



# DEALER SENTIMENT INDEX

THIRD QUARTER 2023



## A Unique Market Drives Optimism

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### Background

- ✓ Data for the Cox Automotive Dealer Sentiment Index (CADSI) is gathered via a quarterly online survey of franchised and independent auto dealers.
- ✓ Dealer responses are weighted by dealership type and volume of sales to closely reflect the national dealer population. Data is used to calculate an index wherein a number over 50 indicates more dealers view conditions as strong or positive rather than weak or negative.
- ✓ The Q3 2023 CADSI is based on 983 U.S. auto dealer respondents, comprising 554 franchised dealers and 429 independents. The survey was conducted from July 24 to Aug. 8, 2023.
- ✓ The next quarterly report will be released in December 2023. The CADSI was first published in Q2 2017.

# Key Takeaways: Q3 2023

Overall dealer sentiment in the U.S. held mostly steady in Q3 2023 compared to Q2, as high interest rates and a slow economy weigh heavily on the U.S. auto market, according to the Cox Automotive Dealer Sentiment Index (CADSI). The Q3 current market index was 45, still below the threshold of 50, indicating that more dealers see the current auto market as weak than see the market as strong.

After hitting an all-time high in Q2 2021 of 67, the current market index has been sliding downward. The Q3 report is the 5<sup>th</sup> consecutive quarter with dealer sentiment below the 50 threshold. Importantly, franchised dealers are far more positive about the current market than independent dealers, with a current market index score of 57, up one point from last quarter. For independent dealers, the current market index fell one point to 41.

The 3-month market outlook index declined in Q3, falling from 47 to 45, indicating more dealers feel the market will be weak, not strong, in the months ahead. As with the current market index, franchised dealers were more optimistic

about the outlook than independent dealers. The market outlook index in Q3 for franchised dealers increased 1 point, moving from 57 to 58; the outlook index for independent dealers declined from 44 to 41.

“The latest index indicates that persistently high interest rates and lingering concerns about the economy and market conditions are dampening overall dealer sentiment,” said Cox Automotive Chief Economist Jonathan Smoke. “Franchised dealer optimism is on the rise, whereas independents are less hopeful due to affordability issues that more acutely affect the used-vehicle market and their businesses.”

While a majority of dealers believe the market will be weak in the coming months, few factors in the latest survey changed significantly from Q2, indicating the U.S. auto market is relatively balanced and consistent from last quarter. The traffic index declined only slightly from last quarter and the profits index fell one point, from 41 to 40. The overall index hit an all-time high two years ago, at 60 in Q3 2021, and has been sliding ever since. The current profits index, at

40, is now at a post-pandemic low point. For franchised dealers, profits are still well above pre-pandemic norms at 58. However, the profits index for independents at 35 is near the lowest score ever, and well below long-term averages.

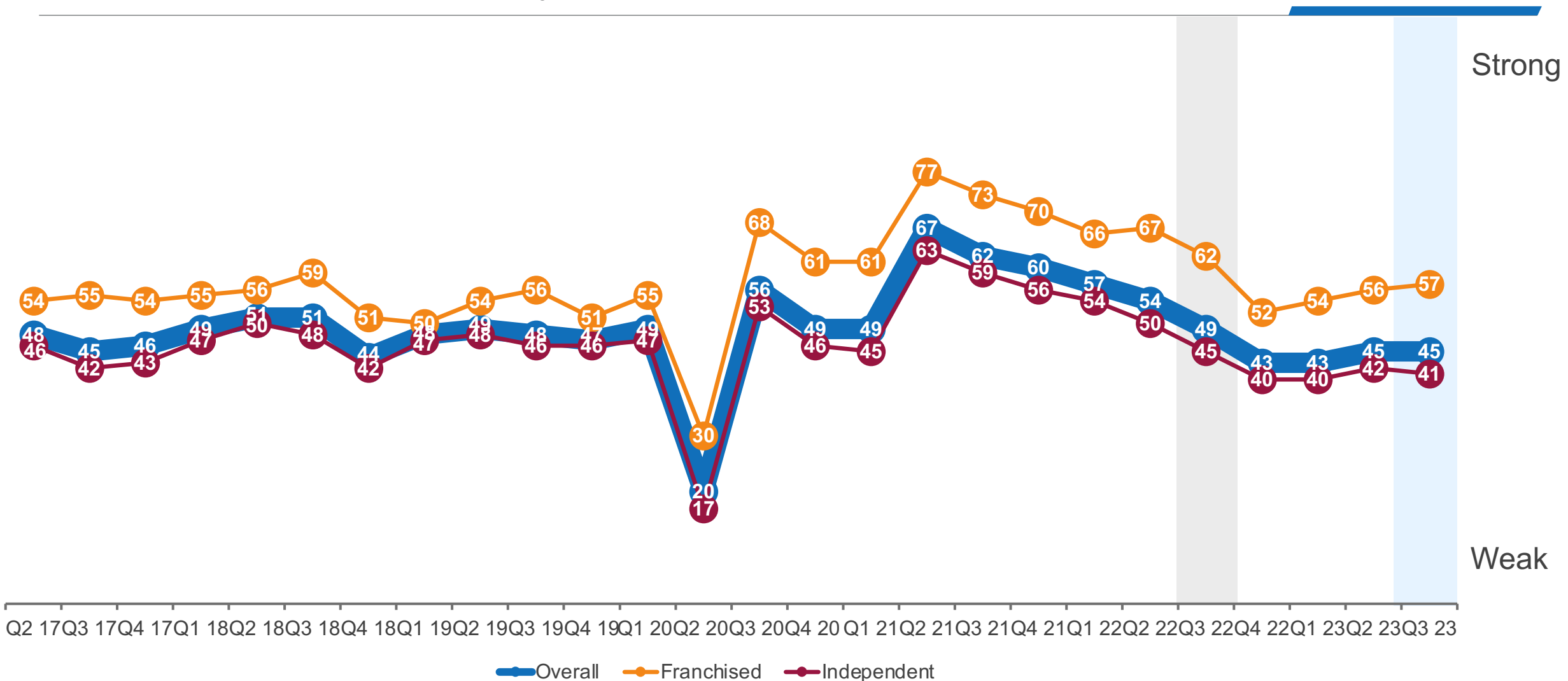
The new-vehicle sales environment index score indicates more dealers see the sales environment as good. Conversely, the used-vehicle sales environment is viewed as poor by most dealers. Compared to Q3 2022, electric vehicle sales are seen as worse for all dealers, though the change is not statistically significant.

Interest rates (61%), the economy (54%) and market conditions (41%) are the top factors holding back business, according to the Q3 CADSI. Limited Inventory (37%) has fallen to the fourth spot. In Q3, Credit Availability for Consumers (33%) increased significantly versus last year as a factor holding back business. Thirty-three percent of dealers indicated Credit Availability is a challenge in the Q3 survey, up from 30% in Q2 and only 18% in Q3 2022.

Q1: How would you describe the current market for vehicles in the areas where you operate?

# Dealer Sentiment Index

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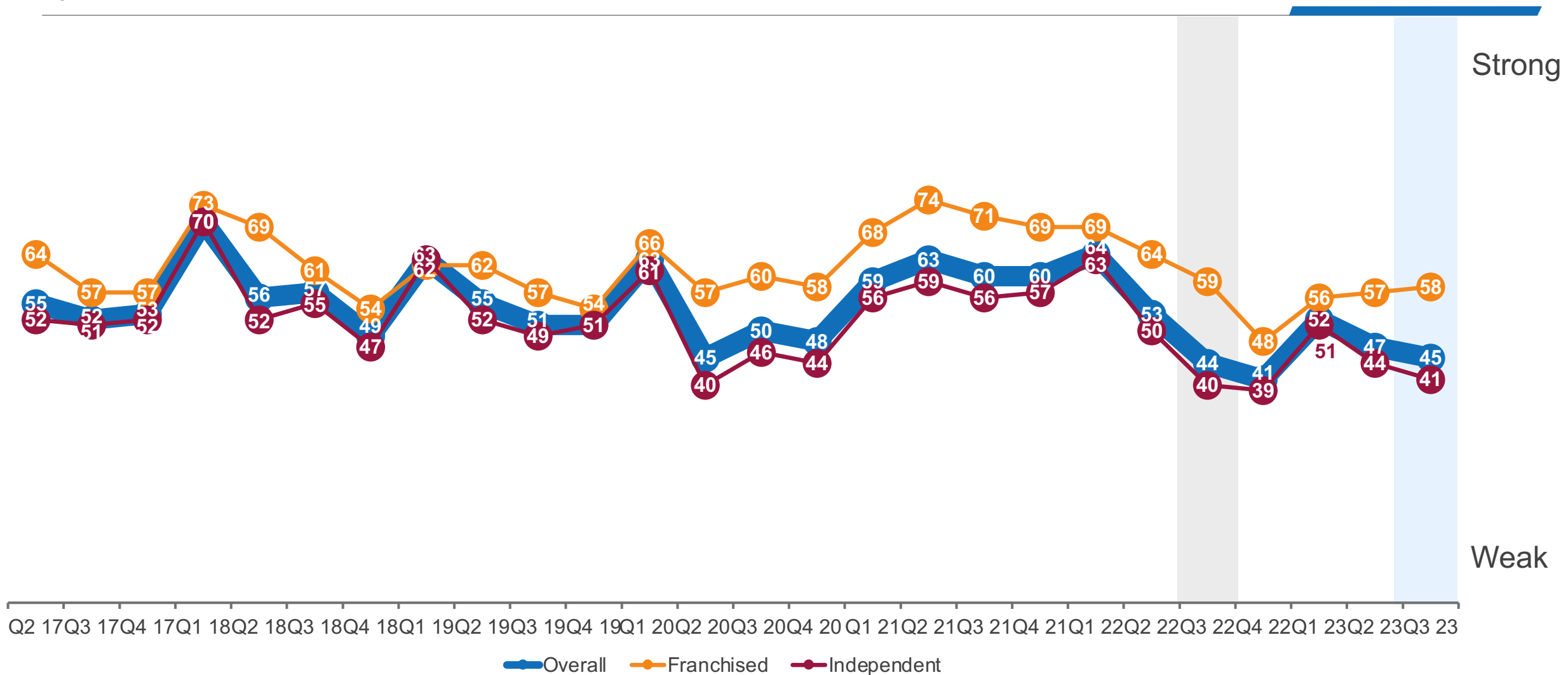


Note: Scale 1 - 100

Q2: What do you expect the market for vehicles in your area to look like 3 months from now?

