

The auto industry's push to boost sales of electric vehicles is running into a cold, hard reality: Buyers' interest in these models is proving shallower than expected.

While EV sales continue to grow—rising 51% this year through September—the rate has slowed from a year earlier and unsold inventory is starting to pile up for some brands.

Some car companies, such as Ford Motor increase; Toyota Motor increase, are tempering their expectations for EVs and shifting more resources into hybrids, which have been drawing consumers at a faster clip.

The first wave of buyers willing to pay a premium for a battery-powered car has already made the purchase, dealers and executives say, and automakers are now dealing with a more hesitant group, just as a **barrage** of new EV models are expected to hit dealerships in the coming years.

"The curve isn't accelerating as quickly as I think a lot of people expected," said John Lawler, Ford Motor's chief financial officer at a conference in September, on the EV adoption rate. "We're seeing it flatten a bit."

The abrupt slowdown in EV sales is a contrast to a year ago, when carmakers found themselves caught off guard by long waiting lists for battery-powered cars and trucks. It is also a troublesome sign for the car manufacturers **plowing** billions of dollars into building factories and battery plants to support what they hope will be a strong pickup in demand for plug-in models.

In recent years, the auto industry's pivot has accelerated, **prodded** by Tesla's meteoric rise and tougher regulations globally on tailpipe pollutants, including outright bans on gas-engine cars in the coming years.

The Biden administration has made EVs a centerpiece of its industrial policy, and the United Auto Workers union is on strike at the Detroit car companies, in part because it is worried about future job security as engine and transmission plants disappear.

Still, many consumers are reluctant to make the switch, deterred by high sticker prices and the inconvenience of driving a vehicle that has a limited range and needs regular recharging.

"I just wasn't ready to get an electric yet, because of range anxiety," said Robert DuWors, who was recently in the market and had considered a battery-powered car. He instead bought a plug-in hybrid, noting that it gets 40 to 50 miles on a single battery charge, more than he drives in an average day.

"When I use that up, then it is a hybrid," said the 64-year-old resident of Rancho Mirage, Calif.

The share of the retail market held by EVs has leveled out at around 9% for the past several months, according to data analytics firm J.D. Power, raising broader questions about whether the industry is confronting a short-term **blip** or a more protracted challenge.

Carmakers are reacting to the **slackening** demand by cutting prices and offering discounts on EVs.

Some are resetting ambitious forecasts. Ford pushed back a plan to produce 600,000 EVs annually to late 2024 instead of the end of this year, and The Wall Street Journal reported Friday that it is considering canceling a shift of factory production on its electric F-150 Lightning pickup as sales for that model falter.

Hyundai Motor, which has been aggressive in adding new EVs to its lineup, is offering a free charger to attract buyers, along with a discount to install it, a promotion worth about \$1,100.

EV market leader Tesla has also wrestled with slowing global sales this year, despite steep price cuts across its lineup.

Industrywide, the average price paid for a battery-powered vehicle was \$50,683 in September, compared with \$65,000 during the same period last year, according to Cox Automotive, an industry services firm.

For many consumers those upfront costs remain too high, especially with interest rates going up, dealers and analysts say. Prices will likely have to come down to appeal to a wider range of car shoppers, many of whom are accustomed to paying under \$40,000 for a new vehicle.

“There was a bit of **exuberant** thinking that the market would adopt EVs at the same rate early adopters were,” said Beau Boeckmann, president of Galpin Motors, which owns one of the largest Ford dealerships in the U.S.

The electric Mustang Mach-E was the dealership’s top-selling vehicle last month, but he still had unsold vehicles.

“Customers are not knocking down the door to buy them,” he added.

In September, Ford had a 3½-month supply of unsold Mustang Mach-E SUVs, more than double the industry average, according to research firm Motor Intelligence.

Hyundai, Kia and Volkswagen also saw sharp increases in their electric-vehicle inventories last month from the same period a year ago.

A Ford spokesman said the company’s EV sales remain strong—increasing 14.8% in the just-ended quarter—and the supplies for the Mustang Mach-E have steadily increased since June after a planned factory shutdown.

Kia attributed the current deceleration to “short-term market fluctuations,” and Volkswagen acknowledged the EV market in the U.S. has softened but said demand is still robust.

Some automakers, such as Hyundai and Kia, have been disproportionately hit by new restrictions that limit who can qualify for a \$7,500 federal tax credit for EVs. Because these car companies build their EVs outside North America, they became ineligible for the incentive in August, making them more expensive for buyers.

As an offset, Hyundai has started to offer lease deals and other promotions to draw more buyers in, said Randy Parker, head of the Korean car maker's North American business.

"We have to remain competitive in the marketplace," Parker said.

EV startups are also feeling the pinch from slower-than-expected sales growth. Companies such as Rivian Automotive and Lucid Group find themselves with unsold inventory despite building relatively low numbers of vehicles at their factories.

Meanwhile buyers are gravitating to hybrids and plug-in hybrids, which combine a gasoline engine with battery power to save on fuel.

Hybrid sales in the year's first three quarters jumped 48% over the prior-year period, according to Motor Intelligence, a reversal from last year, when hybrid sales fell roughly 6% compared with 2021.

"It's a smoking-hot market," said David Christ, head of sales for Toyota Motor's North American business. Toyota has been slower to move to EVs than its rivals, preferring to promote hybrids, which are now in shorter supply.

Toyota, in September, had a little more than a week's worth of Prius hybrids in stock, meaning many customers face long waits for one. By comparison, the Japanese automaker had a more-than-two-months' supply of its newest electric SUV, the bZ4X, an indication those vehicles are starting to stack up at dealerships.

"We are trying to make as many hybrids and plug-in hybrids as possible," Christ said.