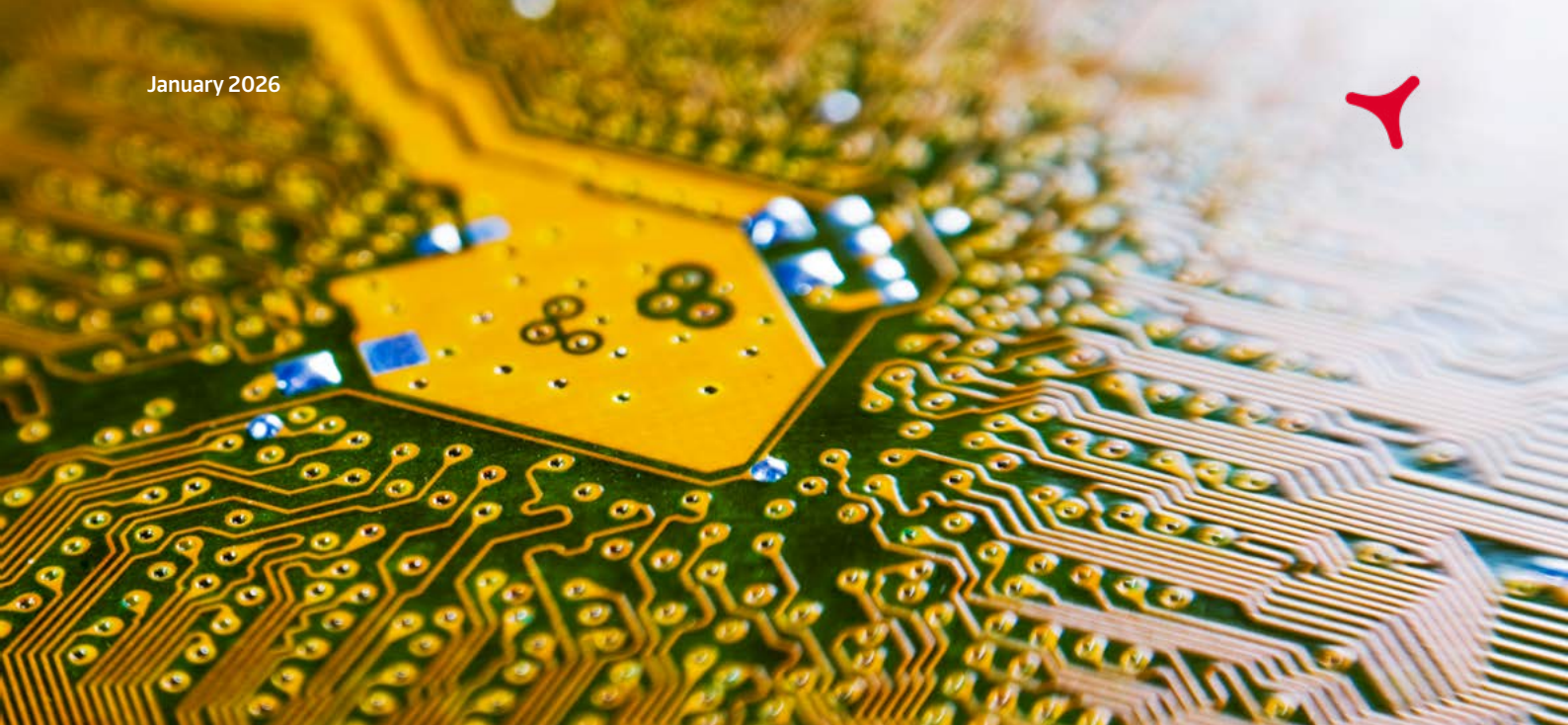


Industry trends – Electronics / ICT

# Accelerating AI and EV demand drives one of world's fastest- growing industries

January 2026



## Global overview

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

We expect electronics/ICT production to grow by 10.3% in 2026 and by 6.5% in 2027 after a 10.2% in 2025. These robust growth rates are mainly due to the ongoing AI boom, as the combination of high expectations in the technology and its geopolitical importance pushes businesses to make high investments.

Worldwide semiconductor sales are expected to grow by 18.8% this year, following 22.8% in 2025, led by cutting-edge logic and memory chips for AI data centres. Strength in tech investment is particularly apparent in the US, but the positive spillover ripples through other economies, especially those in Asia.

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. 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. Therefore, they will either have to pass on higher costs for memory chips to consumers, leading to lower demand, or absorb the higher

input costs into their margins. Most likely is a combination of these two. Although major memory chipmakers are investing to expand production capacity, new plants take at least a few years to become operational.

