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Industry trends
Electronics/ICT

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Electronics/ICT continues to be one of the fastest growing sectors in 2024-2026

Global overview

Global electronics will be one of the fastest growing manufacturing sectors between 2024 and 2026. Production growth is expected to achieve 8.2% in 2024 and to robustly remain above 5% in both 2025 and 2026 (see chart on page 2).

The primary drivers of demand will be accelerating digitalisation, industrial automation and the increased need for advanced semiconductors, particularly from new growth segments such as artificial intelligence (AI) and electric vehicles (EV).

Computers & office equipment
Demand contracted in 2022 and 2023 due to shifts in spending patterns away from goods towards services, rising input costs, and a weak economic environment. However, output and sales rebounded this year, and growth will remain robust in 2025 and 2026, as computing devices bought during the pandemic come to an end of their lifecycles. PC inventories have returned to normal levels.

Electronic components & boards
After a 14.6% surge in 2024, production in this segment is predicted to settle into a growth rate of 4.4% in 2025 and 7.7% in 2026. Semiconductor sales are forecast to grow by more than 10% annually in the coming two years, driven by the AI boom. High-powered chips will be an important driver of manufacturing and productivity growth.

Telecommunications equipment
After a stagnation in 2023 and 2024, we expect robust production and sales in 2025 and 2026. Although demand for smartphones has slowed somewhat in the face of market saturation, 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	Phillippines	Brazil
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			

Excellent
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Industry trends
Electronics/ICT

Electronics & computers output	2023	2024*	2025*	2026*
Global	1.5	8.2	5.4	6.0
Americas	3.3	6.6	2.9	5.2
Asia-Pacific	0.7	10.5	6.2	6.7
Europe	4.6	1.5	3.4	3.5

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

Global output per subsector	2023	2024*	2025*	2026*
Computers & office items	-4.0	6.5	6.5	6.2
Electronic components/ boards	3.3	14.6	4.4	7.7
Telecoms equipment	0.0	-0.1	11.9	4.9
Consumer electronics	4.6	7.0	-0.1	3.6

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.

Taiwan issue. Given the global importance of Taiwanese semiconductor production an escalation of the current tensions in the Taiwan Strait could severely affect chip supply for chip-consuming ICT segments and other industries across the world.

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Electronics/ICT outlook
Americas

Electronics & computers output	2023	2024*	2025*	2026*
Brazil	-10.1	11.2	4.2	2.9
Canada	-8.9	-1.3	4.6	3.6
Mexico	1.9	1.8	6.5	4.0
United States	3.3	6.6	2.9	5.2

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

Industry performance forecast
Brazil
Canada
Mexico
USA

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USA

Semiconductor output to drive robust growth in the near term

We expect US electronics and computer production to increase by 6.6% in 2024, followed by increases of 2.9% in 2025 and 5.2% on 2026. After growing by 9.5% this year we expect investments above 5% annually in 2025 and 2026.

Growth is being driven by the electronic components and boards subsector, which we expect to expand by 8.3% this year and by 4.5% in 2025. Cloud computing and storage, automated data processing, and cybersecurity solutions, such as colocation services, are increasingly becoming priorities for businesses.

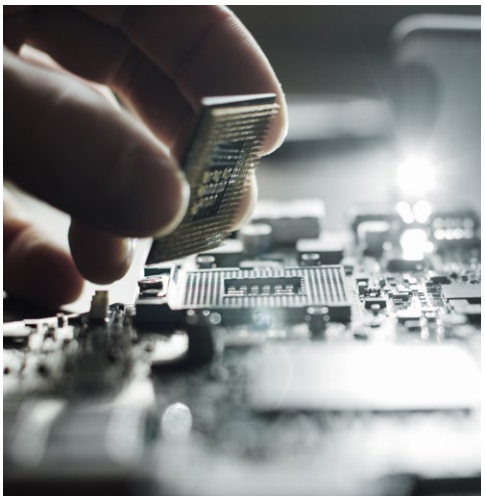
In the medium-term semiconductor investment and production will be boosted by the 2022 CHIPS and Science Act. The Act is supported by USD 40 billion in subsidies and a 25% tax credit to promote manufacturing at home, as well as USD 13 billion of investment in chip research. So far more than USD 200 billion investment in new US chip making facilities have been announced. This includes investments by several global players like Samsung, Intel and TSMC.

