

A photograph of two men in business attire. The man on the left, wearing a white shirt and a yellow tie, is leaning over a desk, pointing at a document. The man on the right, wearing a striped shirt and a dark tie, is sitting at the desk, talking on a mobile phone. On the desk, there are several documents and a small colorful brochure. The background shows an office environment with glass partitions and a door.

# DEALER SENTIMENT INDEX

FOURTH QUARTER 2022

Cox  
AUTOMOTIVE™

Research & Market Intelligence

## A Unique Market Drives Optimism

### 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 Q4 2022 CADSI is based on 1,034 U.S. auto dealer respondents, comprising 604 franchised dealers and 430 independents. The survey was conducted from October 25 to November 7, 2022.
- ✓ The next quarterly report will be released in March 2023. The CADSI was first published in Q2 2017.

# Key Takeaways

U.S. automobile dealer sentiment in the fourth quarter of 2022 dropped to the lowest level since the start of the COVID-19 pandemic, according to the Cox Automotive Dealer Sentiment Index (CADSI). At 43, the current market index is below the threshold of 50, indicating that more dealers view the current auto market as weak than strong. The index is down 6 points quarter over quarter, down 17 points year over year, and well below the pre-pandemic average of 48.

After peaking at 67 in Q2 2021, the current market index has been losing momentum. U.S. auto dealers indicate that their negative view of the market is influenced by the economy, higher interest rates and low inventory.

“High loan rates and a generally slowing economy are clearly weighing heavily on U.S. auto dealers right now,” said Jonathan Smoke, Cox Automotive Chief Economist. “Dealers are normally optimistic, so the drop in the 3-month outlook to a new low in our

survey history is particularly noteworthy. As the year began, dealers were telling us about one obvious problem: inventory. Now, as 2022 comes to a close, it’s all about the economy and interest rates.”

The 3-month, forward-looking market outlook index dropped and, at 41, is now at a record low for the index and well below the 64 reported in Q1 2022. Additionally, the economy index decreased for the second consecutive quarter to 43, down from 45 in Q3, indicating a majority of U.S. auto dealers feel the economy is weak.

The overall profit index saw a decline to 44, down from 50 last quarter and down significantly from 57 a year ago. However, the profit index remains higher than the average before the COVID-19 pandemic.

In Q4 2022, the cost index – the cost of running a dealership – dipped 2 points quarter over quarter to 73 and decreased 4 points from the record high level in Q2 2022.

After reaching a record low in Q2 2020 of 51, the cost index has been steadily increasing with inflation in the U.S. economy contributing to this view.

While new-vehicle inventory sentiment improved significantly in Q4, the view of new-vehicle sales improved only slightly, increasing from 51 to 52, meaning dealers remain marginally more optimistic about the current new-vehicle sales environment.

The used-vehicle sales index declined to 42. For franchised dealers, the used-vehicle sales index decreased by 8 points to 54 while for independent dealers, the index fell by 3 points to 38.

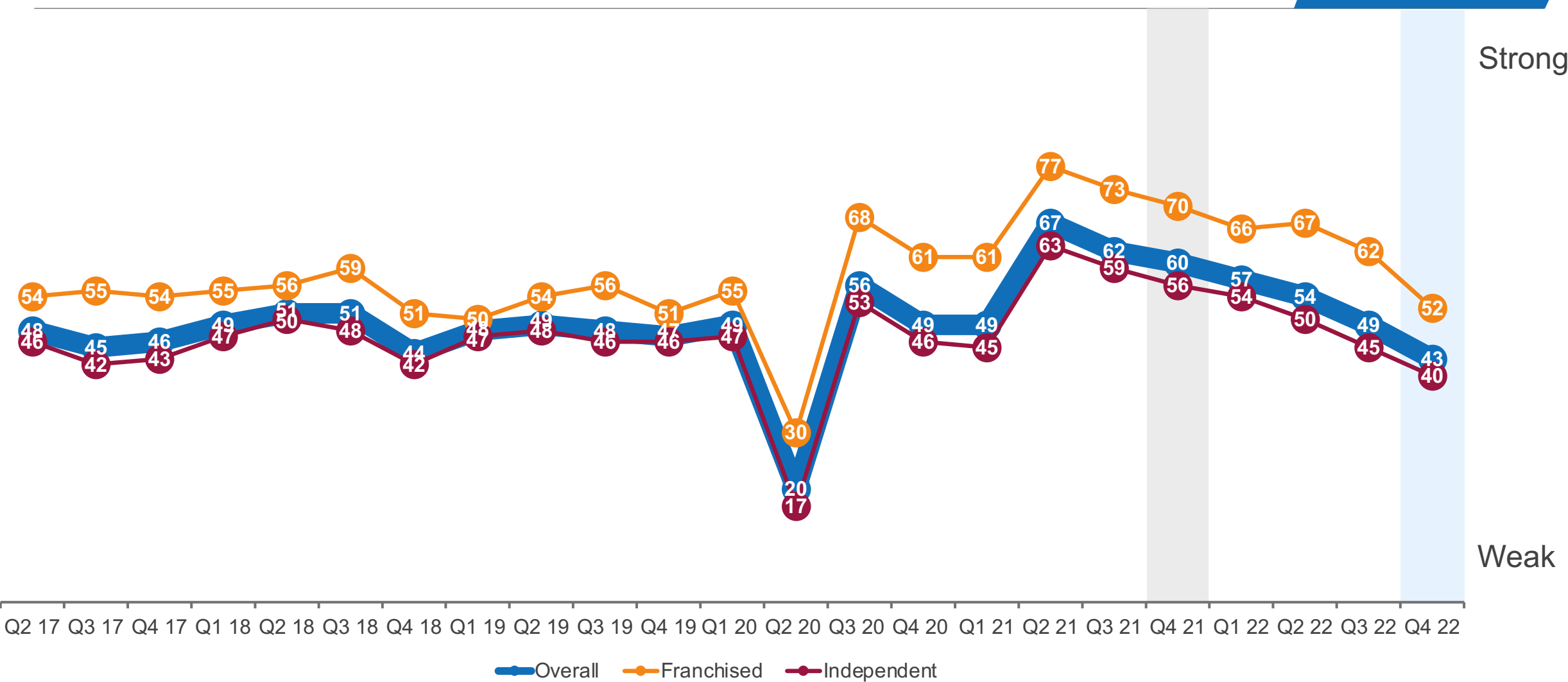
Overall, the Economy is now the top factor holding back business, with 62% of dealers citing it as a factor holding back business, up from 53% in Q3. Interest Rates (49%), Limited Inventory (47%), Market Conditions (46%) and Political Climate (33%) round out the top five.



