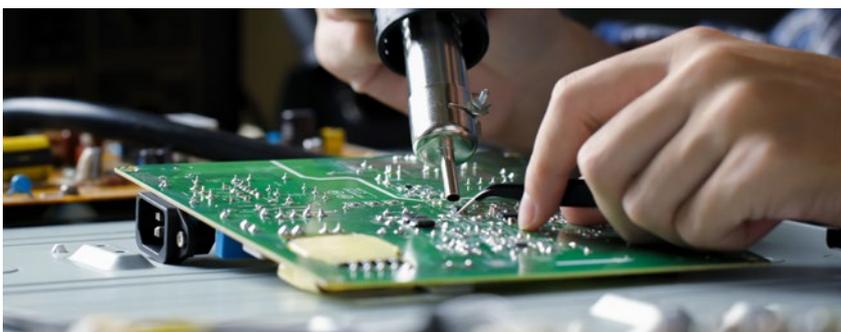
Excellent
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Fair
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Electronics/ICT outlook Asia Pacific

Electronics and computers output	2023	2024	2025*	2026*
China	5.0	10.6	8.8	4.4
Japan	-3.6	3.0	3.1	5.9
South Korea	-0.8	15.9	8.1	3.9
Taiwan	-11.4	19.3	12.9	6.3

Year-on-year, % change /*forecast – Source: Oxford Economics

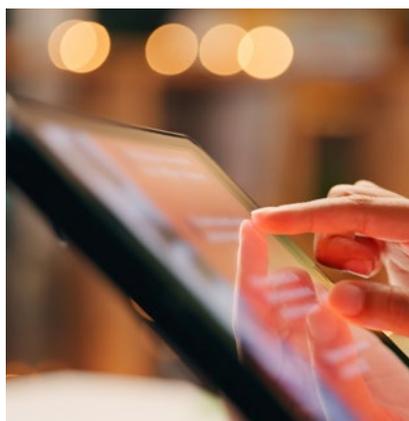
Japan/South Korea/Taiwan

Solid growth rates for high-tech goods

Growth of high-tech goods will remain robust in these East Asian markets in 2025 and 2026 (see chart above). Japan has made a structural shift away from producing lower-value items such as consumer electronics and is investing to expand its chip production capacity. Both South Korea and Taiwan benefit from the current high demand for semiconductors.

Taiwan-based TSMC, the world’s biggest contract chip manufacturer, has a near-monopoly on high-end chips, with robust demand due to the AI boom. Faced with the tariff threat by the US, the firm decided to invest USD 100 billion in the US and to build three more fabs there. However, most of high-end chips production will likely remain in Taiwan.

South Korea specialises in memory chips, meaning it benefits from the demand for high-end chips from data centres. Some production could move to the US in order to avoid tariffs, but most of the production capacity will likely remain onshore. While South Korea retains a large share in global high-end memory chip production, lower-end chip production is under pressure from Chinese players, whose fierce competition is driving prices lower. This will likely affect margins in the low-end realm, but will have limited impact on the more important high-end products.



China

Robust growth, but downside risks remain

China produces more than half of the world’s electronic goods, computers and telecommunications, and the industry’s fortunes inevitably reflect global demand. We expect Chinese electronics and computer production to increase by 8.8% in 2025 and by 4.4% in 2026. However, another escalation of the Sino-US trade war remains a downside risk.

Production of electronics and boards (including semiconductors) is forecast to grow by 10% this year. The high-tech sector is a key area of the government’s targeted industrial strategy, with subsidies of about USD 150 billion spent over the past ten years. Beijing has long emphasised the importance of self-sufficiency in chip production, encouraging more domestic investment in technology (AI, data centres, big data, etc.) Those efforts have accelerated since October 2022, when the US introduced sanctions on high-tech exports to China. Those have been tightened several times since then and include restrictions on the sale of advanced chips and software. Despite the sanctions and a technological backlog in advanced chip production, it seems that China is nevertheless moving up the chipmaking value chain.

However, while China’s progress is notable, significant challenges remain. The country continues to face technological gaps and a reliance on foreign equipment, particularly in the production of high-end chips. These obstacles may slow the pace of advancement. Achieving full self-sufficiency in advanced semiconductor manufacturing will remain a complex process that could take considerable time.

Industry performance forecast	
	Australia
	China
	Hong Kong
	India
	Indonesia
	Japan
	Malaysia
	New Zealand
	Phillippines
	Singapore
	South Korea
	Taiwan
	Thailand
	UAE
	Vietnam
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Electronics/ICT outlook Europe

Electronics and computers output	2023	2024	2025*	2026*
France	10.2	1.6	0.3	1.4
Germany	6.2	-1.6	2.3	2.7
Italy	1.5	0.3	1.0	1.3
United Kingdom	1.0	-2.5	1.5	-2.2

Year-on-year, % change /*forecast – Source: Oxford Economics

Europe

Modest growth due to a slow industrial recovery

Compared to growth rates in Asia Pacific and the US, the European electronics/ICT sector continues to underperform. After a 1.1% contraction in 2024 we expect production of electronics and computers in the EU and the UK to grow by just 1.6% in 2025 and 1.4% in 2026. Overall demand momentum will remain modest, reflecting the slow industrial recovery.

The weak investment outlook in the EU and the UK weighs on capital-reliant precision equipment production, which is the largest electronics subsector in the region. Production is forecast to increase by only 1.1% in 2025 and 0.7% in 2026. Growth will likely pick up as of 2027 when the recovery will be on a firmer footing. The electronic components and boards segment is forecast to grow by 2.5% in 2025, but output will likely remain below 2023 levels. Over the long-term, higher military spending in the region should provide tailwinds for the subsector. This is particularly the case for Germany, where a change in fiscal rules provides room to expand spending.

Major investments in semiconductor production underway, but lack focus on high-end chips

In common with East Asian countries and the US, the EU has passed legislation in support of the local semiconductor industry. The EU Chips Act is set to invest EUR 43 billion in local semiconductor production and research, with the aim of lowering dependence on imports from Asia and achieving a 20% share of global chip production by 2030.

However, current estimates suggest the EU’s target of 20% of global production by 2030 is likely to be beyond reach, constrained by limits on subsidies compared to the US and location disadvantages compared to East Asia (e.g. operating and labour costs). At the same time the EU continues to focus on industrial and automotive chips rather than high-end chips used for data centres, a strategy consistent with its economic structure. The specialisation in lower-end chips production could make supply chains more resilient. But a lack of focus on the increasingly important high-end chips could leave Europe behind in the AI contest with other regions.



Industry performance forecast	
	Austria
	Belgium
	Czech Republic
	Denmark
	France
	Germany
	Hungary
	Ireland
	Italy
	Netherlands
	Poland
	Portugal
	Slovakia
	Spain
	Sweden
	Switzerland
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