



FOR IMMEDIATE RELEASE

Despite Inventory Crunch and All-Time High Costs, U.S. Automobile Dealer Sentiment Remains Positive

- Current market dealer sentiment is slightly less positive than in the third quarter for both franchised and independent dealers but remains well above average.
- Profit index declined modestly from the record high set in Q3, while costs of running dealerships hit an all-time high.
- For U.S. auto dealers, Limited Inventory remains the top factor holding back business for the third consecutive quarter.

ATLANTA, Dec. 13, 2021 – With a historic inventory crunch and rising costs impacting the auto industry, U.S. dealer sentiment waned slightly in the fourth quarter but remains mostly positive and well above levels recorded in Q4 2020 and Q4 2019.

The current market index reading of 60 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 quarterly CADSI report was released today.

The new-vehicle sales index fell to 45 in Q4 – below the 50 threshold for only the second time since the survey was launched in 2017 – indicating that more dealers view new-vehicle sales as poor as opposed to good. Meanwhile, the used-vehicle sales index declined for the second straight quarter, but stayed above the 50 threshold at 53, indicating more dealers view used-vehicle sales as good as opposed to poor.

The key drivers of sentiment saw marginal shifts in Q4. The 3-month market outlook index was flat compared to the prior quarter. With a Q4 reading of 60, it represents that more dealers see the market in the next 3 months as strong than see it as weak. The overall profits index saw a modest decline compared to the prior quarter with a reading of 57, reflecting that dealers feel that profits are strong, although not as strong as the previous quarter. The price pressure index saw a statistically significant decrease, falling below last quarter's reading to a record low 32. This Q4 reading indicates fewer dealers feel pressure to lower their prices.

“Dealer sentiment again saw modest declines in the fourth quarter as sales remain challenged by the ongoing inventory crunch,” said Cox Automotive Chief Economist Jonathan Smoke. “However, strong pricing power kept profits at near-record levels, especially for franchised dealers. Dealers view the economy as strong heading into the winter and are much more optimistic about the spring compared to their views a year ago. The biggest worry for dealers beyond inventory is the impact of rising costs.”

Severe Lack of Inventory and Inconsistent Mix Impacts Sales

Consistent with current market trends, the substantially low new-vehicle inventory index of 14 saw a modest 1-point increase from last quarter but remains down by 34 points compared to Q4 2020.

The new-vehicle inventory mix index stayed the same compared to last quarter, reflecting an inconsistent inventory mix. The historically low reading of 18 means more dealers consider the new-vehicle inventory mix to be poor.

Used-vehicle inventory improved by 1 point for franchised dealers in Q4, but the overall used-vehicle inventory index saw a modest quarter-over-quarter decline, decreasing 2 points to 29. The gap between franchised and independent perceptions of used-vehicle inventory grew to 10 points from 5 points last quarter.

The new-vehicle sales index fell to 45 in Q4, indicating that more dealers view sales as poor as opposed to good. The view of new-vehicle sales was down marginally from last quarter and down significantly compared to the fourth quarter of last year. This sentiment reflects the reality of dealers seeing month after month of declining sales in the second half of 2021.

The used-vehicle sales index of 53 was down significantly compared to last quarter declining from 59 in Q3, but the index was up from 52 in Q4 2020. With an index above 50, more dealers see used-vehicle sales as good as opposed to poor.

Dealers Indicate All-Time High Costs of Running Dealerships

The Q4 index reading of 71 for costs indicates the majority of dealers feel that their costs of running a dealership are growing. This is the highest index score for the category in CADSI history, up 5-points quarter over quarter, and significantly higher year-over-year. In Q4 2020, the cost index stood at 61. For dealers who shared that the costs of running their dealership in the past 3 months are growing, they attributed that to spending more on reconditioning wholesale vehicles, paying more for wholesale vehicles and parts, and rising labor costs.

Top Factors Holding Back Business Unchanged in Q4

The top 5 factors holding back the business across all dealers saw shifts in Q4 from Q3, with Limited Inventory remaining in the top spot with 64% of dealers citing it. Market Conditions in the second spot rose to 44% of dealers citing it while the Economy rose to the No. 3 spot from the fourth in Q3. Business Impacts from COVID stayed consistent in the number of dealers citing it but fell to the fourth spot from third in Q3 and down from No. 1 a year ago. The Political Climate rounded out the top 5 factors holding back the business with 24% of dealers citing it.

Cox Automotive Dealer Sentiment Index Methodology

The Q4 2021 CADSI is based on 1,123 U.S. auto dealer respondents, comprising 595 franchised dealers and 528 independents. The survey was conducted from Oct. 25 to Nov. 8, 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 percent.

[Download the full results](#) of the Q4 2021 Cox Automotive Dealer Sentiment Index.

About Cox Automotive

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