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

# Dealer Sentiment Index

FOURTH QUARTER 2022

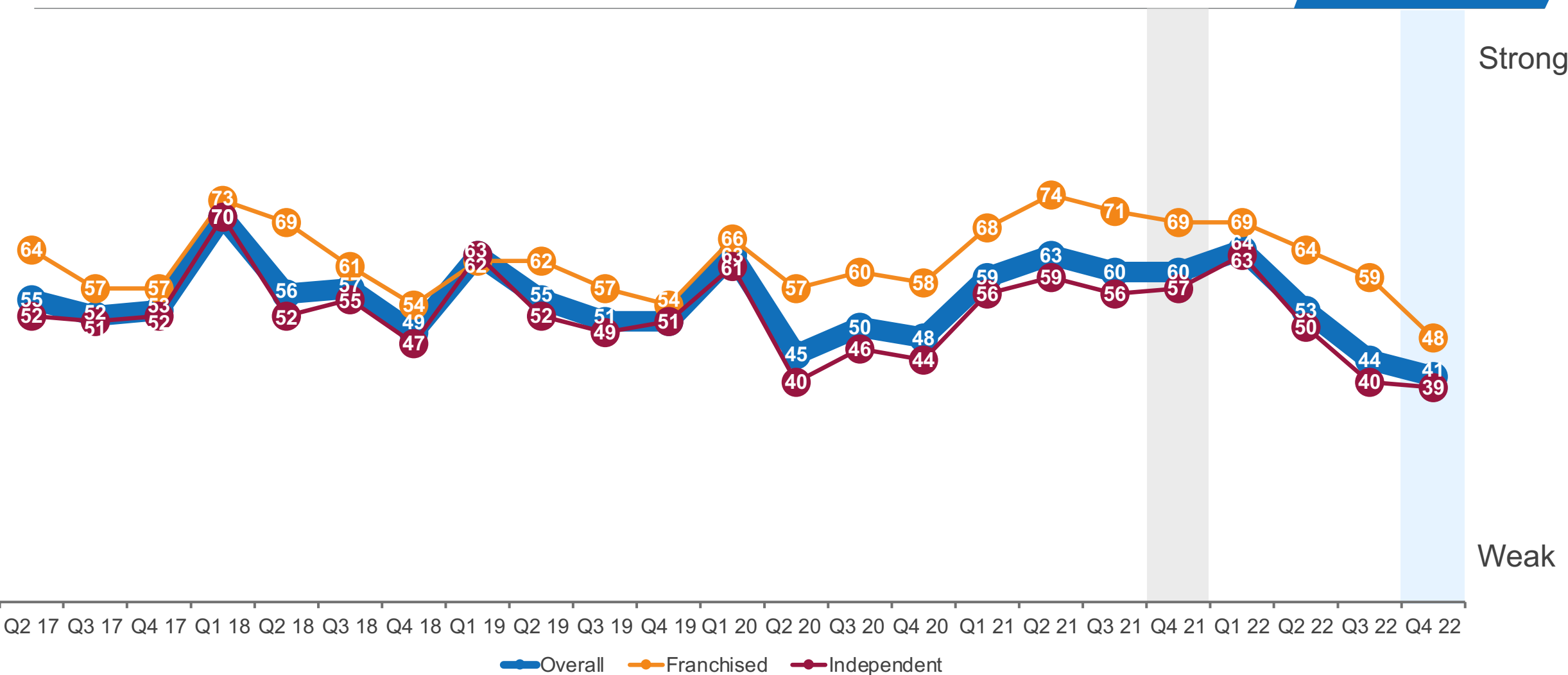


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FOURTH QUARTER 2022

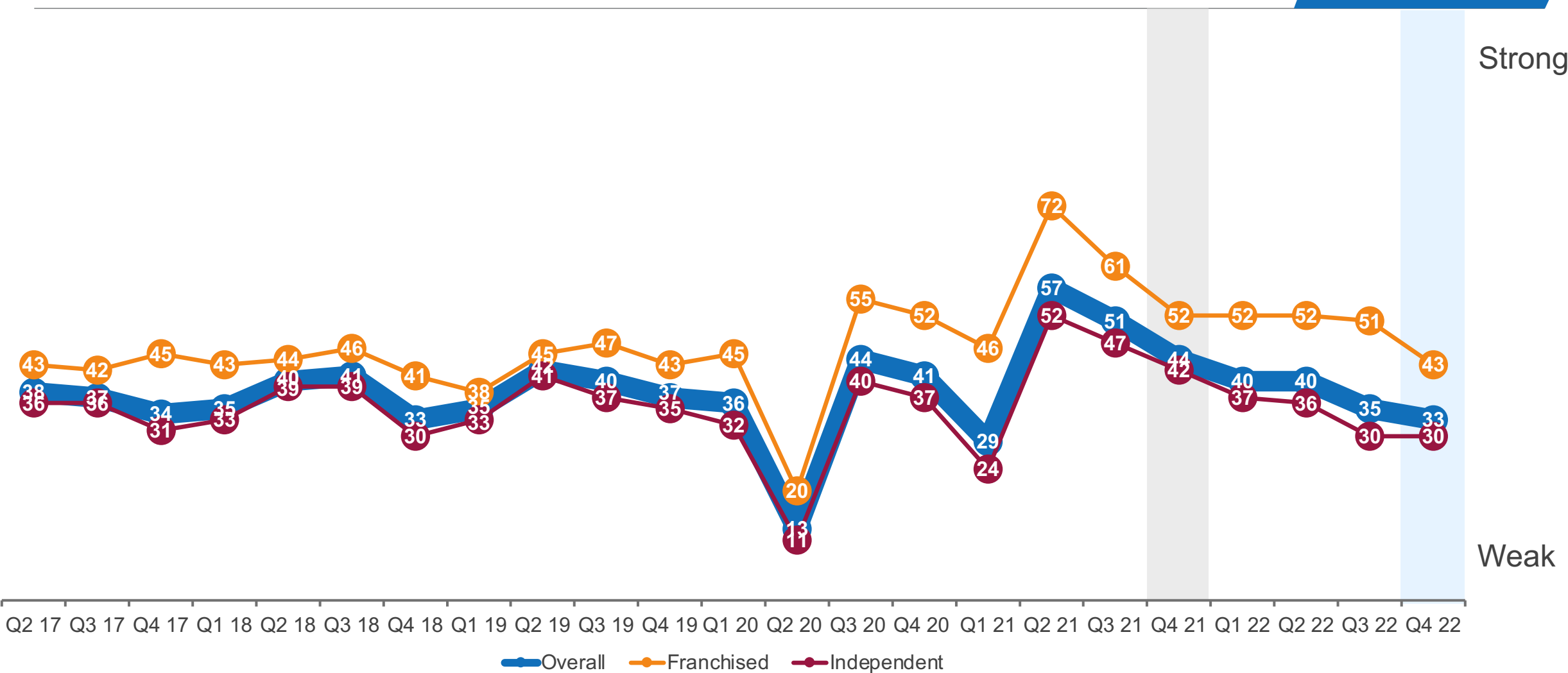


Note: Scale 1 - 100

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

## Dealer Sentiment Index

FOURTH QUARTER 2022



Note: Scale 1 - 100

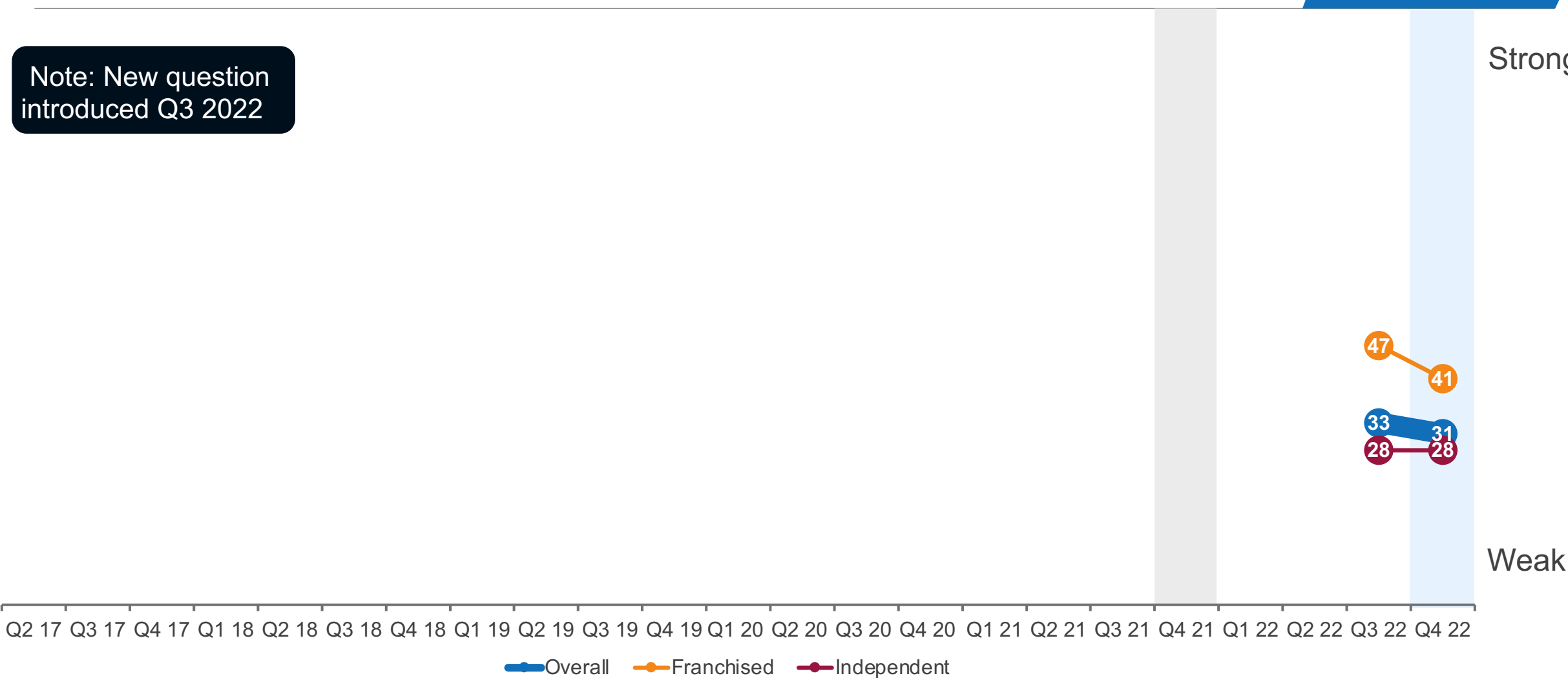


Q3A: How do you rate the **in-person** customer traffic to your dealership over the past 3 months?