# Dealer Sentiment Index

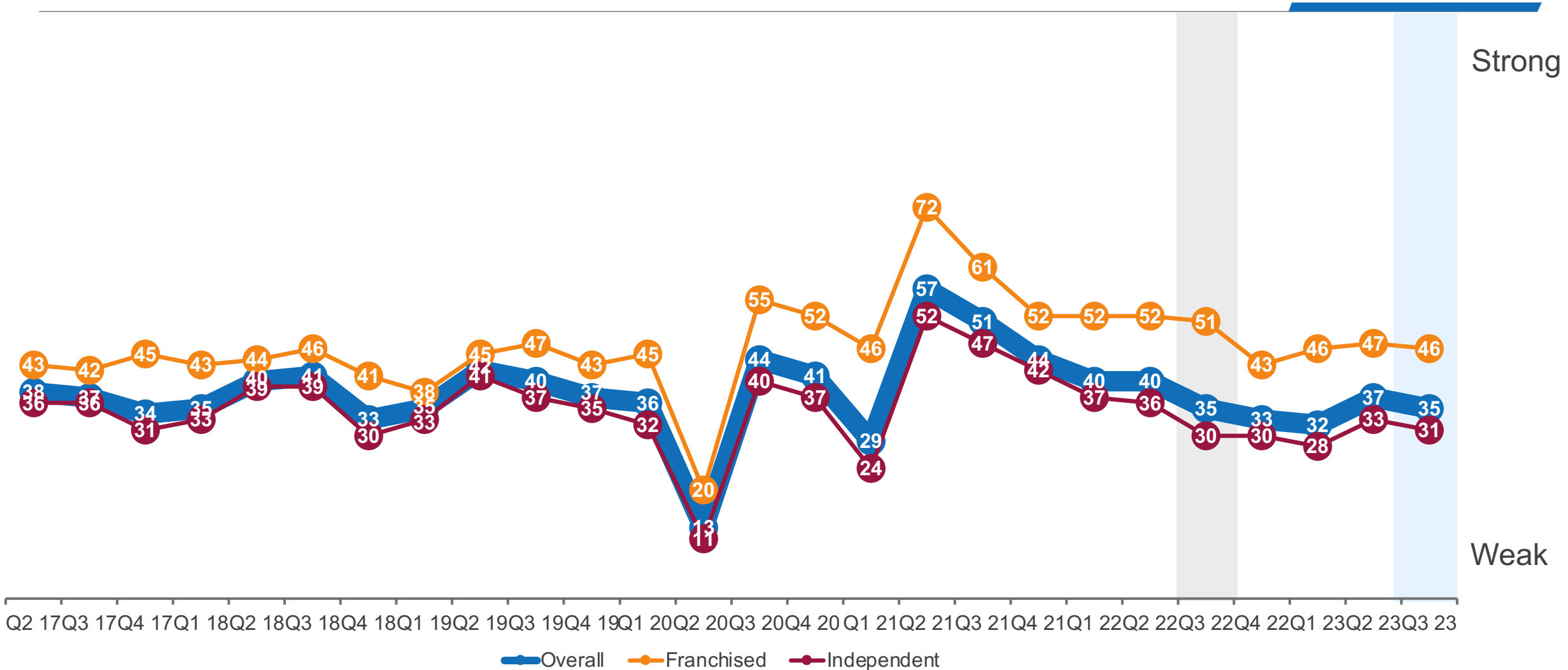
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Note: Scale 1 - 100

# Q3: How do you rate the customer traffic to your dealership over the past 3 months?

## Dealer Sentiment Index THIRD QUARTER 2023



Note: Scale 1 - 100

Q3A: How do you rate the **in-person** customer traffic to your dealership over the past 3 months?

# Dealer Sentiment Index

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Note: New question introduced Q3 2022



Note: Scale 1 - 100

# Q3B: How do you rate the **digital/online** customer traffic to your dealership over the past 3 months?

## Dealer Sentiment Index THIRD QUARTER 2023

Note: New question introduced Q3 2022

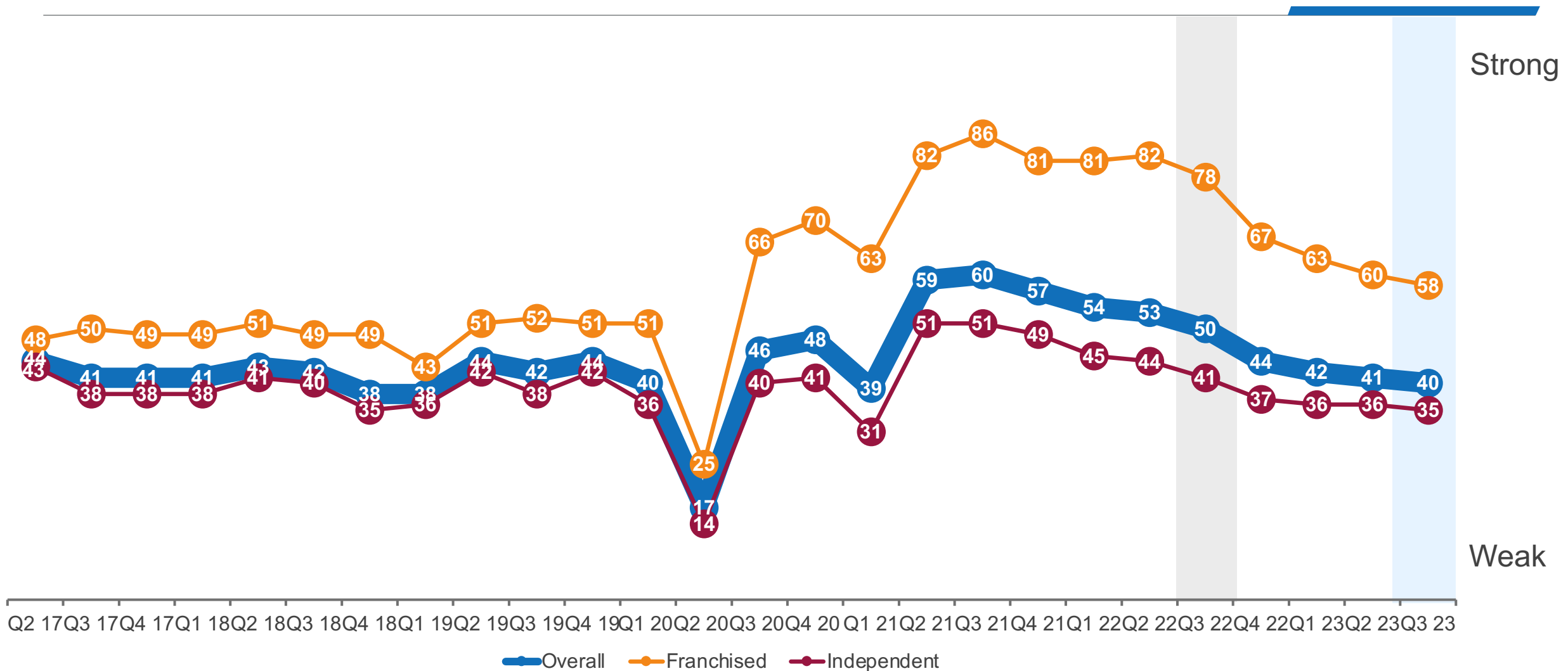


Note: Scale 1 - 100



# Q4: How would you describe your profits over the past 3 months?

## Dealer Sentiment Index THIRD QUARTER 2023

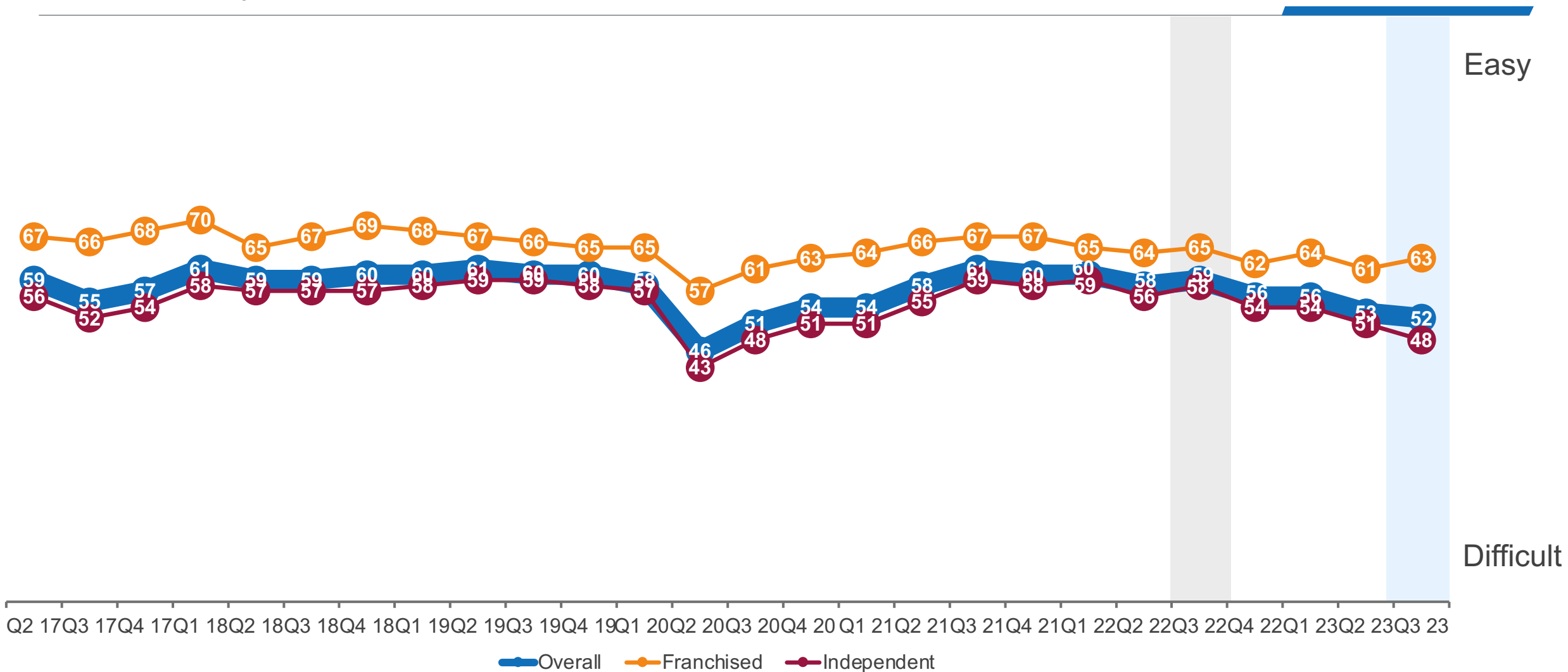


Note: Scale 1 - 100

Q5: How would you describe your ability to get credit to operate your business over the past 3 months?