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

### An AI bubble burst and tariffs are downside risks

However, there is the potential downside risk that a sharp decline in confidence in the future benefits of AI could trigger an abrupt end to the current investment boom, resulting in a pronounced AI bubble burst. In such a scenario, US tech stocks would fall by around 25%, and US and Asian high-tech businesses and economies would see a sharp hit. The US has recently imposed a 25% tariff under Section 232 on certain advanced semiconductors. This measure creates further immediate incentives for advanced chip manufacturers to invest in the US in order to benefit from exemptions and preferential import treatment. But the imposition of tariffs on imported electronics with no exemptions remains a downside scenario. This could be a speedbump for exporters in Northeast and Southeast Asia.

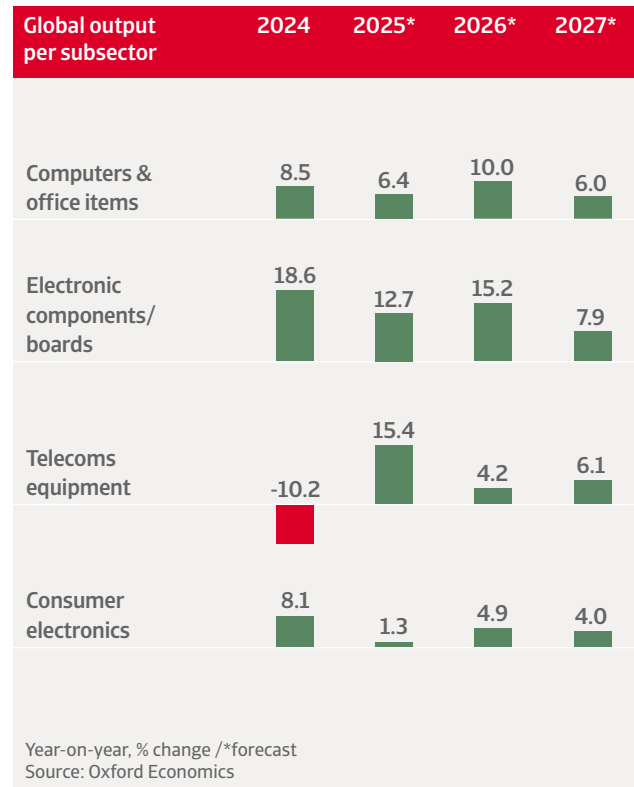
## Industry performance forecast

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



# Industry trends

## Electronics / ICT



### 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.

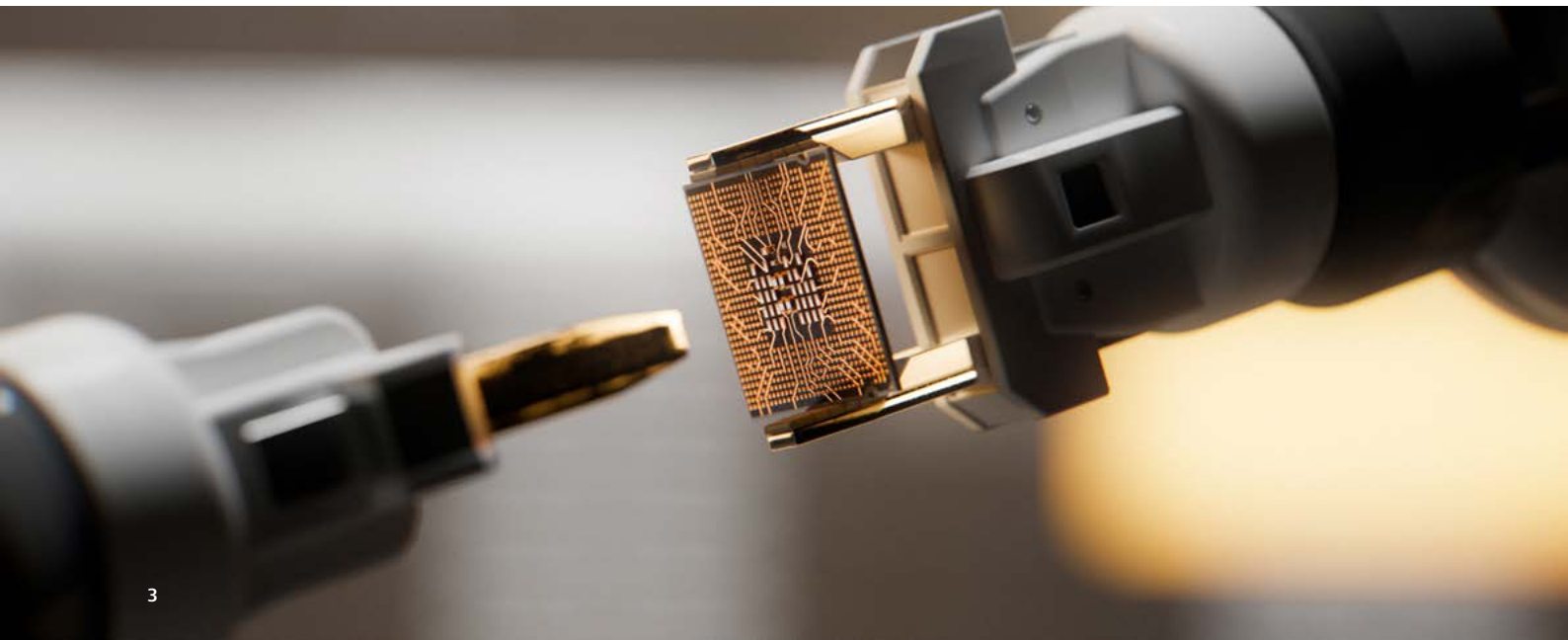
**Expanding semiconductor production.** This is a strategic target in the US, EU and Asia. Legislation has been passed recently to support the growth of domestic production in all three areas.

