

DEALER SENTIMENT INDEX

FIRST QUARTER 2023

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 Q1 2023 CADSI is based on 1,022 U.S. auto dealer respondents, comprising 571 franchised dealers and 451 independents. The survey was conducted from January 30 to February 13, 2023.
- ✓ The next quarterly report will be released in June 2023. The CADSI was first published in Q2 2017.

Key Takeaways

U.S. automobile dealer sentiment in the first quarter of 2023 was little changed from the level recorded in Q4 2022 and remains at the lowest level since the height of the global 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 more dealers view the current auto market as weak. The index remained stable quarter over quarter and down 14 points year over year.

On a positive note, the 3-month, forward-looking market outlook index rose sharply in the first quarter to 52, up from 41 in Q4 of last year. The increase in Q1 breaks a trend of three consecutive quarters with a declining market outlook. However, even as the market outlook index improved in Q1, it remains below last year's Q1 score of 64, when dealers were entering 2022 with a stronger sense of optimism.

“Despite high interest rates and stubborn inflation, the U.S. consumer continues to prop up the economy,” said Cox Automotive Chief Economist Jonathan Smoke. “Auto sales are slow by historical standards, but the sales pace has been improving in early 2023, giving dealers reason to feel somewhat optimistic about the year ahead.”

The overall profit index declined to 42, down from 44 last quarter and down significantly from 54 a year ago. The profit index reached record highs in late 2021 and in the early part of 2022 – particularly for franchised dealers – but has declined for six straight quarters.

In Q1 2023, the cost index – specifically the cost of running a dealership – climbed 3 points quarter over quarter to 75; it is now 1 point below the record high recorded in Q2 2022.

The new-vehicle inventory index improved

to 63 in the first quarter, up significantly from one year ago. With new-vehicle inventory sentiment improving, the view of new-vehicle sales improved as well, increasing from 52 to a healthy 57, indicating more dealers see the new-vehicle sales environment as good.

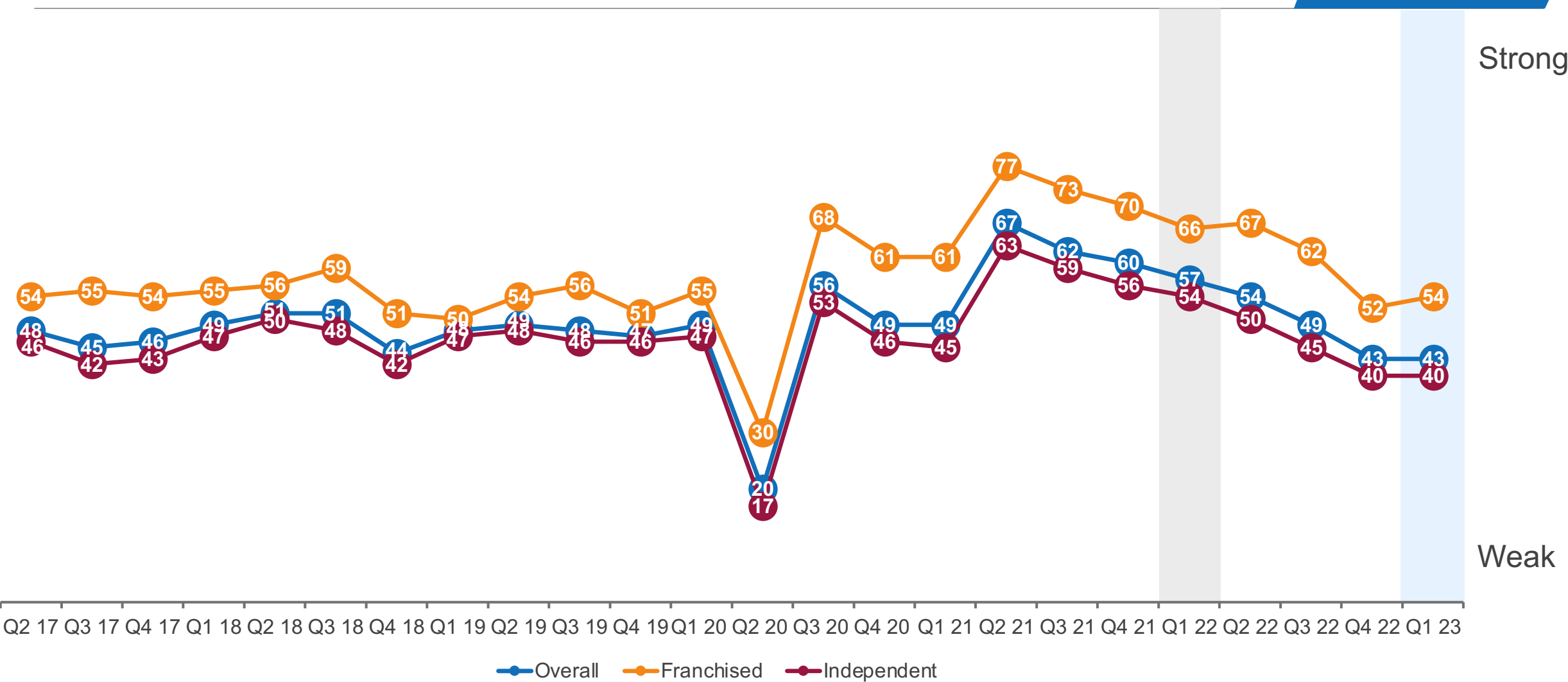
In contrast to new-vehicle sales, which are viewed as good, most U.S. dealers view used-vehicle sales as poor. The used-vehicle inventory index improved in Q1 to 43, 1 point higher than the previous quarter and up 7 points year over year. However, most dealers indicate their used-vehicle inventory was declining in Q1.

Overall, Interest Rates are now the top factor holding back dealer business in the U.S., with 55% noting it as their primary concern. Economy (54%), Limited Inventory (43%), Market Conditions (42%) and Expenses (29%) round out the top five factors holding back business.