# Dealer Sentiment Index

FOURTH QUARTER 2022

Note: New question introduced Q3 2022



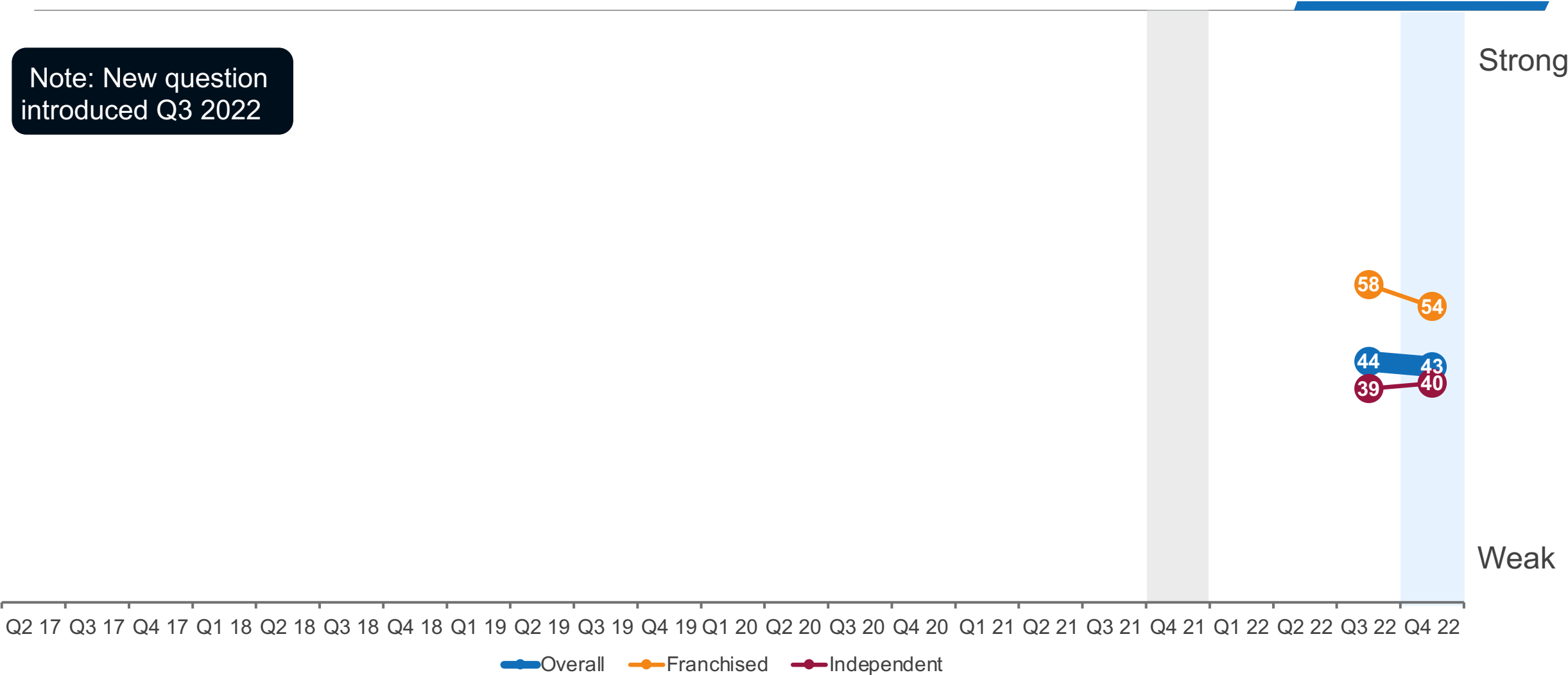
Note: Scale 1 - 100

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

# Dealer Sentiment Index

FOURTH QUARTER 2022

Note: New question introduced Q3 2022

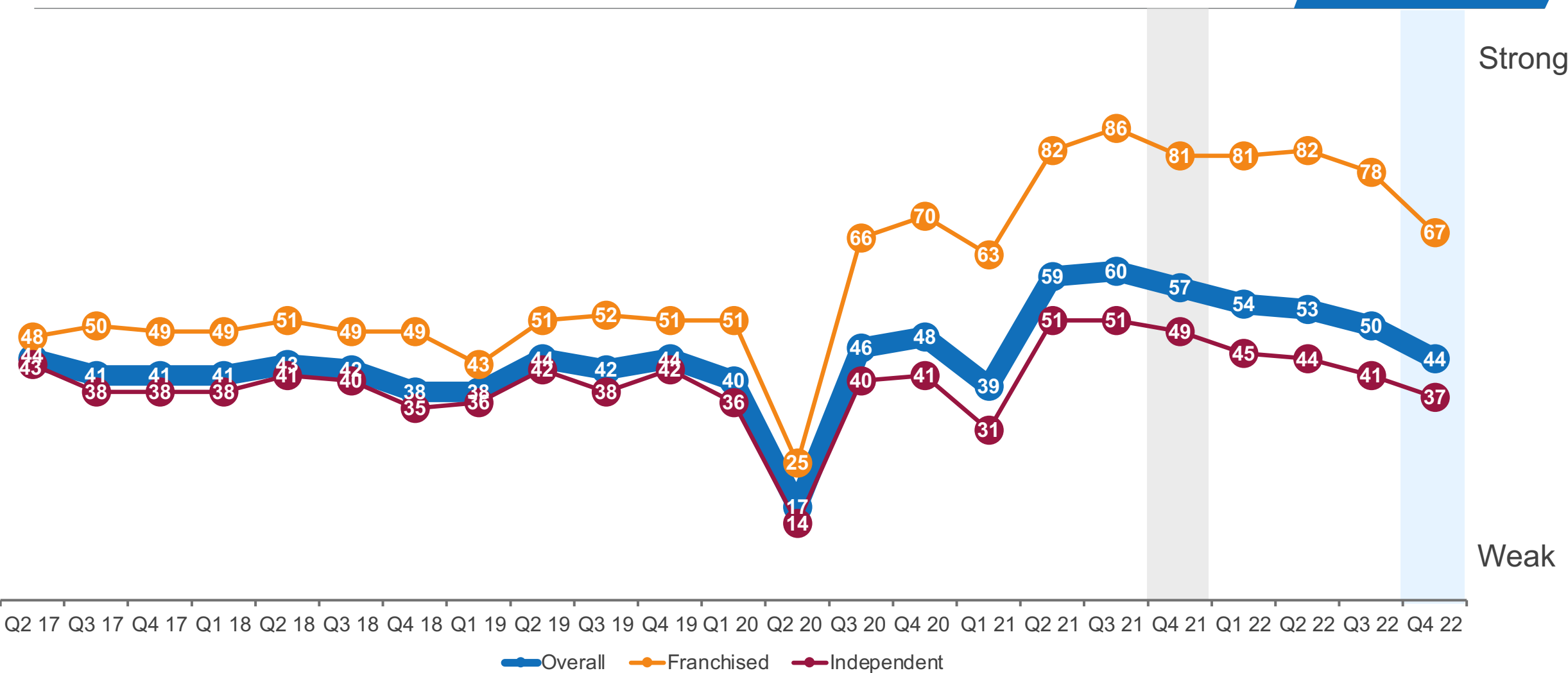


Note: Scale 1 - 100



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

## Dealer Sentiment Index FOURTH QUARTER 2022

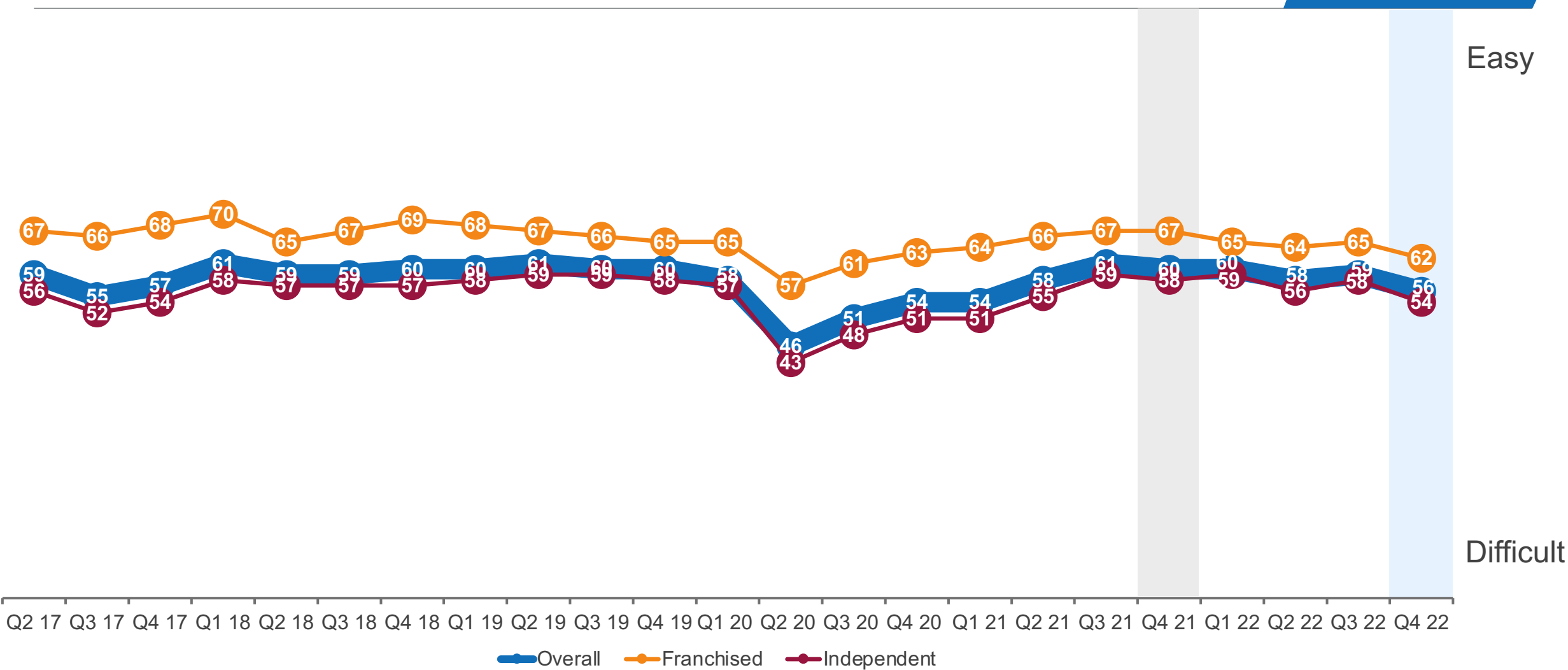


Note: Scale 1 - 100

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

# Dealer Sentiment Index

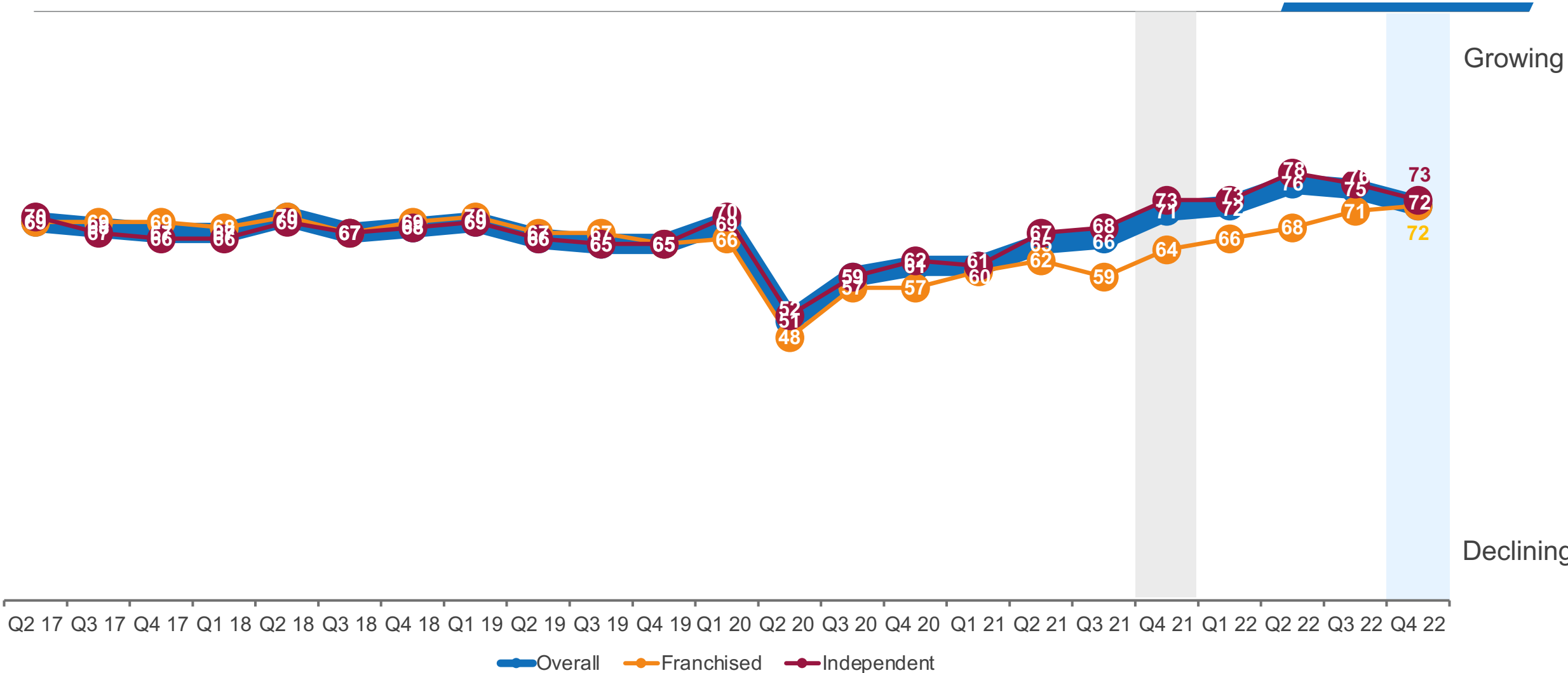
FOURTH QUARTER 2022



Note: Scale 1 - 100

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

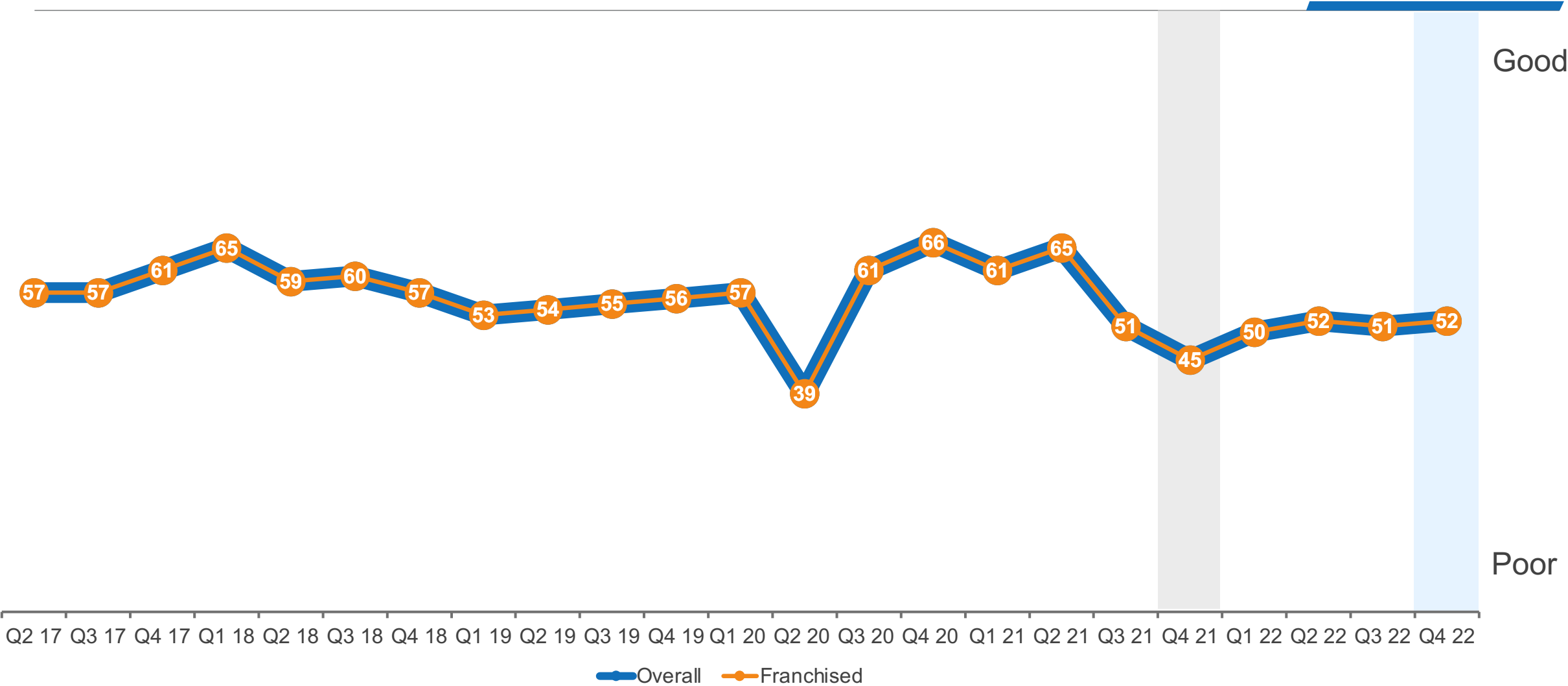
## Dealer Sentiment Index FOURTH QUARTER 2022



Note: Scale 1 - 100

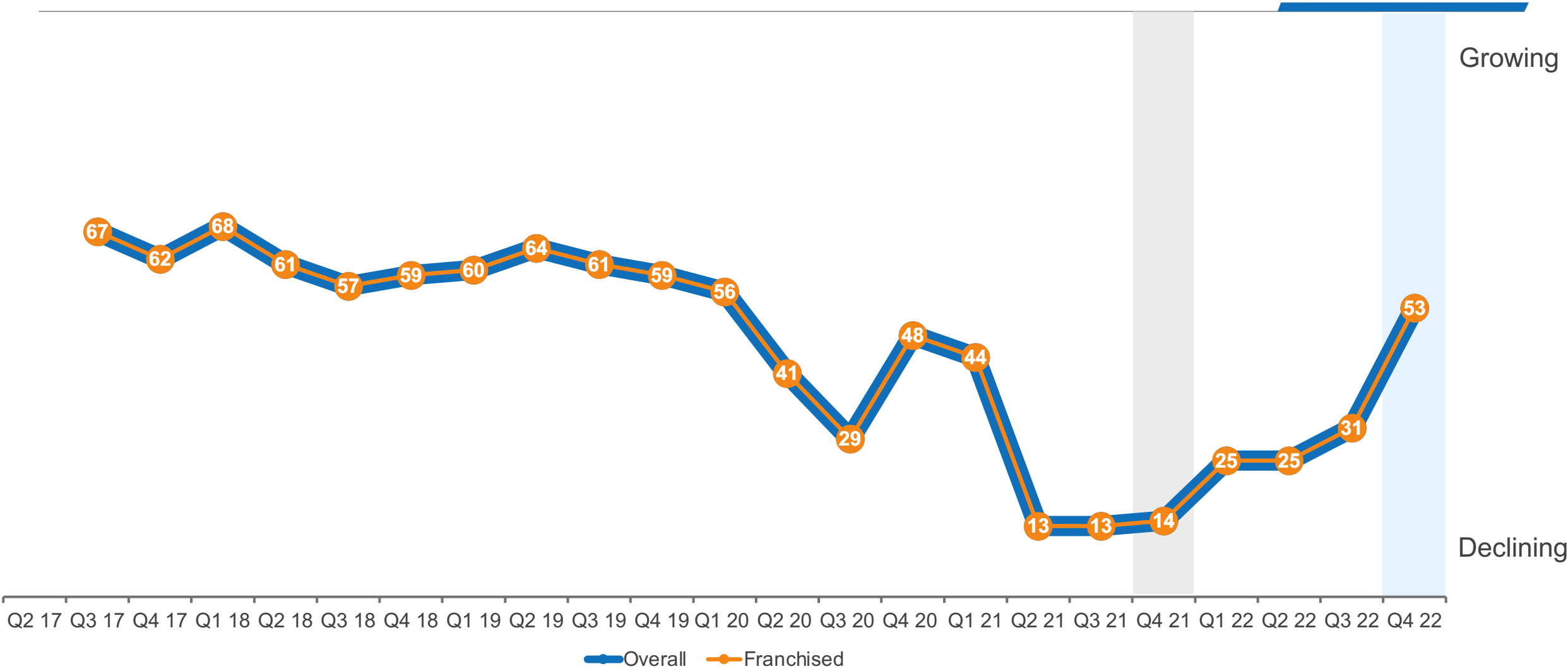
# Q7: How would you describe the current new-vehicle sales environment?

