Appraiser Blog

Ford EV Sector Faces Heavy Losses

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Ford EV division faced increasing losses during the third quarter of the year, primarily due to a combination of pricing pressures and the ongoing strike by the United Auto Workers (UAW) union. Despite some positive aspects, such as improved sales of the Mustang Mach-E, the overall financial picture for Ford's EV unit was not favorable.

In Q3, Ford managed to sell 20,962 electric vehicles, surpassing its rival, General Motors, albeit by a slim margin. This success was partly attributed to the increased production of the Mustang Mach-E, which saw a 42.5% sales increase in the third quarter, with 14,824 units sold, including a significant 5,872 units in September alone.

This boost in sales resulted in a 44% growth in Ford's EV deliveries, leading to a 26% year-over-year increase in revenue, reaching $1.8 billion for the Ford Model E EV unit. However, the positive sales figures didn't translate into profitability for Ford's EV business.

Ford EV Losing Streak

Unfortunately, Ford's EV losses continued to rise during the third quarter, with an operating loss of $1.3 billion. This marked an increase from the $1.1 billion loss in the previous quarter and was more than double the loss reported in Q3 of the previous year.

What's striking is that Ford lost approximately $36,000 for each electric vehicle sold in the quarter, surpassing the estimated loss of $32,350 per EV in the second quarter. The automaker anticipates a full-year loss of $4.5 billion for its EV unit.

Ford attributed the Q3 losses to "continued investment in next-generation EVs and challenging market dynamics." They pointed out that many North American customers interested in purchasing EVs are unwilling to pay a premium for them over traditional gas or hybrid vehicles. This reluctance to pay a premium has put pressure on EV prices and, consequently, the profitability of Ford's EV division.

Ford's Countermeasures

To address these financial challenges, Ford decided to scale back around $12 billion in planned EV investments. This move includes cutting production of the Mustang Mach-E and delaying the opening of one of two battery plants, which were scheduled to be launched in Kentucky in partnership with SK On. The company did not specify the duration of these delays. In contrast, the second battery plant in Kentucky and the Blue Oval City complex in Tennessee projects remain unchanged so far.

Ford's Chief Financial Officer, John Lawler, acknowledged the slower-than-expected growth of the EV market, stating that "the narrative has taken over that EVs aren't growing; they're growing. It's just not growing as quickly as everybody expected, including us." Lawler also emphasized that Ford is not canceling its planned second-generation EVs, including a three-row utility and a full-size pickup.

Furthermore, the UAW's tentative agreement, which includes a 25% wage increase for 57,000 workers over five years, is expected to add $850 to $900 in labor costs per vehicle. Ford estimated that the 41-day UAW strike resulted in a production loss of 80,000 vehicles, costing the company $1.3 billion, effectively wiping out $1.2 billion in third-quarter income.

Sum Up

Ford's third-quarter results revealed growing EV losses, influenced by both pricing pressures in the EV market and challenges posed by the UAW strike. Despite these obstacles, Ford is adjusting its investment strategy to find a balance between demand and profitability, ensuring that it remains competitive in the evolving EV industry.

This other article may offer you more insights on the automotive sector: Why Zero Percent Financing Is Fading in the Auto Industry

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