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

Dealer Sentiment Index

FIRST QUARTER 2023

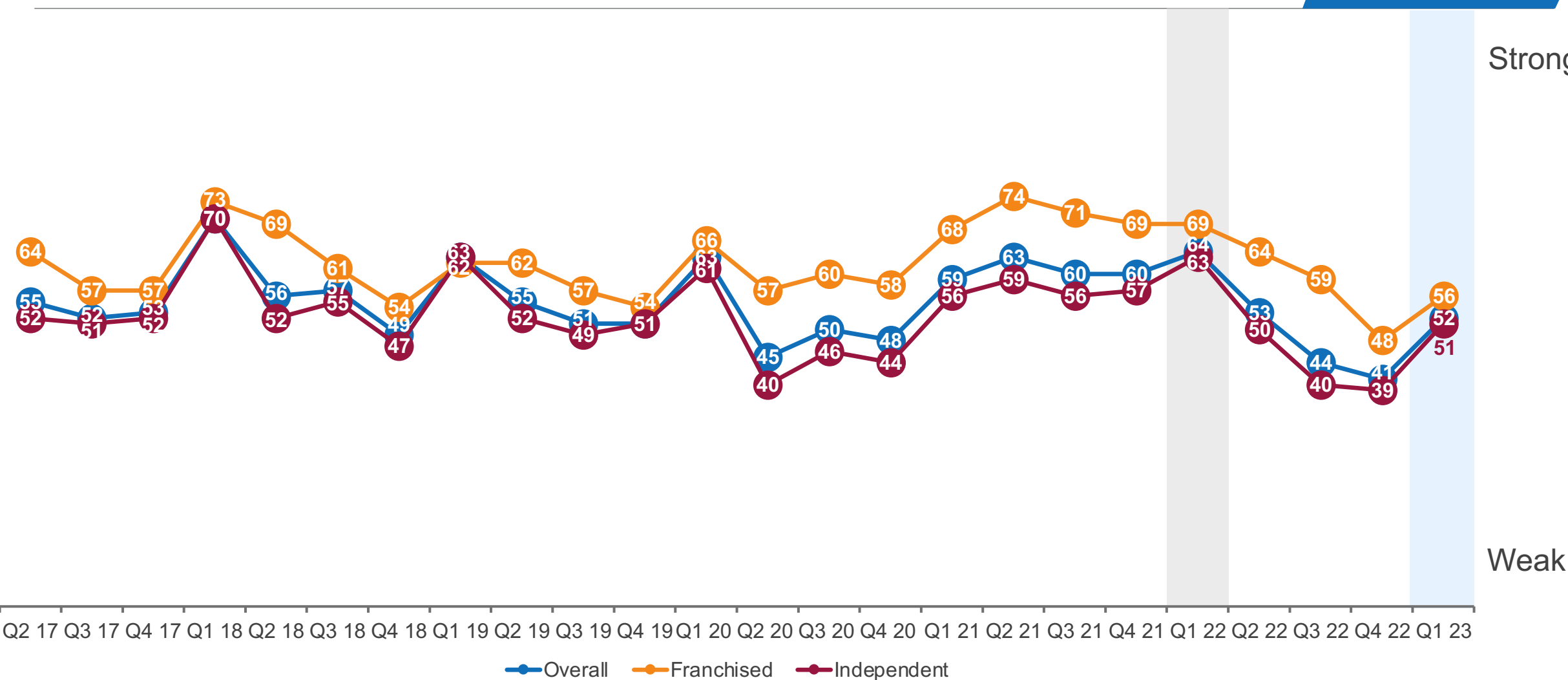


Note: Scale 1 - 100

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

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FIRST QUARTER 2023

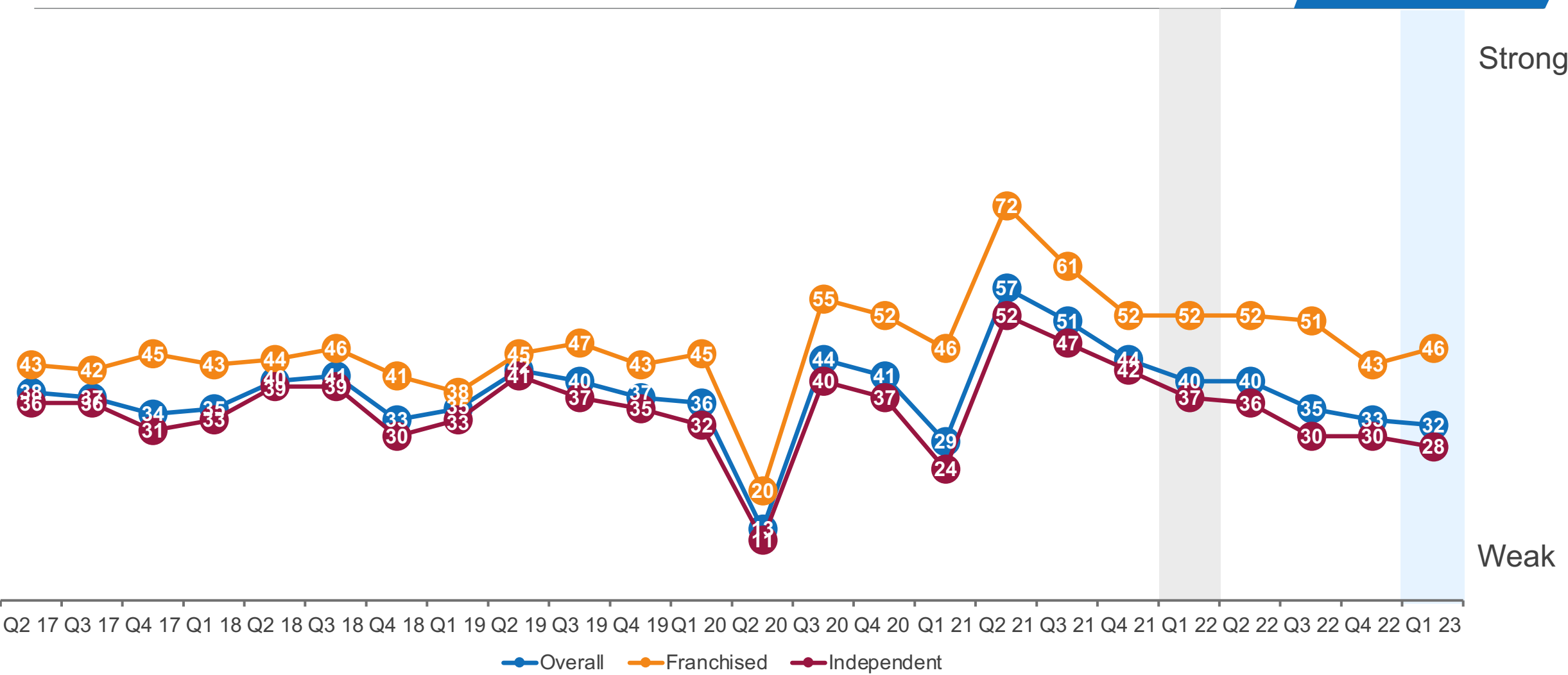


Note: Scale 1 - 100

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

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FIRST QUARTER 2023



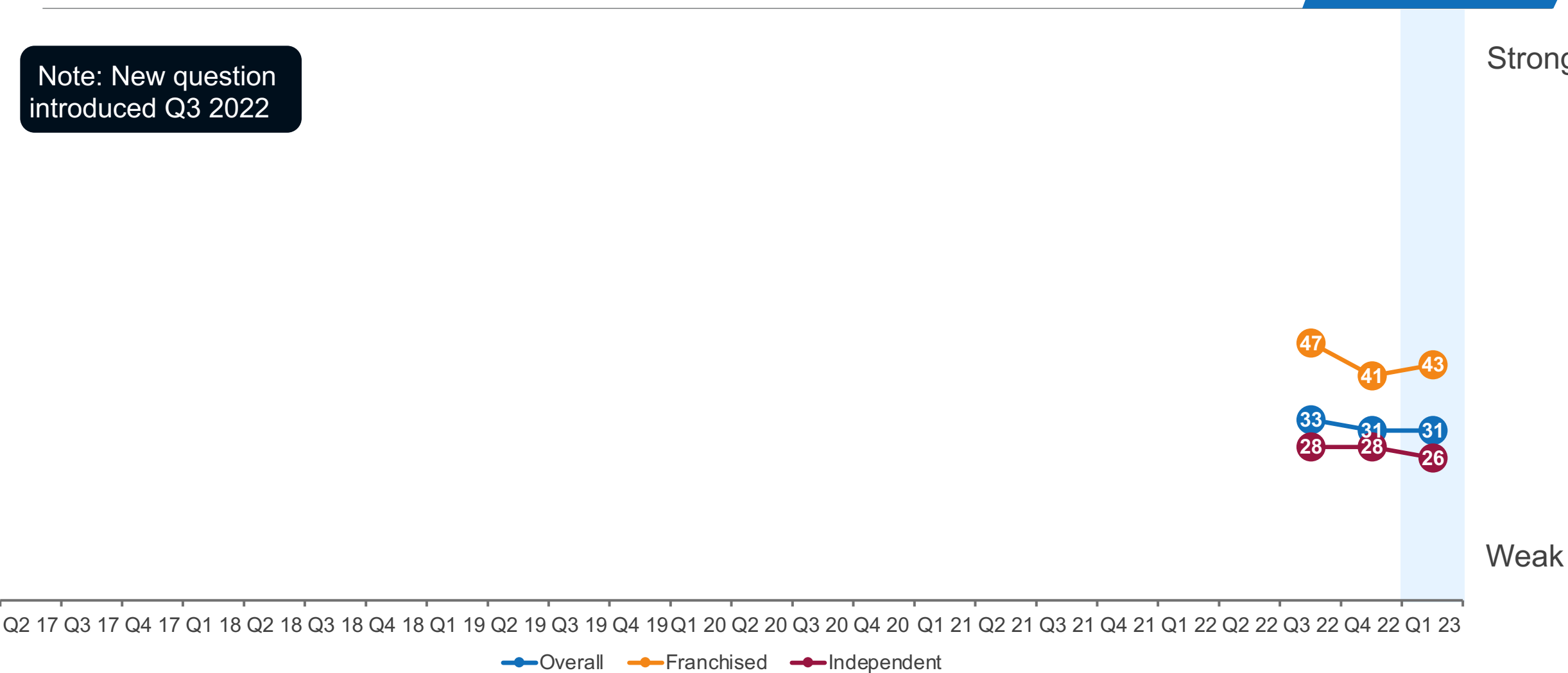
Note: Scale 1 - 100

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

Dealer Sentiment Index

FIRST QUARTER 2023