## Dealer Sentiment Index FOURTH QUARTER 2022



Note: Scale 1 - 100

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



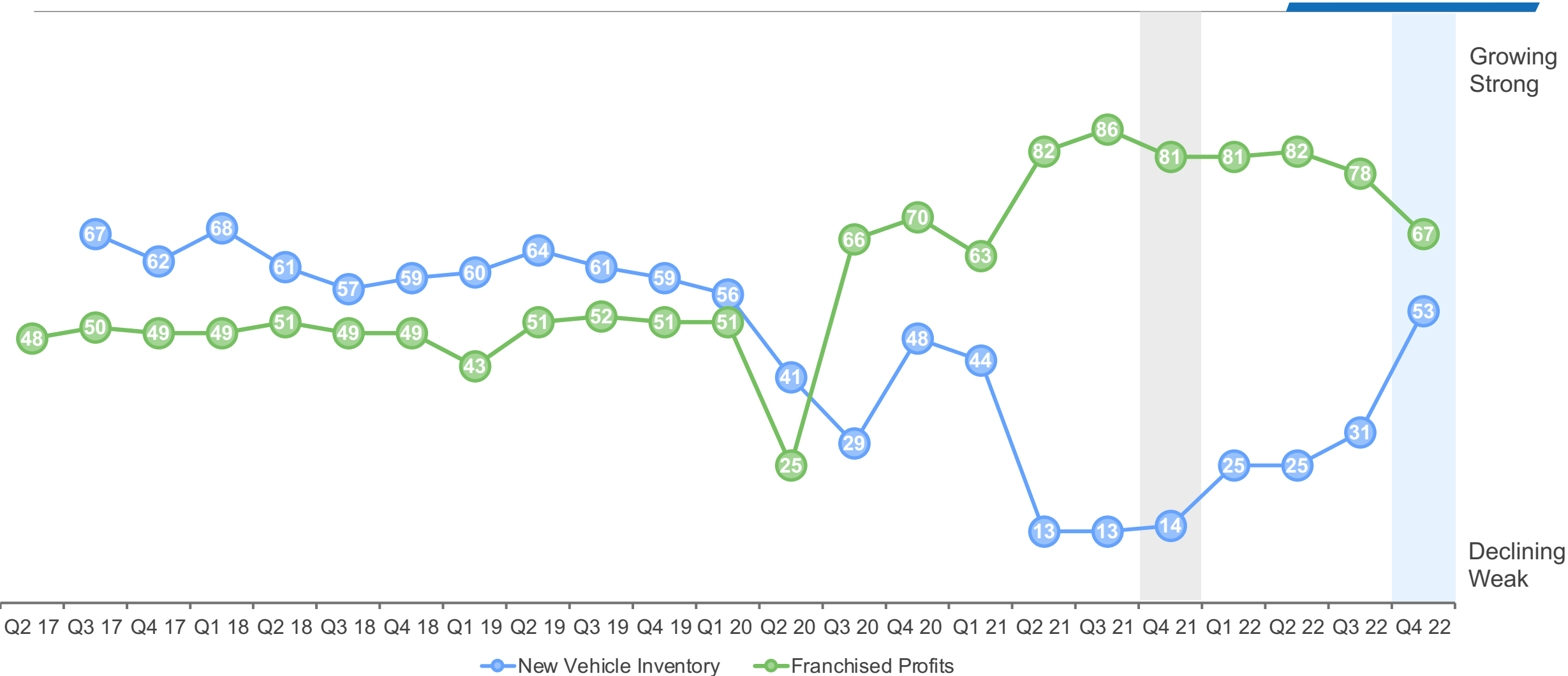
Note: Scale 1 - 100

# 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

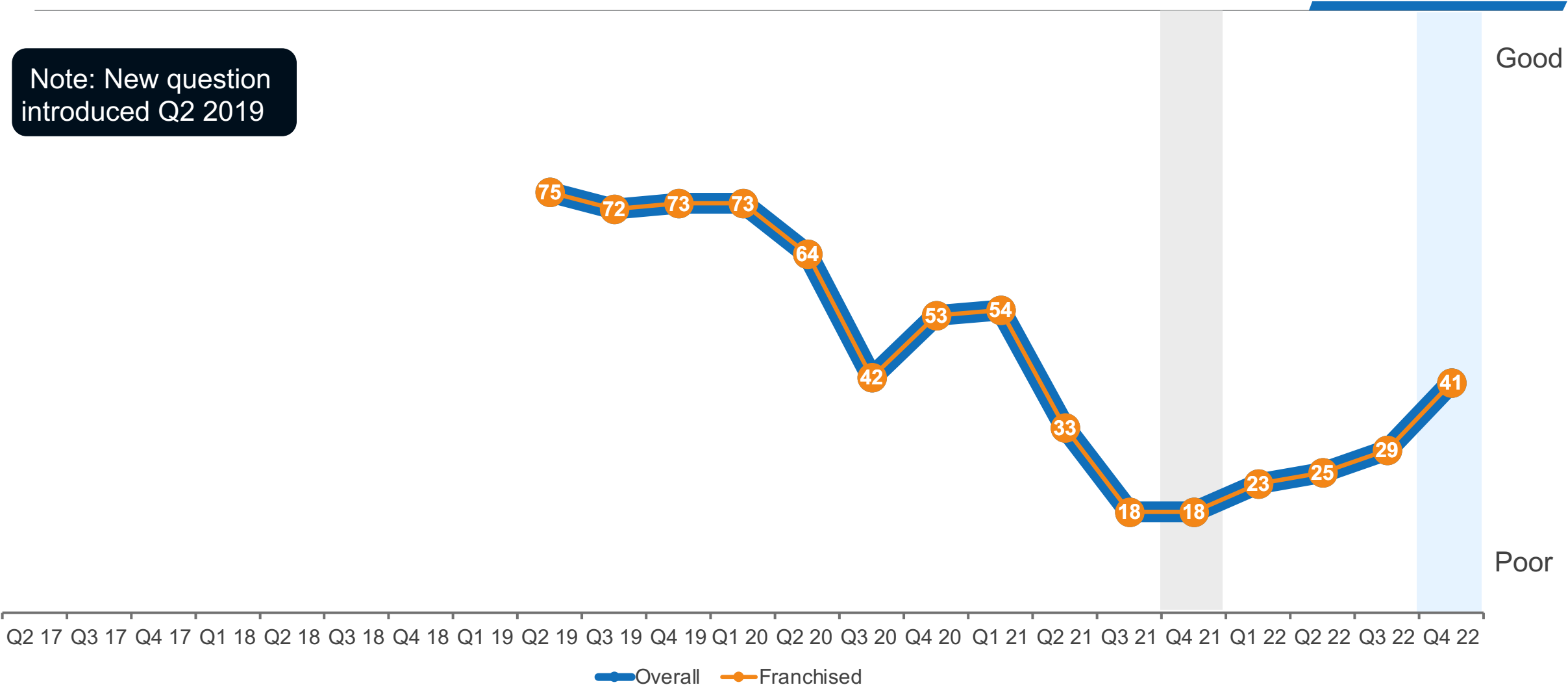
FOURTH QUARTER 2022



Note: Scale 1 - 100

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

Note: New question introduced Q2 2019

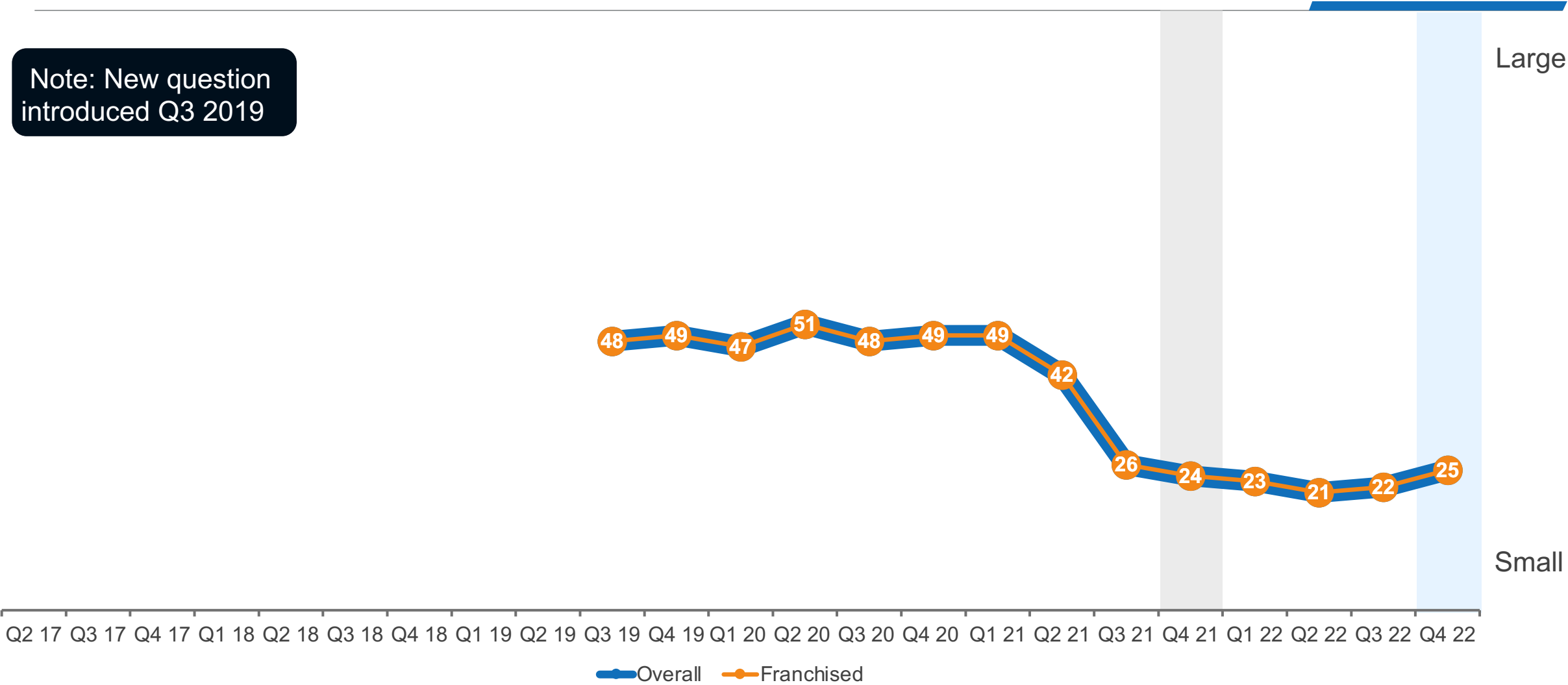


Note: Scale 1 - 100



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