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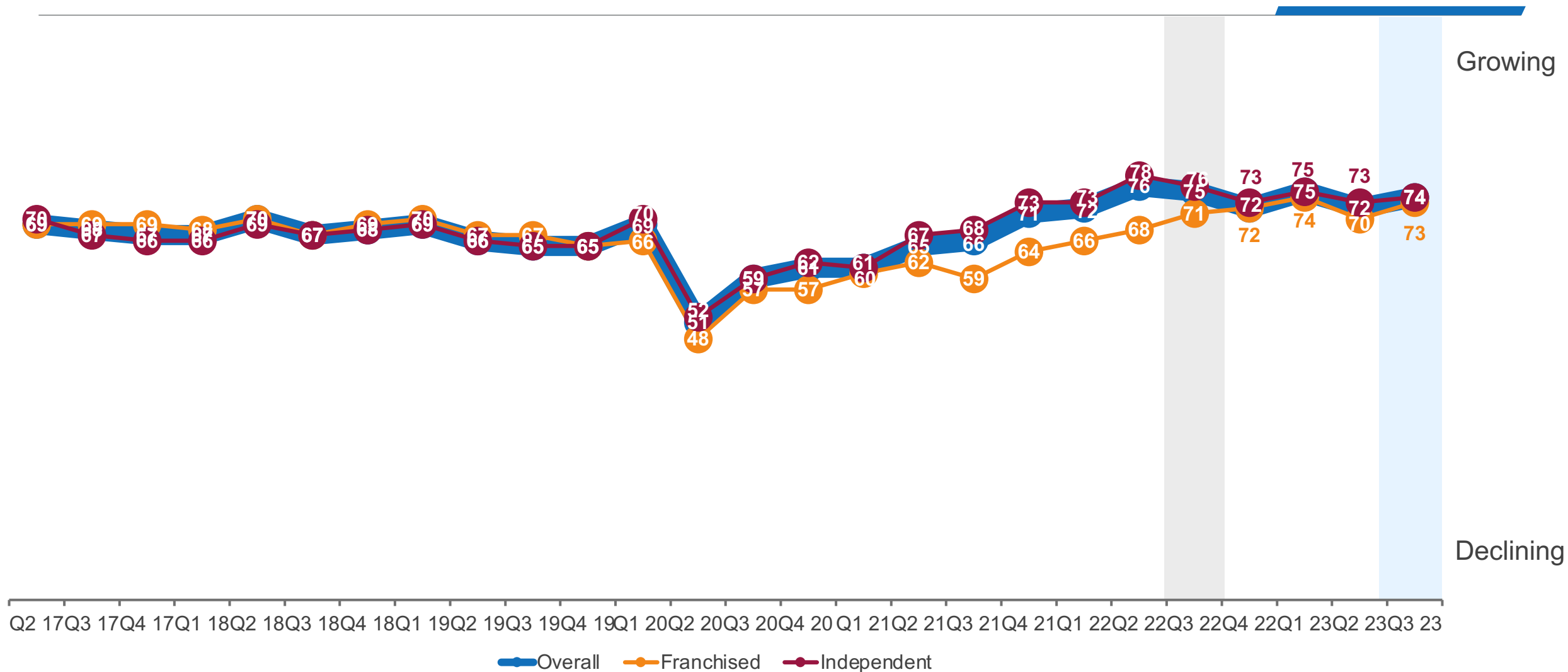


Note: Scale 1 - 100

Q6: How would you describe the cost of running your dealership over the past 3 months?

# Dealer Sentiment Index

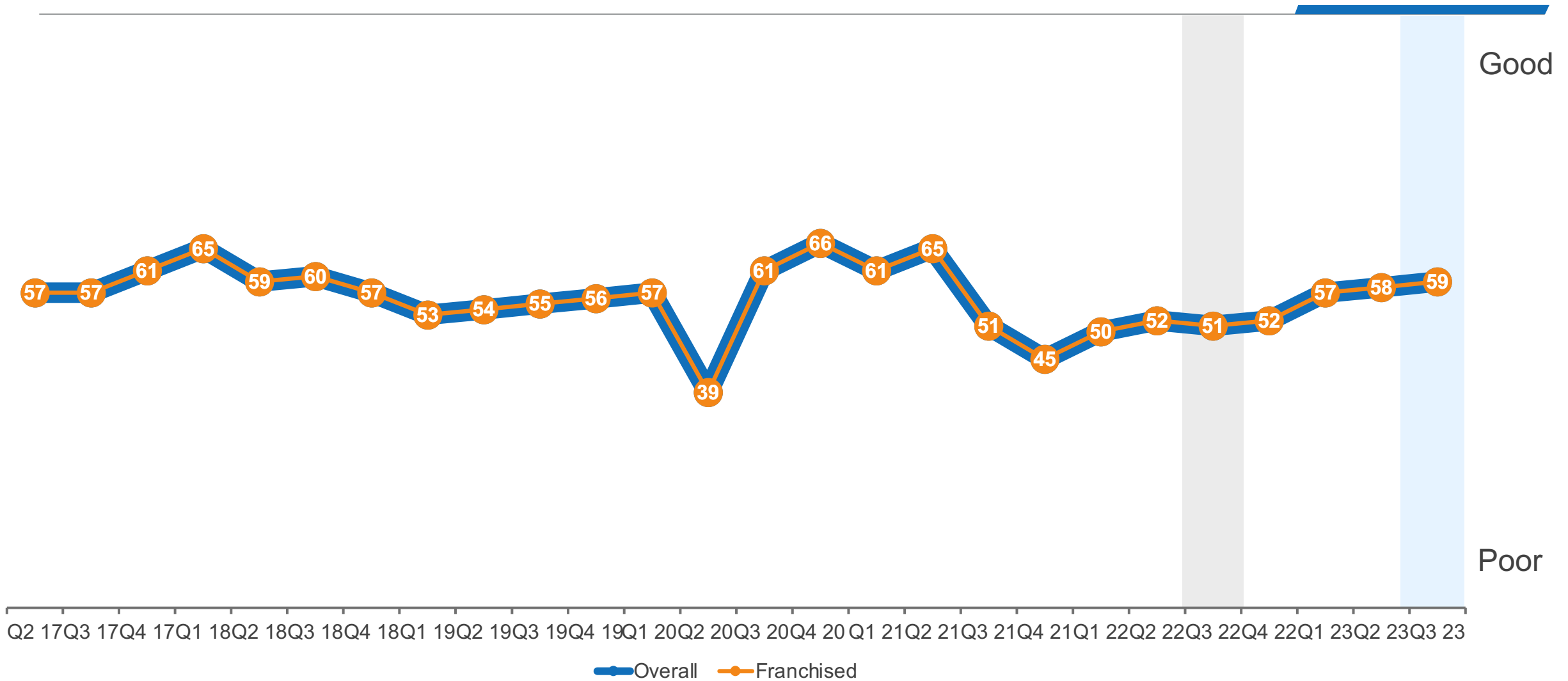
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Note: Scale 1 - 100

# Q7: How would you describe the current new-vehicle sales environment?

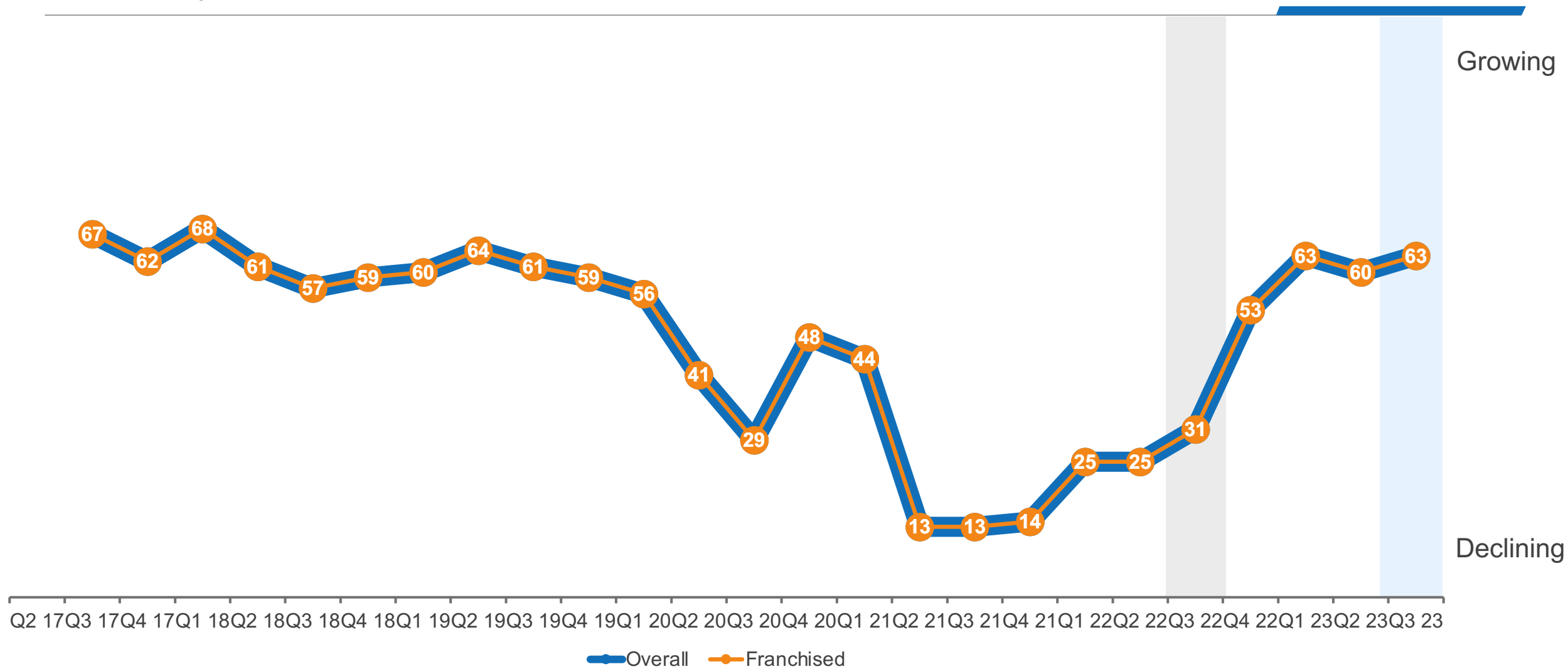
## Dealer Sentiment Index THIRD QUARTER 2023



Note: Scale 1 - 100

# Q8: How would you describe the current new-vehicle inventory levels?

## Dealer Sentiment Index THIRD QUARTER 2023



Note: Scale 1 - 100

# Inventory/Profits

Q4: How would you describe your profits over the past 3 months?  
 Q8: How would you describe the current new-vehicle inventory levels?

