Industry trends electronics/ICT August 2026

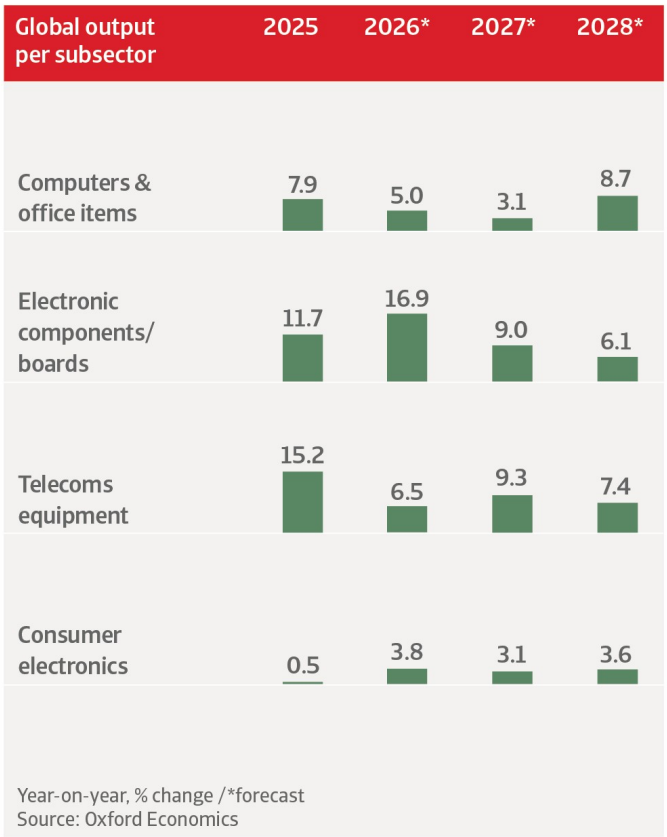
Christian Bürger Senior Editor

Global

Ongoing robust growth rates, but memory chip shortage is an issue for supply chains

We expect global electronics/ICT production to grow by 11% in 2026 and by 7.3% in 2027 after a 10% increase in 2025. Investment in AI data centres remains the main driver, as the combination of high expectations in the technology and its geopolitical importance pushes businesses to make large investments. Global AI spending in 2025 was about USD 1.7 trillion, mainly taking place in the US. It is expected to increase to USD 2.6 trillion in 2026 and USD 3.5 trillion in 2027. Strength in tech investment is particularly apparent in the US, but the positive spillover ripples through other economies, especially those in Asia.





Electronics components, boards and semiconductors will account for a large share of sector growth over the coming years. Next to AI, the primary drivers of demand will be accelerating digitalisation and industrial automation.

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

We expect global electronics/ICT production to grow by 11% in 2026 and by 7.3% in 2027, but a sharp decline in confidence in AI is a potential downside risk.

Kyle Kong

As chipmakers shift production capacity towards cutting-edge chips for AI use with higher margins, global production capacity for traditional memory chips is dwindling. The shortage and associated price increases are harmful for purchasers of traditional memory chips such as producers of smartphones, PCs, consumer electronics, electrical machinery, and automobile manufacturers.