Note: New question introduced Q3 2022

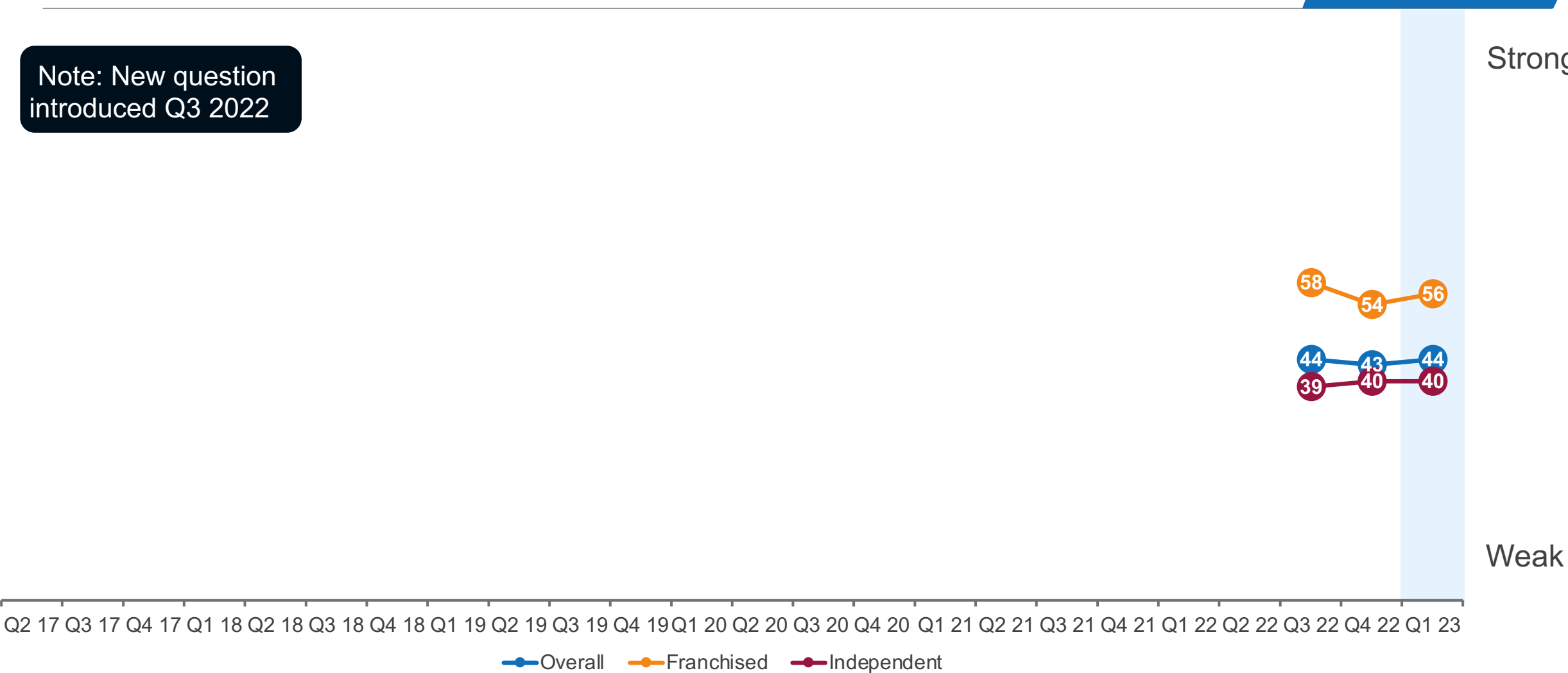


Note: Scale 1 - 100

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

Dealer Sentiment Index FIRST QUARTER 2023

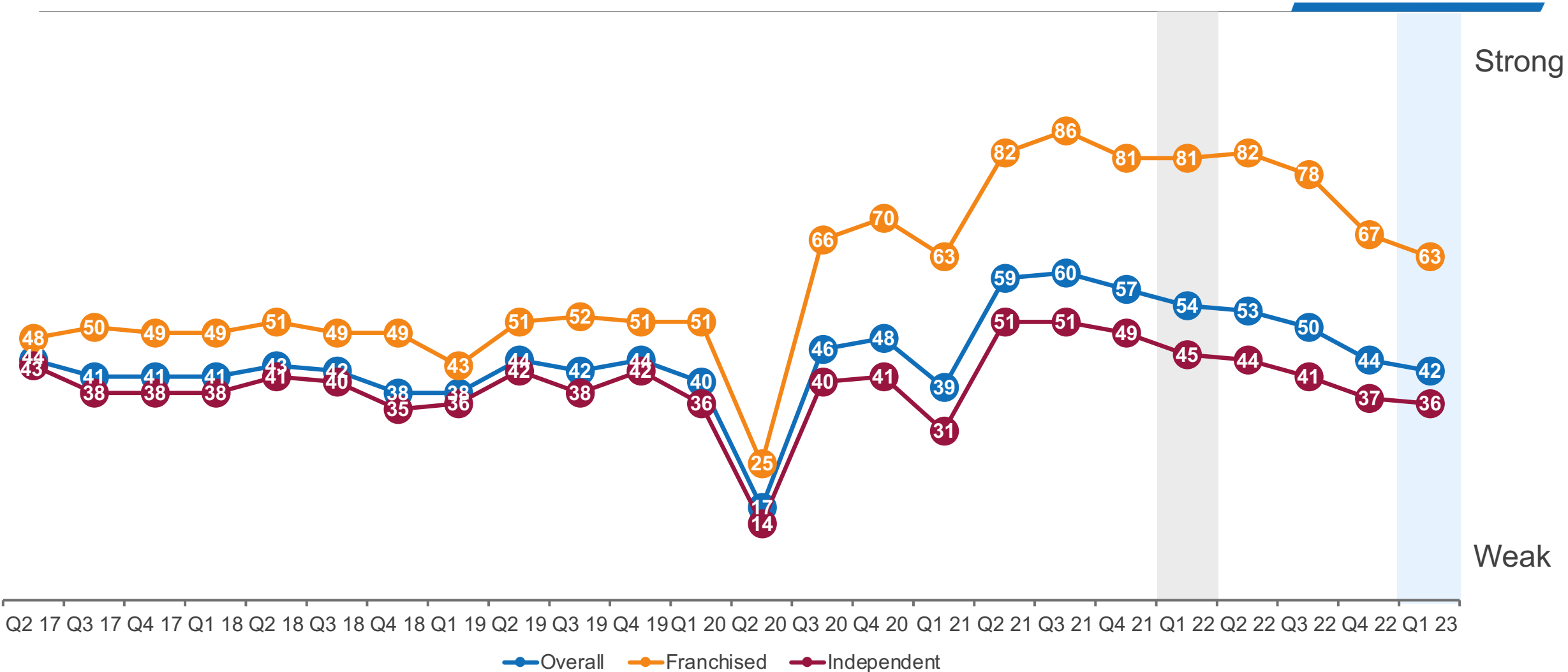
Note: New question introduced Q3 2022



Note: Scale 1 - 100

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

Dealer Sentiment Index FIRST QUARTER 2023



Note: Scale 1 - 100

Dealer Sentiment Index

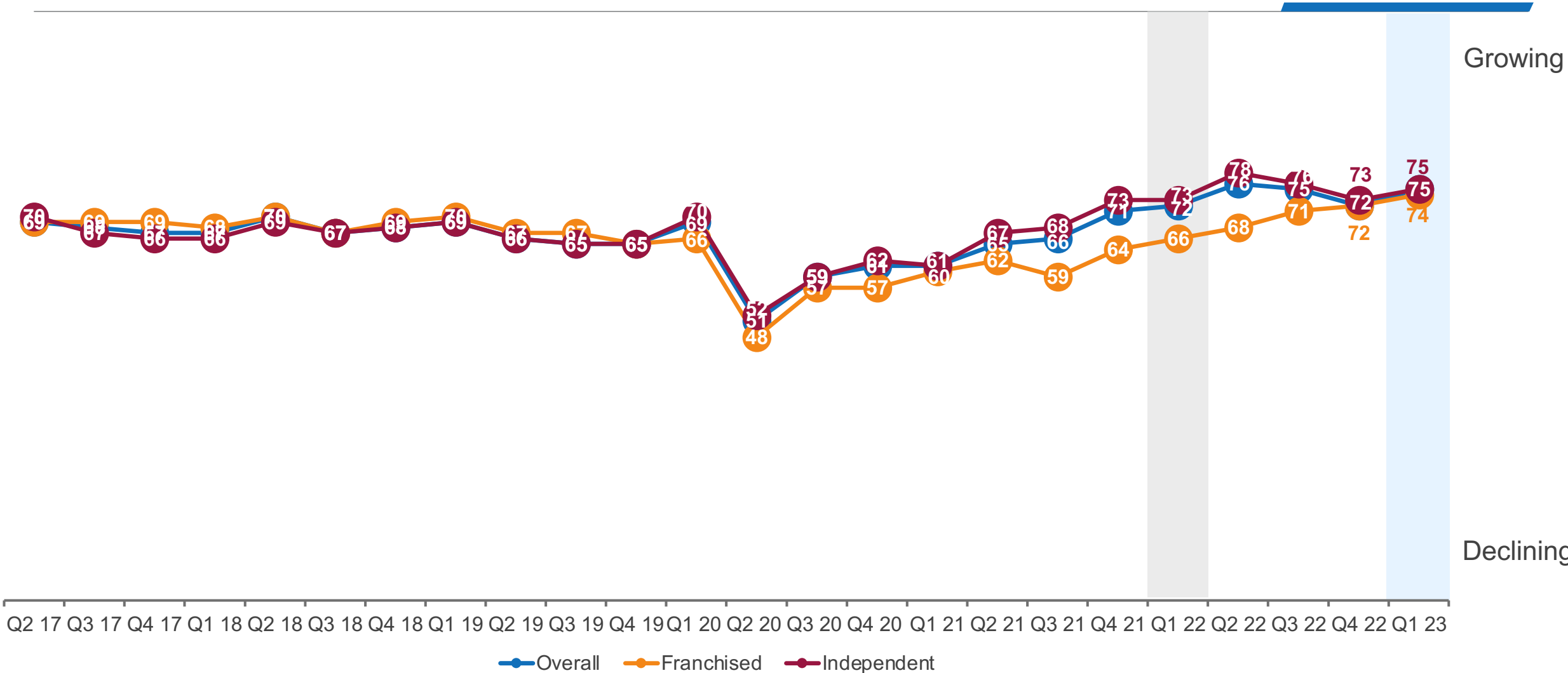
FIRST QUARTER 2023



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

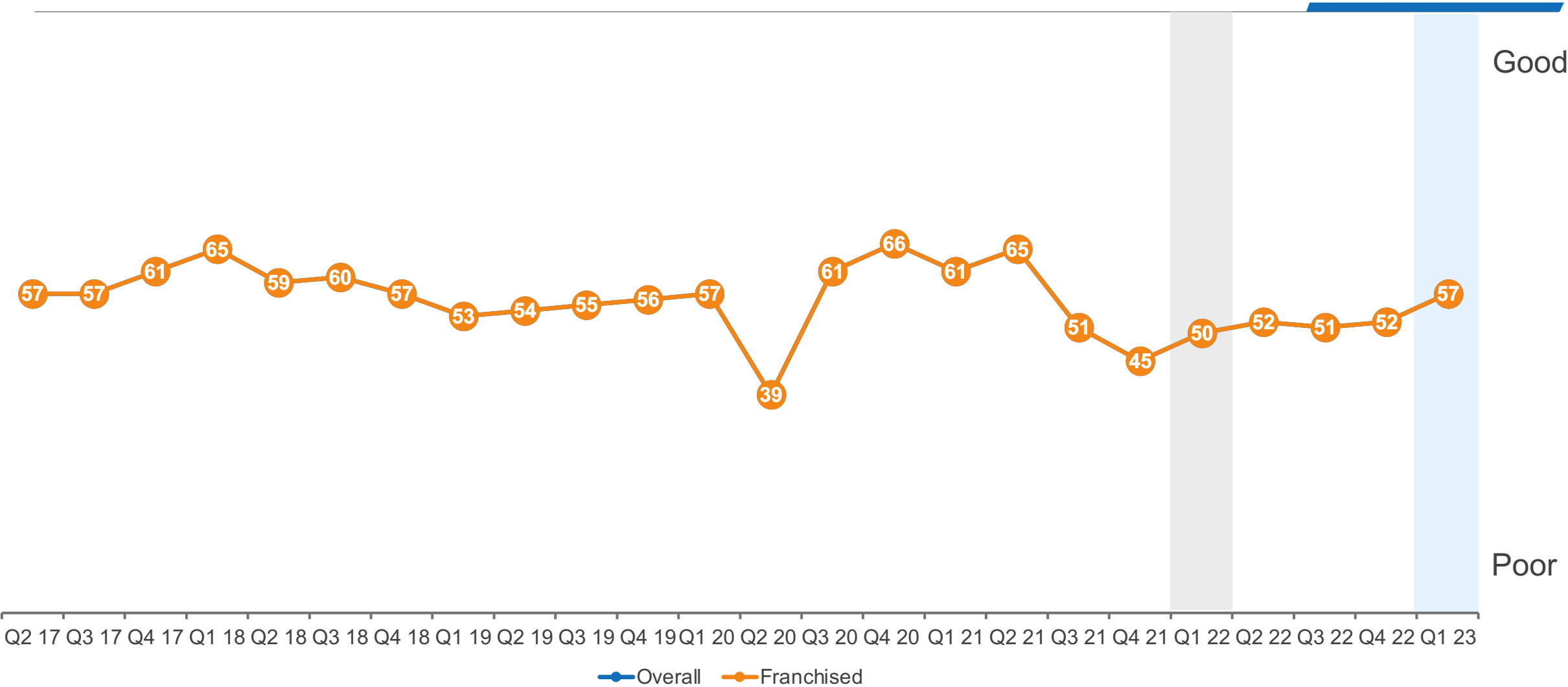
Dealer Sentiment Index

FIRST QUARTER 2023



