

Tesla hits a grim milestone: its second straight year of decline

The automaker has lost the lead to its Chinese competitors as its business continues to contract.

by [Andrew J. Hawkins](#)



Tesla just reported its second consecutive year of declining revenue and profits, further complicating Elon Musk's \$1 trillion effort to transform his company into a leader in AI and robotics. Meanwhile, the global EV market continues to grow, seemingly in spite of the pioneering company's setbacks.

Tesla said it earned \$840 million in net income on \$24.9 billion in revenue in the quarter that ended in December 2025. That's a 3 percent decrease in revenue and a staggering 61 percent decrease in profits over the fourth quarter of 2024, when the company earned \$2.3 billion in net income on \$25.7 billion in revenue.

Tesla beat expectations from Wall Street, which had predicted that Tesla would report \$24.79 billion in revenue according to an average of analyst estimates compiled by LSEG. For the full year 2025, Tesla said it

earned \$3.8 billion in net income on \$94.8 billion in revenue, a 3 percent decrease compared to 2024.

Tesla beat expectations from Wall Street

The earnings report comes a few weeks after Tesla lost its title as the world's best-selling EV company to China's BYD, which sold 2.26 million vehicles last year. The company

reported selling about 1.6 million vehicles in 2025, a 8.5 percent decrease year over year. In the fourth quarter alone, it recorded a 15.6 percent drop in customer deliveries, as many people made their purchases in the third quarter to take advantage of expiring federal tax credits.

Meanwhile, global EV sales continued to grow by leaps and bounds, up 20 percent in 2025. But that growth is expected to cool in 2026 based on weakness in the Chinese market and the pullback of subsidies. Policy shifts, like the Trump administration's U-turn on EV subsidies and the relaxation of emissions targets, are expected to lead to slower growth in EV sales this year.

The drop in revenue was widely expected, given the disastrous year that Tesla just experienced. Tesla's aging lineup, as well as rising competition from legacy automakers in the US, Europe, and China, put a serious dent in Tesla's demand. And Tesla CEO Elon Musk's emergence as a divisive political figure, pushing racist right-wing conspiracies on his social media platform X, throwing Nazi salutes at Donald Trump's inauguration, and heading the controversial DOGE project in the Trump administration to slash global humanitarian aid programs, has alienated many of the company's traditionally liberal customers. Musk's political activity is estimated to have cost Tesla sales of more than 1 million vehicles.

Musk himself has said that the company is in for “a few rough quarters” thanks to the expiring incentives and other macroeconomic factors. But he believes that Tesla will eventually rebound as its AI plans come to fruition, including robotaxis and humanoid robots. Musk predicted that 50 percent of the US population will have access to Tesla’s robotaxis by the end of 2025 — a prediction that unsurprisingly turned out to be wildly overblown. So far, only a handful of vehicles are available in Austin and San Francisco to a limited number of customers and under strict circumstances.

The earnings report also comes on the heels of Musk winning approval from Tesla shareholders for a massive new pay package that could make him the world’s first trillionaire. Musk would need to meet a series of ambitious milestones to receive the compensation, including producing over a million robots, a million robotaxis, and creating \$7.5 trillion in value for Tesla’s shareholders.