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

### Constraints and downside risks

**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 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 & computers output	2024	2025*	2026*	2027*
Brazil	11.6	-5.3	2.0	2.2
Canada	-4.3	4.2	-1.6	3.6
Mexico	0.1	3.2	3.7	4.2
USA	8.8	8.1	7.4	6.2

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

## USA

### The AI boom continues to drive robust growth

We expect US electronics/ICT production to grow by 7.4% in 2026, followed by a 6.2% increase in 2027. Electronic components and boards, which include semiconductors, will continue to drive headline growth due to strong AI demand and the US administration’s push to onshore production of strategically important components. Additionally, cloud computing and storage, automated data processing, and cybersecurity solutions, such as colocation services, are increasingly becoming priorities for businesses.

Output in the electronic components and boards segment is forecast to grow by 12.3% in 2026 after a 14.7% increase in 2025. Nvidia’s Blackwell – the firm’s most advanced chips designed for next-gen AI – started domestic production in TSMC’s Arizona plant in October 2025. US chip production capacity will likely 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.

Although there is the downside risk of an AI overhype – the latest signal being the increasing use of debt-financing – high tech firms’ balance sheets are generally healthy, with limited systemic risks.

Production in the computer and office equipment segment increased 13.6% 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 in 2026, but remain solid at 4.9%.

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 somewhat to 5.5% in 2025, and in 2026 we expect a 5.7% increase.

Output in the precision instruments segment grew 2.5% in 2025. This subsector is very reliant on capital spending. Given an upgrade in US investment outlook growth production is set to accelerate to 4% in 2026. Fading trade policy uncertainty, easier financial conditions, and fiscal incentives will all provide impetus for higher equipment spending outside of AI this year.

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.



### Industry performance forecast

- Brazil** (Rain icon): Excellent. The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.
- Canada** (Cloud icon): Good. The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.
- Mexico** (Cloud icon): Fair. The credit risk situation in the sector is average / business performance in the sector is stable.
- USA** (Rain icon): Poor. The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.
- Bleak** (Red cloud icon): The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.



# Electronics / ICT outlook Asia Pacific

Electronics & computers output	2024	2025*	2026*	2027*
China	10.9	12.0	17.7	9.2
Japan	3.0	2.6	2.3	5.6
South Korea	16.1	11.3	7.1	3.6
Taiwan	19.3	27.0	11.9	4.4

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

## Japan/South Korea/Taiwan

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

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. Japanese electronic components and boards output is forecast to grow by 4.6% in 2026, as components such as capacitors and resistors benefit from ongoing AI-related demand. The government has allocated sizeable funding towards Rapidus to produce chips by a local company. However, Rapidus is struggling to attract private investors, and still well behind leading firms such as TSMC in producing high-end chips. The company could secure clients as part of its supply-chain diversification strategy but is unlikely to emerge as a major challenger to its leading global competitors.

South Korea specialises in memory chips, meaning it benefits from the demand for high-end chips from AI-related data centres. Two of the largest global memory chipmakers, SK Hynix and Samsung Electronics, are well-placed to benefit from the ongoing AI demand. Electronic components and boards output is forecast to grow by 7.6% in 2026 after a 12.6% increase in 2025. Demand for high bandwidth memory chips remains strong, and the production capacity for 2026 has reportedly already been booked.