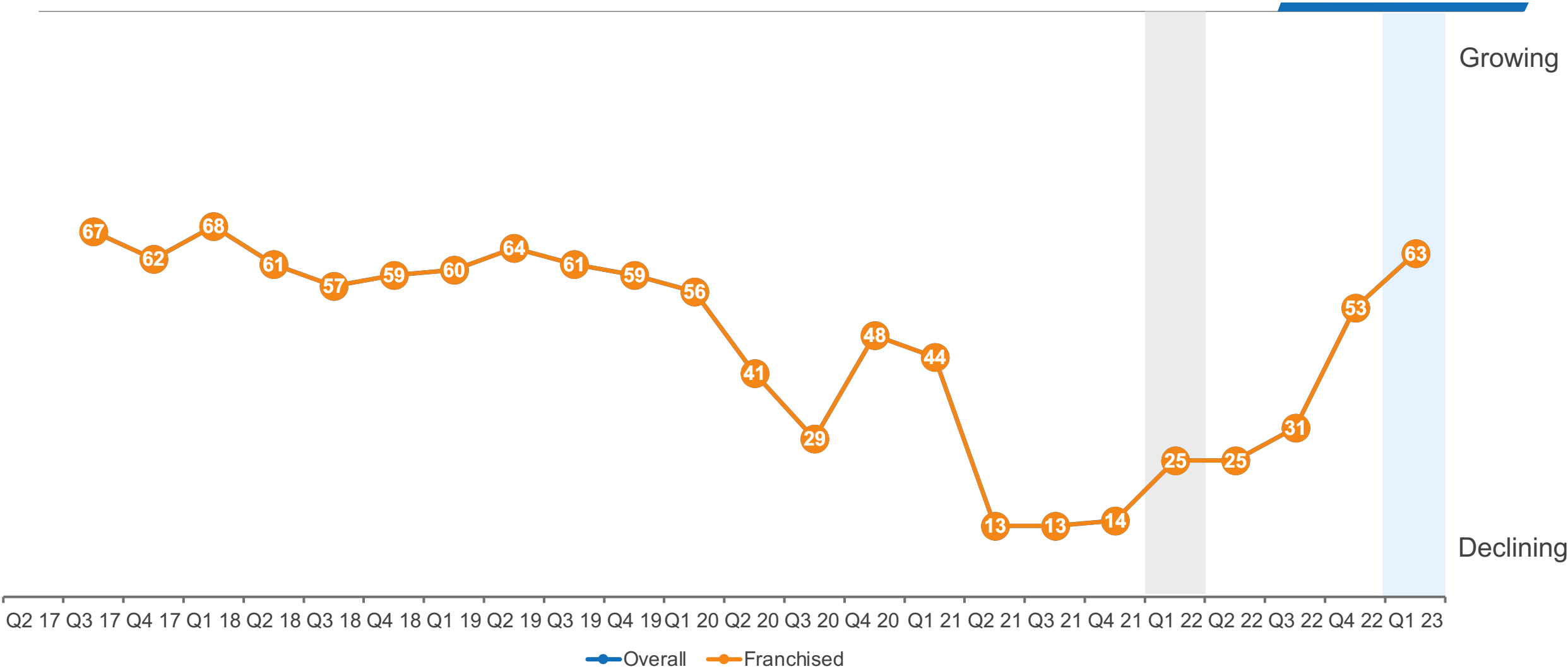
Note: Scale 1 - 100

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



Note: Scale 1 - 100

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



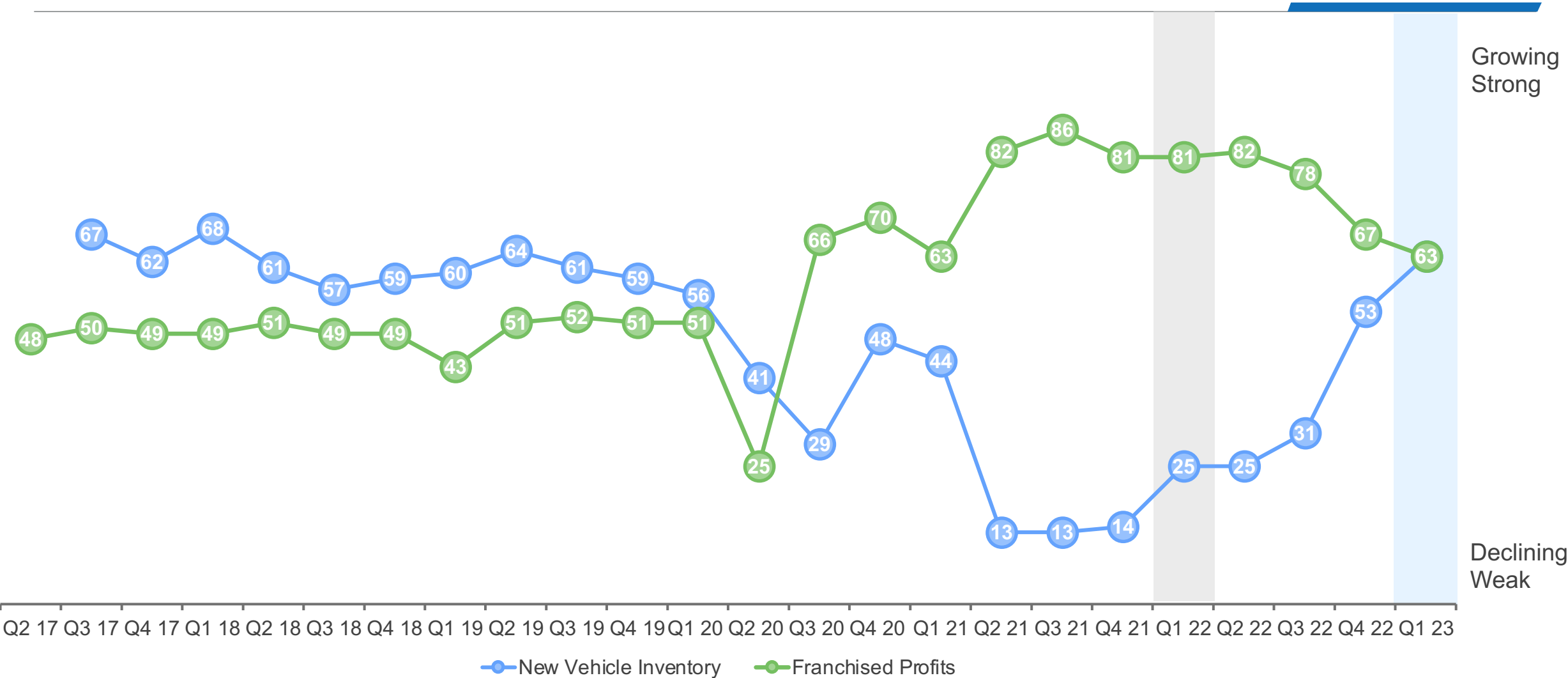
Note: Scale 1 - 100

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

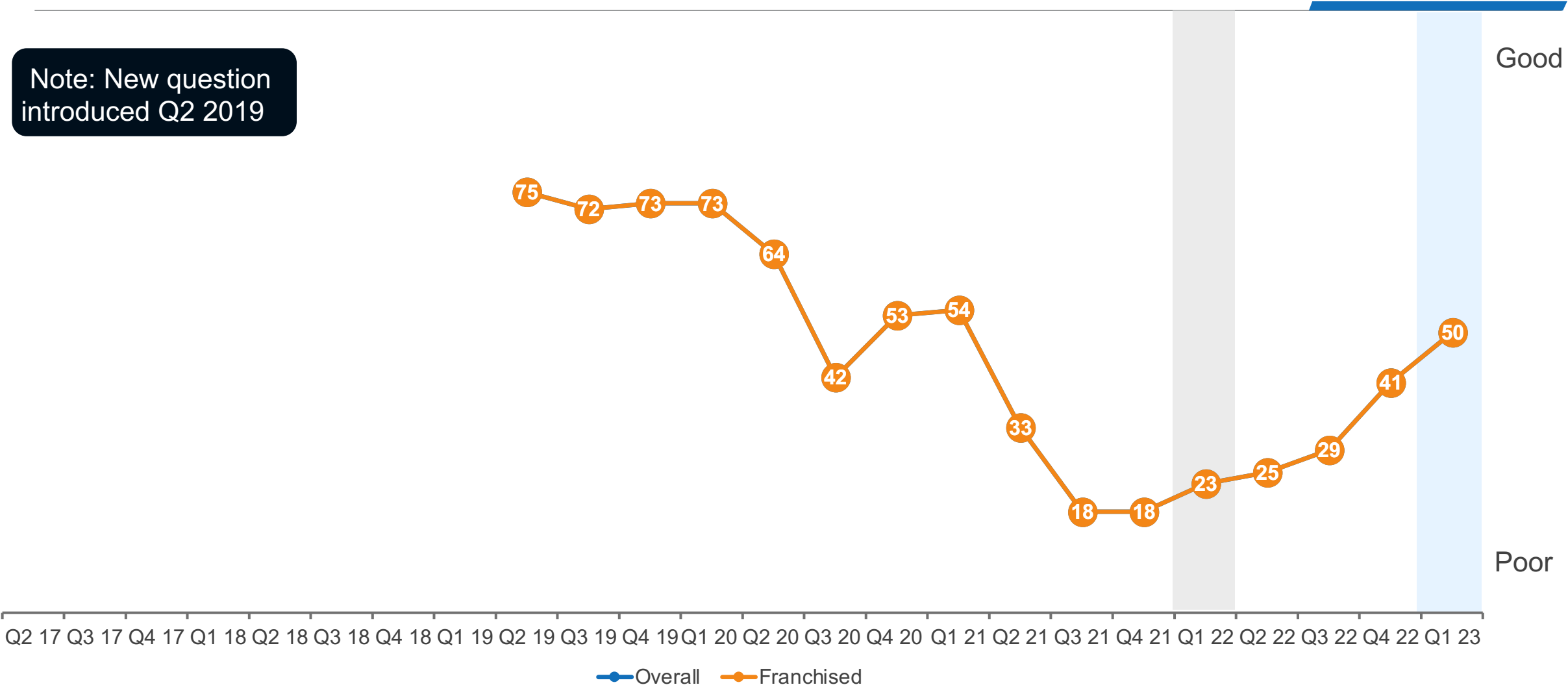
FIRST QUARTER 2023



Note: Scale 1 - 100

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

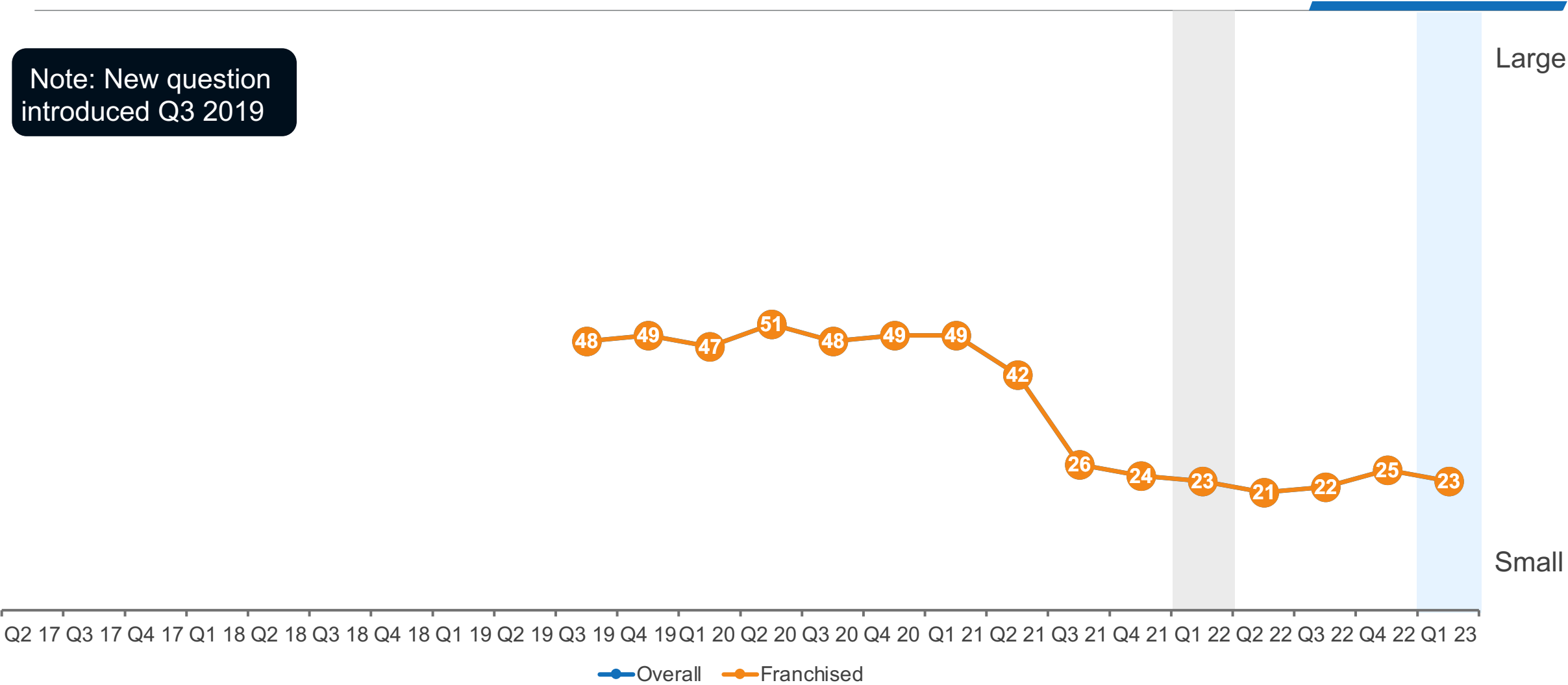
Note: New question introduced Q2 2019



Note: Scale 1 - 100

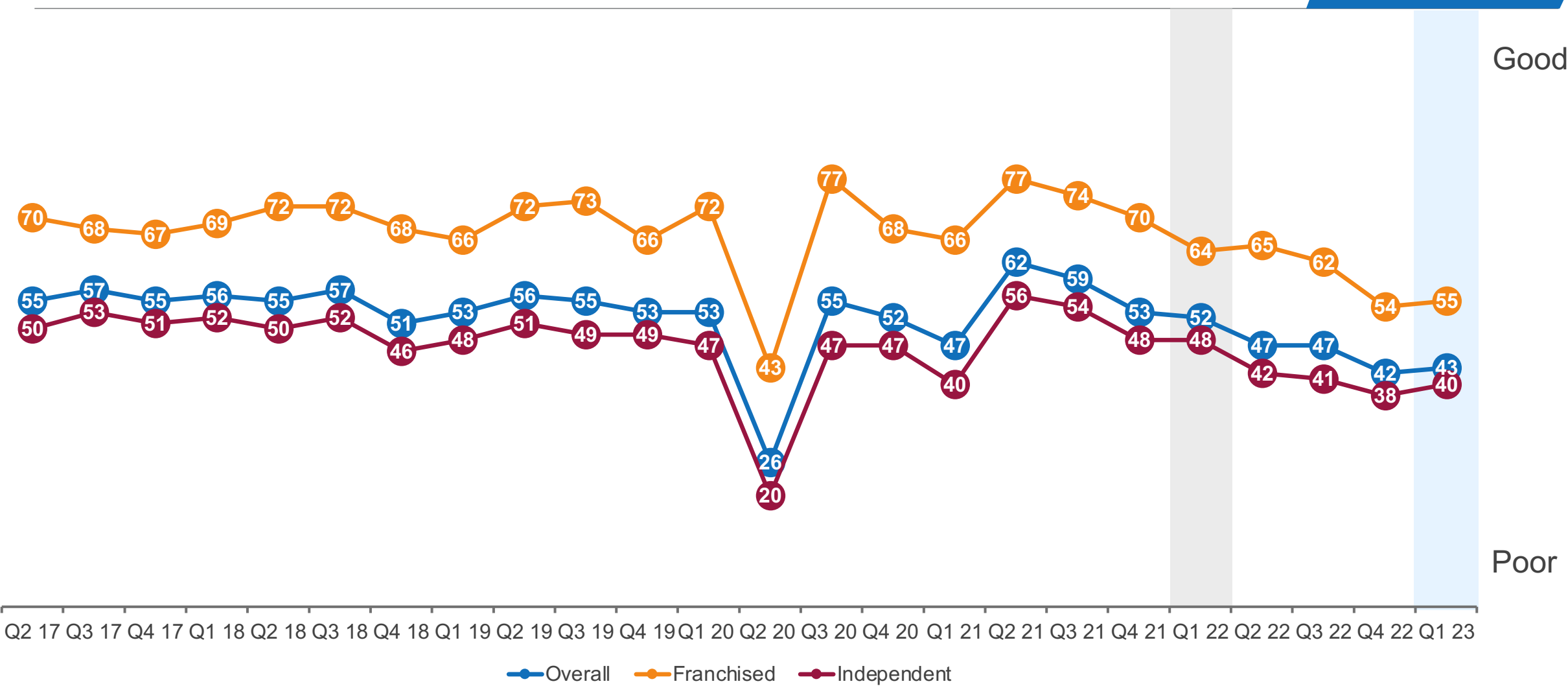
Q10: How would you describe the current level of OEM new-vehicle incentives?