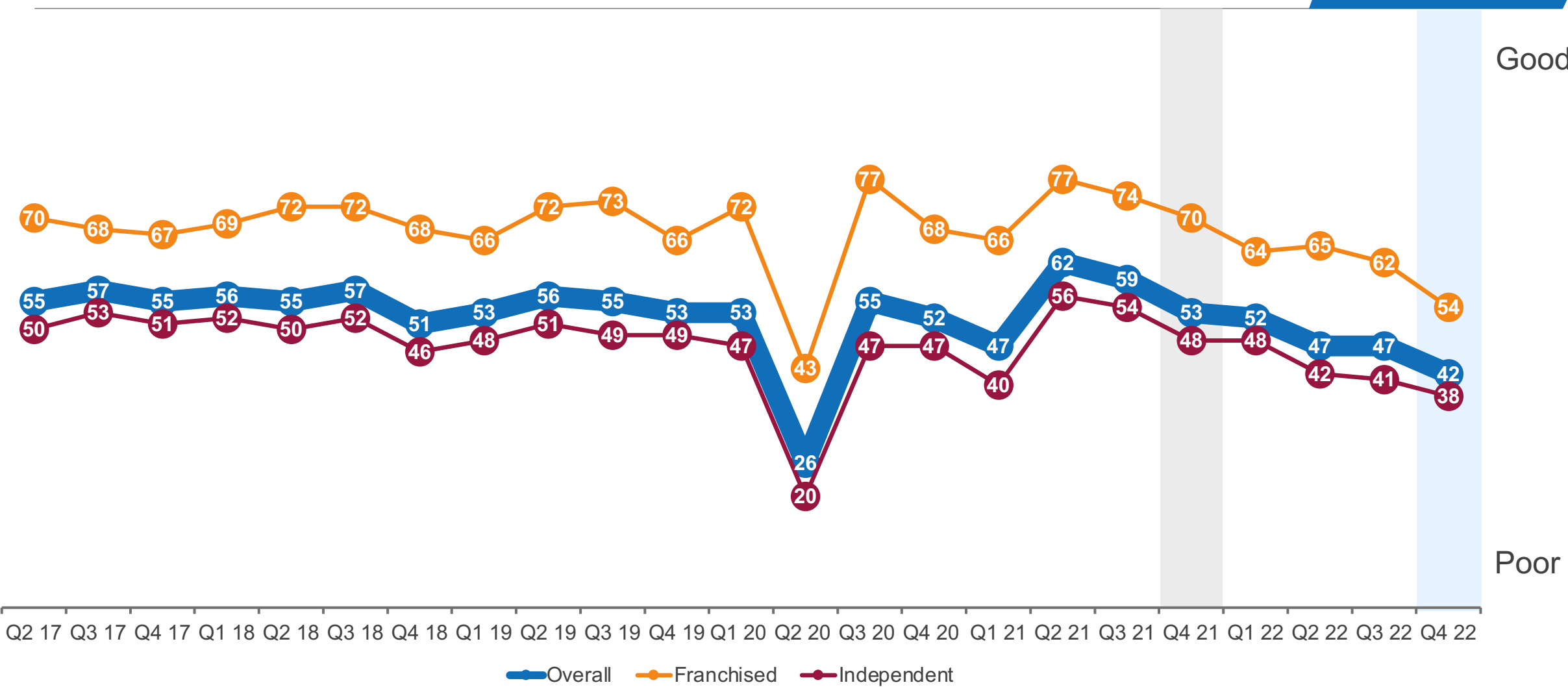
Note: New question introduced Q3 2019



Note: Scale 1 - 100

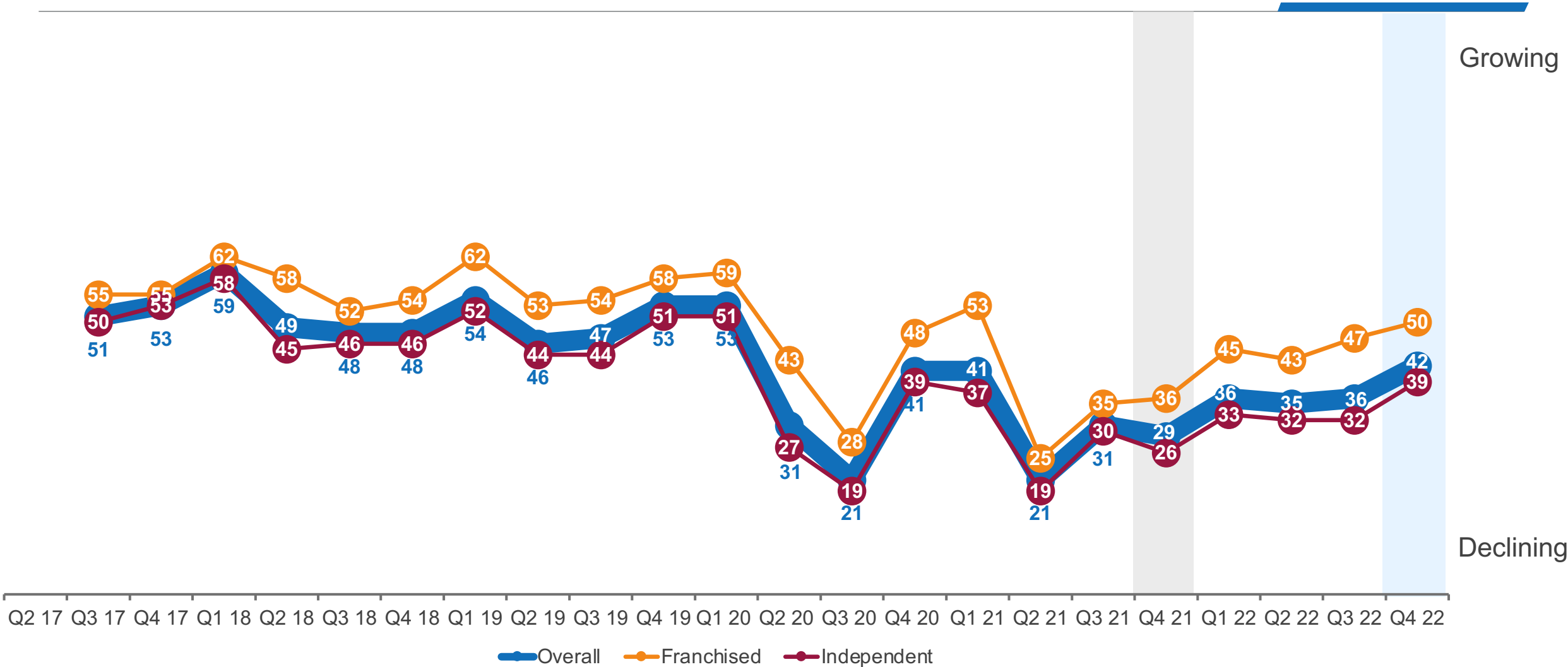
# Q11: How would you describe the current used-vehicle sales environment?

## Dealer Sentiment Index FOURTH QUARTER 2022



Note: Scale 1 - 100

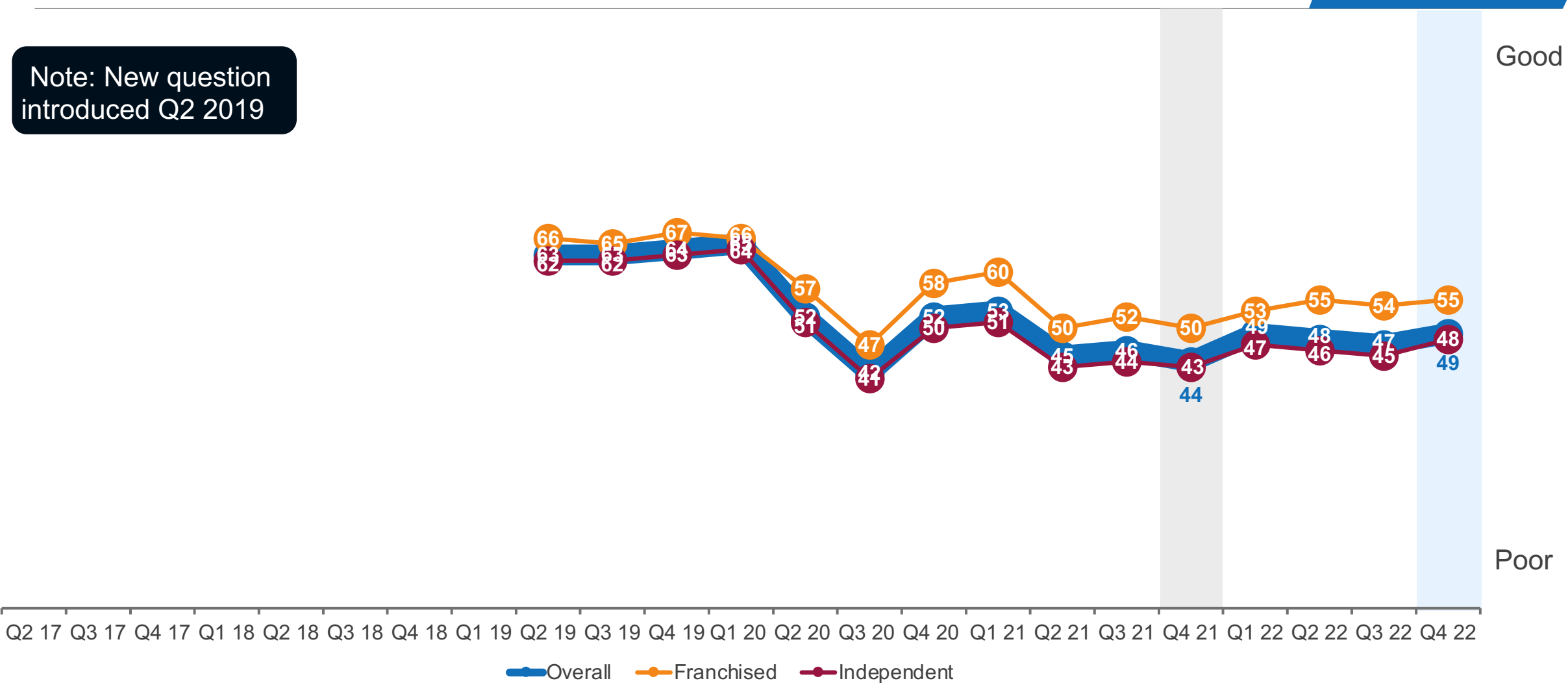
# Q12: How would you describe the current used-vehicle inventory levels?



Note: Scale 1 - 100

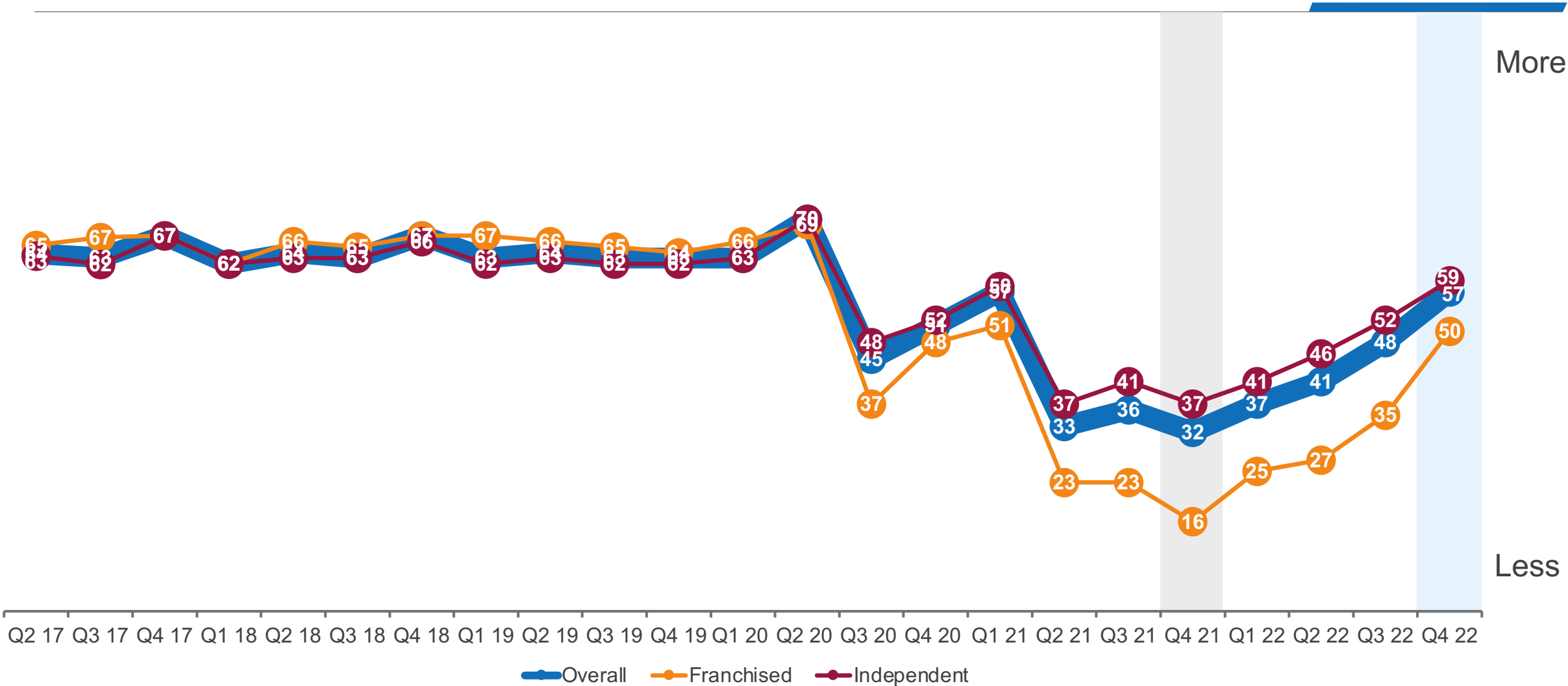
# Q13: How would you describe the current used-vehicle inventory mix?

