

# ISRAEL - HAMAS WAR: IMPACT ON SEMICONDUCTOR SECTOR

## Main takeaway

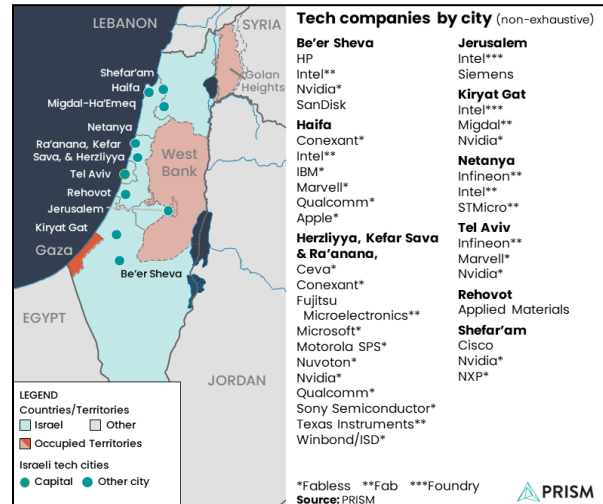
Israel is among the few countries capable of manufacturing advanced semiconductors, and the outbreak of war threatens production. While impacts are currently relatively low and contained, if the war becomes a regional conflict, larger impacts will materialize.

## The details

**A critical chip exporter at war:** A terrorist attack on Israel by Hamas militants based in Gaza triggered a war between the two, which threatens to [disrupt](#) semiconductor supplies.

- Israel is the world's fourth-largest exporter of [semiconductors](#) (specifically, non-photosensitive semiconductors, not including integrated circuits).
- Israel is home to Intel, Nvidia, Apple, Amazon, Tower, and Microsoft. Intel, Nvidia, and Tower are the most exposed players, as they are reliant on design and production facilities in Israel. Apple and Microsoft also design some chips there.

## Geography of Israel's tech companies



**The impact so far:** The call-up of reservists [threatens](#) to pull workers from employers, leading to production slowdowns. Producers have thus far declined to comment on the impacts on their workforce. However, no ongoing closures were identified.

- **Shortages of Israeli workers:** Israel's government called up some 360,000 reservists – about 4% of the total population and 6% of the working-age population (aged 15-64).
- **Shortages of Palestinian workers:** Israel's blockade of Gaza and [heightened restrictions](#) on moving between Israel and the West Bank means the thousands of Palestinians who cross the border between Gaza and Israel daily to work cannot reach their employers.

**Risk going forward:** The impacts of the war are currently largely contained to staffing shortages, and no damage has yet been reported to production sites. However, if the war expands to become a regional conflict, the risk of damage to production sites would rise significantly.

- **Intel is particularly [exposed](#).** It has critical facilities near the conflict zones. Kiryat Gat, for example, is located just near the Gaza border. Haifa, another of its crucial hubs, is also close to the border with Lebanon, putting it at risk if tensions between Israel and Hezbollah (based in Lebanon) escalate.
- **Tower Semiconductor is also at risk.** It operates two foundries in the northern city of Migdal Ha'Emek (near the West Bank), which raises its exposure to impacts from attacks by Hezbollah or from the West Bank.
- **Foundries are likely to be protected** by the Israeli Defense Forces, given that significant amounts of technology spending in the country are tied to the military.
- **Higher shipping costs from Israel may impact prices:** Shippers are likely to see higher insurance premiums, which will be passed onto customers.