Tesla is now fighting for its bleak future

Car giant's first ever drop in annual sales comes as Elon Musk continues to dabble in politics

Its sales are falling. The share price has slumped. It is facing an end to many of the lucrative subsidies that have helped it to grow, and its chief executive is too busy helping out the president-elect – and meddling in global politics – to pay much attention to the company that made him the world's richest man.

For the first time in its short history, Tesla may well now be in real trouble. It is getting squeezed between rising Chinese manufacturers and traditional auto giants who are finally learning how to compete in the electric vehicle (EV) market – and it will need to work out how to start growing again very soon.

It was the worst possible start to the year for Tesla.

On Thursday, while many of us were still nursing a hangover, Tesla revealed that it delivered 1.79m vehicles in 2024, slightly below the 1.8m it shifted in 2023.

It was the first annual decline in total sales, and it meant that the sharp rebound in deliveries that its hyperactive chief executive Elon Musk had promised had not materialised.

Investors, not very surprisingly, took fright. For weeks, Tesla's stock had been on a strong run, on hopes that Musk's close relationship with Donald Trump would mean it might get some help from the American government.

But, on Thursday, more than 6pc was wiped off Tesla's valuation in a brutal trading session. Falling sales, to put it politely, are rarely a sign of a company that is doing well, and Tesla is now in a fight for its future.

Sure, it is possible to make some excuses for its dismal performance during 2024. Musk's high-profile backing of Trump in the presidential election, his role in the new administration, and his constant meddling in British, German and French politics, may well have alienated the company's wealthy, liberal, eco-conscious customer base.
Meanwhile, overall demand has been weak in both Europe and China, if not in the US. Some of the momentum has gone out of the EV industry, with issues from range anxiety to insurance costs dampening interest. Against that backdrop, 2024 was always likely to be a challenging year, and it was rash of Musk to promise a rebound in sales.
And yet, the disappointing total for 2024 may well be a signal of more trouble ahead. In reality, Tesla now faces two significant challenges. To start with, the Chinese manufacturers are now making slick, well-designed, and technologically advanced vehicles that are being sold at very competitive prices.

On Thursday, China's BYD reported that it sold 1.76 million pure EVs last year, putting it just a fraction behind Tesla for 2024. It now looks almost certain that BYD will overtake the American company during 2025 and many of its domestic rivals such as Geely and SAIC are performing almost as well.
The Chinese manufacturers will face steep tariffs in the US and Europe, but if they can get around those with local manufacturing, their rise will be unstoppable. They are still growing strongly in the rest of Asia, South America and Africa where there are few – if any –restrictions. It is going to be very hard for Tesla to maintain its global market share against that kind of competition.

Next, it might have taken them far too long, but the traditional auto manufacturers are finally getting their act together in EVs. At General

Motors, EV sales are estimated to have grown by 18pc in the final quarter of the year, while Ford's EV sales were up by 12pc in the third quarter of last year.

European manufacturers such as Volkswagen and BMW are making solid progress as well. The numbers are not spectacular, but they are a lot better than the falling sales that Tesla is now reporting.

Put those two forces together and one point is clear: the market is far tougher than it has been for a long time.

In reality, Tesla now needs to do two things. It urgently needs to come up with new models and more affordable cars. It was meant to be developing a $25,000 (£20,100) model, but last autumn Musk abandoned those plans. It is now betting big on self-driving vehicles, as well as artificial intelligence and robotics. While those may be lucrative industries one day, no one has any real idea yet whether the technology will really work or how much investment it might consume before they finally make any money.
Next, Musk needs to focus on the company full-time. It is not possible to fix the American government, reshape European politics, and build companies such as X, formerly Twitter, and SpaceX, as well as turn around a manufacturer that is running out of steam.

If he is not willing to return to the business full-time – and dial down the political activism that has alienated potential customers – it may well be time for him to step aside for someone who can give the business the attention it deserves.

Tesla was by far the most successful company of the last decade, coming from nowhere to be the biggest auto manufacturer in the world, at least as measured by market capitalisation instead of total cars sold. Even after the shares slumped this week, it is still valued at $1.2 trillion, far more than Ford, General Motors or Toyota.

And yet, right now it is facing a real fight. No company can be complacent about falling annual sales – and if Tesla does not find a way to reverse that, it will soon be in real trouble.