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U.S. Automobile Dealers Experience Unique Mix of Record Highs and Record Lows in the Second Quarter

- Current market dealer sentiment reaches record high in Q2 for both franchised and independent dealers.
- Profit index sets record high, while the price pressure index dropped to a record low.
- For U.S. auto dealers, limited Inventory jumped to the top factor holding back business in Q2.

ATLANTA, June 14, 2021 – Dealer sentiment in the second quarter of 2021 saw substantial growth year over year and compared to Q2 2019 with the overall current market index increasing to 67, well above the positive threshold of 50 in the Cox Automotive Dealer Sentiment Index (CADSI). More dealers in the U.S. now feel that the current automotive retail market is strong compared to those who feel it is weak, another indication of the overall market recovery from the depths of Q2 2020.

Dealers are also optimistic about the market ahead. The 3-month market outlook index reading of 63 is an increase from last quarter and, importantly, equal to Q1 2020, the final pre-COVID-19 reading. Profits in Q2 are strong, dealers are reporting. The profit index in Q2 hit a record 59, while the price pressure index dropped to a record low 33, meaning a majority of dealers are feeling little pressure to lower prices.

“Driven by the unique circumstances of strong demand and low inventory, dealer sentiment climbed to a record high in the spring,” said Cox Automotive Chief Economist Jonathan Smoke. “The first two quarters of 2021 are showing a strongly recovering market, balancing on a perfect mix of pent-up demand, rising prices and low inventory.”

New and Used Vehicle Inventory Indexes Hit Record Lows

Consistent with current market trends, the new-vehicle inventory index decreased significantly to 13 in Q2, a substantial 31-point drop from last quarter and a record low. The index score of 13 is lowest index score in the four-year history of the CADSI and an indication that auto dealers collectively agree that new-vehicle inventories are declining. The used-vehicle inventory index saw similar movement from Q1 to Q2, falling to 21, a record low for the measure, although equal to Q3 2020. Tight inventory was ranked as the top factor holding back business in Q2, and, when asked, 53% of dealers noted that Finding/Buying Inventory was their top priority in the quarter.

Unlike inventory, customer traffic showed significant improvement in Q2, with the index increasing 28 points from the prior quarter and reaching a record-high 57. This reading indicates more dealers feel their customer traffic is strong than feel it is weak, likely due to pent-up demand.

Despite tight inventory, vehicle sales have been healthy and profitable in 2021. The Q2 new-vehicle sales index of 65 was a record for Q2 and near the all-time high of 66 set in Q4 2020. The used-vehicle sales index in Q2 reached 62, an all-time record high and the first time the overall used-vehicle sales index moved above 60. Franchised dealers are more positive about current used-vehicle sales than

independent dealers, although, with an index score of 55, independent dealers have never been more positive about current sales.

Top Factors Holding Back Business Shift in Q2

The top 5 factors holding back business shifted notably in Q2 from Q1, with Limited Inventory jumping to the top spot with 64% of dealers citing it. Market Conditions rose to No. 2 at 34%. Business Impacts from COVID-19, meanwhile, fell to the No. 3 spot from No. 1. The Economy moved down to No. 4 while Expenses rose from No. 7 to No. 5, with 19% of dealers citing it as a factor holding back business. Notably, Political Climate fell to No. 6 from No. 5 in top factors list, a level equal to Q2 2020. Political Climate as a factor holding back business peaked at No. 3 in Q4 2020.

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 1,139 dealer respondents, comprising 589 franchised and 550 independents, across the country from April 26 to May 10, 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 Q2 2021 Cox Automotive Dealer Sentiment Index.

About Cox Automotive

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