# Electronics industry faces mixed outlook for 2025



In the latest analysis provided by Semiconductor Digest, the electronics industry is facing a mixed outlook for 2025, as various factors shape both demand and growth forecasts. Dean Freeman, a market analyst and subject matter expert at Kiterocket, outlined the disappointments and emerging trends within the sector, while also speculating on the future trajectory of AI and semiconductor markets.

Freeman highlighted that the anticipated growth in artificial intelligence (AI) applications for personal computers (PCs) and mobile phones in 2024 did not materialise as expected. Additionally, he noted a slowdown in electric vehicle (EV) growth and a sluggish global housing market. However, the report identified AI as a major driver of growth in areas such as Dynamic Random-Access Memory (DRAM) and advanced logic and 3D packaging technologies.

Looking forward to 2025, the semiconductor and equipment industry landscape appears to hinge on several key economic factors. Notably, China’s ongoing economic challenges are expected to dampen the consumption of electronic goods, which could have significant repercussions on global demand. Freeman pointed out that the Chinese economy is anticipated to continue its downturn into 2025. He asserted that although the United States has been able to achieve a soft landing, potential tariffs on electronic goods from China and Taiwan could further elevate costs and suppress consumption, thereby affecting the U.S. economy adversely.

In contrast, Europe is forecasted to experience gradual growth, contributing to a moderately positive, yet not outstanding, worldwide economic outlook. Freeman elaborated on the anticipated dynamics within the electronics industry by stating that AI "is still king," citing Bloomberg’s prediction of capital expenditure on AI approaching $200 billion. While PCs and mobile phones are expected to maintain modest growth in the low single digits, the EV market is poised for an increase of around 20 million vehicles, suggesting a recovery trajectory for semiconductors following a downturn.

Freeman also addressed the implications for semiconductor manufacturing equipment, forecasting an uptick in market demand primarily driven by AI. He expects capital expenditure growth in logic, memory, and advanced packaging, with a notable enhancement in memory equipment growth due to heightened utilisation rates. He raised a critical query regarding when corporate giants like Intel and Samsung would deem it prudent to scale up operations in their additional fabrication plants, given current market conditions.

Declining equipment sales attributed to China, which historically represented a significant share of wafer fabrication equipment revenue, are projected to decrease from 40-50% to approximately 20% owing to U.S. Department of Commerce sanctions and a slump in demand. Freeman cautioned that wafer fabrication equipment sales for 2025 may fall short of the initially forecasted 11% growth, with revised expectations indicating growth in the range of 5% to 10%. This could potentially position the market at around $100 billion for 2025.

As the industry adapts to these shifting dynamics, it remains clear that AI continues to shape the future of electronics, influencing key areas of growth and contributing to the broader economic narrative within the sector.

Source: [Noah Wire Services](https://www.noahwire.com)

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