

DEALER SENTIMENT INDEX

FOURTH 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 Q4 2023 CADSI is based on 1,036 U.S. auto dealer respondents, comprising 561 franchised dealers and 475 independents. The survey was conducted from Oct. 24 to Nov. 6, 2023.
- ✓ The next quarterly report will be released in March 2024. The CADSI was first published in Q2 2017.

Key Takeaways: Q4 2023

The Cox Automotive Dealer Sentiment Index (CADSI) reveals a significant decrease in U.S. auto dealer sentiment in Q4 2023 compared to Q3. This decline is attributed to the adverse effects of high interest rates and a weakening economy on the automotive market.

The latest survey illuminates several areas where dealer sentiment has dipped to all-time lows after showing relative stability in the last two quarters. The Q4 current market index dropped to 40, down five points from the previous quarter to the lowest level since Q2 2020. While independent dealers' sentiment has been below the 50 threshold since Q3 2022 and is now at 38, franchised dealers' sentiment has also fallen below the threshold, plummeting eight points to 49. The current market index hit an all-time high of 67 in Q2 2021 but has fallen to an all-time low in Q4 2023, excluding the COVID-induced trough of Q2 2020.

The 3-month market outlook index declined again in Q4, falling from 45 to 41, matching

an all-time low and indicating more dealers feel the market will be weak, not strong, in the months ahead. The market outlook index in Q4 for franchised dealers dropped 12 points to 46, sinking below the 50 threshold and hitting an all-time low. The outlook index for independent dealers dropped one point to 40. Both scores, and the overall score, are significantly lower than pre-pandemic and historical standards.

Cox Automotive Chief Economist Jonathan Smoke noted, "The low scores in the latest survey indicate a challenging market with weak prospects. Many auto dealers are seeing their profits decline from record highs in 2021 and 2022, and they are feeling the pinch from high interest rates. Their expenses have gone up significantly, and the downward pressure on pricing has cut into their margins. Clearly, the market dynamics are much more challenging for automobile dealers and especially franchised dealers than the market of just one year ago."

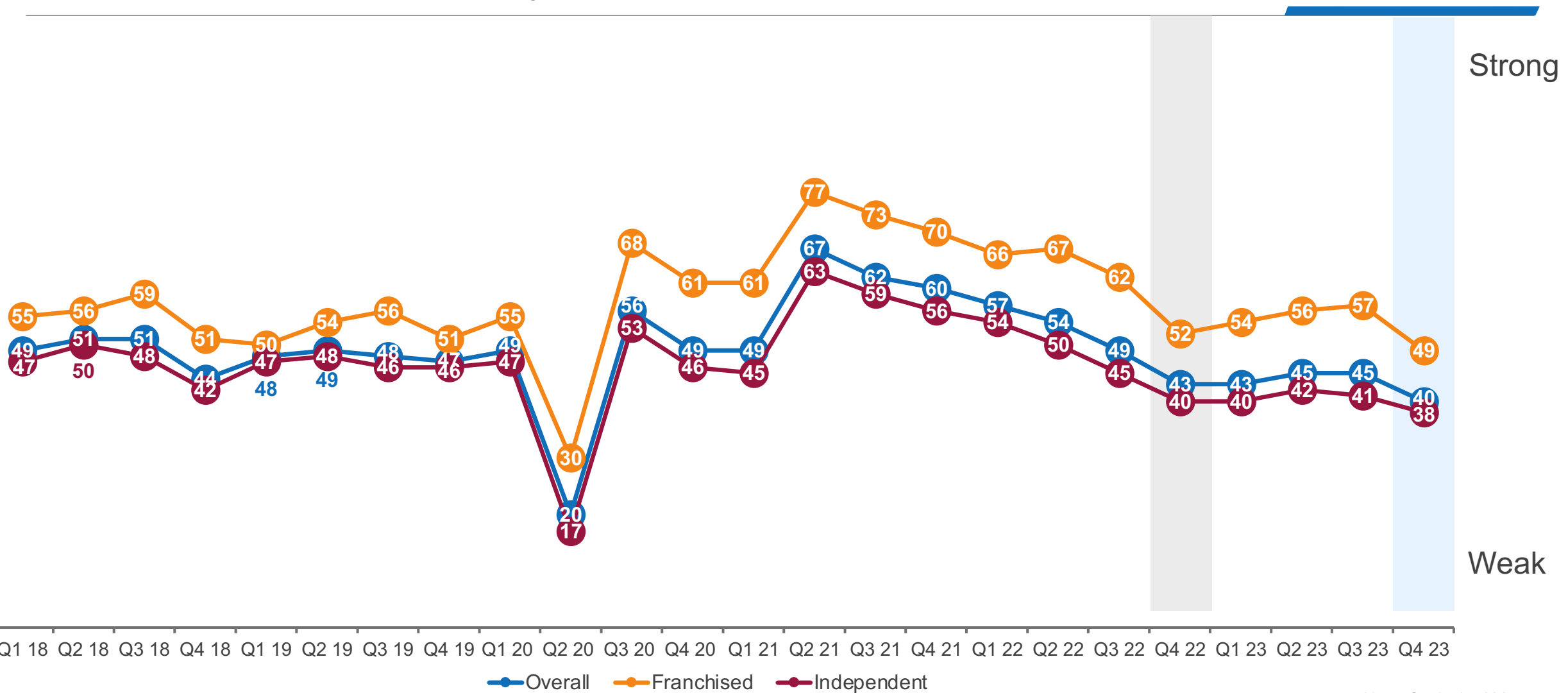
Interest rates, the overall economy and market conditions continue to weigh heavily on dealers. A majority of dealers see costs as growing and as noted earlier, dealers agree profits continue to decline and are significantly lower than one year ago. The profit index scores are now similar to pre-pandemic norms after reaching new highs in the second half of 2021 and remaining strong through early 2022.

Interest Rates (65%) and the Economy (61%) are the top two factors cited by both franchised and independent dealers when asked about factors holding back business. The Economy and Interest Rates were also the top two in Q3. Year over year, Interest Rates is significantly higher. Market Conditions significantly increased quarter over quarter as a factor holding back business but remains in the No. 3 spot. Credit Availability for Consumers was significantly higher overall. Limited Inventory was the leading factor for most of 2022 but has now fallen to fifth place.