Industry performance forecast

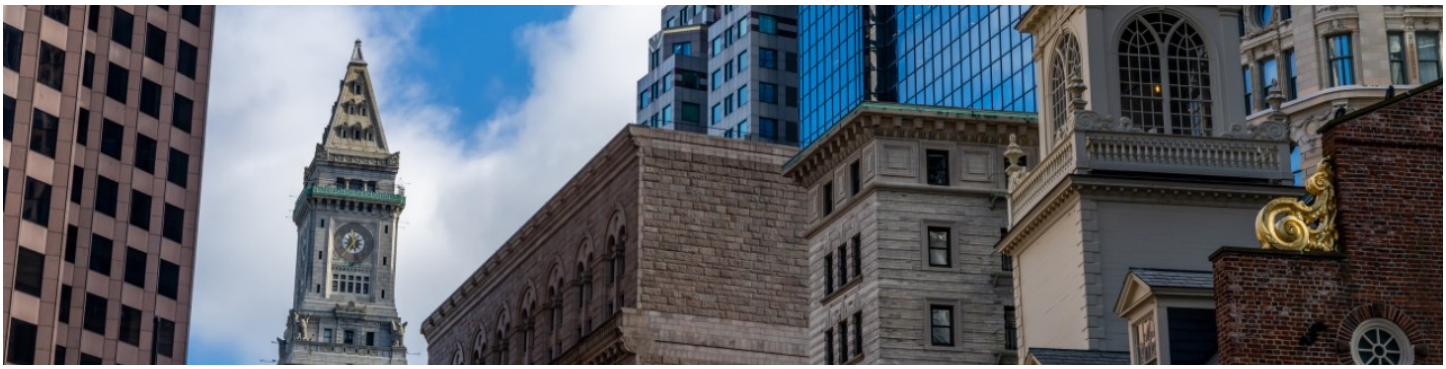


Producers in those sectors could still acquire memory chips if they pay high prices, but they have to compete with large tech firms investing into AI, who are often better financially resourced. So, they'll either have to pass on higher costs to consumers, risking lower demand, or absorb the costs into their margins; most likely a combination of the two. Although major memory chipmakers are investing to expand production capacity, new plants take at least a few years to become operational.

AI overinvestment remains a downside risk

A potential future downside risk is a sharp decline in confidence in AI. Estimates of AI adoption productivity gains vary hugely, from modest to transformative. There is a risk that the technology may disappoint in terms of delivering significant and sustainable growth. Other obstacles could also slow the current rapid pace of investment in AI. These include the heavy investment required to generate the necessary computing power, bottlenecks caused by energy supply and regulation, and challenges in reconfiguring organisations.

Should a tech downturn happen, the main drags would come through reduced investment in equipment and software, and lower stock prices. When calculating a downturn scenario, our economists estimated a 9% drop in US business investment, and decreases of 17% in US stocks, and 10%-30% in Asian stocks. US and Asian high-tech businesses would see a sharp hit, and the impact on world trade growth could be substantial (1.5 percentage points lower in 2027).



United States

The AI boom continues to drive robust growth

In the US, the AI boom plays a prominent role in driving economic growth, buttressing manufacturing growth and capital imports related to AI investments, especially computers. We expect US electronics/ICT production to grow by 5.5% in 2026, followed by a 6.2% increase in 2027.

Despite growth of domestic chip production capacity, the US will remain dependent on the international tech supply chain centred around Asia in the coming years.

Kyle Kong

Spending on data centres, semiconductor manufacturing, cloud infrastructure and electricity networks has become a major driver of US business investment. Large technology firms continue to commit substantial resources to expand AI capabilities, generating demand across construction, manufacturing and specialised business services. The technology sector has also contributed disproportionately to corporate earnings growth and financial market performance. Additionally, cloud computing and storage, automated data processing, and cybersecurity solutions, such as colocation services, are increasingly becoming priorities for US businesses.

The US is strengthening its capacity to meet domestic demand for data centre investment. As the largest AI data centre market, efforts by the administration to reshore chip production capacity through subsidies or tariff threats appear to be yielding some results. The electronic components and boards subsector, which includes semiconductors, remains the biggest contributor to headline electronics production growth, supported by demand from AI data centre investment. We expect output in this segment to increase by 8.9% this year and by 12.4% in 2027.

US chip production capacity is likely to continue to ramp up over the coming years due to high investment by major producers. TSMC's total investment in the US is set to total USD 165 billion, while both Samsung Electronics and SK Hynix are also investing heavily in the US.

US reliance on importing chips and servers continues

However, despite the domestic growth of chip production capacity, strong demand means the US will continue to remain highly reliant on imports from Asia and Mexico for servers and chips. Although we expect the US production share of electronics components and boards to continue rising, it will underperform output growth in China, Taiwan, and South Korea. This leaves the US dependent on the international tech supply chain centred around Asia in the coming years.

Production in the computer and office equipment segment increased 14.6% in 2025. This was due to a replacement cycle, where people and businesses that invested in equipment during the pandemic are now looking to upgrade and replace their tech. Growth will slow down to 1.0% in 2026 and 1.8% next year.

