

Tesla sales fall for second straight quarter despite price cuts, but decline not as bad as expected

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Unsold 2023 Model X sports-utility vehicles sit at a Tesla dealership, June 18, 2023, in Littleton, Colo. Tesla, the top selling electric vehicle maker in the world, is expected to report a second straight quarter of declining deliveries on Tuesday, July 2, 2024. Credit: AP Photo/David Zalubowski

Tesla's global sales fell for the second straight quarter despite price cuts and low-interest financing offers, another sign of weakening demand for the company's products and electric vehicles overall.

The Austin, Texas, company said Tuesday that it sold 443,956 vehicles from April through June, down 4.8% from 466,140 sold the same period a year ago. But the sales were better than the 436,000 that analysts had expected.

The better-than-expected deliveries pushed Tesla's stock up about 9% in afternoon trading Tuesday. The stock is down about 8% so far this year, but it has nearly erased larger losses from prior months. Tesla shares had been down more than 40% earlier in the year, but are up more than 60% since hitting a 52-week low in April.

Demand for EVs worldwide is slowing, but they're still growing for most automakers. Tesla, with an aging model lineup and relatively high average selling prices, has struggled more than other manufacturers. Still it retained the title of the world's top-selling electric vehicle maker.

For the first half of the year, Tesla sold 830,766 electric vehicles worldwide, handily beating China's BYD, which sold 726,153 EVs.

Tesla also sold over 33,000 more vehicles during the second quarter than it produced, which should reduce the company's inventory on hand at its stores.

Tesla's sales decline comes as competition is increasing from legacy and startup automakers, which are trying to nibble away at the company's market share. Most other automakers will report U.S. sales figures later Tuesday.

Tesla gave no explanation for the sales decline, which is a harbinger of

what to expect when it posts second-quarter earnings on July 23.

Nearly all of Tesla's sales came from the smaller and less-expensive Models 3 and Y, with the company selling only 21,551 of its more expensive models that include X and S, as well as the new Cybertruck.

The sales decline came despite Tesla knocking \$2,000 off the prices of three of its five models in the United States in April. The company cut the prices of the Model Y, Tesla's most popular model and the top-selling electric vehicle in the U.S., and also of the Models X and S.

The April cuts reduced the starting price for a Model Y to \$42,990 and to \$72,990 for a Model S and \$77,990 for a Model X. Last week, Tesla lopped \$2,340 off the \$38,990 base price of some newly revamped Model 3s that were in the inventory shipped to its stores.



Tesla vehicles are stored at a shopping mall parking lot near a closed movie theater Friday, June 21, 2024, in Scottsdale, Ariz. Credit: AP Photo/Ross D. Franklin

In addition, Tesla in May offered 0.99% financing for up to six years on the Model Y. In June, it offered interest as low as 1.99% for three years on the rear-wheel-drive Model 3. Typical new-vehicle interest rates average just over 7%, according to Edmunds.com.

Also during the quarter, Tesla knocked roughly a third off the price of its "Full Self Driving" system—which can't drive itself and so drivers must remain alert and be ready to intervene—to \$8,000 from \$12,000, according to the company website.

Jessica Caldwell, head of insights for Edmunds.com, said Tesla is having trouble in a market where most early adopters already have EVs, and mainstream buyers are more skeptical that electric cars can meet their needs.

Tesla's "haphazard" price cuts don't work as well as they once did because consumers now expect them, she said. "We've seen the automaker exhaust its bag of tricks by lowering prices and increasing incentives to spur demand without much success in the U.S. market," Caldwell said.

Also, Tesla's aging model lineup doesn't look much different than it did years ago she said. And with price cuts, used Tesla prices tumbled. Anyone wanting a Tesla can get a far better deal buying a used one, Caldwell said.

Caldwell doesn't see any big catalyst this year that would boost Tesla sales unless gasoline prices spike, and she said Musk's shift to the right since taking over Twitter has hurt the brand's image.

Wedbush analyst Dan Ives wrote in a note to investors Tuesday that second-quarter sales were a "huge comeback performance" for Tesla. "In a nutshell, the worst is in the rearview mirror for Tesla," he wrote. The company, he wrote, cut 10% to 15% of its workforce to reduce costs and preserve profitability. "It appears better days are now ahead as the growth story returns," Ives wrote.

In its letter to investors in January, Tesla predicted ["notably lower" sales growth this year](#). The letter said Tesla is between two big growth waves, one from global expansion of the Models 3 and Y, and a second coming from the Model 2, a new, smaller and less expensive vehicle with an unknown release date.

Tesla is scheduled to unveil a purpose built robotaxi at an event on Aug. 8.

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