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TECHNOLOGY

Chip Demand From Automotive Market Is Unlikely to Recover Soon, Soitec CEO Says

However prospects for the industry are positive in the long run as vehicles continue to evolve

By [Mauro Orru](#) [Follow](#)

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Soitec has factories in France and Singapore, but not in the U.S. PHOTO: JEFF PACHOUD/AGENCE FRANCE-PRESSE/GETTY IMAGES

Demand for chips in the automotive industry is unlikely to pick up before the end of the year, the chief executive of French semiconductor-materials maker [Soitec](#) SOI **-0.57%** ▼ said, warning that a long-awaited rebound could be months away.

Carmakers have long been a pillar for the semiconductor industry. As vehicles evolved into sophisticated digital platforms, reliance on advanced chips has skyrocketed. However, the auto sector has been navigating a downturn for months.

In Europe, carmakers are suffering from a slow electric-vehicle rollout and fierce competition from Chinese rivals that are winning market share thanks to their relatively cheap and varied lineups. Meanwhile, automakers are still digesting chip inventories they built at the height of the pandemic, meaning demand for semiconductors remains weak now.

“It’s very difficult today to tell when the inventory correction is going to be over,” Soitec Chief Executive Pierre Barnabe said in an interview. “We need to be very cautious. Visibility is not that good, and I don’t believe we will see a recovery in the automotive market before the end of this year.”

Headquartered just outside Grenoble in southeastern France, Soitec produces semiconductor materials that are patterned and cut into chips to make circuits for electronic components. Barnabe took the helm in 2022 after years at French IT firm [Atos](#).

Soitec had been expecting limited growth in the fiscal year through March 2026, but it shelved guidance in May due to low visibility and market uncertainties, opting instead to provide forecasts on a quarterly basis.

“We have some internal scenarios, but we stick to a quarterly view for the moment because visibility is too foggy,” Barnabe said.

The chip industry had to contend with uncertainty from President Trump’s tariffs for much of the first half before the European Union reached a deal that set a 15% tariff ceiling for semiconductor exports to the U.S.

Soitec has factories in France and Singapore, but not in the U.S. Still, the company is relatively insulated from levies compared to other semiconductor companies since its exports to the U.S. are limited.

“We are not exporting that much directly to the U.S., it’s around 8% of our annual revenue in FY25. We are exporting a lot to Asia and then to the U.S. for finished goods, but we are providing our engineered substrates particularly to Asia,” Barnabe said.

As previously announced, the company has been investigating whether or not to expand in the U.S., though the CEO said the market isn’t active enough at the moment to do so.

“If we see an incredible potential for development and volumes in the U.S., and if having manufacturing capabilities there helps us, we will do so. We are not closing any options,” Barnabe said.

Soitec expects sales at its automotive and industrial business to decline sharply on year in the current quarter. Revenue at its mobile communications unit should remain low. However, sales at its edge and cloud AI business are expected to rise slightly from the quarter ended June 29.

“For industries, the big engine is AI,” Barnabe said. “Everything that is linked to AI, either in factories or in cars, is positive, if not very positive. All the rest is under

inventory absorptions.”

Still, prospects for the automotive industry are positive in the long run as vehicles continue to evolve and will require more sophisticated components and chips to power them, Barnabe said.

“People are going to look for cars with more and more components,” he said.

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