US production of telecommunications equipment has grown strongly in recent years due to upgrades to broadband infrastructure and to 5G mobile systems. After a 16.1% surge in 2024, output growth cooled down to 3.6% in 2025, and in 2026 we expect a modest 1.3% increase.

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 in those subsectors back to a high-cost environment such as the US. Apart from the semiconductor segment, a revitalisation of US electronics manufacturing 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.



China

Semiconductor production drives double-digit growth

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 14.2% in 2026 and by 11.2% in 2027. The electronic components and boards subsector (including semiconductors) will account for almost three-quarters of headline growth in 2026, increasing by 23.5%.

The high-tech sector is a key area of the government's targeted industrial strategy. Beijing has long emphasised the importance of self-sufficiency in chip production, encouraging more domestic investment in technology (AI, data centres, big data, etc.). Cutting-edge chip production is strategically important given the increasing tech decoupling between the US and China, with Beijing firmly fixated on achieving tech self-sufficiency.

China is broadening its supply chain reach, not only in chip fabrication, but also in machinery, materials, and design. Despite a technological backlog in advanced chip production, it seems that China is nevertheless moving up the chipmaking value chain. Recently the country has advanced rapidly technologically in the segment of high-end chips for AI. However, major challenges remain. The country continues to face technological gaps and a reliance on foreign equipment, along with restrictions on imports of cutting-edge chips and software. These obstacles may slow the pace of advancement.

China is also making advances in mature node chips, most recently in memory chips. South Korean and US chipmakers have been shifting their production focus to high bandwidth memory chips for AI data centre applications, thereby opening up the market for mature node memory chips to Chinese manufacturers.

The production of computers and office equipment, as well as telecommunications equipment is expected to grow by 0.3% and 10.9% respectively in 2026. While both segments could be impacted by a memory chip shortage, this should be offset by changes in production specifications to use fewer or less advanced chips.



Japan

Solid growth rates for high-tech goods due to AI-related demand

Japan's electronics production is expected to grow by 2.4% in 2026 and by 3.9% in 2027. Electronic components and boards, the largest subsector with more than 60% of total electronics production, is forecast to increase by more than 4.5% annually. Japan's edge in electronic components and boards production lies in components like capacitors rather than in cutting-edge or memory chips. Still, those components are high-end and vital to AI data centres, making the country one of the main beneficiaries of the global AI investment boom. Additionally, Japan plans to expand local production of cutting-edge chips with Rapidus, a semiconductor company founded in 2022, in the coming years. For this the government has allocated sizeable funding. However, a shortage of logic and memory chips caused by the overwhelming demand for AI data centres could negatively impact the production of other electronics products, such as smartphones and PCs.



South Korea

Local investment in high-end chip production underway

South Korea specialises in memory chips and, is therefore, benefiting greatly from the strong demand for high-end chips from AI-related data centres. This applies in particular to SK Hynix and Samsung Electronics, two of the largest global memory chipmakers. The output of electronic components and boards in South Korea is forecast to grow by 14.6% in 2026 after a 9.5% increase in 2025.

While some chip production will move to the US in order to avoid tariffs, continued investment in local plants will ensure that South Korea remains a key global player. Traditionally, memory chipmakers had been wary of investing during periods of high demand as the memory chip market is highly cyclical. This has changed, as AI is creating a new source of demand that could last for years. The government's commitment to keeping the country a major player in the advanced semiconductor field (e.g. by supporting programmes to train chip design specialists) will reinforce existing technological strength.

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.



Taiwan

Double-digit output rates again in 2026

After a whopping 33.7% output increase last year, growth in the Taiwanese electronics/ICT sector is forecast to reach 30% this year. Demand for cutting-edge AI chips continues to underpin extremely strong production growth, paired with servers, computers and office equipment, and export orders remain strong. Taiwan-based TSMC, the world's biggest contract chip manufacturer, has a near-monopoly on high-end chips. Faced with the tariff threat by the US, the firm decided to heavily invest in the US and to build several more semiconductor fabrication plants there. However, most high-end chips production will likely remain in Taiwan in the long-term.



Southeast Asia

Share in global electronics/ICT production will increase in the coming years

Southeast Asian countries continue to strengthen their role in the global electronics/ICT supply chains and capture a larger share of global production.