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

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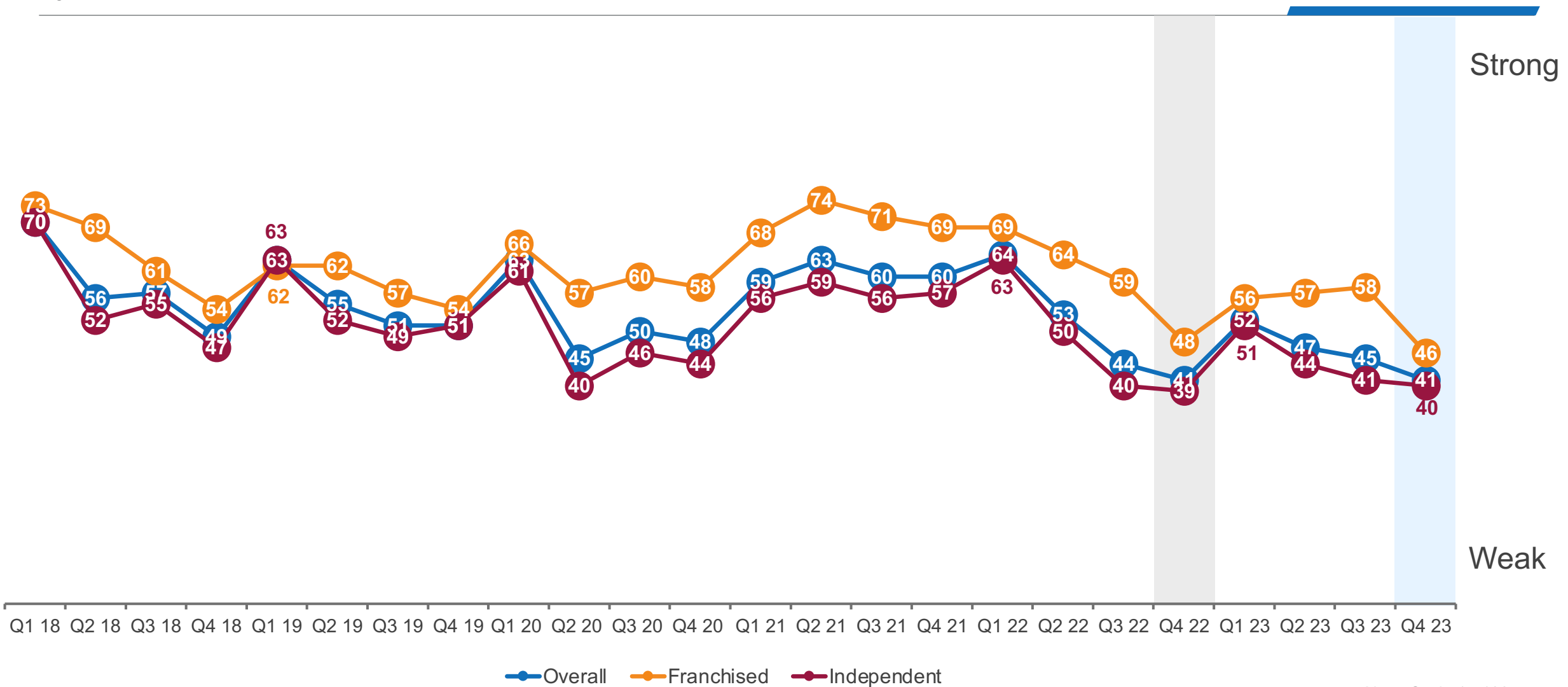


Note: Scale 1 - 100

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

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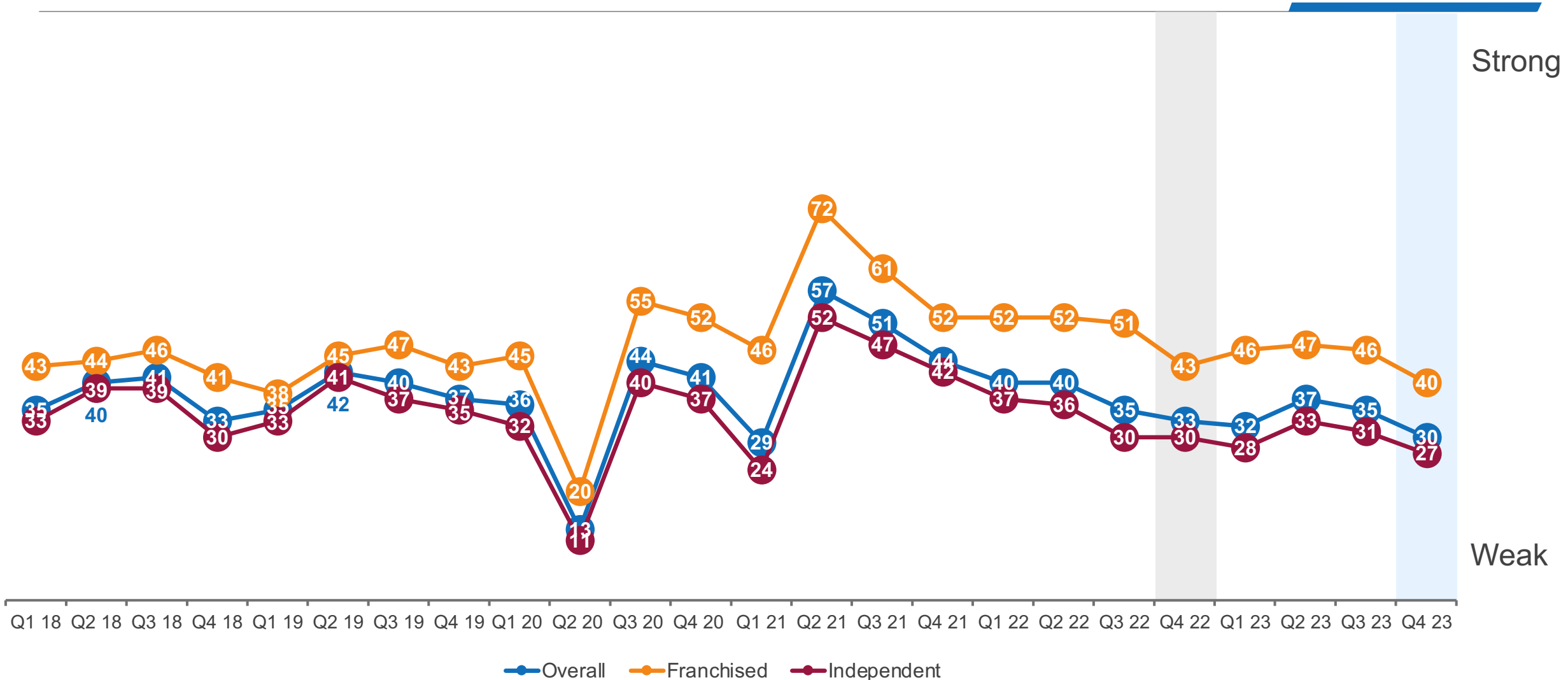
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Note: Scale 1 - 100

