

Semiconductors - Asia-Pacific

Red Sea disruption: limited impact seen on our semis coverage

Industry Overview

Overall risks from Red Sea disruption look low so far

Since end-2023, the Red Sea logistics disruption – caused by regional tensions – has been a concern for investors, with potential impact on shipments by sea. We currently see manageable impact on the Asia logic semis sector and remain constructive on a modest market recovery in semis this year. We will be monitoring related comments from key semis supply chain companies during the upcoming 4Q23 earnings calls.

Almost no direct impact seen on overall Asia logic semis

Based on our understanding, a majority of the logistic activities for semiconductors is centered in Asia, while the semis chipsets are mainly shipped by air given the low space requirements. As such, we see almost no direct impact on the Asia logic semis sector. However, we do foresee an indirect impact from higher logistics costs for downstream end-products, for which suppliers may need to shift the shipment method from ocean to air freight, as well as supply disruption risks.

Given that semiconductors are at the very upstream end of the tech supply chain, we do not expect to see a meaningful impact in 2024, even if taking potential downstream tech supply disruptions into account. That said, some specific semis firms that have competitors or clients located near the Red Sea region could be impacted, albeit due to company-specific issues rather than industry-wide risks.

Any impact on auto semis likely mitigated by high DoI

Application-wise, the scope of the impact could mainly be witnessed at automotive semis with a higher portion of supply chain/production sites located in Europe. On a positive note, any potential negative impact on firms with higher auto exposure (e.g. Vanguard, UMC, etc.) could be mitigated by the relatively high inventory level of auto semis and slower auto demand (at least no impact in 1H24).

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Exhibit 1: Acronyms

Acronyms and the corresponding full names

Acronym	Full name
DoI	Days of Inventory

Source: BofA Global Research

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