Note: New question introduced Q2 2019



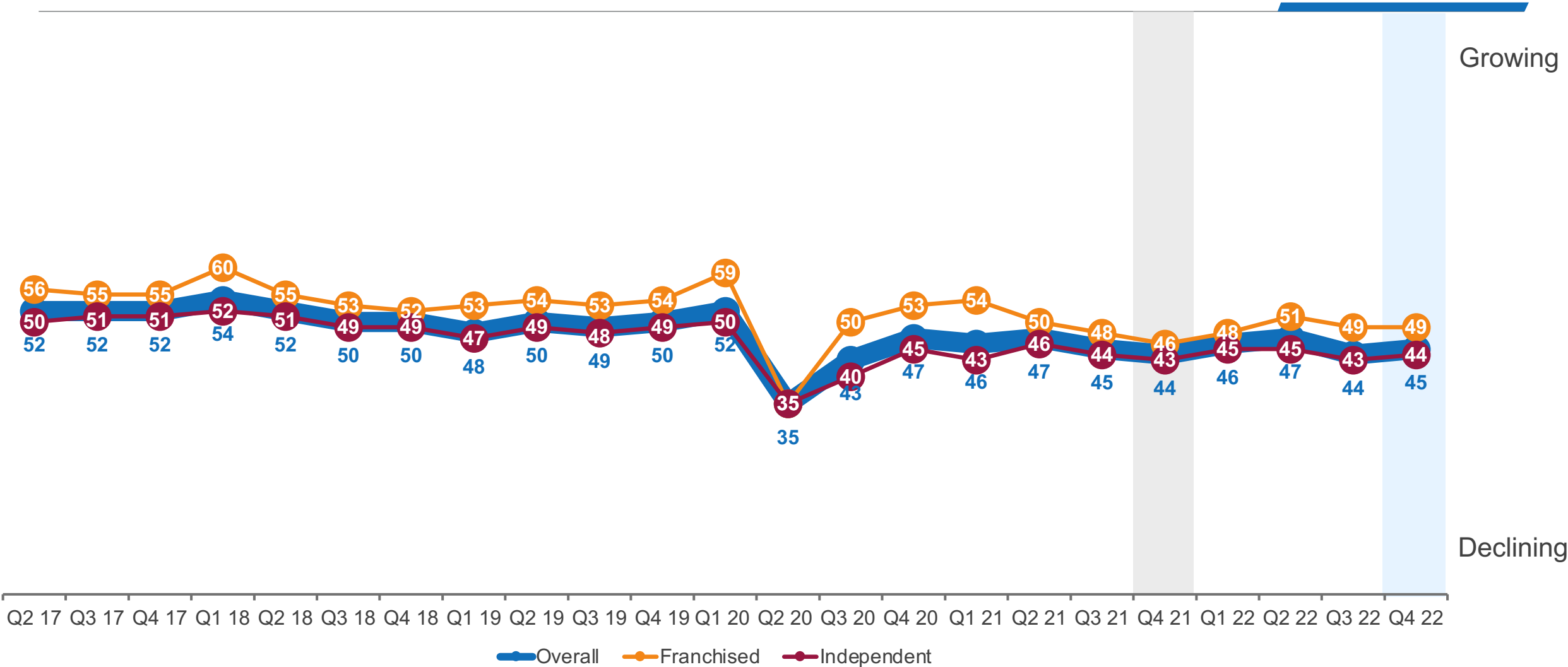
Note: Scale 1 - 100

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



Note: Scale 1 - 100

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

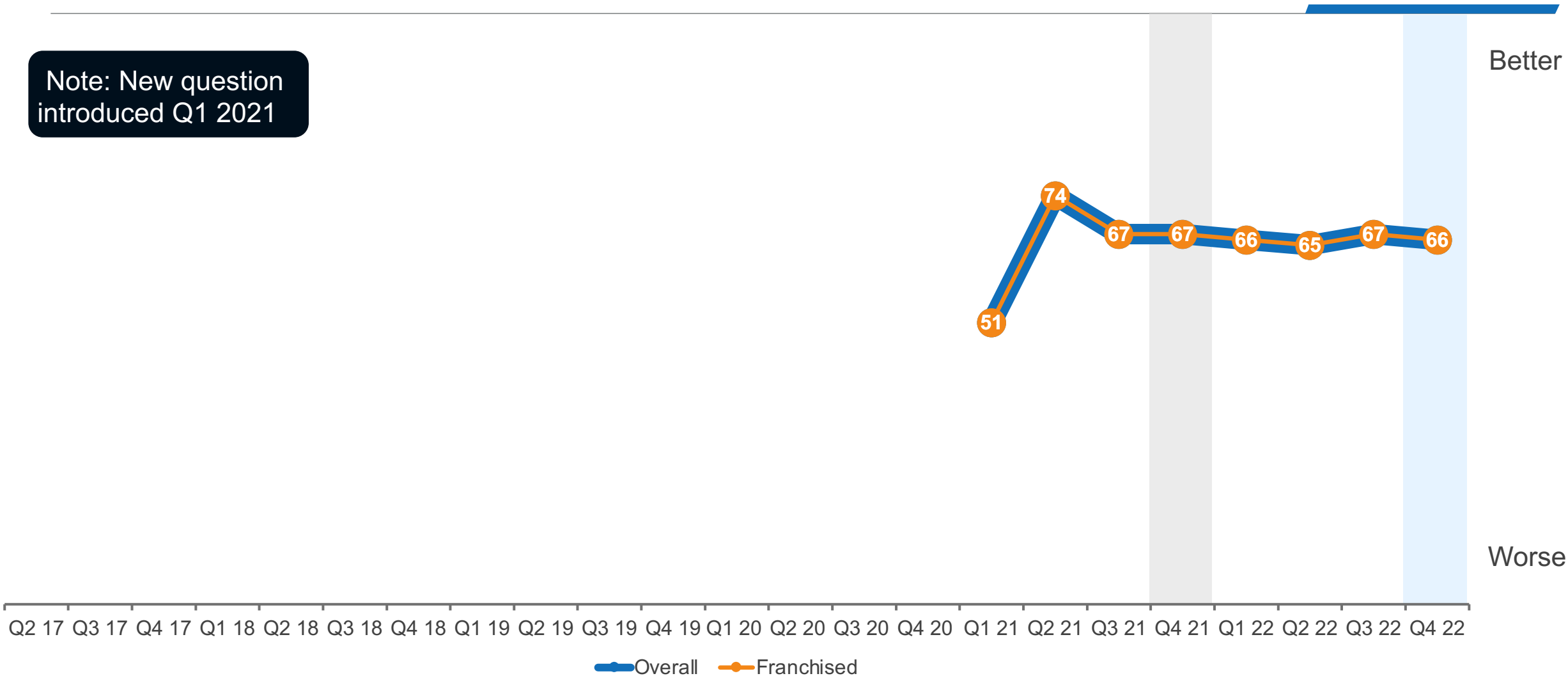


Note: Scale 1 - 100

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

## Dealer Sentiment Index FOURTH QUARTER 2022

Note: New question introduced Q1 2021



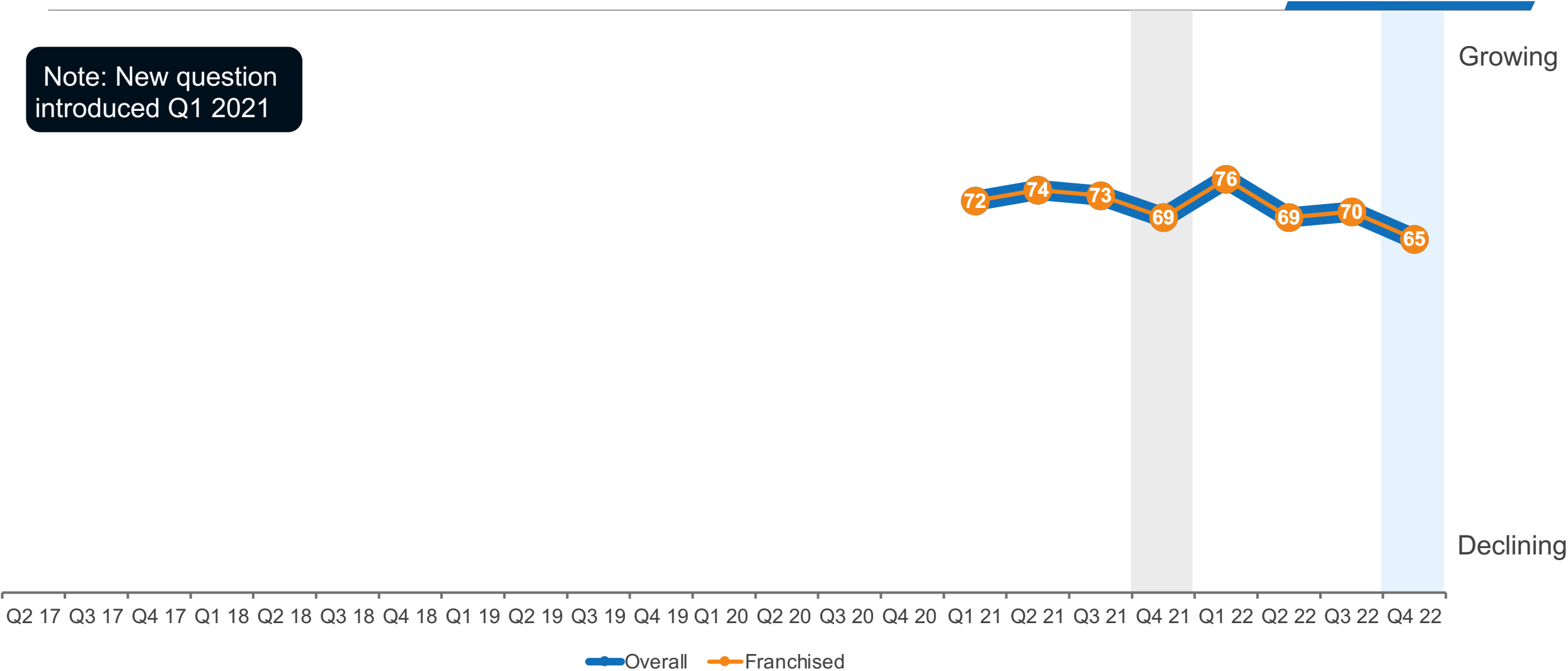
Note: Scale 1 - 100



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

## Dealer Sentiment Index FOURTH QUARTER 2022

Note: New question introduced Q1 2021

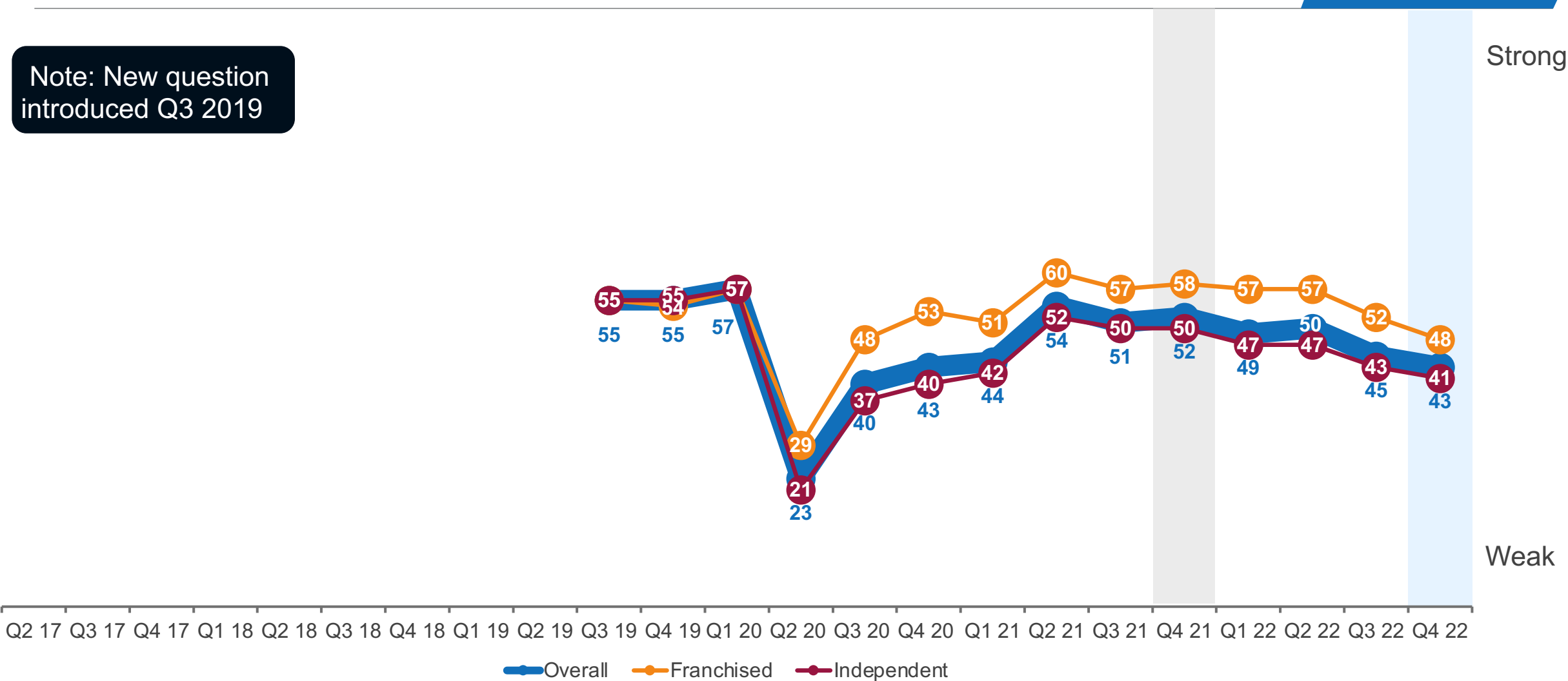


Note: Scale 1 - 100

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

## Dealer Sentiment Index FOURTH QUARTER 2022

Note: New question introduced Q3 2019

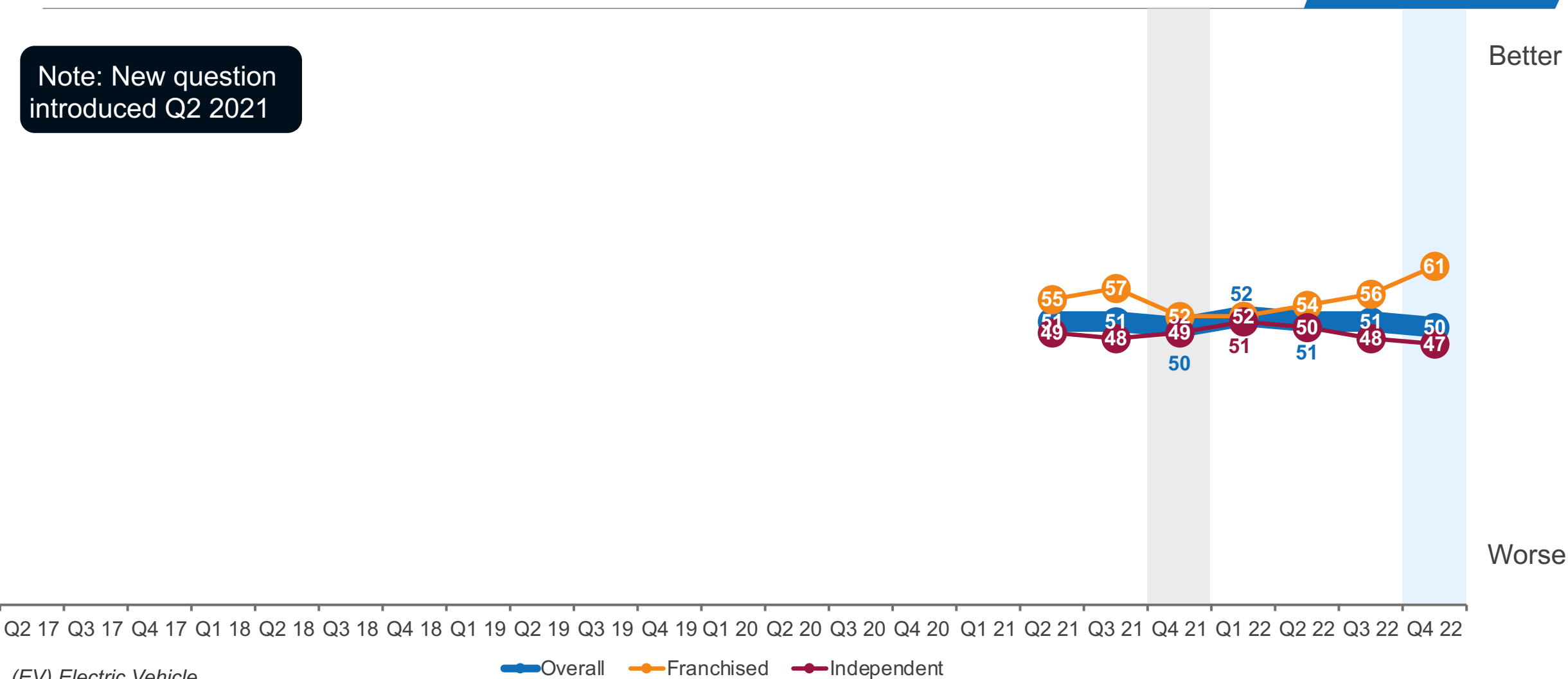


Note: Scale 1 - 100

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

## Dealer Sentiment Index FOURTH QUARTER 2022

Note: New question introduced Q2 2021



(EV) Electric Vehicle

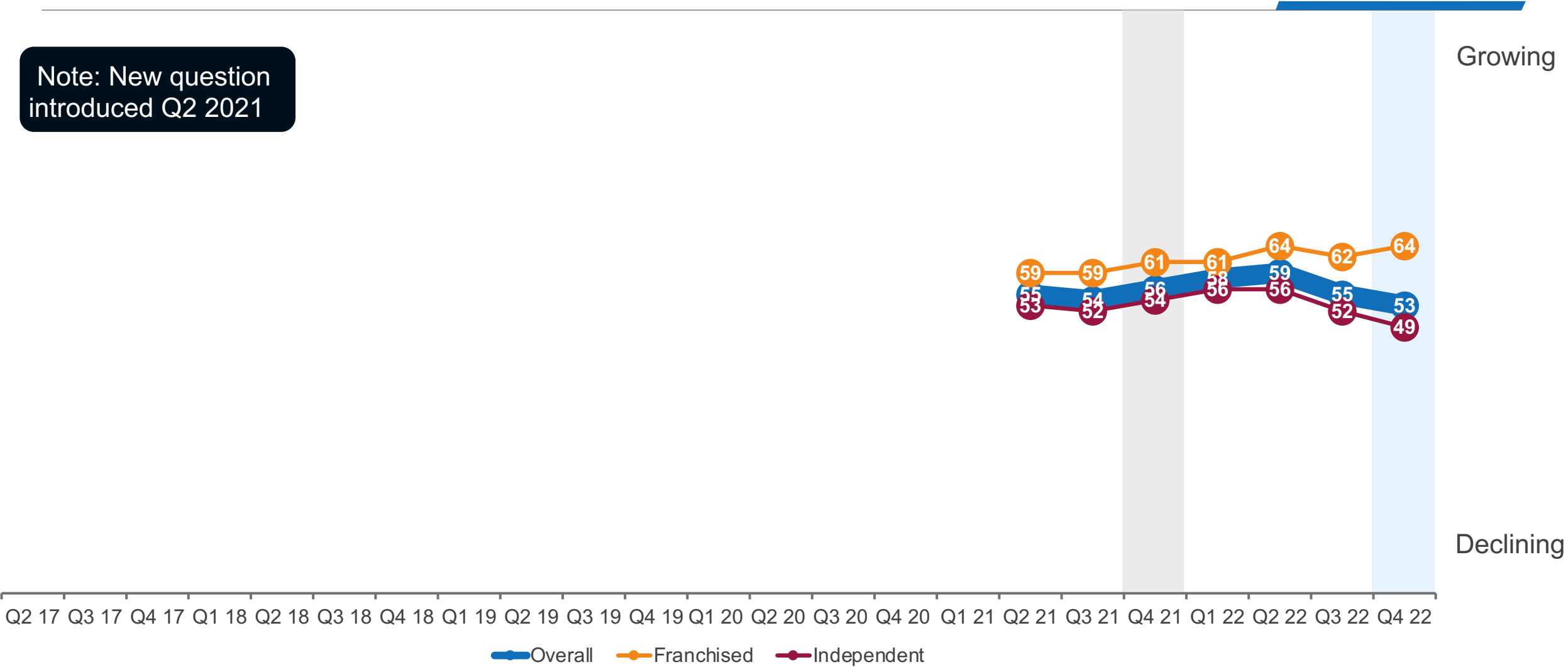
Note: Scale 1 - 100

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

# Dealer Sentiment Index

FOURTH QUARTER 2022

Note: New question introduced Q2 2021

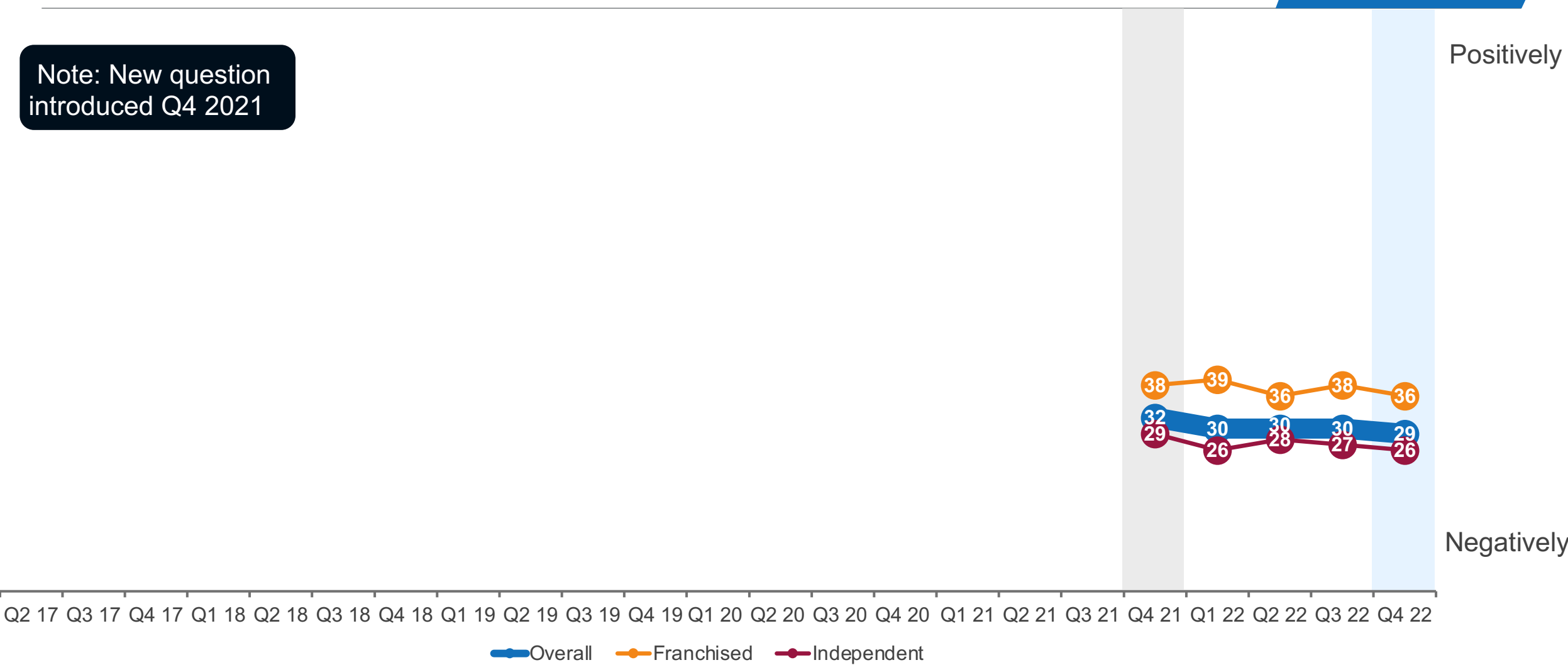


Note: Scale 1 - 100

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

## Dealer Sentiment Index FOURTH QUARTER 2022

Note: New question introduced Q4 2021

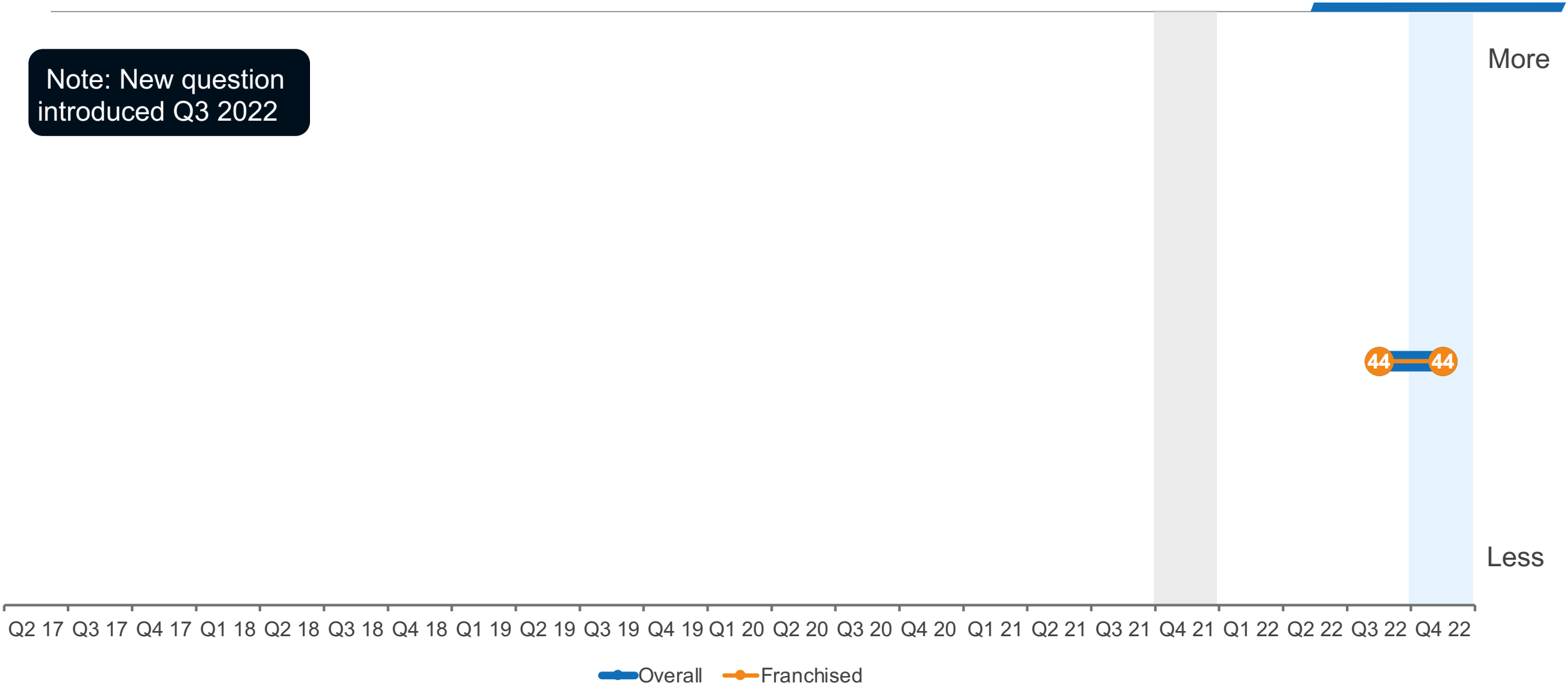


Note: Scale 1 - 100

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

Dealer Sentiment Index  
FOURTH QUARTER 2022

Note: New question introduced Q3 2022



Note: Scale 1 - 100

### Factors Holding Back Your Business?

OVERALL RANK

		Q4 '22	Q3 '22	Q4 '21	Q4 '20
1	Economy	62% ↑	53%	34%	38%
2	Interest Rates	49% ↑	35%	3%	4%
3	Limited Inventory	47% ↓	56%	64%	45%
4	Market Conditions	46%	48%	44%	37%
5	Political Climate	33%	30%	24%	40%
6	Consumer Confidence	33% ↑	29%	13%	25%
7	Expenses	29%	28%	23%	17%
8	Credit Availability for Consumers	24% ↑	18%	11%	19%
9	Business Impacts From COVID-19/Coronavirus	16% ↓	20%	30%	47%
10	Competition	12%	11%	12%	17%
11	Lack of Consumer Incentives From My OEM	8%	6%	4%	2%
12	Staff Turnover	8%	9%	10%	5%
13	Regulations	7%	6%	6%	7%
14	Credit Availability for Business	6%	4%	4%	8%
15	Consumer Transparency in Pricing	4%	3%	5%	7%
16	Weather	4%	4%	3%	9%