While some production will move to the US in order to avoid tariffs, continued investment locally will ensure South Korea will remain a key global player. 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 recorded a whopping 27.7% electronics/ICT output increase in 2025, and growth is likely to remain at a double-digit rate this year. Demand for cutting-edge AI chips continues to underpin extremely strong production growth, 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 fabs there. However, most high-end chips production will likely remain in Taiwan.

## China

### Semiconductor production drives double-digit growth rates

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 17.7% in 2026 after a 12.0% surge in 2025. Production of electronics and boards (including semiconductors) is forecast to grow by 28% this year. After the US recently loosened its chip export control, China launched a probe into US company Nvidia on the grounds of security risks. This leaves local firms to take up market share, boosting domestic production.

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. Despite a recent softening, there are still restrictions on the sale of cutting-edge chips and software.

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 Asia Pacific

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. 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.

### 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. 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, especially in sectors like electronics, textiles, and automotive. Even without the driving force of tariff arbitrage, China would face growing competitiveness from Southeast Asia as domestic cost pressures increase. 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

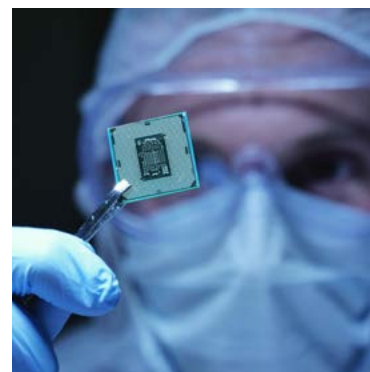
Indonesia's ICT sector is seeing strong growth in electronics assembly, telecom equipment upgrades for 5G, and digital infrastructure. Rising demand for cloud services and consumer electronics adds momentum, while component production is gradually expanding. Supported by foreign investment and ASEAN spillover, the sector is projected to grow at a 5–6% CAGR through 2028, reinforcing Indonesia's role as a competitive hub in global ICT supply chains.

### Malaysia

We expect Malaysia's electronics production to grow by 5.4% in 2026. 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 place Malaysia's electronics industry in a good position to grow further in the coming years. 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.

### Vietnam

Vietnam is also 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/ICT production growth is set to accelerate to 10.4% in 2026 after an 8.4% increase in 2025. 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. Vietnam is the largest exporter of electronic products to the US within the ASEAN, worth USD 59 billion in 2024.





# Electronics / ICT outlook Europe

Electronics & computers output	2024	2025*	2026*	2027*
France	3.6	2.5	0.9	2.8
Germany	-2.6	0.8	2.9	7.7
Italy	0.4	1.6	-0.8	1.9
United Kingdom	-1.2	2.8	-0.2	0.8

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

## Europe

### Lower 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 0.8% contraction in 2024 and a 2.6% rebound in 2025, we expect production of electronics and computers in the EU and the UK to grow by just 1.5% in 2026. The region is not specialised in the production of the high-end chips used for AI, nor is there a strong AI investment boom going on so far. The stagnation among core economies will have implications for sectoral output. That said, in 2026 electronics production will grow faster than the average manufacturing sector in the region. Demand will be supported by growing digitalisation, the Internet of Things, and robotics. Over the long-term, higher military spending in the region should add to sector growth. This is particularly the case for Germany, where a change in fiscal rules is providing the room to expand spending.

With a 3.9% increase, electronic components and boards will be the fastest growing electronics/ICT subsector in 2026, contributing the most to headline growth. The region's semiconductor production is tilted towards power chips with industrial use, which leave it exposed to a weak regional industrial outlook. That said, structural demand for technological advancement will provide tailwinds for the subsector.

The weak investment outlook in the EU and the UK continues to weigh on capital-reliant precision equipment and optical instruments production, which is the largest electronics subsector in the region. Production is forecast to slow to 0.8% this year from 2.4% in 2025. Growth will likely pick up as of 2027 when the recovery will be on a firmer footing.

### 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. 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
	Turkey
	UK
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**Kyle Kong**  
Atradius Senior Credit Risk Analyst, Taiwan.  
*Trade Sector Specialist for global electronics and ICT.*



**Ricky Suwandi**  
Atradius Associate Senior Underwriter, Jakarta, Indonesia.  
*Trade Sector Specialist for Southeast Asia electronics and ICT.*

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### Atradius

David Ricardostraat 1  
1066 JS Amsterdam  
P.O. box 8982  
1006 JD Amsterdam  
The Netherlands  
Phone: +31 (0)20 - 553 91 11

[info@atradius.com](mailto:info@atradius.com)  
[www.atradius.com](http://www.atradius.com)