# Dealer Sentiment Index

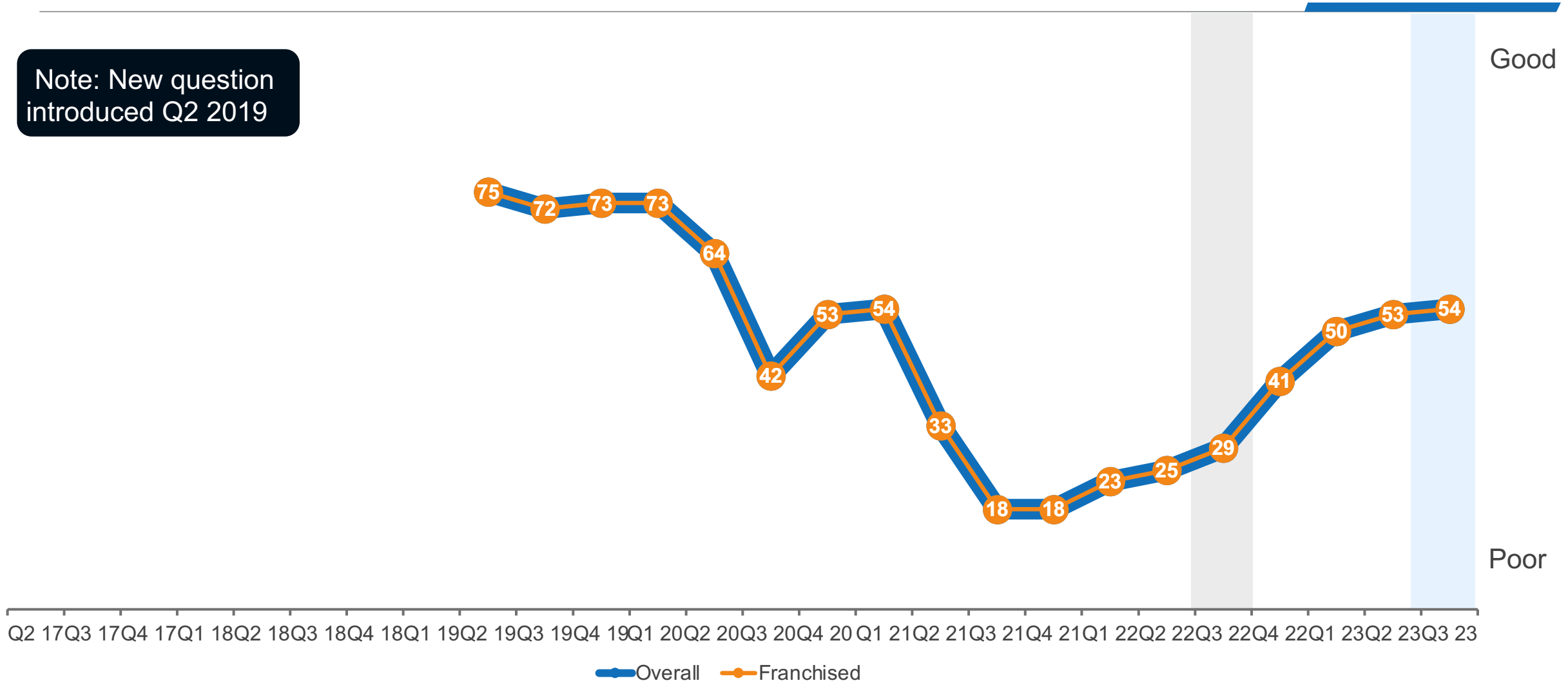
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Note: Scale 1 - 100