Note: New question introduced Q3 2019



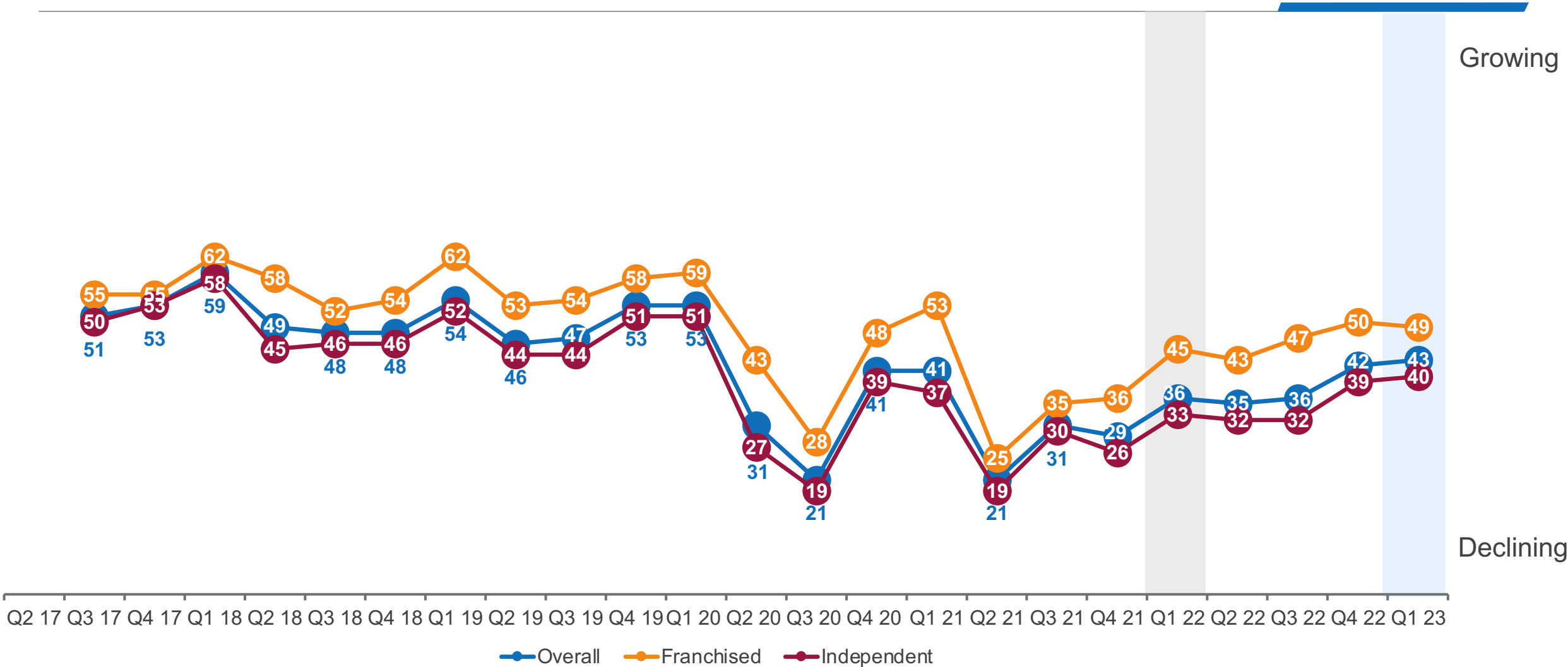
Note: Scale 1 - 100

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



Note: Scale 1 - 100

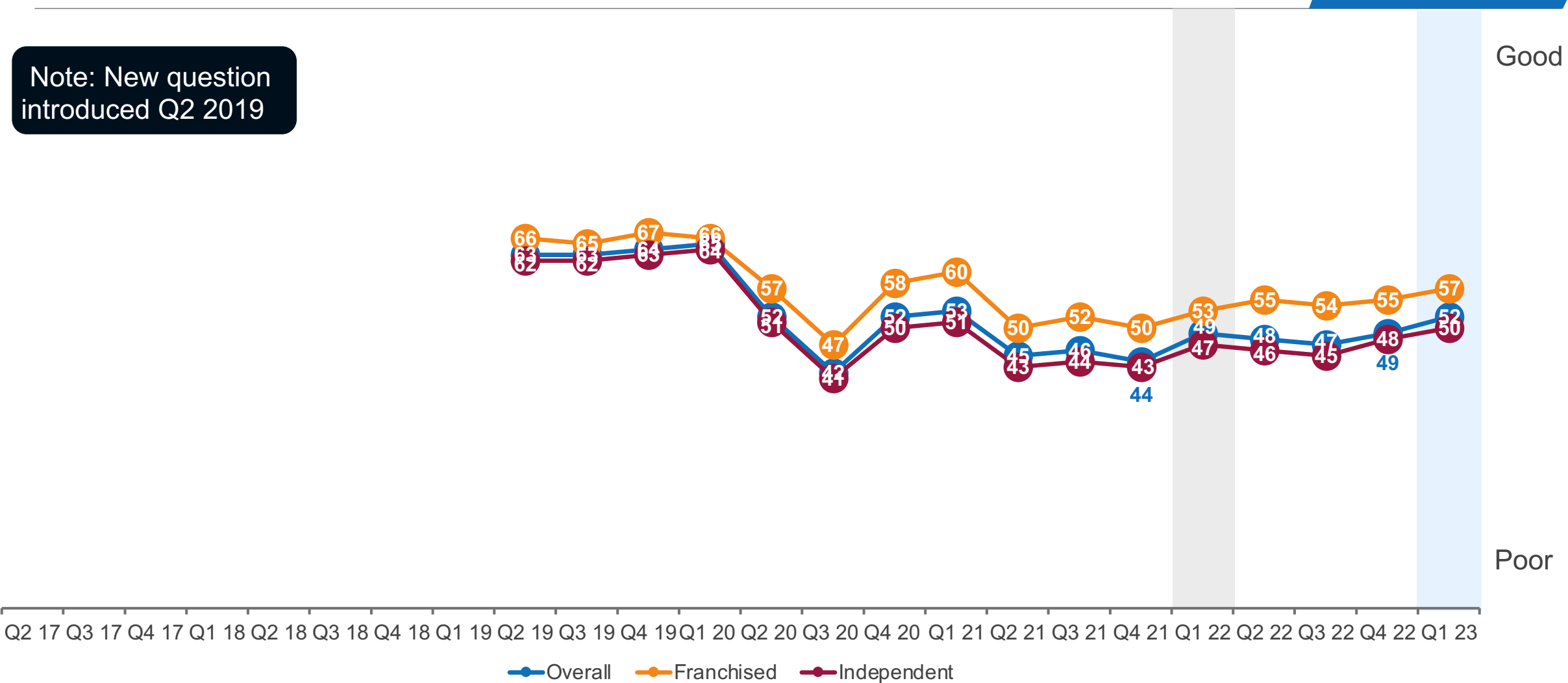
Q12: How would you describe the current used-vehicle inventory levels?



Note: Scale 1 - 100

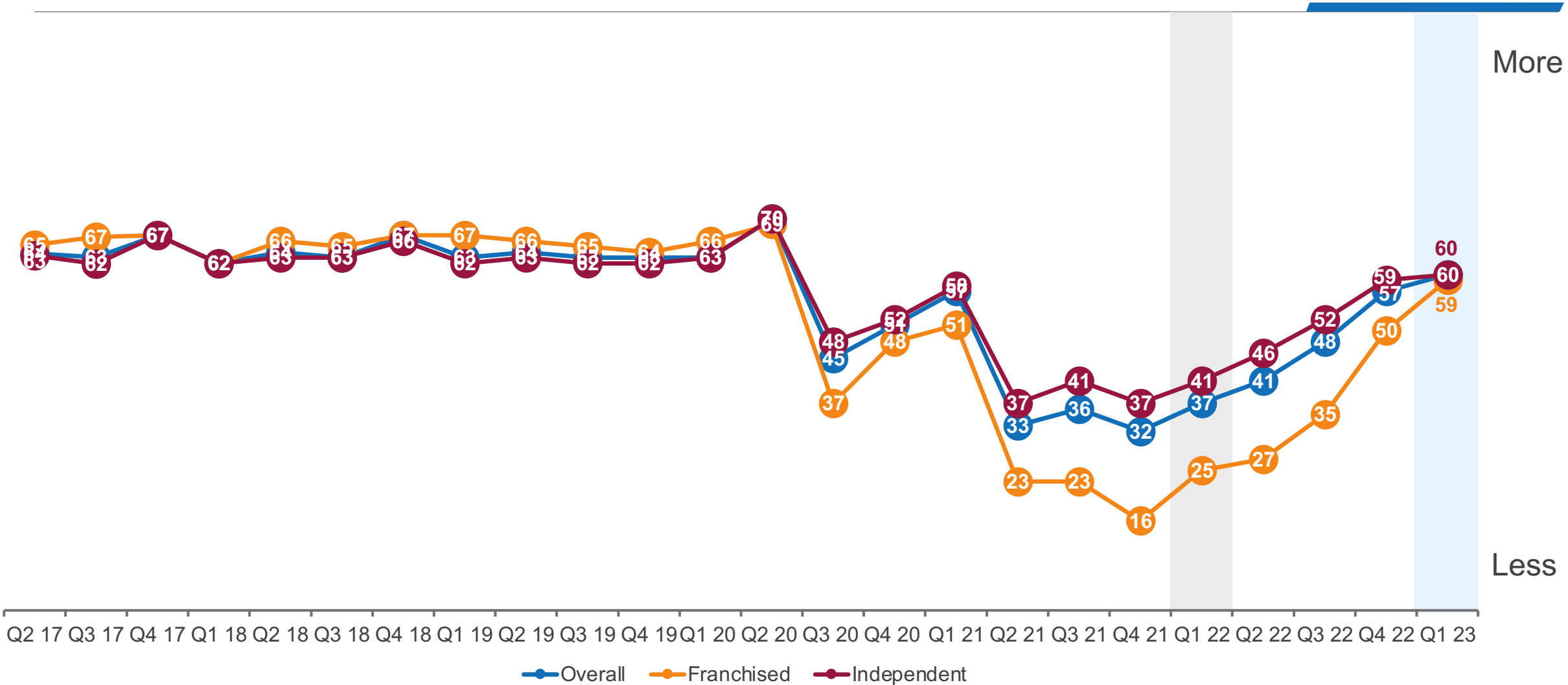
Q13: How would you describe the current used-vehicle inventory mix?