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

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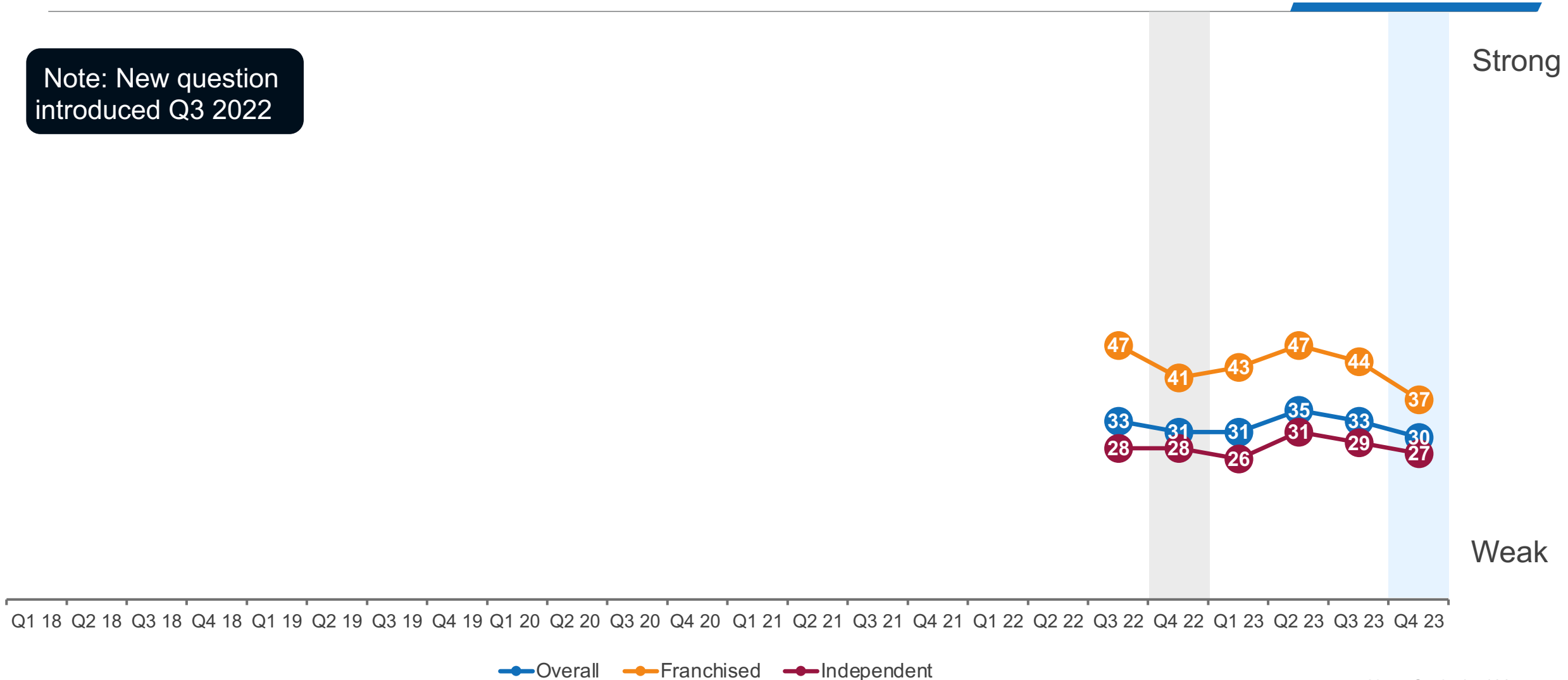


Note: Scale 1 - 100

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

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Note: New question introduced Q3 2022