# Q9: How would you describe the current new-vehicle inventory mix?

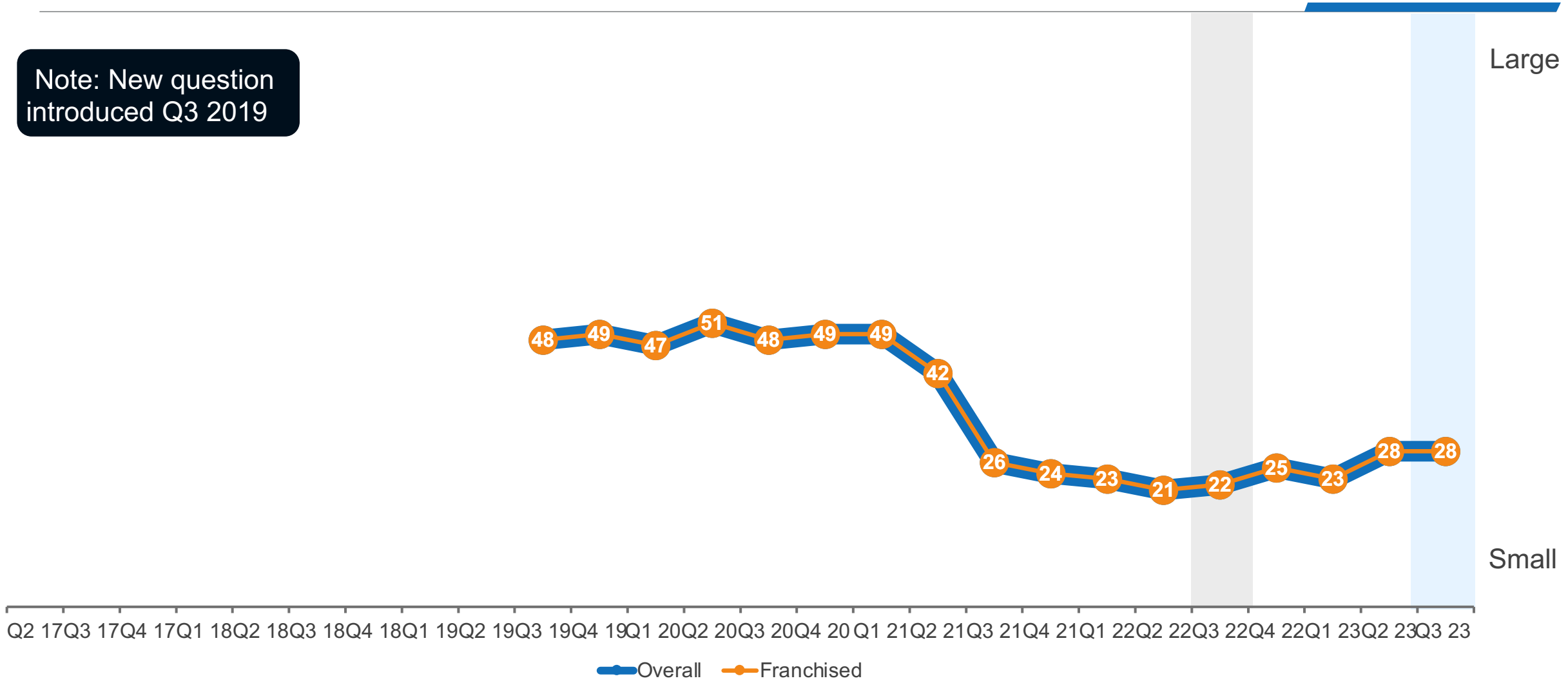
Note: New question introduced Q2 2019



Note: Scale 1 - 100

# Q10: How would you describe the current level of OEM new-vehicle incentives?

Note: New question introduced Q3 2019

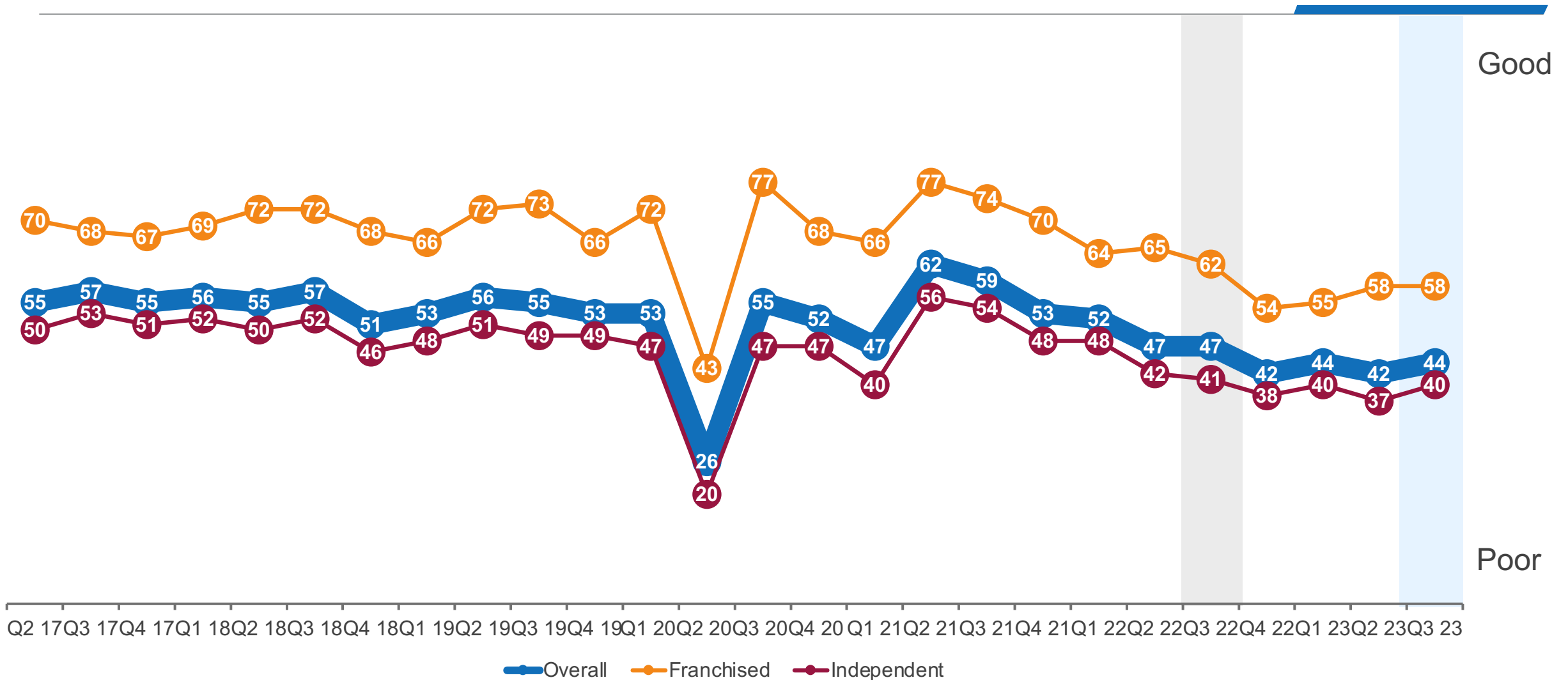


Note: Scale 1 - 100



# Q11: How would you describe the current used-vehicle sales environment?

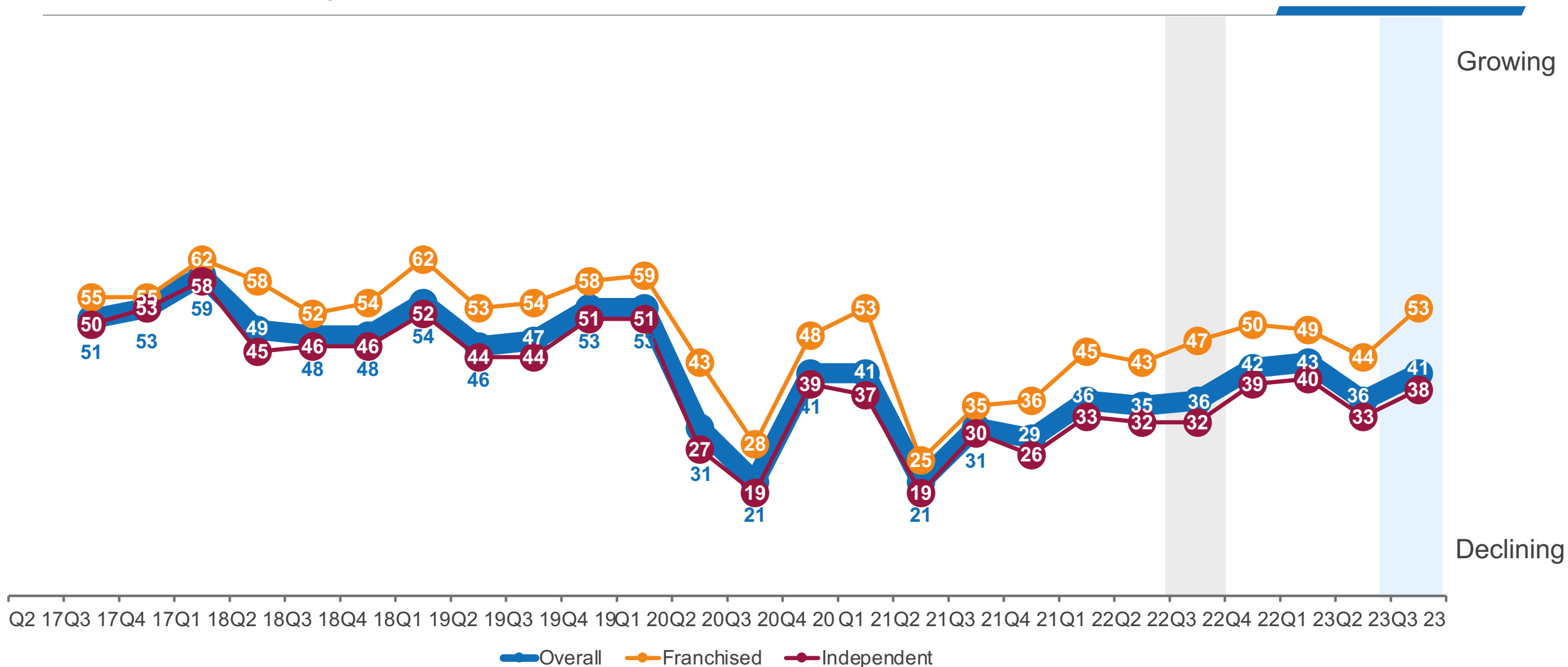
## Dealer Sentiment Index THIRD QUARTER 2023



Note: Scale 1 - 100

# Q12: How would you describe the current used-vehicle inventory levels?

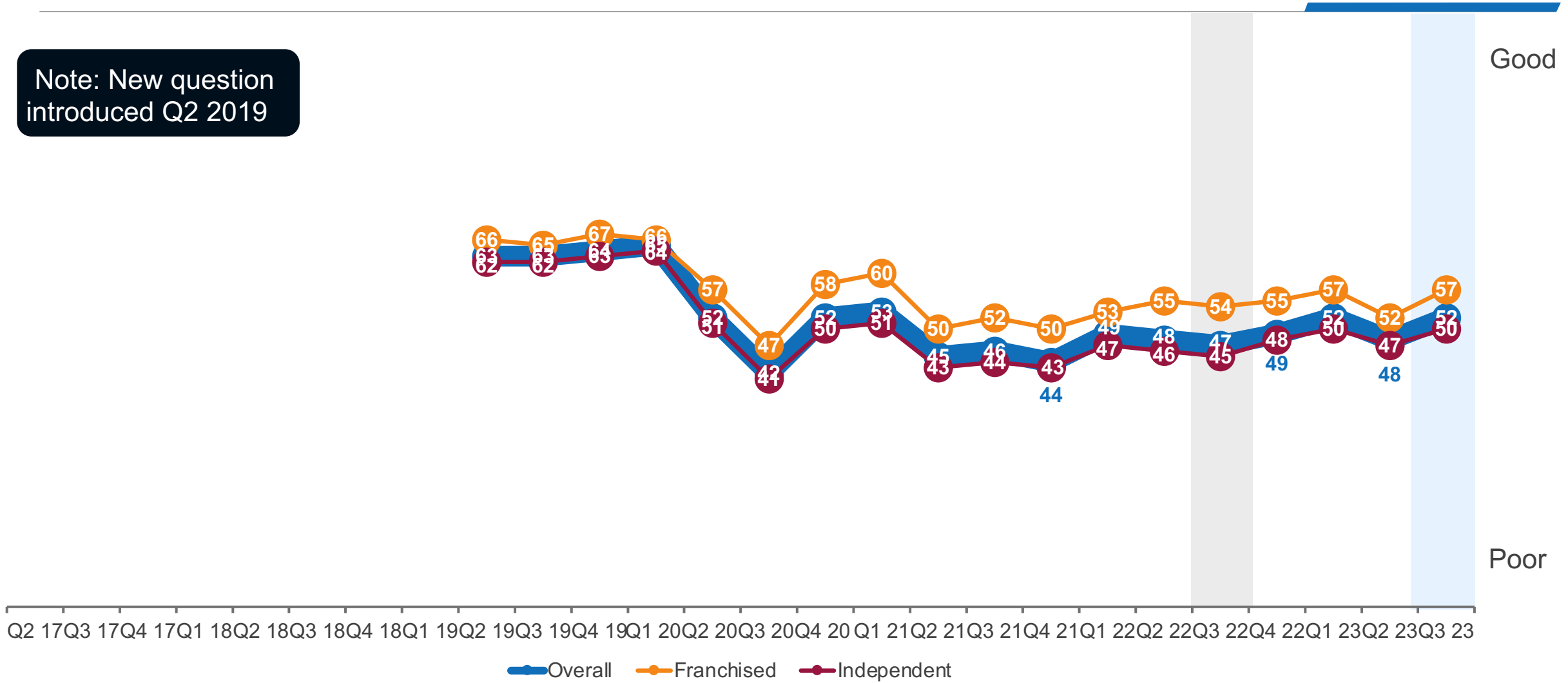
## Dealer Sentiment Index THIRD QUARTER 2023



