

Tesla slashes prices in Asian markets as sales stumble

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The Daily Morning Voice Online Desk: Tesla (TSLA.O) cut prices in China for the second time in less than three months on Friday, fuelling forecasts of a wider price war amid weaker demand in the world's largest autos market. The U.S. automaker also cut prices on its best-selling Model Y and Model 3 electric vehicles in Japan, South Korea and Australia in what a person with direct knowledge of the plan said was part of an effort to help stoke demand for output from its Shanghai factory, its single largest production hub.

The shift is the first major move by Tesla since appointing its lead executive for China and Asia, Tom Zhu, to oversee global output and deliveries that have been at the heart of the company's recent challenges after falling short of its 2022 delivery target. Tesla shares closed up 2.5% at \$113.06 on Friday. However, the stock has lost 70% of its value in the last year. Automakers have long turned to incentives to control inventory, but, until late last year, Tesla had been able to keep prices steady or even raise them due to strong orders. But last month CEO Elon Musk said "radical interest rate changes" had affected the affordability of all cars, new and used, and that Tesla could cut prices to sustain volume growth.

The latest cut in China, along with another in October and recent incentives for Chinese buyers, mean a 13% to 24% reduction in Tesla's prices from September in its second-largest market after the United States, Reuters calculations showed. Tesla slashed prices for all its Model 3 and Model Y cars in China by between 6% to 13.5%, according to Reuters calculations based on the website prices. The starting price for the Model 3 was cut to 229,900 yuan (\$33,427), from 265,900 yuan. Those models are now priced 24% to 32% lower than those in the United States, Tesla's largest market, Reuters calculations showed, reflecting several factors including material and labour costs.

Grace Tao, Tesla's vice president in charge of external communications in China, said on Weibo that the price cuts in China reflected engineering innovation and answered Beijing's call to encourage economic development and consumption. Deliveries of Tesla's China-made cars hit their lowest in five months in December. Tesla's Shanghai plant, which was expanded last year, also exports vehicles to Europe. So far, there has been no sign of Tesla cutting prices in Europe, where sales jumped 93% in November year-on-year, according to sales data from research group JATO Dynamics, and the Model Y was the top-selling car for the second time in 2022. Tesla also saw its share of Europe's battery electric vehicle (BEV) market jump to 18.9% in November, from 12.3% in the same month a year earlier.