Note: New question introduced Q2 2019



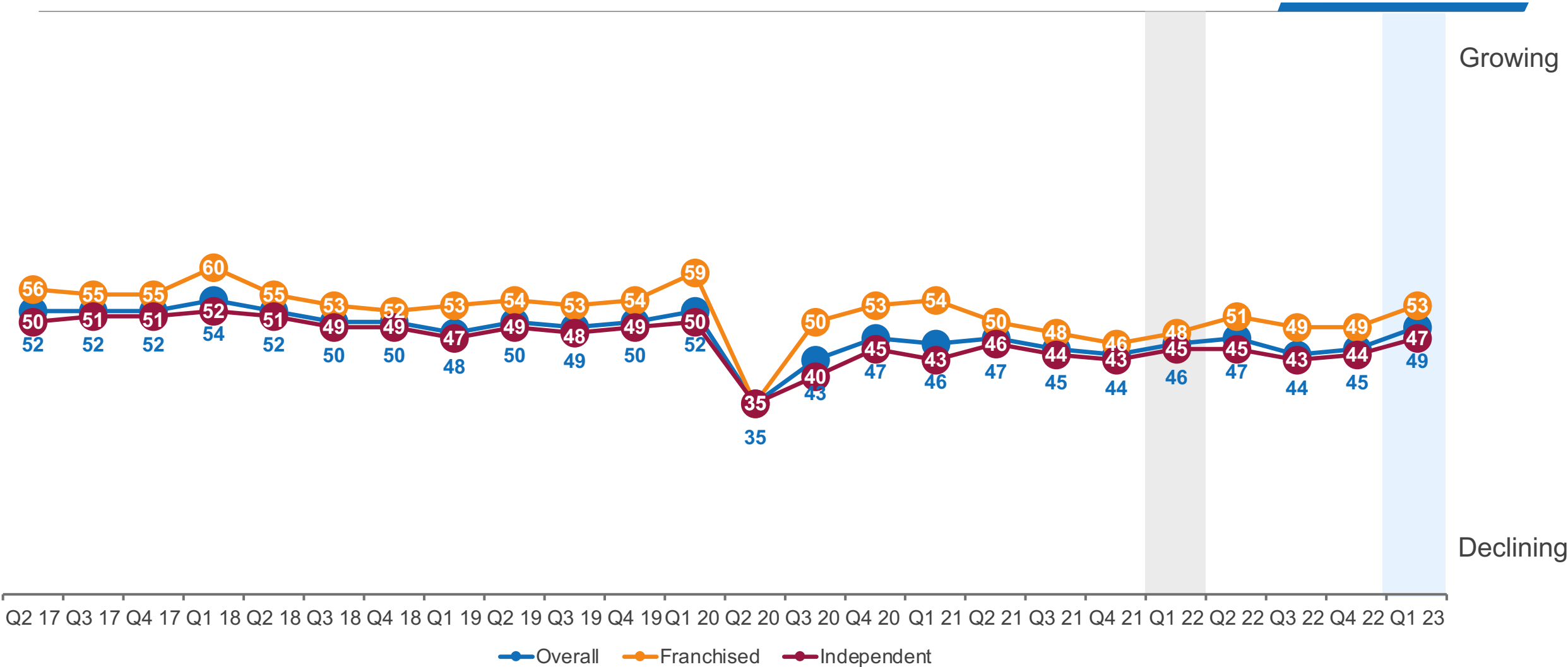
Note: Scale 1 - 100

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



Note: Scale 1 - 100

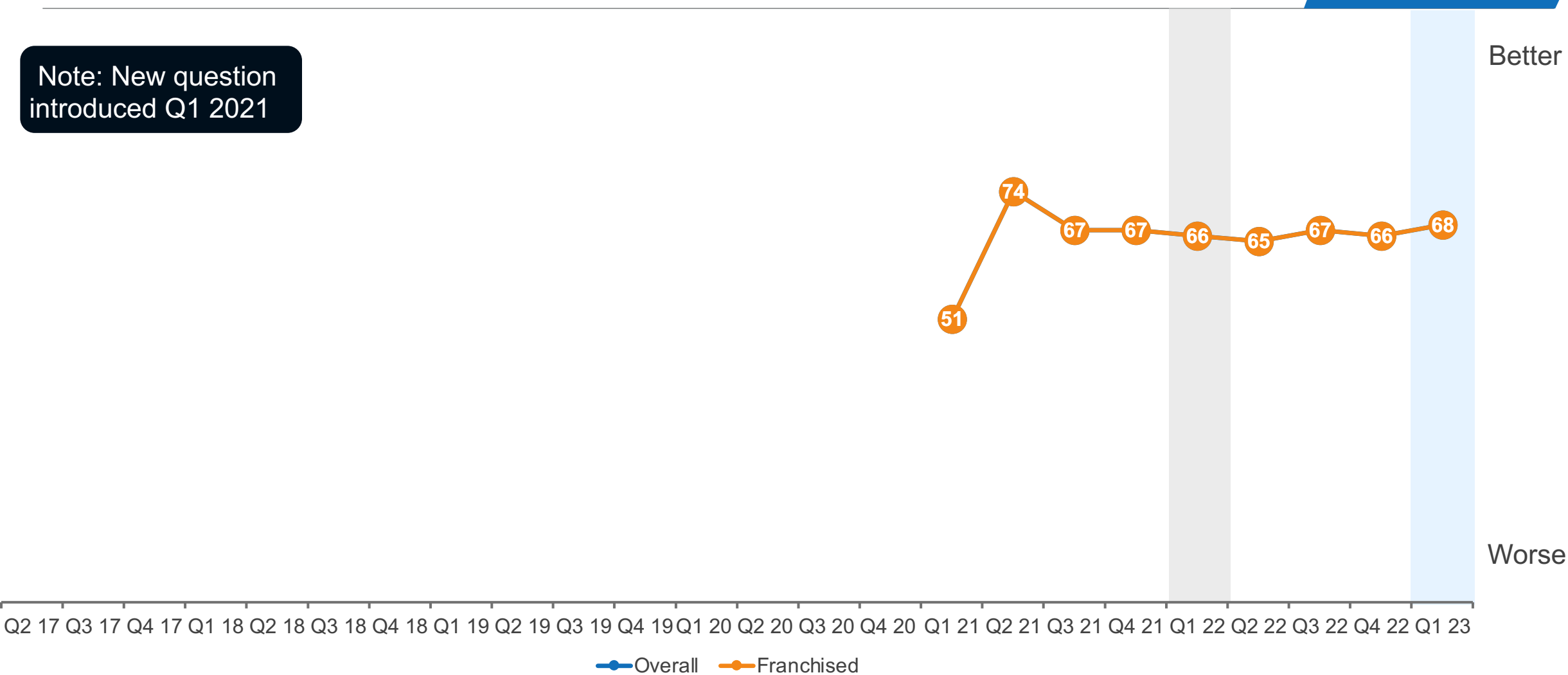
Q15: How would you describe your dealership's current staffing levels?