17	Tariffs on Imported Vehicles and Parts	3%	4%	4%	2%

Significant decrease vs previous quarter



Significant increase vs previous quarter





### Factors Holding Back Your Business?

OVERALL RANK

		Q4 '22	Q3 '22	Q4 '21	Q4 '20
18	OEM Priorities	3%	3%	2%	2%
19	OEM Mandates/Restrictions	3%	3%	2%	1%
20	Dealership Systems/Tools	3%	2%	3%	4%
21	Technology to Support Operations	2%	2%	3%	3%
22	Too Much Retail Inventory	2%	1%	1%	2%
23	Technology to Support Sales	2%	2%	2%	3%

Significant decrease vs  
previous quarter



Significant increase vs  
previous quarter



### Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q4 '22	Q3 '22	Q4 '21	Q4 '20
1	Interest Rates	58% ↑	40%	2%	2%
2	Economy	57% ↑	47%	26%	33%
3	Limited Inventory	51% ↓	63%	71%	44%
4	Market Conditions	41%	39%	31%	29%
5	Political Climate	34%	29%	21%	48%
6	Lack of Consumer Incentives From My OEM	31%	25%	14%	10%
7	Consumer Confidence	28%	24%	13%	24%
8	Credit Availability for Consumers	18% ↑	10%	3%	9%
9	Expenses	16%	15%	9%	10%
10	Staff Turnover	13%	14%	15%	8%
11	Business Impacts From COVID-19/Coronavirus	12%	14%	29%	39%
12	OEM Priorities	11%	11%	8%	7%
13	OEM Mandates/Restrictions	10%	11%	8%	6%
14	Competition	7%	6%	6%	12%
15	Regulations	6%	5%	5%	6%
16	Weather	4%	3%	3%	8%
17	Technology to Support Operations	3%	2%	2%	2%

Significant decrease vs  
previous quarter



Significant increase vs  
previous quarter



### Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q4 '22	Q3 '22	Q4 '21	Q4 '20
18	Tariffs on Imported Vehicles and Parts	3%	2%	4%	2%
19	Dealership Systems/Tools	3%	3%	2%	3%
20	Consumer Transparency in Pricing	2%	3%	3%	5%
21	Technology to Support Sales	2%	2%	2%	2%
22	Credit Availability for Business	2%	3%	0%	1%
23	Too Much Retail Inventory	1%	1%	0%	0%

Significant decrease vs  
previous quarter



Significant increase vs  
previous quarter



### Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q4 '22	Q3 '22	Q4 '21	Q4 '20
1	Economy	64% ↑	56%	37%	40%
2	Market Conditions	48%	51%	49%	39%
3	Interest Rates	46% ↑	34%	3%	4%
4	Limited Inventory	45% ↓	54%	62%	46%
5	Consumer Confidence	35%	31%	14%	25%
6	Expenses	34%	33%	27%	20%
7	Political Climate	33%	31%	25%	37%
8	Credit Availability for Consumers	26% ↑	21%	14%	23%
9	Business Impacts From COVID-19/Coronavirus	17% ↓	22%	30%	49%
10	Competition	13%	13%	14%	18%
11	Regulations	7%	6%	6%	7%
12	Credit Availability for Business	7% ↑	4%	5%	10%
13	Staff Turnover	6%	8%	8%	5%
14	Consumer Transparency in Pricing	5%	4%	6%	8%