Note: Scale 1 - 100

# Q13: How would you describe the current used-vehicle inventory mix?

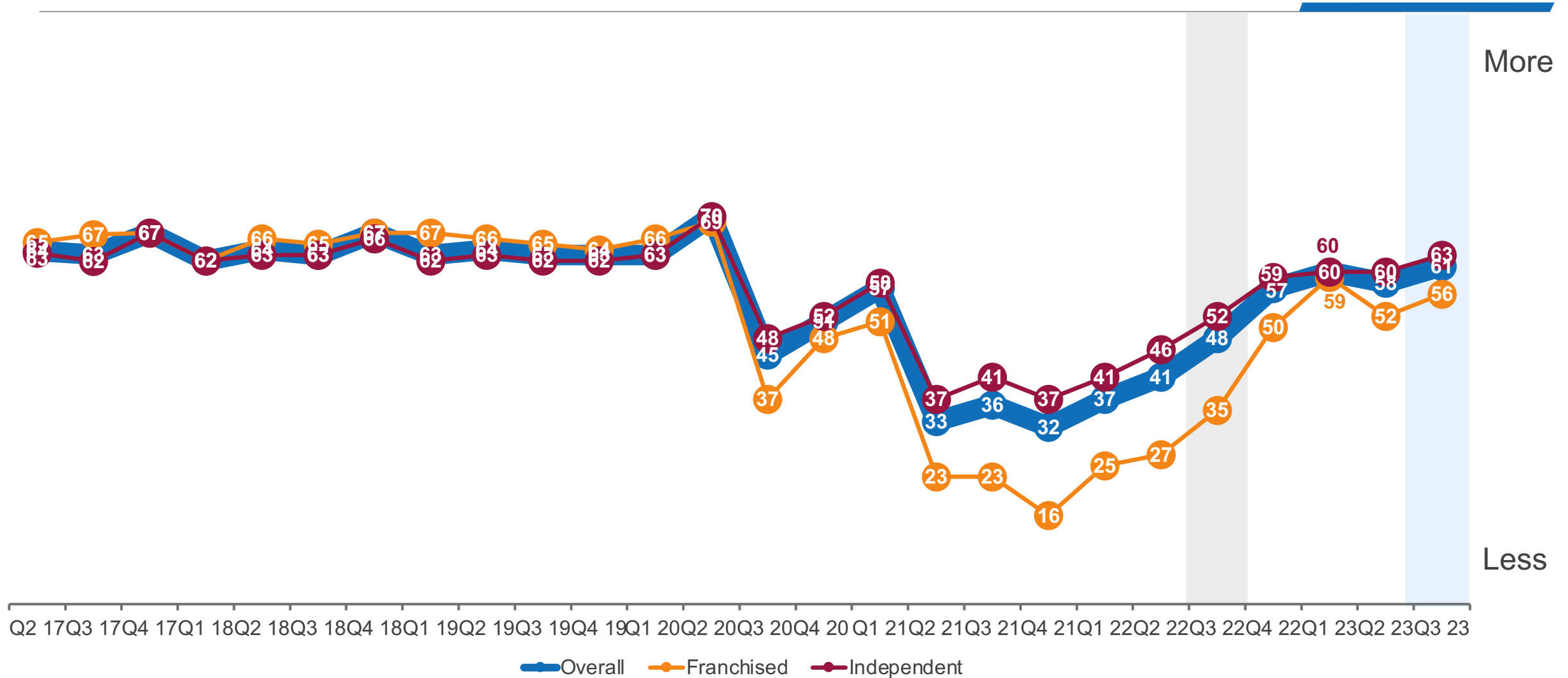
Note: New question introduced Q2 2019



Note: Scale 1 - 100

# Q14: How much pressure do you feel to lower your prices?

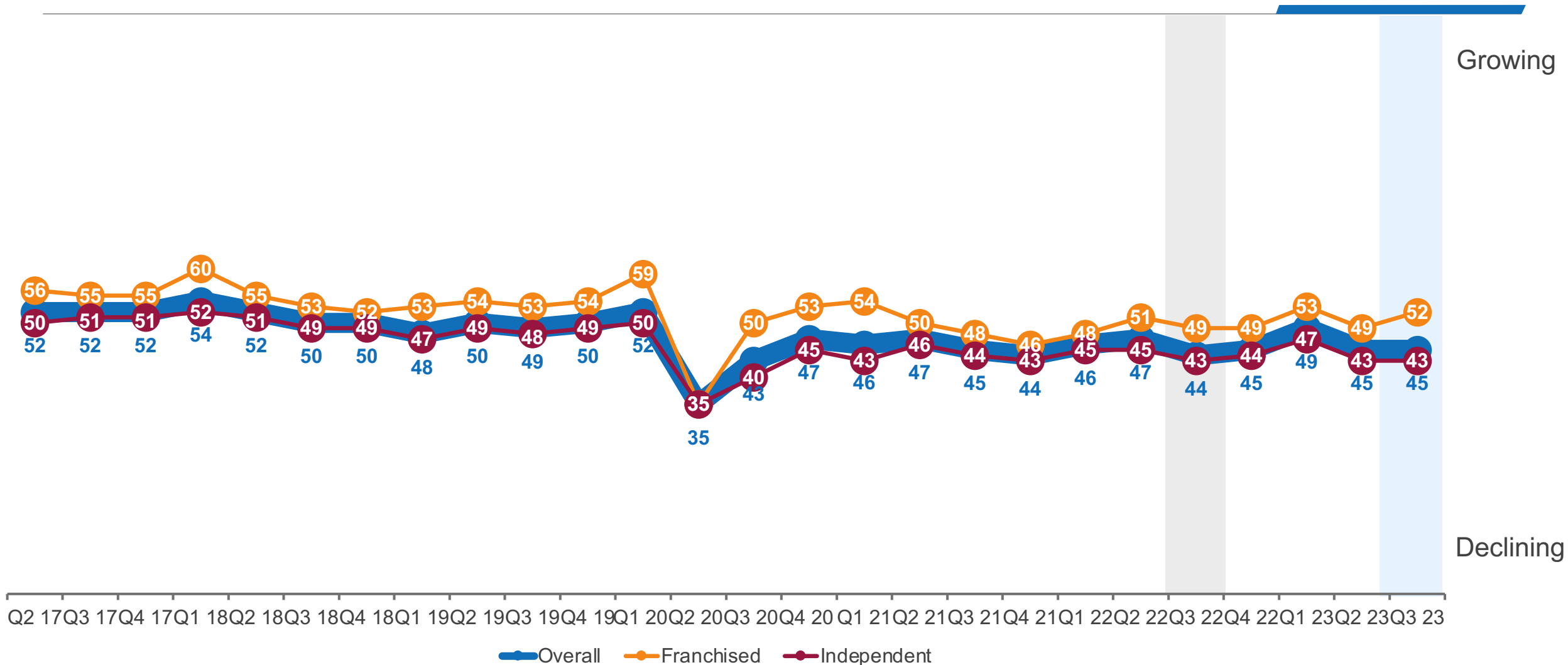
## Dealer Sentiment Index THIRD QUARTER 2023



Note: Scale 1 - 100

# Q15: How would you describe your dealership's current staffing levels?

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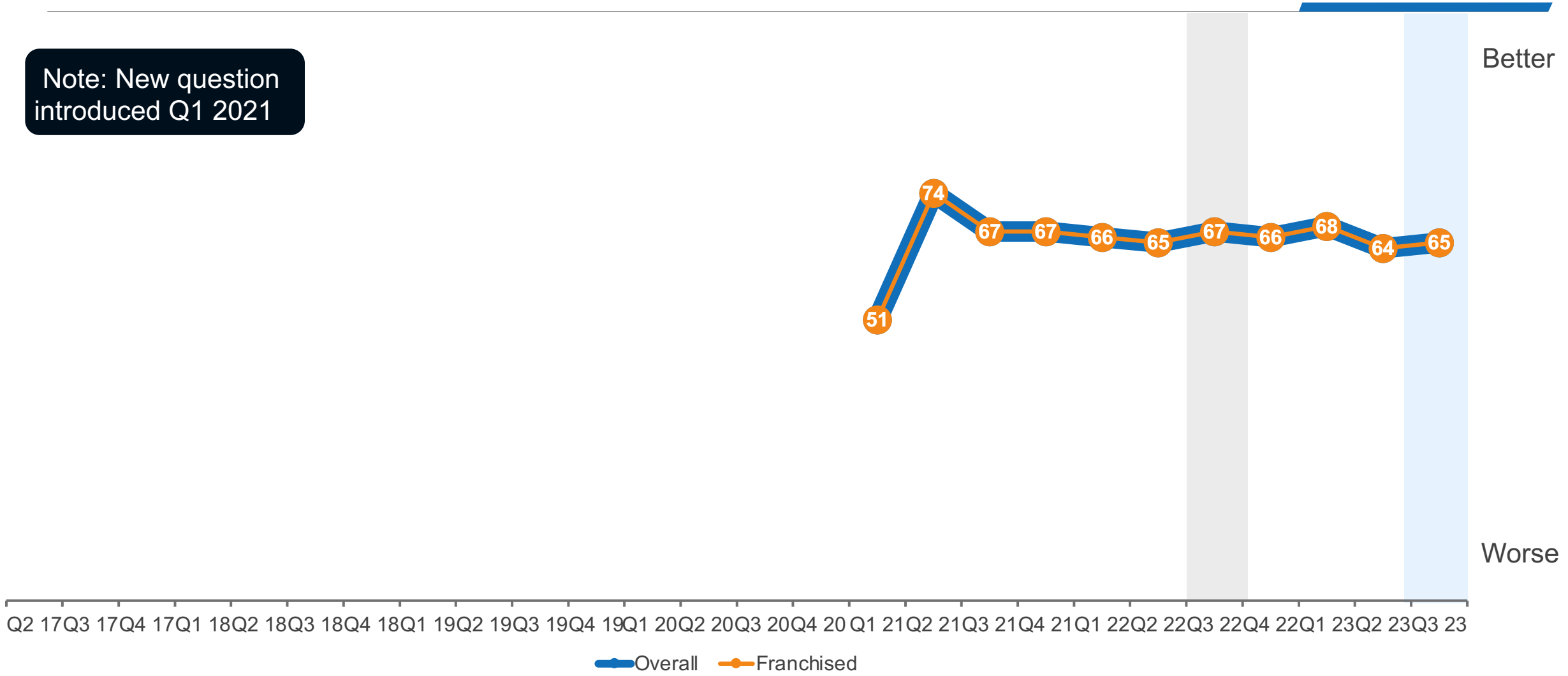


Note: Scale 1 - 100

# Q16: How would you describe the current level of business in your fixed operation?

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Note: New question introduced Q1 2021

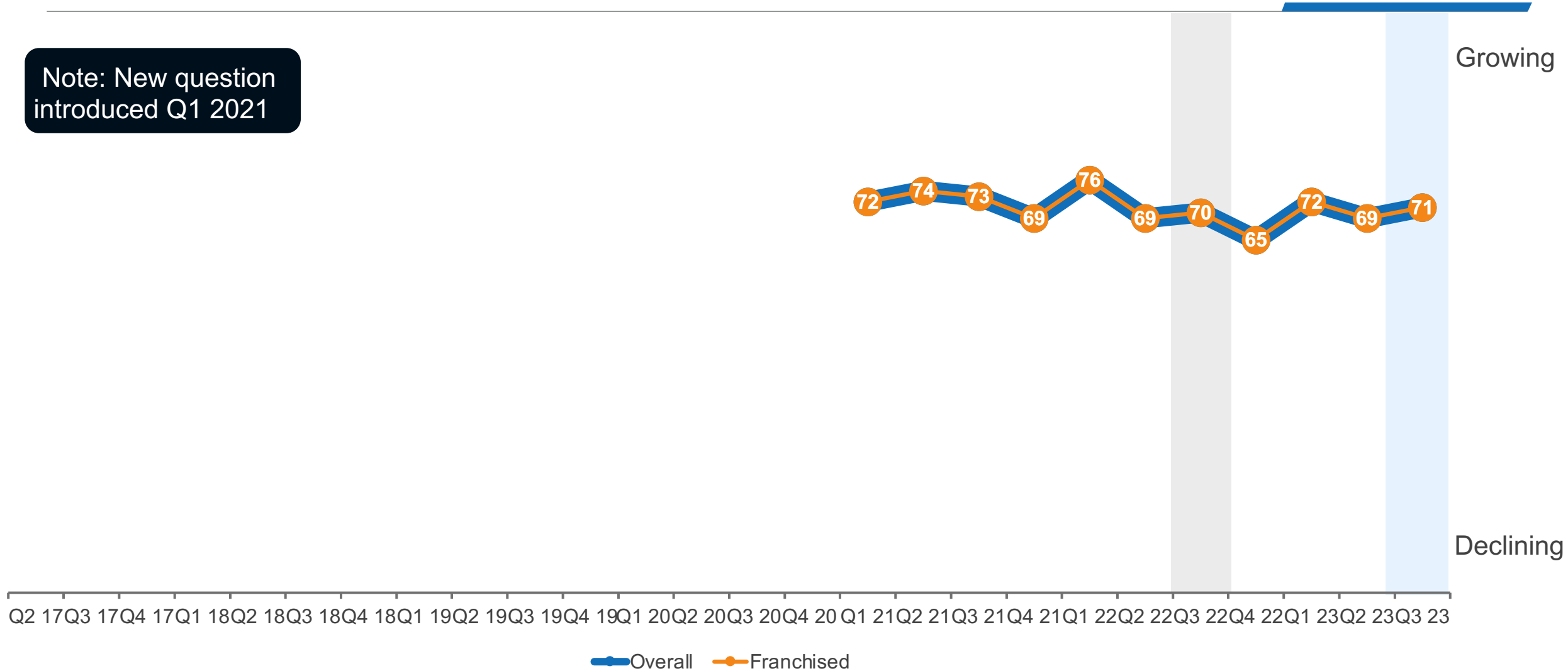


Note: Scale 1 - 100

# Q17: How would you describe the future opportunity with your fixed operations business?

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Note: New question introduced Q1 2021