Note: Scale 1 - 100

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

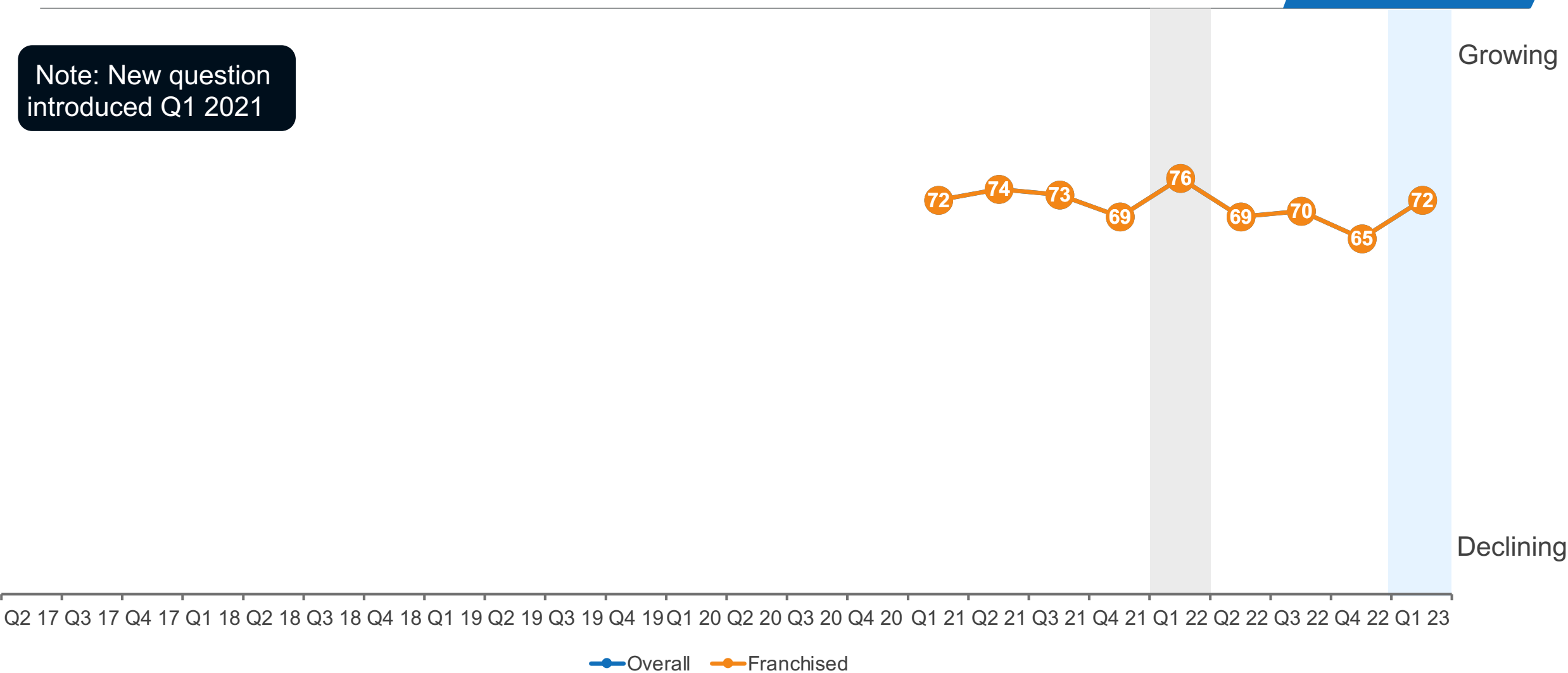
Note: New question introduced Q1 2021



Note: Scale 1 - 100

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

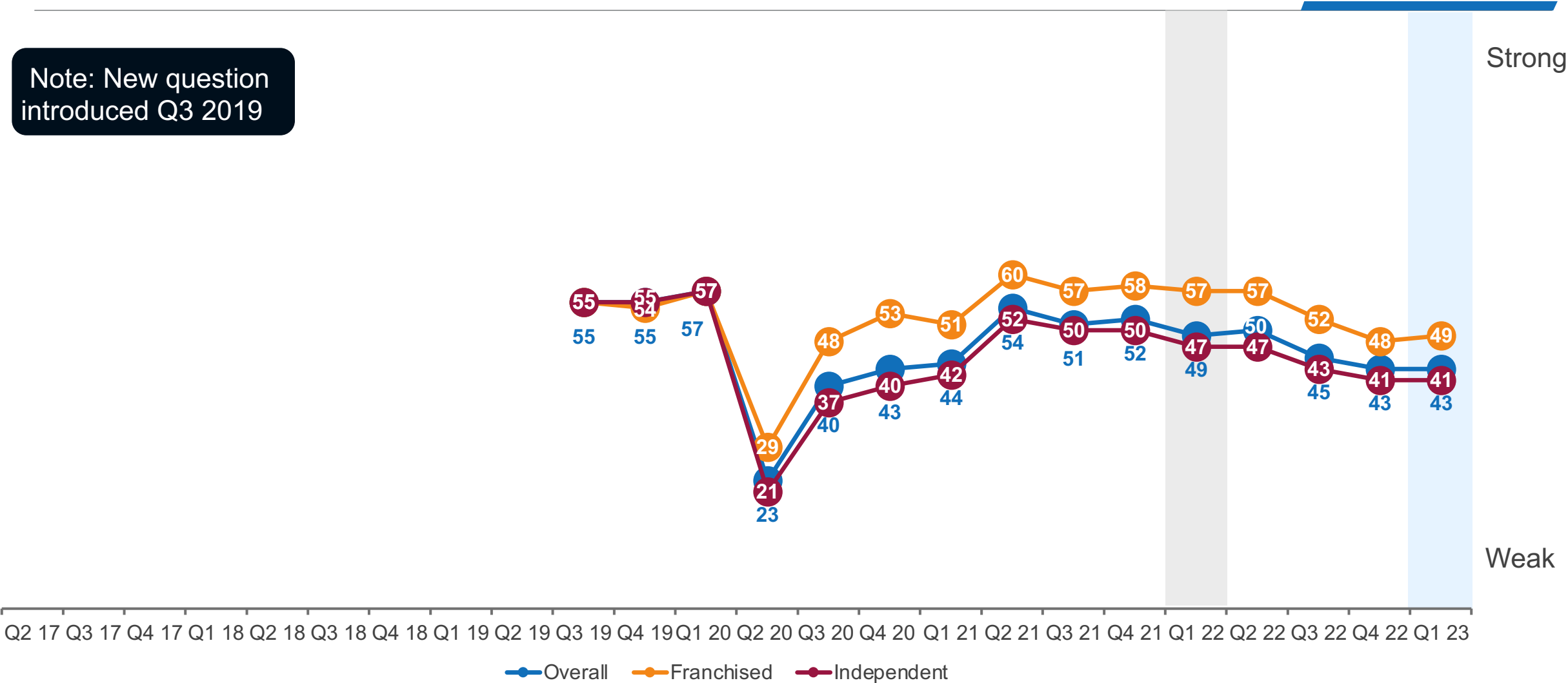
Note: New question introduced Q1 2021



Note: Scale 1 - 100

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

Note: New question introduced Q3 2019

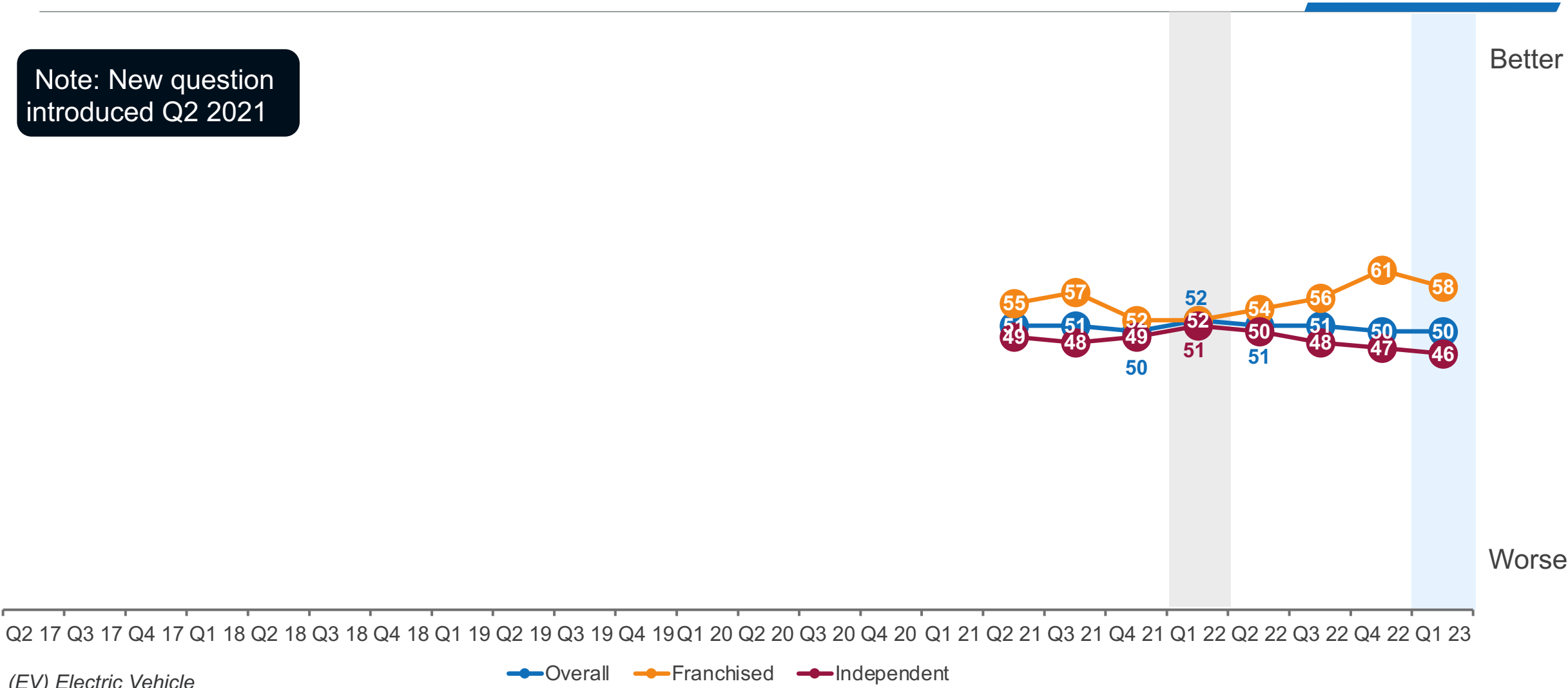


Note: Scale 1 - 100

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

Dealer Sentiment Index FIRST QUARTER 2023

Note: New question introduced Q2 2021



(EV) Electric Vehicle

Overall Franchised Independent

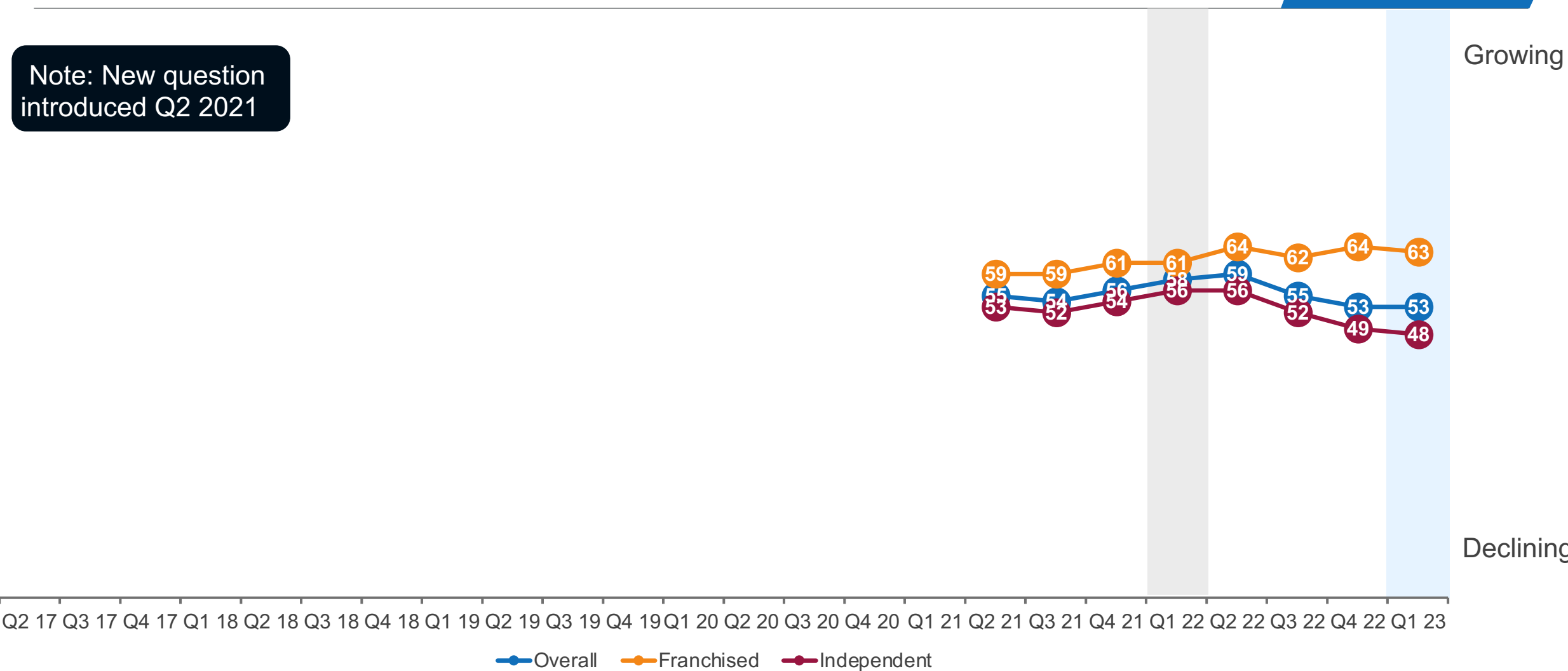
Note: Scale 1 - 100

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

Dealer Sentiment Index

FIRST QUARTER 2023

Note: New question introduced Q2 2021



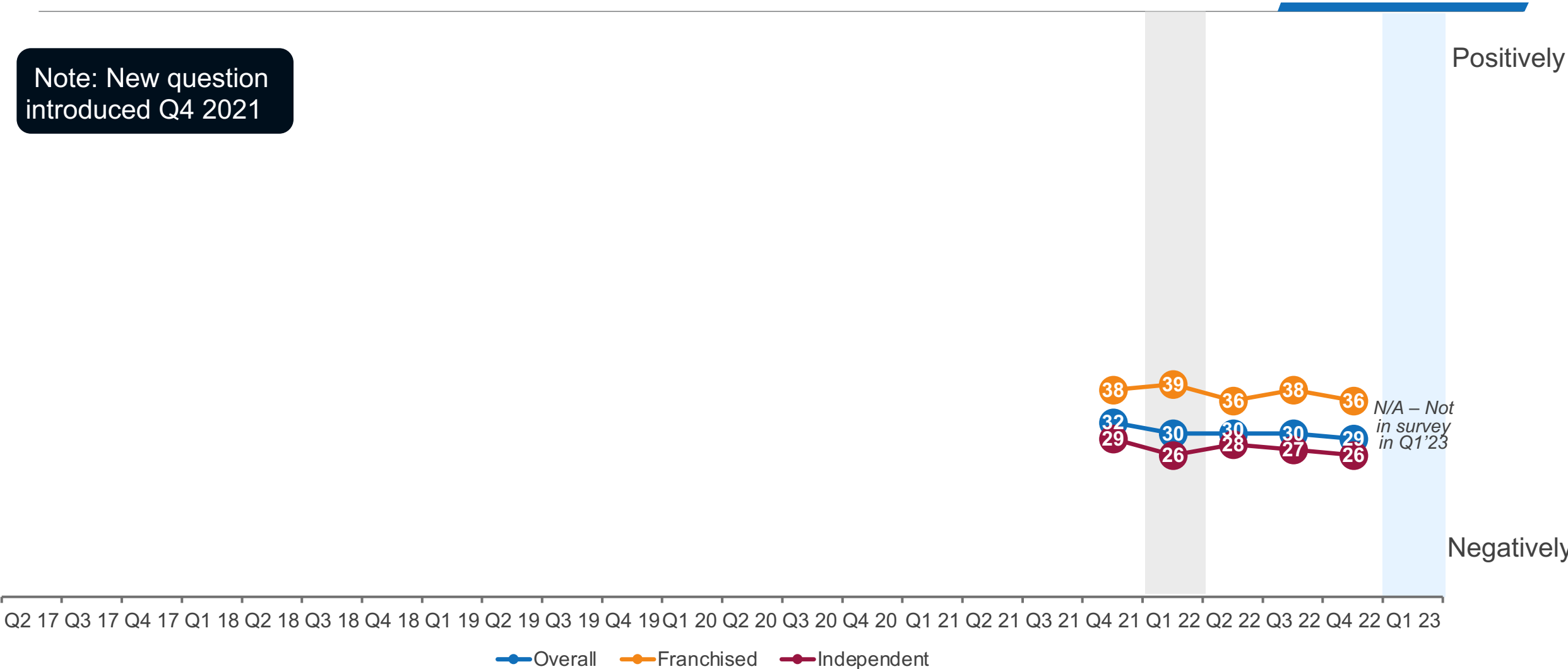
Note: Scale 1 - 100

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

Dealer Sentiment Index

FIRST QUARTER 2023

Note: New question introduced Q4 2021

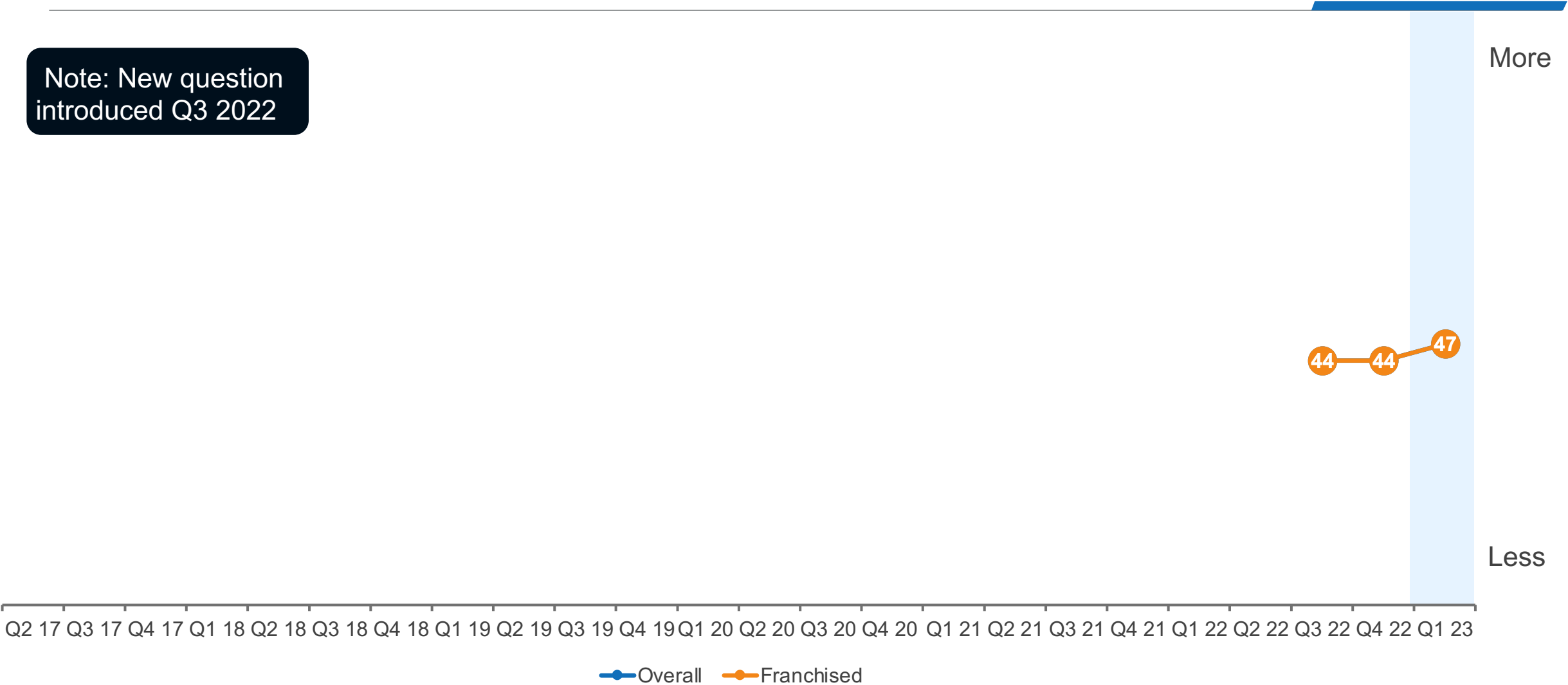


Note: Scale 1 - 100

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

Dealer Sentiment Index
FIRST QUARTER 2023

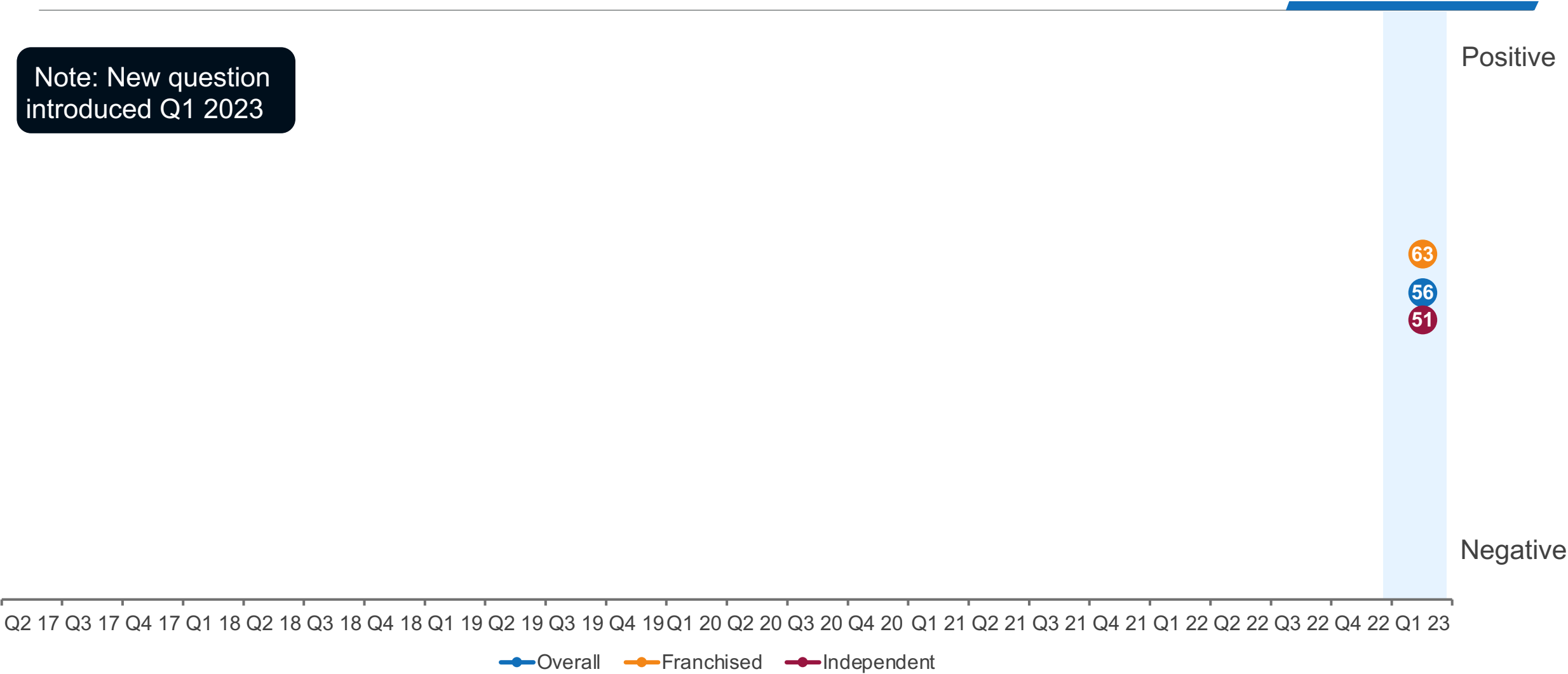
Note: New question introduced Q3 2022



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?

Note: New question introduced Q1 2023



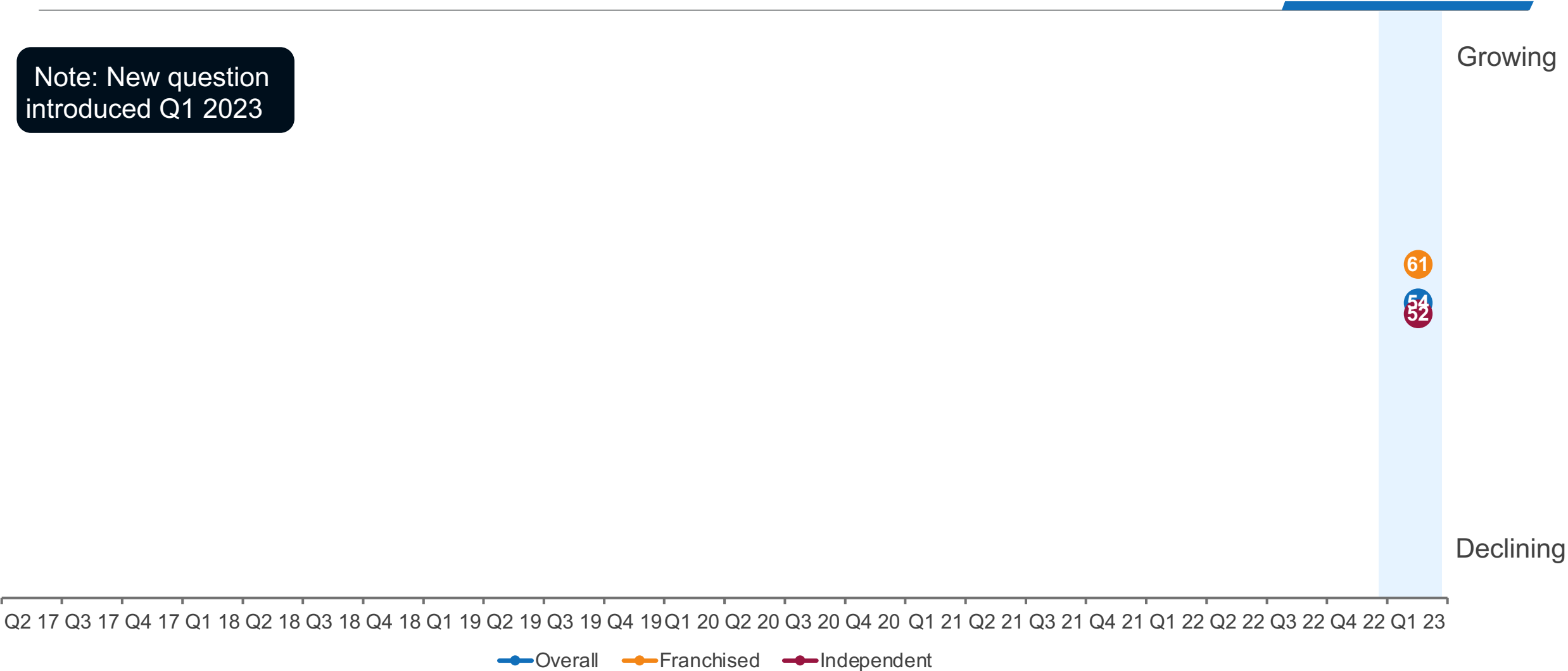
Note: Scale 1 - 100

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?

Dealer Sentiment Index

FIRST QUARTER 2023






Note: New question introduced Q1 2023



Note: Scale 1 - 100

Factors Holding Back Your Business?

OVERALL RANK

		Q1 '23	Q4 '22	Q1 '22	Q1 '21
1	Interest Rates	55% 	49%	5%	3%
2	Economy	54% 	62%	37%	42%
3	Limited Inventory	43%	47%	62%	43%
4	Market Conditions	42%	46%	40%	38%
5	Expenses	29%	29%	23%	21%
6	Consumer Confidence	28% 	33%	15%	25%
7	Credit Availability for Consumers	26%	24%	13%	18%
8	Political Climate	25% 	33%	20%	36%
9	Weather	13% 	4%	15%	17%
10	Competition	12%	12%	13%	20%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q1 '23	Q4 '22	Q1 '22	Q1 '21
1	Interest Rates	60%	58%	4%	2%
2	Economy	50% ↓	57%	30%	36%
3	Limited Inventory	42%	51%	68%	41%
4	Market Conditions	38%	41%	34%	31%
5	Lack of Consumer Incentives From My OEM	29%	31%	18%	13%
6	Consumer Confidence	27%	28%	13%	25%
7	Political Climate	24% ↓	34%	20%	38%
8	Credit Availability for Consumers	19%	18%	6%	9%
9	Expenses	17%	16%	11%	10%
