

## EV Sales Will Tumble in 2025. What It Means for Tesla Stock, Other Car Makers.

The electric-vehicle apocalypse [is scheduled to arrive](#) in 2025. Investors in all car stocks, including [Tesla](#), should buckle up for a bumpy ride.

President-elect Donald Trump is widely expected [to eliminate](#) EV purchase tax credits for as much as [\\$7,500 per vehicle](#). If that happens, it amounts to a big price increase for most electric cars. Higher prices, and higher prices relative to other vehicles, will drive down demand. It's a virtual certainty. Just look at Germany.

Through [November](#), Germans bought 347,048 all-electric vehicles, according to the European Automobile Manufacturers' Association. That's down about 26% year over year. Overall car sales are essentially flat compared with 2024.

And through November, all-electric vehicles accounted for about 13% of all new car sales in Germany, down from 18% in 2023.

It's been a terrible year for German EV sales. What changed is pricing, subsidies in particular. Germany once had purchase subsidies that lowered the price of a car by about \$5,000 to roughly \$42,000. But the government [cut the subsidies](#), so the \$42,000 car effectively became a \$47,000 car, up about 12%. That drove demand down 26%. Applying similar math to the U.S. means investors should expect EV sales to fall by about a similar amount.

The average EV in the U.S., before any subsidy, currently costs [about \\$55,000](#), according to data provider Kelly Blue Book. Losing the credit effectively makes a car costing some \$47,500 cost \$55,000, about 16% more expensive.

The average EV in the U.S. currently costs about \$47,500 including qualifying subsidies, and [about \\$55,000](#) without any, according to data provider Kelly Blue Book. Losing the credit effectively makes the \$47,500 car cost \$55,000—about 16% more expensive.

Americans are on pace to buy about 1.3 million all-electric cars in 2024, up 5% to 10% from 2023. Investors can expect about 1 million to be sold in 2025.

The outlook is bleak. Tesla has the ability to alter the math a little. It's planning to launch a new [lower-priced model](#) in the first half of 2025. It could start around \$30,000.

Americans bought about 65,000 Model Ys in 2020, the first year it was on sale. The Y was a hit, and a little more expensive than the coming model. Perhaps Tesla could sell 100,000 to Americans in 2025.

Maybe U.S. EV sales can come in around 1.1 million units in 2025, with Tesla sales falling 0% to 5% and the rest of the industry taking it on the chin.

The rest of the world will have to help Tesla. Wall Street expects it to deliver about 2.1 million cars in 2025, up about 17% compared with the expected 1.8 million for 2024. Tesla is targeting 20% to 30% growth based in part on the new model.

That's only one scenario. Auto makers can cut prices too. [Toyota](#) recently announced its pricing for the [2025 BZ4X](#), its best-selling EV in the U.S. It will start at about \$37,000, down \$6,000, or about 14%, compared with the 2024 model.

Lower pricing will help offset the expected loss of the credit. Lower prices will pressure profits though. No matter how things work out, it will be a difficult year for auto makers looking to sell EVs to Americans.

Right now, Tesla investors don't appear all that worried. Through Tuesday trading, Tesla stock was up about 61% since the Nov. 5 election despite President-elect Donald Trump's [relatively negative](#) stance on electric cars.

Investors are focused on Trump's [close relationship](#) with CEO [Elon Musk](#), believing it will yield other benefits including federal self-driving vehicle regulations that will make it simpler to deploy autonomous cars across the nation. Tesla wants to start a [self-driving robo-taxi](#) service in [late 2025](#).

Time will tell if that was the right bet to make for the coming year.

Tesla stock closed down 3.3% on Tuesday, while the [S&P 500](#) and [Dow Jones Industrial Average](#) fell 0.4% and 0.1%, respectively.

The loss on the final trading day of the year left shares up about 63% year to date. That's the fourth-best annual gain since Tesla sold shares to the public in June 2010 at a split-adjusted price of \$1.13.

Write to Al Root at [allen.root@dowjones.com](mailto:allen.root@dowjones.com)