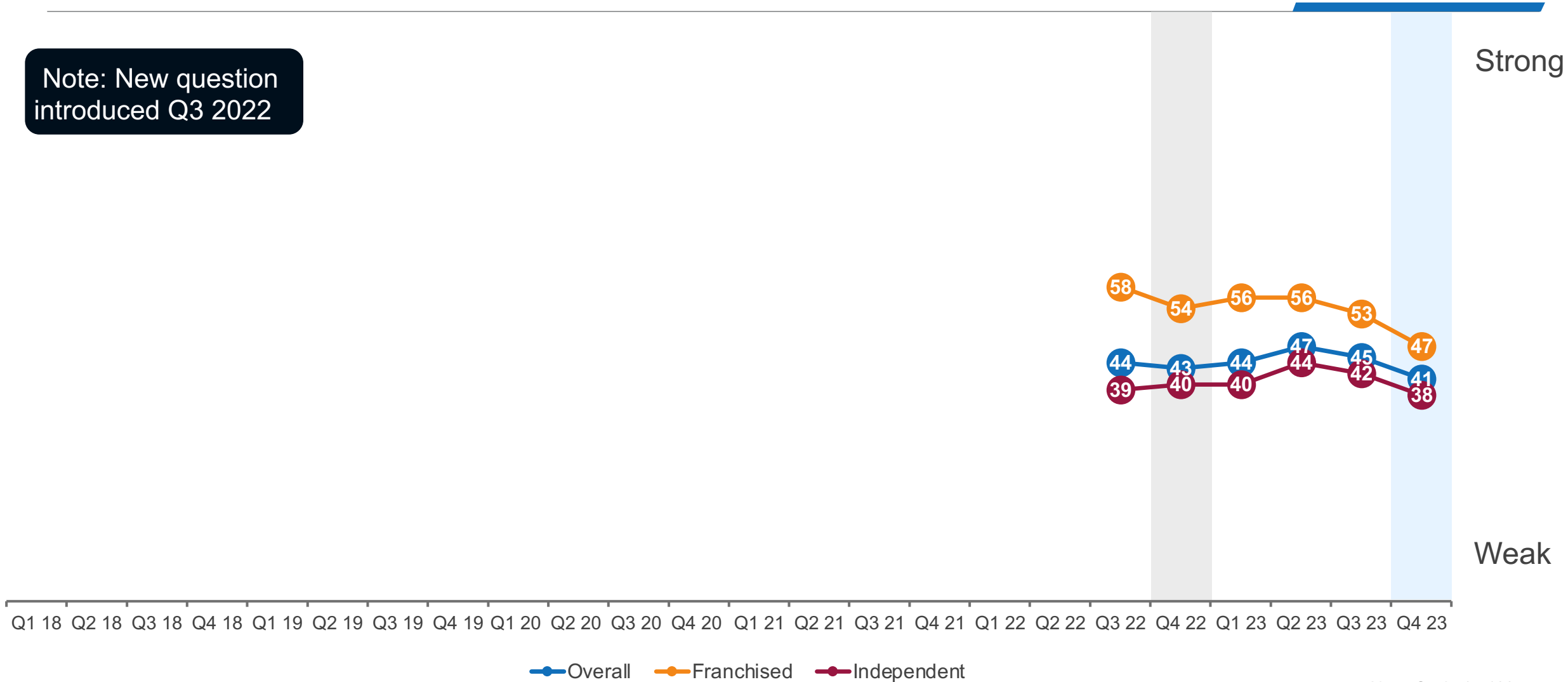


Note: Scale 1 - 100

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

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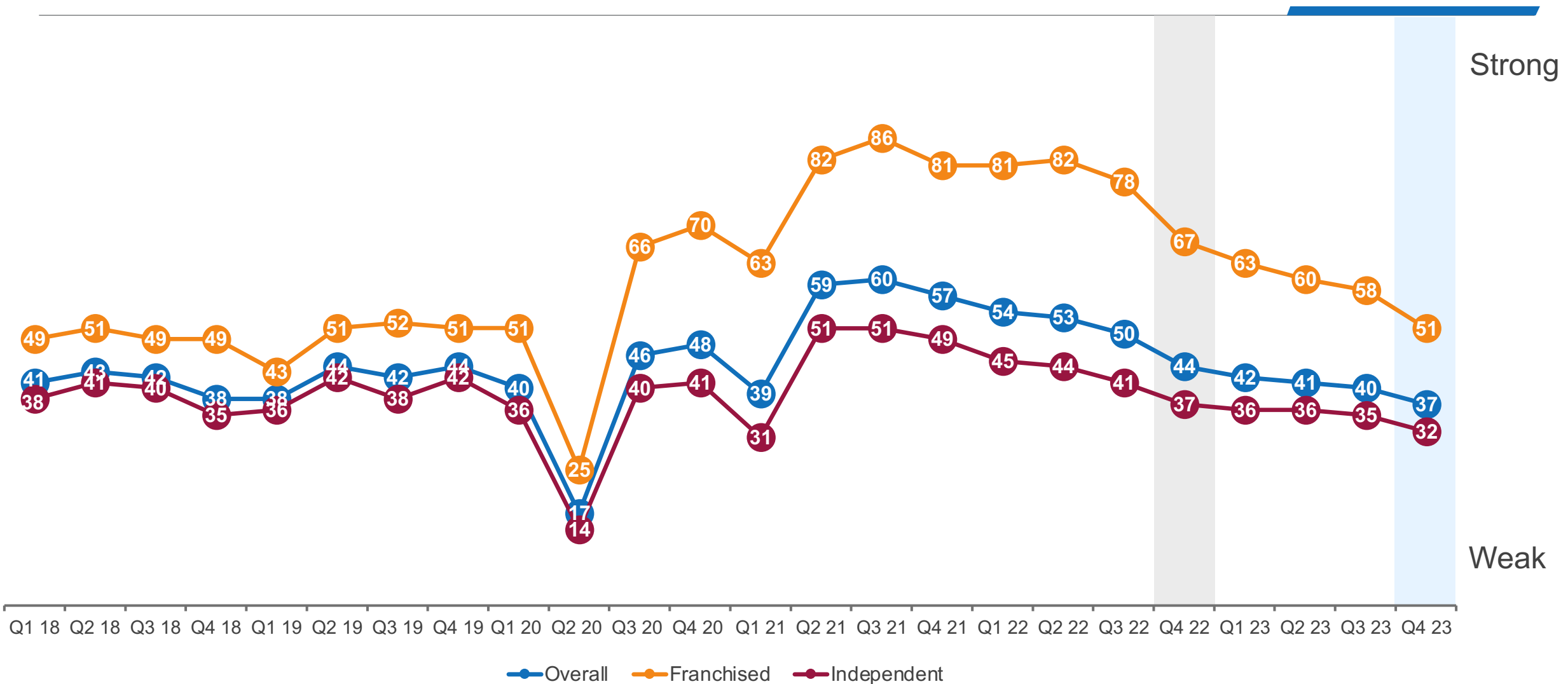
Note: New question introduced Q3 2022