10	Staff Turnover	14%	13%	16%	10%

Significant decrease vs previous quarter

Significant increase vs previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q1 '23	Q4 '22	Q1 '22	Q1 '21
1	Economy	55% ↓	64%	39%	44%
2	Interest Rates	53% ↑	46%	5%	3%
3	Market Conditions	44%	48%	43%	40%
4	Limited Inventory	43%	45%	60%	43%
5	Expenses	33%	34%	28%	25%
6	Consumer Confidence	29% ↓	35%	15%	26%
7	Credit Availability for Consumers	28%	26%	15%	21%
8	Political Climate	25% ↓	33%	20%	36%
9	Competition	14%	13%	15%	21%
10	Weather	13% ↑	4%	14%	16%

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	73	79 A
2	Interest Rates	77	80	76
3	Fixed Operations	62	59	64 A
4	Vehicle Sales	64	68	63
5	Staffing Levels	50	51	49

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	64%	55%	76%
2	Service	63%	72%	51%
3	Parts	23%	22%	25%
4	Management	21%	19%	24%
5	Collision/Auto Body	19%	25%	10%
6	Finance and Insurance	18%	17%	19%
7	Marketing	10%	8%	13%
8	Other	8%	9%	8%

Significant decrease vs previous quarter



Significant increase vs previous quarter



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



Regional Market Views

Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	50	52	58	55
Market Next 3 Months	Strong/Weak	54	55	59	56
Overall Customer Traffic	Strong/Weak	39	49	48	47
In-Person Customer Traffic	Strong/Weak	39	44	45	48
Digital/Online Customer Traffic	Strong/Weak	53	56	58	58
Profits	Strong/Weak	62	64	65	56
Costs	Growing/Declining	78	75	68	77
New Vehicle Sales	Good/Poor	55	53	60	62
New Vehicle Inventory	Growing/Declining	63	61	65	67
New Vehicle Inventory Mix	Good/Poor	51	46	52	50
Used Vehicle Sales	Good/Poor	55	54	59	52
Used Vehicle Inventory	Growing/Declining	43	52	53	45
Used Vehicle Inventory Mix	Good/Poor	52	58	62	51



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	62	60	55	61
Staffing	Growing/Declining	51	57	52	47
OEM incentives	Large/Small	21	24	25	23
Economy	Strong/Weak	48	49	50	50
Current Fixed Operations	Better/Worse	63	70	70	67
Future Fixed Operations	Growing/Declining	66	75	73	75
Current BEV Sales	Better/Worse	60	55	55	68
Future BEV Sales	Growing/Declining	64	57	61	80
Dealer Credit	Easy/Difficult	63	65	63	63
Pre-Loading Aftermarket Equip.	More/Less	40	46	49	54
Effect BEV Tax Credits Have on BEV Sales	Positive/Negative	59	65	63	68
Extent of Sales Being Done Online Last 3 Months	Growing/Declining	62	59	61	61



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

Dealer Sentiment Index

FIRST QUARTER 2023

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