Significant decrease vs previous quarter



Significant increase vs previous quarter



### Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q4 '22	Q3 '22	Q4 '21	Q4 '20
15	Weather	4%	4%	3%	9%
16	Tariffs on Imported Vehicles and Parts	3%	4%	4%	1%
17	Dealership Systems/Tools	3%	2%	3%	4%
18	Too Much Retail Inventory	2%	1%	1%	3%
19	Technology to Support Operations	2%	2%	3%	4%
20	Technology to Support Sales	1%	2%	2%	4%




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	Costs/Expenses	78	76	79
2	Interest Rates	77 	80 	76 
3	Fixed Operations	63	61	64
4	Vehicle Sales	62	<b>67 B</b>	61
5	Staffing Levels	52	53	51

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	65%	56%	72%
2	Service	59%	<b>76% B</b>	46%
3	Management	18%	18%	18%
4	Parts	13%	<b>29% B</b>	0%
5	Collision/Auto Body	11%	17%	5%
6	Finance and Insurance	11%	5%	15%
7	Marketing	7%	5%	8%
8	Other	3%	4%	2%

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



### Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	50	55	53	<b>52</b>
Market Next 3 Months	Strong/Weak	45	47	50	<b>47</b>
Overall Customer Traffic	Strong/Weak	41	44	42	46
In-Person Customer Traffic	Strong/Weak	39	43	41	40
Digital/Online Customer Traffic	Strong/Weak	50	55	54	59
Profits	Strong/Weak	70	69	<b>65</b>	<b>61</b>
Costs	Growing/Declining	74	71	68	77
New Vehicle Sales	Good/Poor	52	51	50	59
New Vehicle Inventory	Growing/Declining	<b>54</b>	<b>48</b>	<b>51</b>	<b>62</b>
New Vehicle Inventory Mix	Good/Poor	40	34	<b>44</b>	<b>49</b>
Used Vehicle Sales	Good/Poor	53	57	53	52
Used Vehicle Inventory	Growing/Declining	49	50	49	52



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
Used Vehicle Inventory Mix	Good/Poor	54	57	53	53
Price Pressure	More/Less	48	47	53	51
Staffing	Growing/Declining	47	49	53	43
OEM incentives	Large/Small	22	23	28	24
Economy	Strong/Weak	47	52	47	48
Current Fixed Operations	Better/Worse	62	68	69	66
Future Fixed Operations	Growing/Declining	60	66	70	65
Current BEV Sales	Better/Worse	62	57	59	68
Future BEV Sales	Growing/Declining	64	61	66	68
Dealer Consolidation Impact	Positive/Negative	35	33	40	38
Dealer Credit	Easy/Difficult	62	63	62	59
Pre-Loading Aftermarket Equip.	More/Less	40	43	44	50



Note: Scale 1 – 100

**GREEN:** Significant increase from prior quarter

**RED:** Significant decrease from prior quarter



# Dealer Sentiment Index

FOURTH QUARTER 2022

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