

EV Sales Expected to Grow in 2023 Despite a Slow Start in Q1, Now Fueled by Tesla-Led Price Wars

written by Matt Bohlsen | April 25, 2023

After a stellar 2022, which saw global plugin electric car sales [increase by 55% year on year \("YoY"\) to 10.522 million](#) and reach approximately a 13% market share, what will 2023 bring? We already saw a soft start to the year in January, which resulted in a Tesla-led price war. February and March sales of electric cars have seen some improvement.

Overall in Q1/2023, global plugin electric car sales are growing YoY, just not as fast as in 2022. BloombergNEF is forecasting [13.6 million deliveries](#) in 2023, compared to Trend Investing's forecast of [14.35 million](#) (up 36% YoY).

Auto Shanghai 2023

Looking at Auto Shanghai 2023, which is on now in China, it appears that interest in EVs is at an all-time high, with [70 of the 100 new models](#) on display being electric. China continues to dominate global electric car sales, selling [almost 60%](#) of global electric cars in 2022.

Image 1: Auto Shanghai 2023 – Embrace the new era of automobile industry



Source: [Auto Shanghai 2023](#)

Q1/2023 sales

Global plugin electric car sales in Q1/2023 are estimated to have reached approximately 2.3 million to 2.4 million units (January [662,000](#), February [812,000](#), March approximately 850,000 (estimate)). At first glance, it may seem like the yearly targets of 13.6 million or 14.3 million look out of reach, but this may not be the case. The first quarter is always the slowest quarter of the year and it was negatively impacted this year by the end of Chinese Federal subsidies and Covid-19 impacts in January in China.

A lot has happened since then, including a 'price war', where EV car manufacturers are significantly discounting prices to secure growth and market share. Reuters recently reported March China sales [stating](#): "Sales of new energy vehicles (NEVs), which include pure battery electric cars and plug-in hybrids, rose 21.9% in March and accounted for 34% of the month's sales.....More than 40 brands have joined a price war started by Tesla this year."

Q1/2023 sales by manufacturing group

[BYD Co](#) (HK: 1211 | OTC PK: BYDDF) remains the global sales leader

having sold [552,076 new energy vehicles](#) (“NEVs”) in Q1/2023. BYD’s sales are up 92.81% YoY.

[Tesla](#) (NASDAQ: TSLA) is at number two globally with [422,875 sales in Q1/2023](#).

Next in terms of Q1 sales is [Volkswagen Group](#) (Xetra: VOW | OTCPK: VWAGY) followed by [Geely Automobile Holdings Ltd.](#) (HK:0175 | OTCOK: GELYY).

In terms of the better-known U.S. brands, they are still a very long way behind. For example, [General Motors](#) (NYSE: GM) sold [20,670](#) electric cars in Q1/2023 and [Ford](#) (NYSE: F) sold only [10,866](#). Rivian (NASDAQ: RIVN) sold [7,946](#) electric pickup trucks in Q1/2023.

The Chinese upstarts Li Auto ([52,584](#) sales), Nio ([31,041](#) sales), and XPeng ([18,230](#) sales) performed ok but failed to deliver significant numbers in Q1/2023.

A conclusion from all of the above is that the big are getting bigger, BYD and Tesla dominate, and Volkswagen Group, Geely, and others are all chasing.

Image 2: Tesla has slashed their prices in 2023 – Model 3 now sells in the USA for US\$39,990, and much less after various incentives



Source: M. Bohlson

2023 EV trends – Price wars and U.S changes to the IRA and the EPA proposed aggressive new ‘clean vehicle’ standards

The emerging trend of 2023 in a sluggish global economy is an

all-out 'EV price war'. Fierce pricing competition has emerged in order to boost sales growth. Falling commodity prices (notably lithium) are helping battery prices to come down and hence also helping EV makers to pass on cost savings.

The big winner so far in 2023 is the consumer. Tesla '[slashed prices](#)' in 2023 thereby starting the price war. You can now buy a Tesla Model 3 RWD in the USA for [US\\$39,990](#), which drops by the federal tax credit of US\$3,750 for eligible buyers (and a further [US\\$2,000](#) for California eligible buyers). Tesla has the highest auto margins and can afford to cut prices and still remain very profitable (Q1 net GAAP income [fell 24%](#) YoY, but remains profitable with 19.3% gross margin).

BYD recently launched their small electric car 'Seagull' at an astonishingly low price (from approximately US\$11,400) in China, receiving 10,000 new orders on the first day.

The incumbent ICE companies and lower volume manufacturers/startups are the ones who will really feel the pinch, with many of them making a loss on their EV sales. At this rate, 2023 may see a few smaller EV startups go bankrupt and potentially some industry consolidation.

Another key trend in 2023 is the changes to the Inflation Reduction Act ("IRA"). As [reported](#) by Bloomberg on April 18, 2023: "Only 10 electric and plug-in hybrid vehicles will qualify for \$7,500 federal tax credits in the US after stricter battery-sourcing rules take effect and render most plug-in models ineligible.....General Motors, Tesla, and Ford Motor all have at least one EV that will qualify, while Ford and Stellantis NV (NYSE: STLA) each have one eligible plug-in hybrid model...."

In a further twist of the knife to the internal combustion engine ("ICE") manufacturers, it was reported in April 2023 that the EPA proposes aggressive new 'clean vehicle' standards,

[stating](#): “The agency projects that EVs could account for 67% of new light-duty vehicle sales and 46% of new medium-duty vehicle sales in 2032, bolstered by the EPA proposals.”

Closing remarks

Global electric car sales are off to a sluggish start in 2023, but the recent price war looks to be helping with sales momentum growing in February and March 2023. Tesla appears to be determined to grow EV sales volumes at an average of 50% YoY this decade. Given Q1/2023 growth was [44% YoY](#), it looks like Tesla will continue the price war for some time.

In terms of 2023 EV trends, it looks like being a year of reckoning. BYD and Tesla are getting stronger and the ICE laggards and struggling EV startups are being left behind. At this rate, we may see some casualties before year end. At least the EV consumer is now getting some great deals!