

Industry trends

Electronics/ICT

Electronics/ICT will be one of the fastest growing sectors in 2024-2025

Global overview

We expect global electronics/ICT output to grow by 5.3% in 2024 and by 6.3% in 2025, suggesting it will be one of the fastest growing sectors over the next 18 months.

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 and office equipment

Demand decreased in 2023, due to shifts in spending patterns away from goods towards services, rising input costs, and a weak economic environment. We expect output and sales to rebound in 2024 and 2025 as computing devices bought during the pandemic are replaced.

Electronic components and boards

Production in this segment is predicted to increase by about 9% annually in 2024 and

2025. Semiconductor output is forecast to grow 13.7% this year, driven by the AI boom.

Telecommunications equipment

We expect robust production and sales growth at about 5% annually in 2024 and 2025. 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	Phillipines	Brazil		<p>Excellent The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.</p> <p>Good The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.</p> <p>Fair The credit risk situation in the sector is average / business performance in the sector is stable.</p> <p>Poor The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.</p> <p>Bleak The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.</p>
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 & computers output	2022	2023	2024*	2025*
Global	5.2	1.2	5.3	6.3
Americas	2.0	2.3	4.3	3.3
Asia-Pacific	5.3	0.5	6.7	7.7
Europe	7.9	4.4	0.3	2.8

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

Global output per subsector	2023	2024*	2025*	2026*
Computers & office items	-2.9	3.4	7.6	6.1
Electronic components/boards	2.8	8.9	7.9	8.3
Telecoms equipment	-0.4	4.8	5.8	5.1
Consumer electronics	4.1	-1.2	4.5	3.9

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.



Electronics/ICT outlook Americas

Electronics & computers output	2022	2023	2024*	2025*
Brazil	-1.9	-10.4	-12.9	2.4
Canada	8.9	-7.4	-0.9	3.9
Mexico	13.7	1.1	6.1	3.4
United States	-0.1	3.3	4.7	3.4

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

USA

Solid growth driven by semiconductor output and sales

We expect US electronics and computer production to increase by 4.7% in 2024 and by 3.4% in 2025. Sales are forecast to grow by 4.2% and 3.5% respectively.

The surge is being driven by the electronic components and boards subsector, which we expect to expand by 9.8% this year and by 7.2% in 2025. Cloud computing and storage, automated data processing, and cybersecurity solutions, such as colocation services, are increasingly becoming priorities for businesses.

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 7% in 2024, but this pace of growth is unlikely to be sustained in the medium term.

Weaker investment spending and higher credit costs still weigh on precision instruments, the largest electronics subsector in the US. Production in this segment is expected to contract 0.8% in 2024 and to grow only 0.9% in 2025.

Major impact of the CHIPS and Science Act

In a bid to lower the country's dependency on Taiwan and South Korea for cutting-edge, high-tech chips, the government passed the CHIPS and Science Act in 2022. 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 (Taiwan Semiconductor Manufacturing Company), despite the fact that capital expenditure on new factories and operating expenses in the US are likely to be higher than in Asia. That said, the government measures will drive US chip production capacity in the medium and long term.

Industry performance forecast	
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	Canada
	Mexico
	USA
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Electronics/ICT outlook Asia Pacific

Electronics & computers output	2022	2023	2024*	2025*
China	7.2	4.9	6.2	7.9
Japan	-4.8	-5.6	3.6	7.5
South Korea	6.0	-1.4	12.7	7.6
Taiwan	7.0	-8.2	8.6	8.0

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

Japan / South Korea / Taiwan

A good long-term outlook, but US-China frictions pose downside risks

High-tech goods' growth 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, in favour of chips and precision instruments.

Semiconductor production is a strategic priority in East Asia, with legislation and subsidies used to support growth and reshoring. This includes the South Korean K-Chips Act, the Taiwan Chips Act, and Japanese subsidies for semiconductor joint ventures.

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 have heavily invested in manufacturing facilities in China.



China

High-tech is a key sector for the government's economic policy

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 6.2% in 2024 and by 7.9% 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.

Chinese production of electronics and boards (including semiconductors) is forecast to grow by 9.5% this year and by 7.4% in 2025. 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.

Those efforts have accelerated since October 2022, when the US introduced sanctions on high-tech exports to China. These include licensing requirements on the sale of advanced chips, software, and a wide range of semiconductor manufacturing equipment used to produce advanced chips. 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	
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Electronics/ICT outlook

Europe

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France	5.9	7.7	-1.7	0.8
Germany	6.0	5.3	-0.7	2.0
Italy	6.8	1.8	2.1	2.9
United Kingdom	0.3	4.3	-0.2	1.3

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

Europe

Lower demand from automotive and other buyer sectors weighs on the industry

We forecast 2024 eurozone and UK production of electronics and computers to contract by 0.4% and 0.2% respectively, as high interest rates weigh on private and business investments. The electronic components segment is suffering from subdued chip demand from the European automotive industry this year. Due to a large dependence from Chinese intermediate imports, supply chain disruptions in the Red Sea remain a downside risk for the sector.

A gradual recovery of the industry is expected to take place towards the end of this year, with high tech-goods production in the eurozone and the UK to increase by 2.8% and 1.3% in 2025. This growth should be driven by easing financial conditions and a rebound of key buyer sectors.

Major investments in chip production underway, but there are limits

Until recently, Europe has not produced any cutting-edge chips, focusing instead on rather low-tech semiconductors for manufacturing, in particular for automotive. In common with Asia and the US, Europe 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.

As with the US, large manufacturers are already seeking investment in European plants, including Intel, TSMC, Bosch, Infineon and NXP. However, current estimates suggest the EU’s target of 20% of global production by 2030 is likely to be beyond reach, constrained by operating and labour costs and limits on subsidies.

Industry performance forecast

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