Electronics/ICT output is growing strongly across the region, and the credit risk situation of businesses active in the sector is good on average.

Ricky Suwandi

Chinese exporters are incentivised to either re-route trade or move production to third countries due

to US tariffs, while the threat of another escalation of the trade dispute still looms. As China moves up the value chain, ASEAN countries - with their lower labour costs - are attracting more manufacturing capacity in sectors like electronics. In sum, the electronics/ICT sector is growing across the region, and the credit risk situation of businesses active in the sector is good on average.

Indonesia

Indonesia's ICT sector is seeing strong growth in electronics assembly, telecom equipment upgrades for 5G, and digital infrastructure. Rising demand for cloud services and consumer electronics adds momentum, while component production is gradually expanding. Supported by foreign investment and ASEAN spillover, sector output is projected to grow by 9.5% in 2026 and by 6.7% in 2027, reinforcing Indonesia's role as a competitive hub in global ICT supply chains.

Malaysia

We expect Malaysia's electronics production growth to accelerate to 11% in 2026 after a robust 9.5% increase last year. The country's importance in chip production has increased over the past couple of years. Government initiatives such as the National Semiconductor Strategy and its existing strength in the back-end process of chip production have attracted global high-tech companies to invest in the country. Since chip production is one of the key sticking points in US-China trade relations, Malaysia stands to benefit from potential migration of production out of China.

Singapore

Singapore's economy has been benefitting from robust electronics exports; a trend we expect to continue given sustained demand for global AI investment. Indeed, Singapore's electronics production is forecast to increase by 11.3% in 2026. Singapore accounted for 3.1% of global electronic components and boards production in 2025, a sizeable share compared to its 0.1% of global GDP. Singapore retains the highest-value and premium status for data centre capacity in the region.

Vietnam

Vietnam is well-positioned to capture demand for diversification away from China. The country is interlinked to the Chinese supply chain, with spillover benefits likely accruing from China's export-driven manufacturing push. Electronics assembly and component manufacturing scaled up rapidly over the past 15 years. The country is climbing up the value chain into semiconductors and printed circuit board production. Vietnam is a major producer of consumer electronics with the sector having grown more than tenfold since 2010. Currently exports of electronics/ICT goods continue to outperform, given Vietnam's relevance in the electronics supply chain amid the current AI boom.





Europe

Modest growth in 2026 due to weak industrial investment

Compared to growth rates in Asia Pacific and the US, the European electronics/ICT sector continues to underperform. After a 0.7% contraction in 2024 and a 2.9% rebound in 2025, we expect production growth of electronics and computers in the EU and the UK to slow down to 2.1% in 2026. Although structural demand for technology such as digitalisation, IoT, and AI will support the sector, it cannot escape slower economic growth in Europe. The region's semiconductor production is tilted towards power chips with industrial use, rather than cutting-edge AI applications. This leaves the sector exposed to weak industrial demand in the region. The weak overall macroeconomic investment activity, for which we expect growth of just 0.9% this year, will weigh on the capital-intensive subsector of precision and optical instruments, which is the largest electronics segment in Europe. Here production is forecast to increase by just 1.5% this year.

A robust rebound in 2027

We forecast a robust 4.4% increase in 2027 production of electronics and computers, largely because of higher defence spending in the region. This is particularly the case for Germany, where a change in fiscal rules is providing the room to expand spending. The EU electronic components and boards subsector will be a major beneficiary, as electronics will be required for defence equipment. Growth in this segment is expected at 6.9%. The precision equipment subsector will also benefit, set to grow 5%. It includes products such as GPS devices, radar equipment, and aircraft engine instruments. Overall, structural demand for technological advancement will provide tailwinds for the sector in the coming years.

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). The EU continues to focus on industrial and automotive chips rather than the high-end chips used for data centres, a strategy consistent with its economic structure. Technological hurdles to produce high-end semiconductors are high, and the region needs to tread carefully between securing technological sovereignty and leveraging advanced foreign technology.

Interested in finding 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 industry's major markets throughout the world.

To explore to strengthen your own credit risk strategy, get in touch with us **and see how we can help you stay ahead.**