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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.

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.

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.

The primary drivers of demand 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).

However, growing so-called chip nationalism could lead to technological divergences and inefficient production processes. While supply chain diversification could deliver stability, production costs could rise and likely lead to cost inefficiency.

United States: 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.

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.

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.

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.

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.

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. Japan 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.

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.

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. Those efforts have accelerated since October 2022, when the US introduced sanctions on high-tech exports to China. 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.

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.

In common with East Asian countries and the US, the EU has passed legislation in support of the local semiconductor industry, 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 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. A lack of focus on the increasingly important high-end chips could leave Europe behind in the AI contest with other regions.

Curious to find out more?

Download the full report in the related documents section below for a detailed analysis of the challenges, performance, and credit risks facing the electronics/ICT industry's major markets throughout the world.

To explore more on how these insights can strengthen your own credit risk strategy, **speak with us at Atradius** to see how we can help you stay ahead.