



FOR IMMEDIATE RELEASE

Despite Continued Inventory Troubles, U.S. Automobile Dealer Sentiment Remains Positive, Spurred by Record-High Profits

- Current market dealer sentiment retreats slightly from record highs in Q3 for both franchised and independent dealers but remains well above average.
- Profit index sets another record high, while the price pressure index increased modestly.
- For U.S. auto dealers, Limited Inventory remains the top factor holding back business in Q3.

ATLANTA, Sept. 13, 2021 – As tight vehicle inventory continues to vex the auto industry, U.S. dealer sentiment in the third quarter softened but remains mostly positive and above levels recorded in Q3 2020 and Q3 2019.

The current market index reading of 62 in the most recent Cox Automotive Dealer Sentiment Index (CADSI) indicates that more dealers feel that the automotive market is strong compared to the number who feel that the market is weak.

The key drivers of sentiment saw varying shifts in Q3. The 3-month market outlook index saw a 3-point decrease from the prior quarter, meaning the outlook is waning, although, at 60, more dealers still see the future market as strong than see it as weak. The profits index saw a slight improvement compared to the prior quarter, hitting a record of 86 – the highest-ever index score across all measures. At the same time, the price pressure index increased modestly from Q2's record low – slightly more dealers are now feeling pressure to lower prices, although that group is still in the minority.

“Dealer sentiment has moderated from a record high in the spring,” said Cox Automotive Chief Economist Jonathan Smoke. “Dealers are still optimistic about the coming months, but the new-vehicle inventory situation is not improving, and sales are suffering.”

Lack of Inventory Impacts Sales; Used Inventory Improves but Remains in Negative Territory

Consistent with current market trends, the new-vehicle inventory index was unchanged from last quarter's record low of 13 and down by a notable 16-points compared to Q3 2020. Not only is inventory tight, but the mix is poor as well and getting worse. The new-vehicle inventory mix index fell to a historically low reading of 18 in Q3.

While new-vehicle inventory remains challenged, there are signs used-vehicle inventories are improving. The used-vehicle inventory index saw substantial growth from Q2 to Q3, increasing by 10 points to 31. The used-inventory mix index also improved, although only modestly. Both indices remain below the threshold of 50 and are seen by dealers as declining, not growing.

Tight inventory levels are now negatively impacting sales, according to dealer sentiment. The view of new-vehicle sales was down significantly from Q2 and compared to last year. The new-vehicle sales index fell to 51, the second-lowest reading on record. The used-vehicle sales index fell as well, although it remains historically high at 59, the second-best reading in the index's history and behind only the record set last quarter.

Top Factors Holding Back Business Unchanged in Q3

The top 5 factors holding back the business across all dealers were unchanged in Q3 from Q2, with Limited Inventory in the top spot with 62% of dealers citing it. Market Conditions in the second spot rose to 37% of dealers citing it, while Business Impacts from COVID-19 was in the third spot, down from No. 2 in Q3 2020. The Economy and Expenses rounded out the top 5 factors holding back dealer business this quarter.

Cox Automotive Dealer Sentiment Index Methodology

Data for the Cox Automotive Dealer Sentiment Index is gathered via online surveys. The Q2 results were based on 1,100 dealer respondents, comprising 576 franchised and 524 independents, across the country from July 26 to Aug. 9, 2021. Dealer responses were weighted by dealership type and volume of sales to be representative of the national dealer population. For each aspect of the market surveyed, respondents are given an option that relates to strong/increasing, average/stable, or weak/decreasing, along with a “don’t know” opt-out. Indices are calculated by creating a mean score in which:

- Strong/increasing answers are assigned a value of 100.
- Average/stable answers are assigned a value of 50.
- Weak/declining selections are assigned a value of 0.

Respondents who select “don’t know” at a particular question are removed from the related index calculation. The total metrics reported have a margin of error of +/- 2.9%.

[Download the full results](#) of the Q3 2021 Cox Automotive Dealer Sentiment Index.

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