

Tesla cuts prices on all models, 3rd cut this year

April 7 2023, by Tom Krisher



A Tesla electric vehicle emblem is affixed to a passenger vehicle Sunday, Feb. 21, 2021, in Boston. Tesla is dropping prices for the third time since late last year in an apparent effort to attract new buyers. The cuts range from \$5,000 for slower-selling high-priced models to \$1,000 at the low end of its price range. Credit: AP Photo/Steven Senne, File

Tesla cut prices on its entire U.S. electric vehicle model lineup for the third time this year in an apparent effort to lure more buyers amid rising interest rates.

The largest of the cuts that appeared Friday on Tesla's website were \$5,000 per vehicle for the company's slower-selling more expensive models, the S large sedan and the X big SUV.

The company lopped \$2,000 off the price of the Y small SUV, its most popular [model](#), and added a lower-cost dual-motor version priced at \$49,990. The 3 small sedan saw a \$1,000 [price cut](#).

The moves come as Tesla's [first-quarter sales grew 36%](#) but fell short of analysts' expectations. The company said Sunday that it delivered a quarterly record of 422,875 vehicles worldwide from January to March, up from just over 310,000 a year ago. But the increase fell short of analyst estimates of 432,000 for the quarter, according to FactSet.

A message was left Friday seeking comment from the Austin, Texas-based Tesla on why the prices were cut.

Guidehouse Research e-Mobility Analyst Sam Abuelsamid said the cuts are a sign of slowing demand for Tesla. The company, he said, needs to sell more vehicles to keep its factories running at full capacity to protect high profit margins. "Overhead of underutilized plant eats up margin extremely quickly," he said.

Tesla has added a huge plant near Austin to its U.S. factory footprint, in addition to its original plant in Fremont, California. The company also has built new plants in Shanghai and near Berlin.

Other analysts have speculated that Tesla was cutting prices to take advantage of its profit margin per vehicle, which is larger than most

automakers. The move could increase market share and put pressure on startups and legacy automakers now rolling out EVs.

On Twitter Friday, Tesla CEO Elon Musk wrote that demand is limited by affordability. "There is plenty of demand for our products, but if the price is more money than people have, that demand is irrelevant," he wrote.

The biggest of Friday's cuts came on Tesla's aging S and X, which saw sales drop 38% from January through March. The Model S two-motor price dropped 5.6% to \$84,990, while the S tri-motor Plaid was trimmed 4% to \$104,990. The company cut 5% from the X two-motor price, to \$94,990, while the X Plaid saw a 4.6% drop to \$104,990.

Tesla added a dual-motor Model Y for under \$50,000 and cut prices on the Y Long range by 3.7% to \$52,990 and by 3.4% on the Y Performance, to \$56,990.

The Model 3 rear-wheel-drive saw a 2.3% price cut to \$41,990, with the 3 Performance version falling 1.9% to \$52,990.

The most recent cuts came on Good Friday when the markets are closed.

Tesla cut prices in early March on the S and X, by \$5,000 to as much as \$10,000. In January it slashed the sticker numbers on several versions of its EVs, making some eligible for a U.S. \$7,500 federal tax credit. Some versions Model Y saw price trims of nearly 20%, and the base price of the Model 3 small car was dropped by 6%.

The price cuts appeared to have raised demand despite increasing interest rates designed to slow the economy and curb inflation. Since the U.S. Federal Reserve began raising rates in March of last year, the average new [vehicle](#) loan has jumped from 4.5% to 7%, according to

Edmunds data.

Analysts are watching to see if the price drops [cut into the company's profit and margins per vehicle](#). Tesla says it will release first-quarter earnings after the markets close on April 19.

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