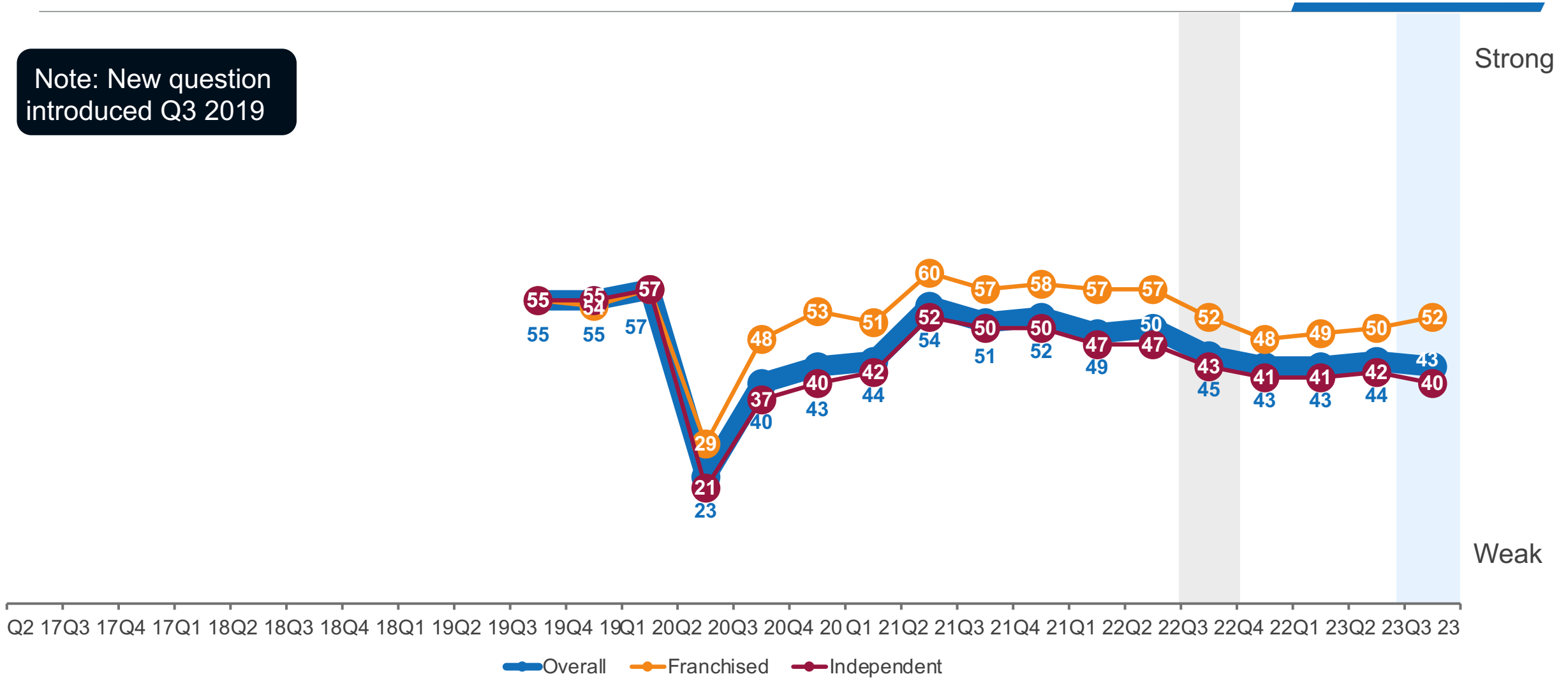


Note: Scale 1 - 100

# Q18: How would you describe the current U.S. economy?

## Dealer Sentiment Index THIRD QUARTER 2023

Note: New question introduced Q3 2019



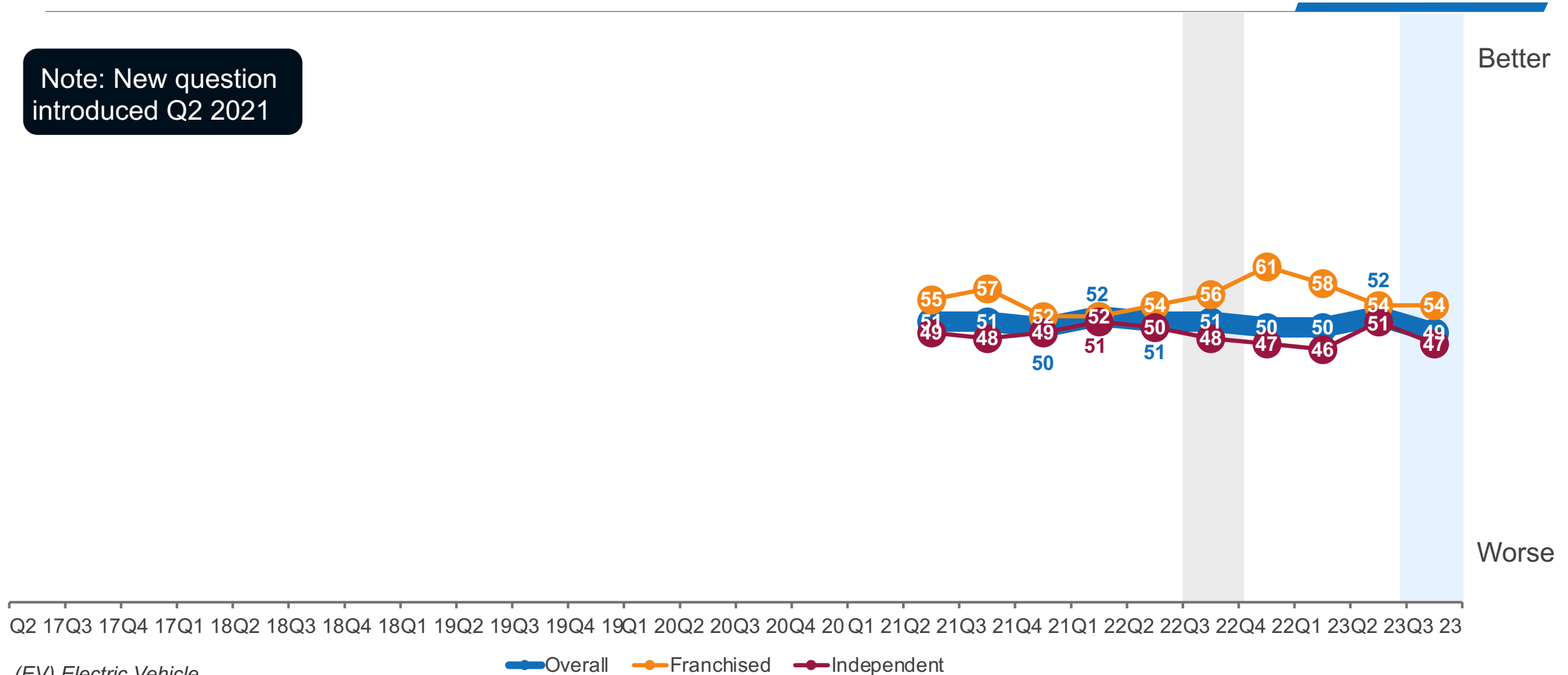
Note: Scale 1 - 100



# Q19: Compared to last year, how would you describe your EV sales?

## Dealer Sentiment Index THIRD QUARTER 2023

Note: New question introduced Q2 2021



(EV) Electric Vehicle

Overall Franchised Independent

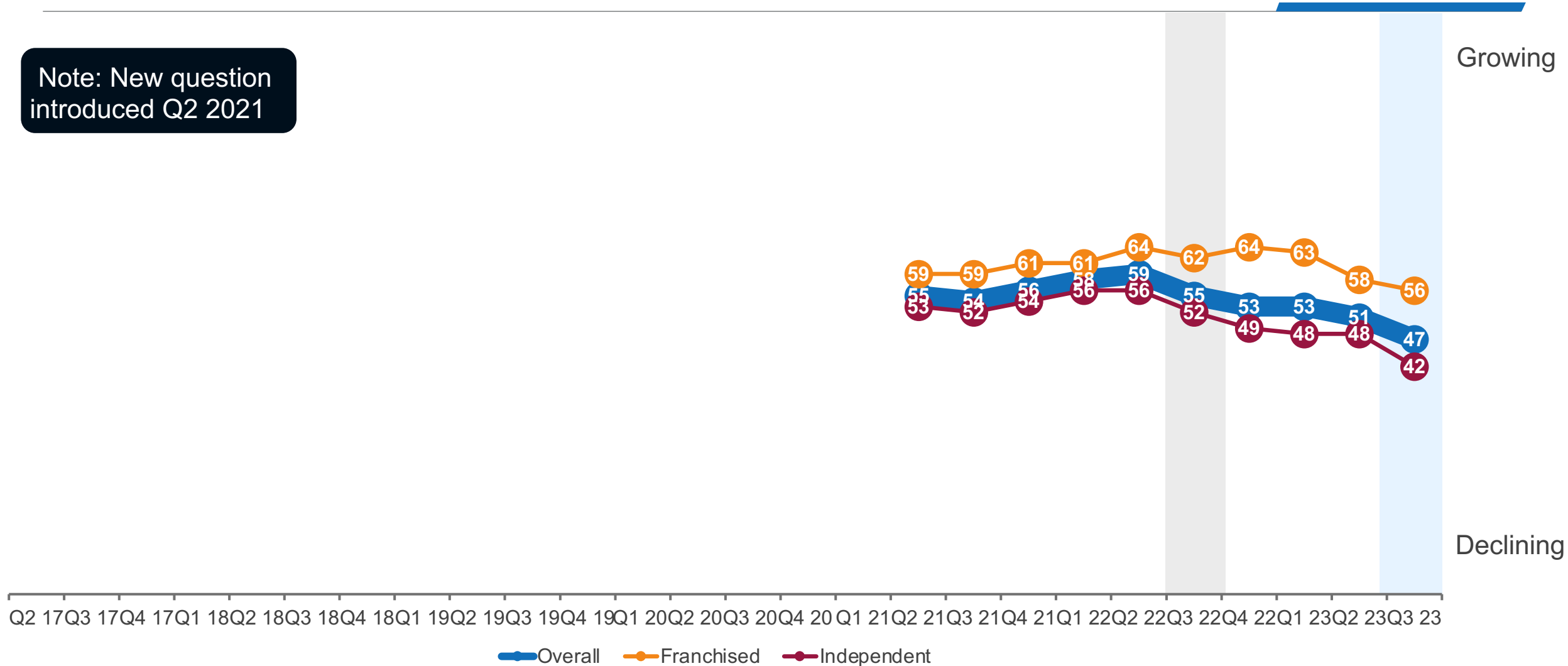
Note: Scale 1 - 100

Q20: What do you expect the EV market in your area to look like 3 months from now?