Note: Scale 1 - 100

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

Dealer Sentiment Index FOURTH QUARTER 2023

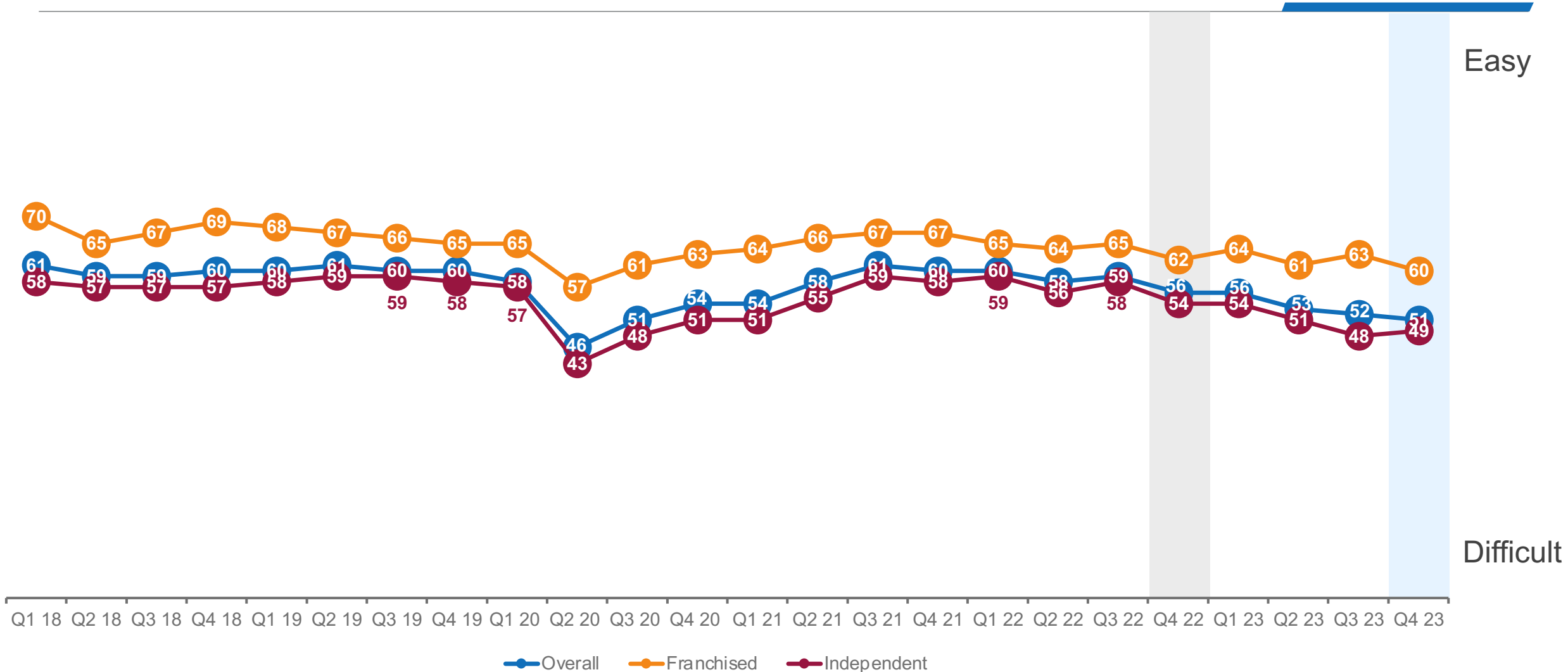


Note: Scale 1 - 100

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

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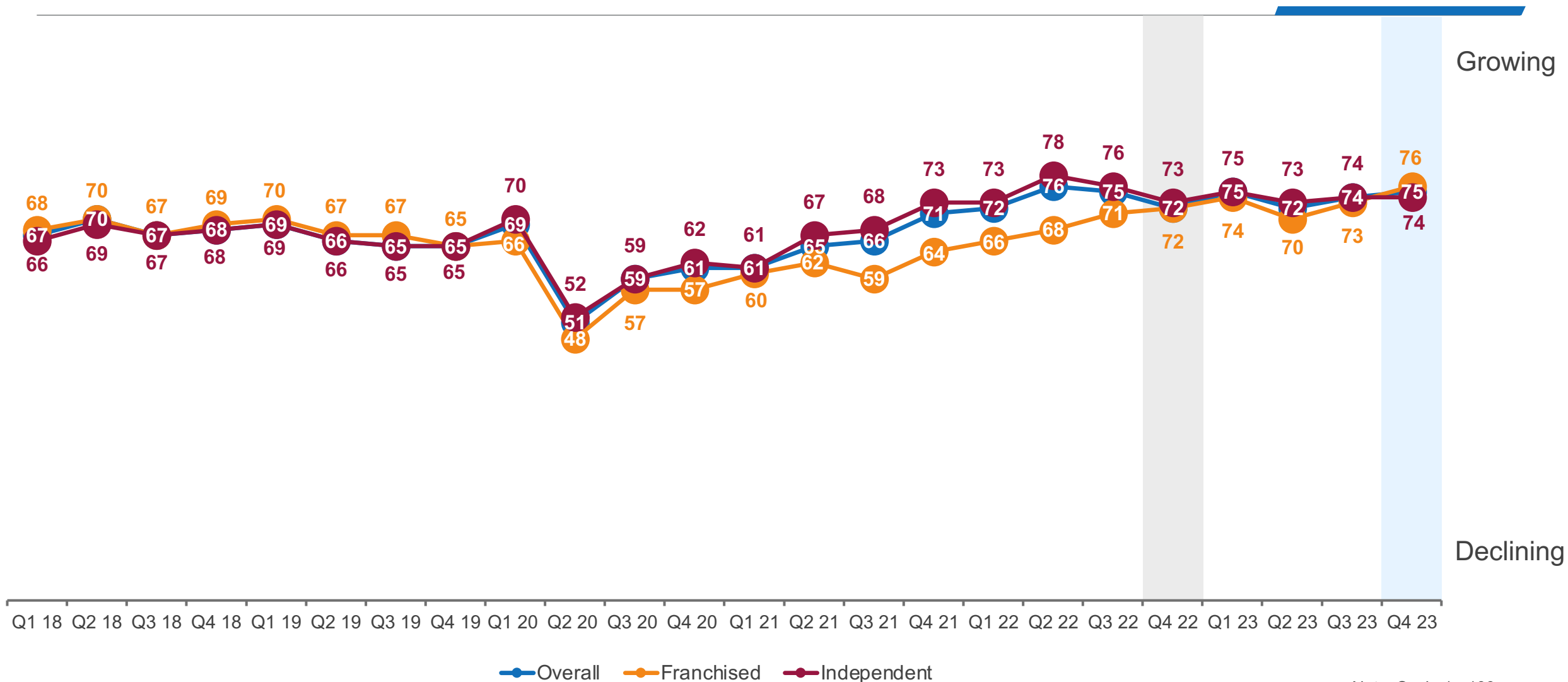
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Note: Scale 1 - 100

