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## Tesla Faces Rocky Road Ahead Amid Falling Demand and Shrinking Incentives

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Tesla has warned of challenging quarters ahead as declining electric vehicle demand and waning government support impact its bottom line. The automaker's stock dropped more than 8% in early U.S. trading Thursday after CEO Elon Musk signaled that the coming months could be turbulent.

The company reported \$22.5 billion in quarterly revenue, down 12% compared to the same period last year. Net income fell to \$1.17 billion from \$1.4 billion, while earnings per share

(EPS) met analyst expectations at \$0.40. Analysts noted that while Tesla remains profitable, its position is under increasing strain.

During an earnings call, Musk said Tesla could experience “a few rough quarters,” potentially lasting into early 2026. While stopping short of forecasting losses, he acknowledged near-term uncertainty. “I’m not saying we will, but we could, Q4, Q1, maybe Q2,” he said. Despite this, Musk pointed to Tesla’s self-driving technology as a key driver of future growth. In a separate *Wall Street Journal* interview, he called the company “early stage” in its autonomous driving push.

Tesla’s difficulties are compounded by changing government policies. With federal tax credits for EV buyers diminishing and increasingly directed toward union-backed firms and local components, Tesla, an independent, non-union manufacturer, has found itself less favored. This shift could raise purchase prices for U.S. consumers and suppress demand further.

Analysts at Canaccord Genuity said the revenue dip could be temporary but warned of ongoing headwinds. “Tesla is well-positioned to benefit from future-forward technologies,” the firm noted. “But we also value short-term growth, and that’s under pressure.”

As enthusiasm for electric vehicles moderates and policy priorities shift, Tesla is moving to reduce its dependence on federal incentives. The company is investing heavily in artificial intelligence and autonomous driving in a bid to stay competitive.

With investors more cautious and incentives shrinking, Tesla’s next steps will be crucial. Success may depend not on external support, but on how effectively the company can innovate in a tightening market.