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Note: New question introduced Q2 2021



Note: Scale 1 - 100

Q23: How would you describe the effect of battery electric vehicle (BEV) tax credits are having on your dealership's BEV sales?

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Note: New question introduced Q1 2023

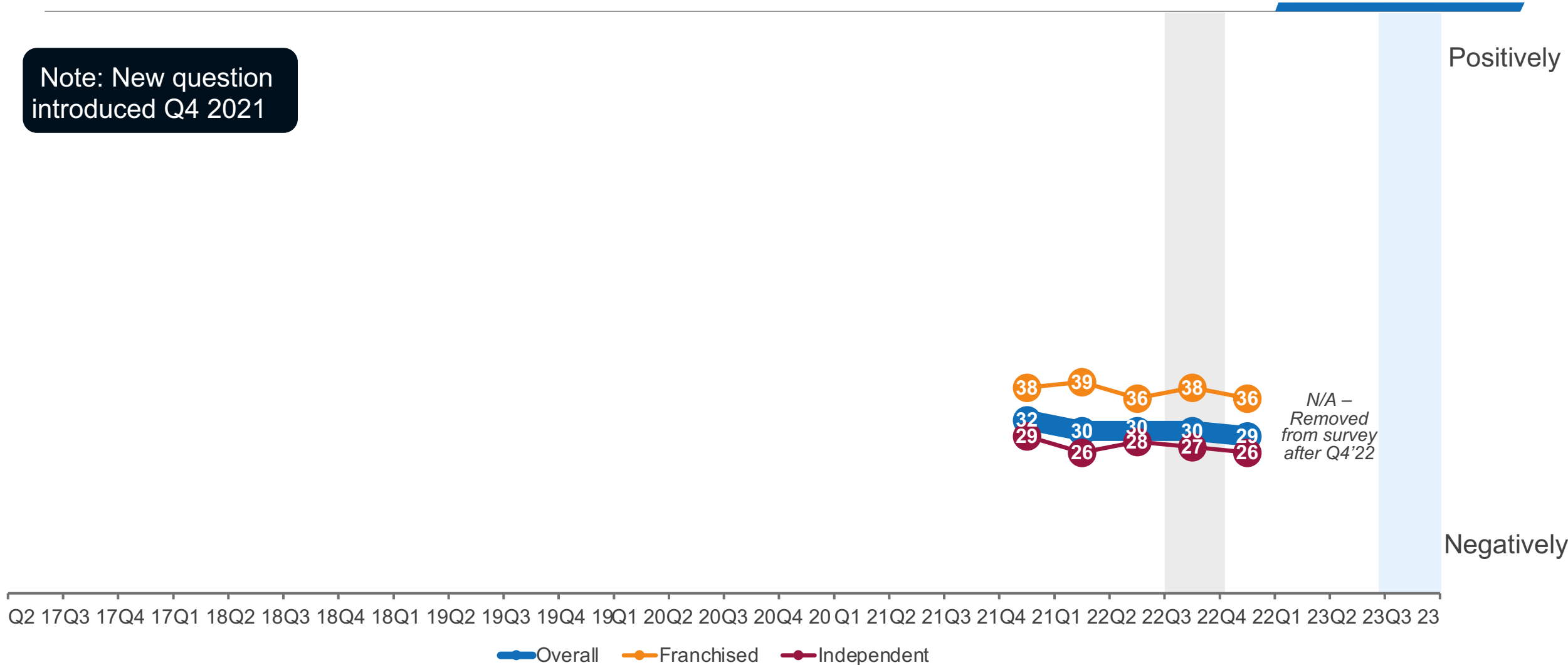


Note: Scale 1 - 100

# Q21: How do you feel the consolidation of dealerships is impacting the market?

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Note: New question introduced Q4 2021



Note: Scale 1 - 100

# Q22: And compared to this time last year, how often does your dealership pre-load vehicles with aftermarket equipment?

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Note: New question introduced Q3 2022



Note: Scale 1 - 100

Q24: Compared to the last 3 months, how would you describe the extent of your dealership's sales process that are being done online currently?

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Note: New question introduced Q1 2023



Note: Scale 1 - 100

## Factors Holding Back Your Business?

OVERALL RANK

		Q3 '23	Q2 '23	Q3 '22	Q3 '21
1	Interest Rates	61% 	53%	35%	3%
2	Economy	54%	55%	53%	24%
3	Market Conditions	41%	42%	48%	37%
4	Limited Inventory	37% 	44%	56%	62%
5	Credit Availability for Consumers	33%	30%	18%	12%
6	Expenses	30%	30%	28%	17%
7	Political Climate	27%	29%	30%	17%
8	Consumer Confidence	25%	26%	29%	10%
9	Competition	13%	12%	11%	12%
10	Business Impacts From COVID-19/Coronavirus	10%	11%	20%	30%

Significant decrease vs previous quarter




Significant increase vs previous quarter



## Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q3 '23	Q2 '23	Q3 '22	Q3 '21
1	Interest Rates	65%	61%	40%	2%
2	Economy	43%	49%	47%	22%
3	Limited Inventory	33% 	42%	63%	73%
4	Market Conditions	33%	33%	39%	33%
5	Lack of Consumer Incentives from my OEM	26%	24%	25%	18%
6	Political Climate	26%	26%	29%	19%
7	Consumer Confidence	22%	24%	24%	13%
8	Credit Availability for Consumers	21%	19%	10%	4%
9	Expenses	16%	19%	15%	8%
10	Staff Turnover	15%	15%	14%	17%

Significant decrease vs previous quarter



Significant increase vs previous quarter





## Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q3 '23	Q2 '23	Q3 '22	Q3 '21
1	Interest Rates	60% ↑	51%	34%	4%
2	Economy	58%	57%	56%	25%
3	Market Conditions	44%	45%	51%	38%
4	Limited Inventory	38% ↓	45%	54%	58%
5	Credit Availability for Consumers	37%	34%	21%	15%
6	Expenses	34%	33%	33%	20%
7	Political Climate	28%	30%	31%	16%
8	Consumer Confidence	26%	26%	31%	9%
9	Competition	14%	13%	13%	14%
10	Business Impacts From COVID-19/Coronavirus	12%	13%	22%	31%

Significant decrease vs previous quarter



Significant increase vs previous quarter



## Impact of Inflation on Areas of Dealership

	Index (Strong/Weak)	Overall	Franchised (A)	Independent (B)
1	Interest Rates	80	81	80
2	Costs/Expenses	78	73	<b>80 A</b>
3	Fixed Operations	65	61	66
4	Vehicle Sales	64	66	63
5	Staffing Levels	54	56	53

Note: New question introduced in Q3 2022.

A/B indicates significant difference between groups at the 95% confidence level



Significant decrease vs previous quarter



Significant increase vs previous quarter



## Area of Business with Staffing Issues

		Overall	Franchised (A)	Independent (B)
1	Sales	68%	67%	70%
2	Service	64%	74%	55%
3	Management	19%	20%	18% 
4	Parts	14%	23% B	6% 
5	Finance and Insurance	11%	6%	17%
6	Marketing	7%	6%	9%
7	Collision/Auto Body	7%	13% B	0%
8	Other	9%	3%	14%

Of those who said Staff Turnover was holding back their business.  
A/B indicates significant difference between groups at the 95% confidence level

Significant decrease vs previous quarter



Significant increase vs previous quarter





# REGIONAL MARKET VIEWS

Cox AUTOMOTIVE Research & Market Intelligence



## Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	55	55	62	52
Market Next 3 Months	Strong/Weak	56	57	63	50
Overall Customer Traffic	Strong/Weak	46	47	48	43
In-Person Customer Traffic	Strong/Weak	43	45	46	40
Digital/Online Customer Traffic	Strong/Weak	51	52	58	51
Profits	Strong/Weak	60	60	59	52
Costs	Growing/Declining	73	77	69	72
New Vehicle Sales	Good/Poor	54	57	63	58
New Vehicle Inventory	Growing/Declining	63	60	63	65
New Vehicle Inventory Mix	Good/Poor	54	48	58	56
Used Vehicle Sales	Good/Poor	57	57	59	55
Used Vehicle Inventory	Growing/Declining	54	51	52	54
Used Vehicle Inventory Mix	Good/Poor	50	58	61	58



Note: Scale 1 – 100

**GREEN:** Significant *increase* from prior quarter

**RED:** Significant *decrease* from prior quarter

## Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Price Pressure	More/Less	56	52	56	62
Staffing	Growing/Declining	51	52	51	52
OEM incentives	Large/Small	30	28	29	26
Economy	Strong/Weak	51	53	55	48
Current Fixed Operations	Better/Worse	66	64	66	62
Future Fixed Operations	Growing/Declining	70	70	72	73
Current BEV Sales	Better/Worse	52	50	53	65
Future BEV Sales	Growing/Declining	52	52	60	62
Dealer Credit	Easy/Difficult	66	62	62	62
Pre-Loading Aftermarket Equip.	More/Less	46	46	46	48
Effect BEV Tax Credits Have on BEV Sales	Positive/Negative	60	59	58	63
Extent of Sales Being Done Online Last 3 Months	Growing/Declining	58	58	63	57



Note: Scale 1 – 100

**GREEN:** Significant increase from prior quarter

**RED:** Significant decrease from prior quarter

# Dealer Sentiment Index

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