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

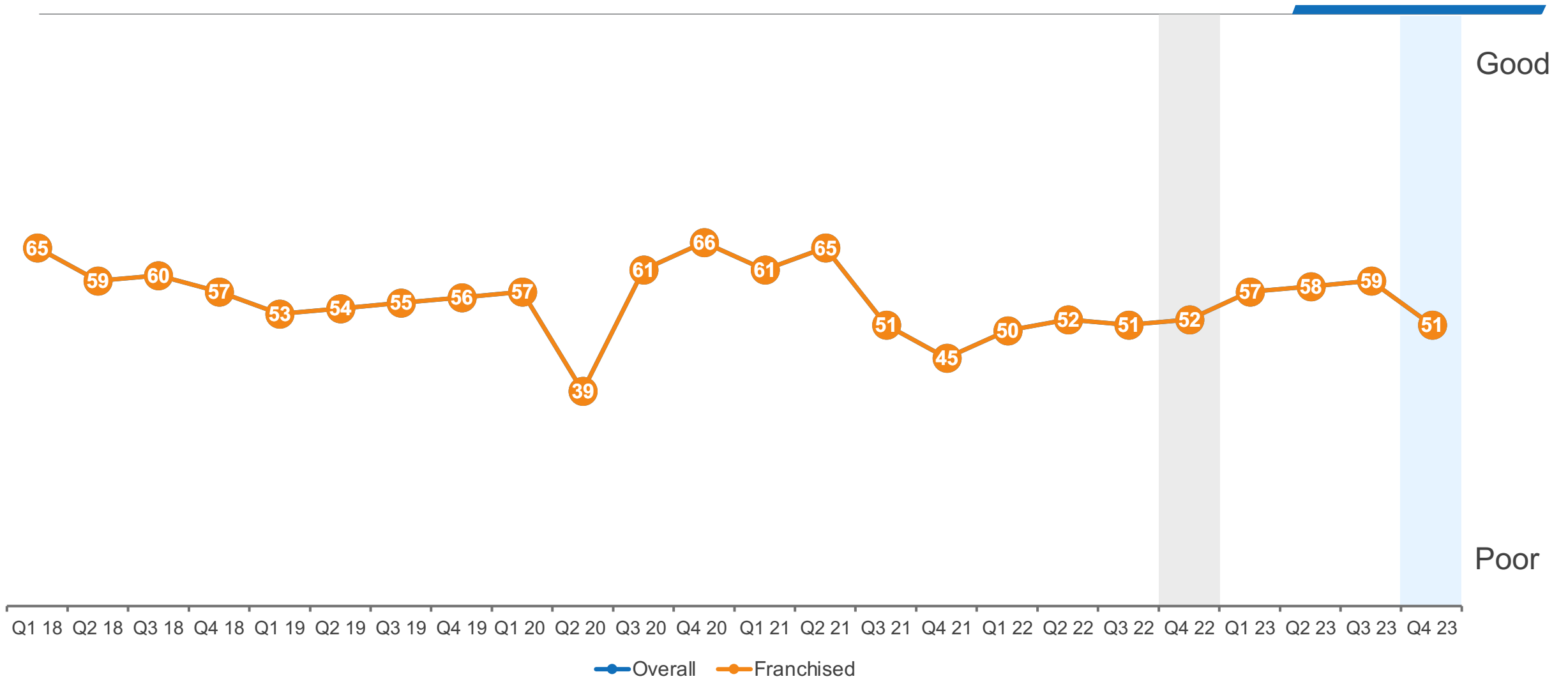
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Note: Scale 1 - 100

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

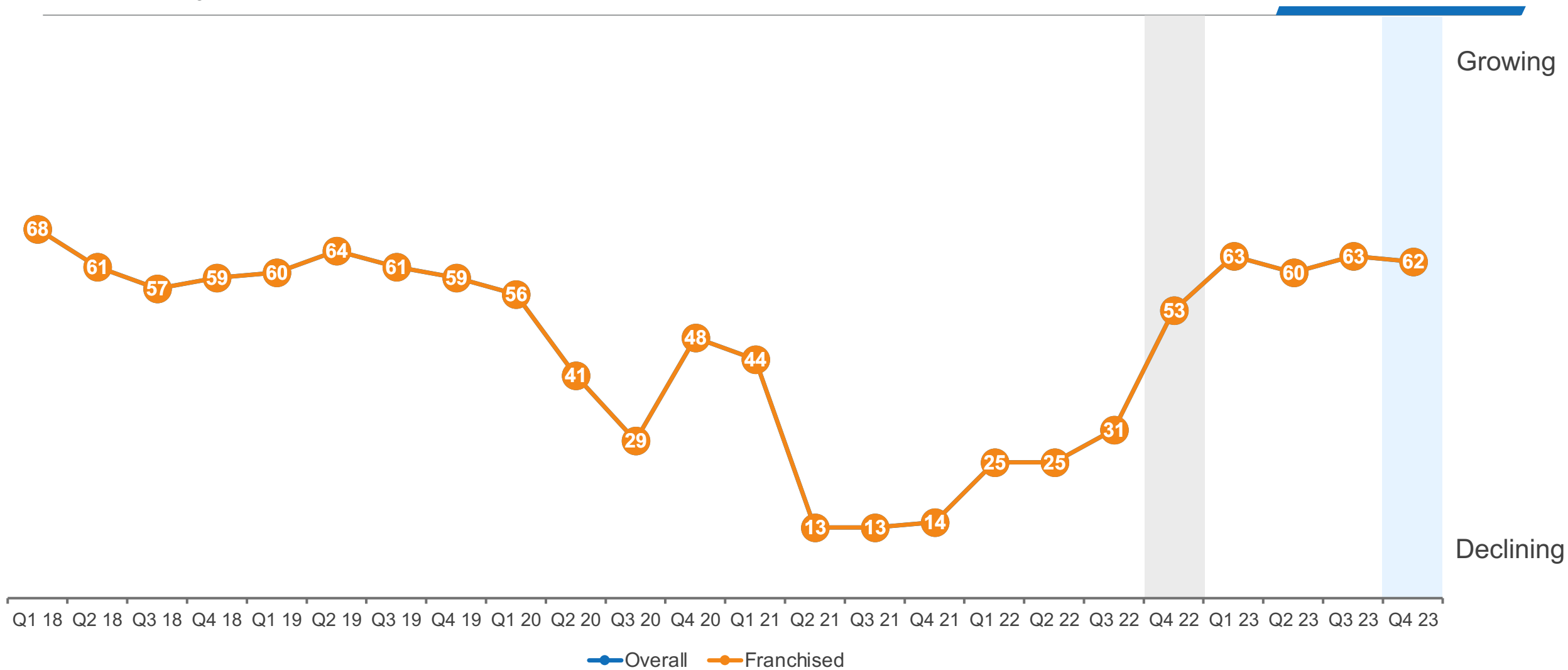
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Note: Scale 1 - 100