US production of telecommunications equipment has grown strongly in recent years due to upgrades to broadband infrastructure and to 5G mobile systems. We expect this segment to expand 14% in 2024, but this pace of growth is unlikely to be sustained in the medium term.

Precision instruments are still the largest electronics subsector in the US. After two years of decline, production in this segment is forecast to return to growth (1.8% annually in 2024 and 2025), due to higher investments by US businesses.

Potential impacts of the Trump administration's economic policies

If the incoming Trump administration implements its fiscal policy proposals (substantial tax cuts, including reducing the corporate tax rate to 15%), this would benefit US technology businesses, as a considerable number of them are highly leveraged and capital-intensive. An increase of tariffs on Chinese imports to 60% would have far-reaching consequences. According to Oxford Economics, this could result in a decline of China´s share in US electronics imports from 27% to 7%. This would boost local production by an extra 6%. However, it could also lead to a supply chain disruption of components made in China, resulting in delivery delays and higher production costs.



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Electronics/ICT outlook
Asia Pacific

Electronics & computers output	2023	2024*	2025*	2026*
China	5.0	11.3	5.2	6.6
Japan	-6.4	1.5	6.4	7.4
South Korea	1.3	14.1	5.4	6.0
Taiwan	-10.6	17.2	11.5	8.5

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

Japan / South Korea / Taiwan

High-tech goods enjoy growth, although US restrictions present a downside risk

The growth of high-tech goods will be robust in these East Asian markets in 2024 and 2025 (see chart above). Both South Korea and Taiwan benefit from the current high demand for semiconductors. Japan has made a structural shift away from producing lower-value items such as consumer electronics, and is investing to expand its semiconductor production capacity.

Despite major efforts in Europe, China and the US to expand semiconductor production, we expect that high-end chip production capability will mostly remain in Taiwan, while South Korea is also working to retain its edge in memory chip production.

The long-term outlook is good. All three markets should benefit from increased demand for semiconductors and ICT products due to a global trend towards increased automation and digitalisation, as well as the growing production of electric vehicles. That said, additional US restrictions on advanced chip exports to China could curtail sales and profits of East Asian high-tech producers. South Korea exports about half of its memory chips to China. Taiwanese and Korean producers are heavily invested in manufacturing facilities in China.

China

High-tech is a key sector for China, so US tariffs are likely to have a deep impact

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 11.3% in 2024 and by 5.2% in 2025. Increasing worldwide demand for computers and office items, as well as upgrades to telecommunications equipment, should benefit China as the main global manufacturer of such goods. However, an increase of tariffs on Chinese imports to a reported 60% by the incoming US administration would have far-reaching consequences. According to Oxford Economics, China's output of electronics would decline by 6% and total Chinese electronics exports decrease by 13% in such a scenario.

Chinese production of electronics and boards (including semiconductors) is forecast to grow by 27% 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.

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
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Electronics & computers output	2023	2024*	2025*	2026*
France	10.2	0.6	1.7	4.5
Germany	6.6	-0.5	4.6	5.4
Italy	2.9	-1.1	3.4	2.7
United Kingdom	4.0	0.0	0.9	2.3

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

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

2025 rebound will be driven by manufacturing demand

After a 0.8% contraction in 2024 we expect that the production of electronics and computers in the EU and UK will rebound by 3.7% in 2025 and 4.4% in 2026. This growth will be driven by easing financial conditions and a rebound of key buyer sectors. The electronic components segment in Europe is mainly focused on production of electronic items and semiconductors for manufacturing industries, in particular automotive. Production growth is forecast to increase by 5.6% next year, benefitting from a rebound of the European automotive industry. The telecommunication sector is set to recover by 3.7% after a 2.5% contraction in 2024. Electronic precision instruments are forecast to increase by 3.0% after a 1.3% decrease this year.

Major investments in chip production underway, but delays impact progress

Until recently, Europe has not produced any advanced chips. In common with Asia and the US, the EU has passed legislation in support of the local semiconductor industry and the production of high-end chips. 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 and location disadvantages compared to Asia (e.g. operating and labour costs). For instance, Intel recently postponed the construction of a chip factory in Germany by two years.

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