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

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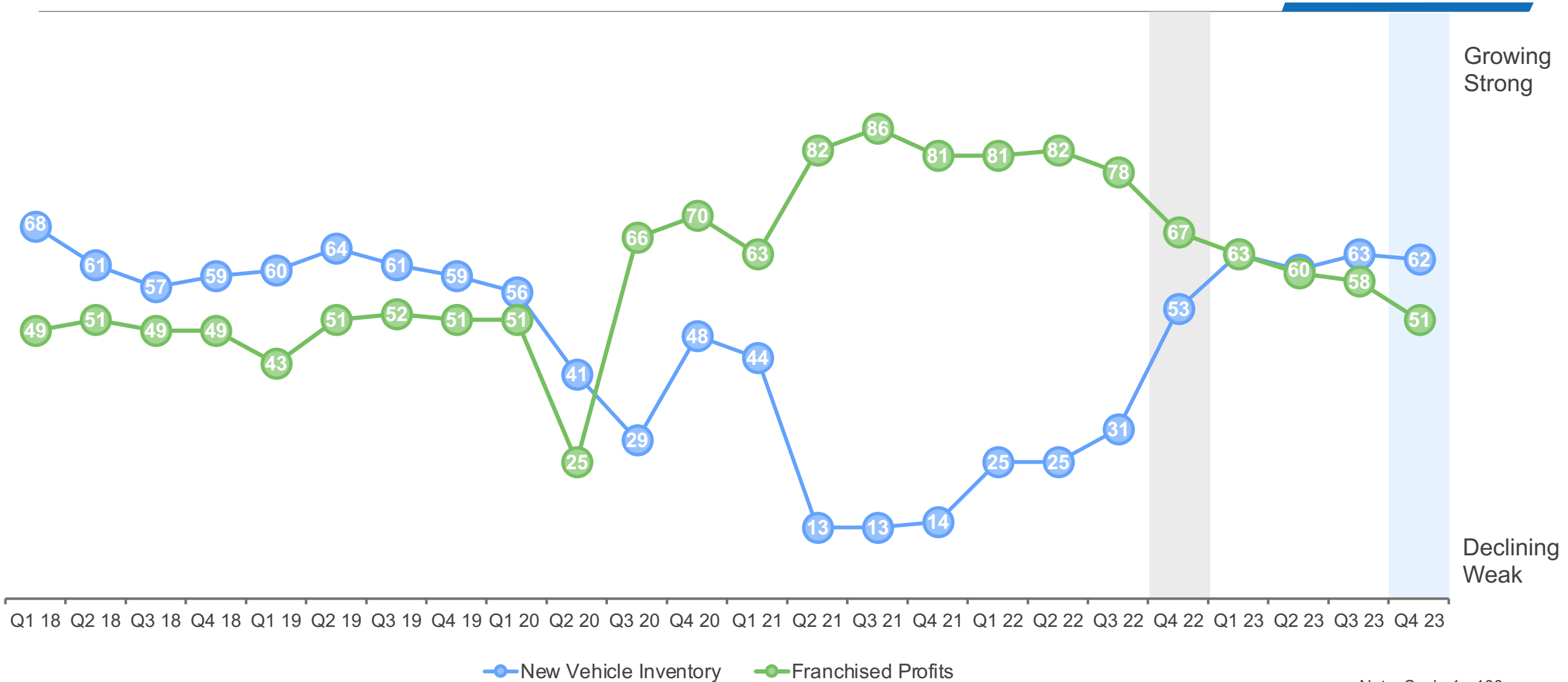
Note: Scale 1 - 100

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?

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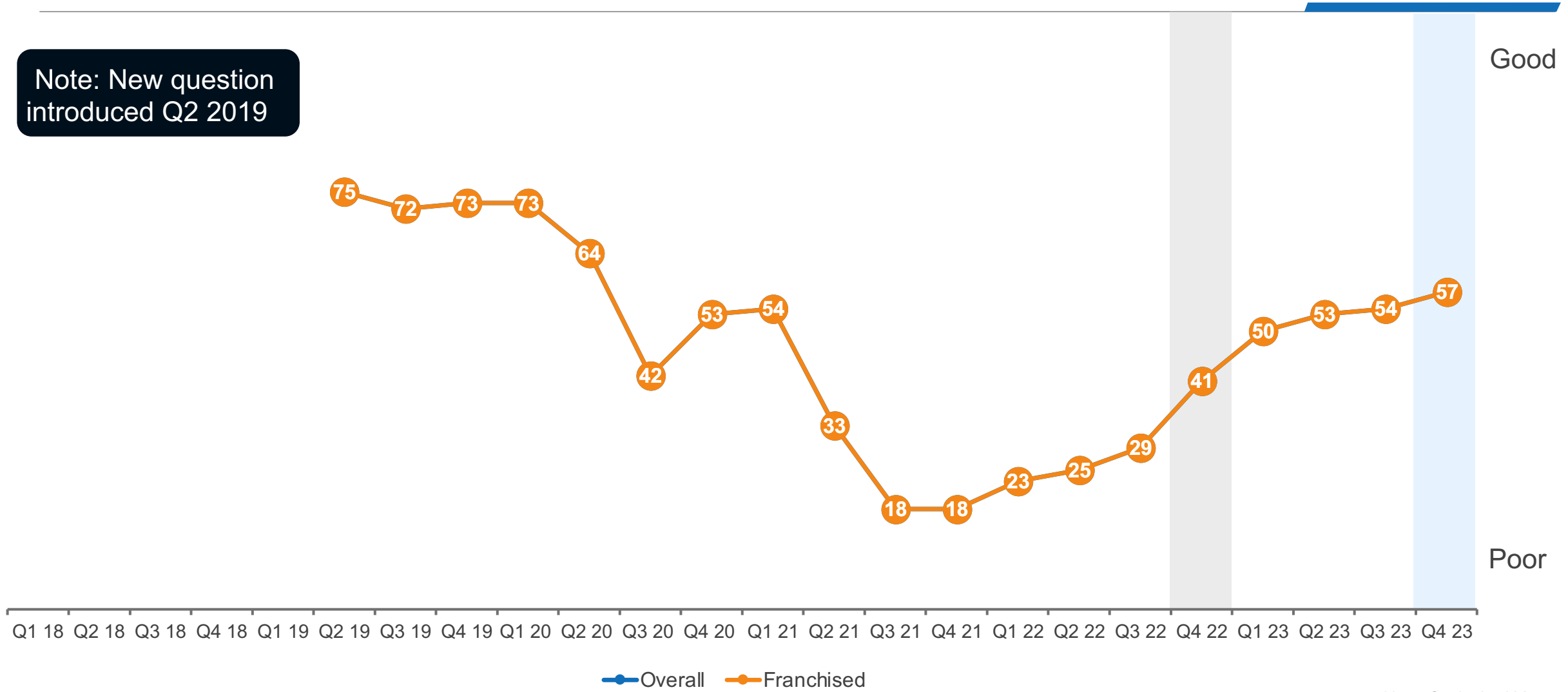


Note: Scale 1 - 100

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

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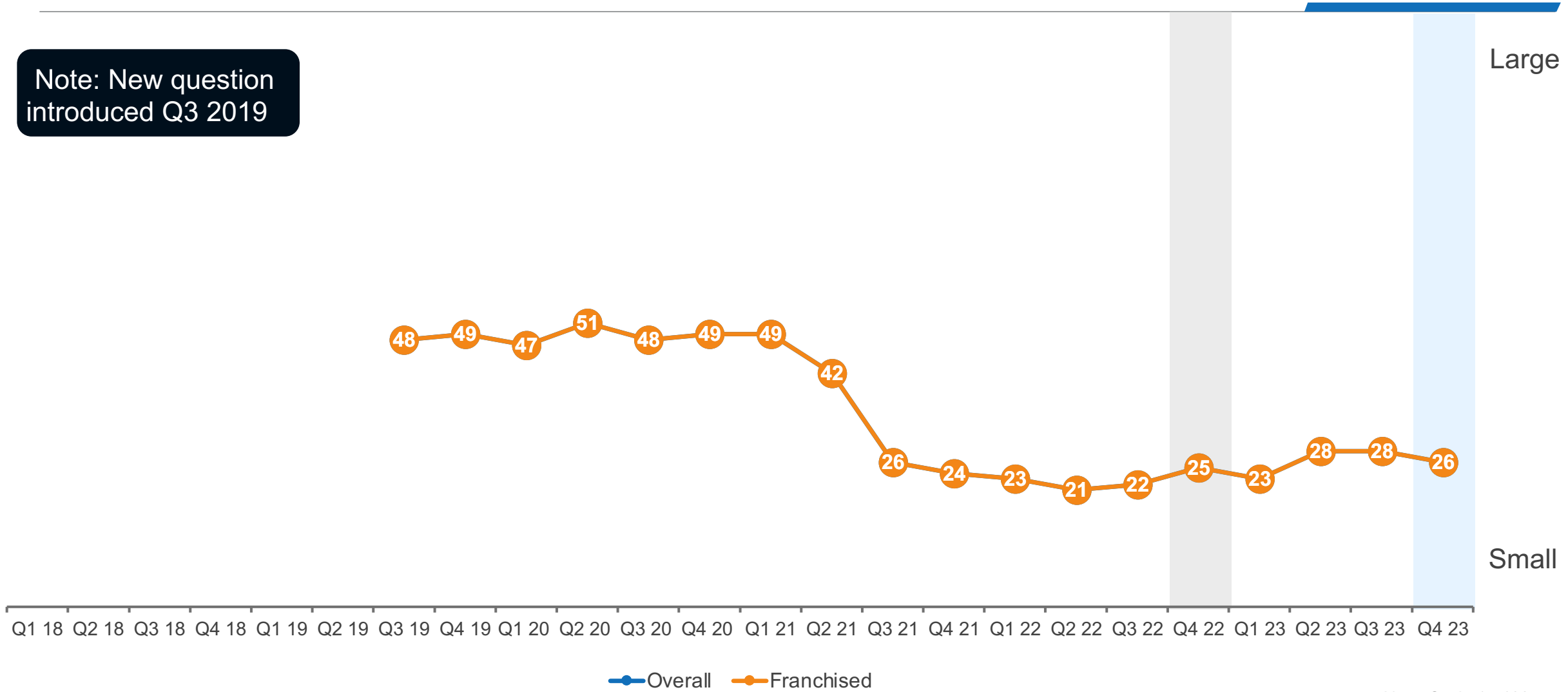
Note: New question introduced Q2 2019



Note: Scale 1 - 100

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

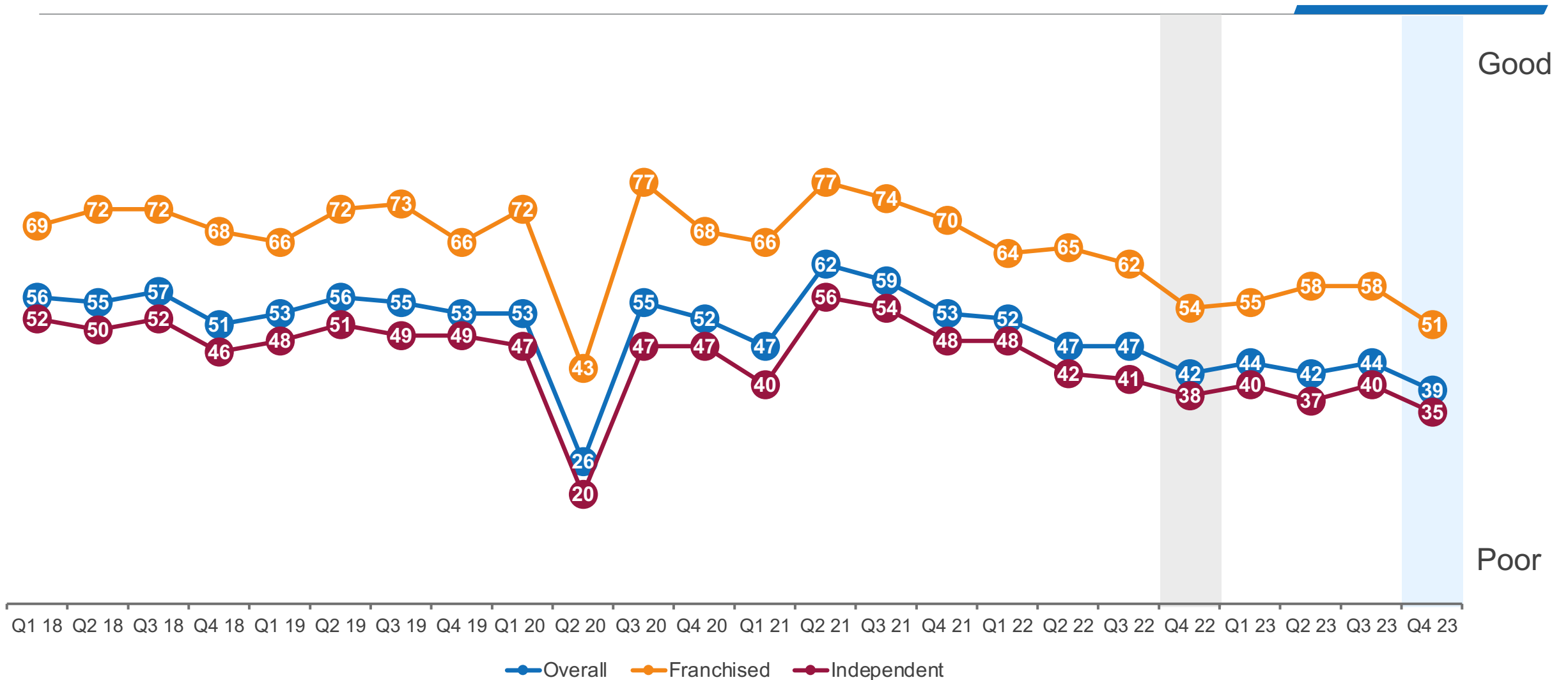
Note: New question introduced Q3 2019



Note: Scale 1 - 100

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

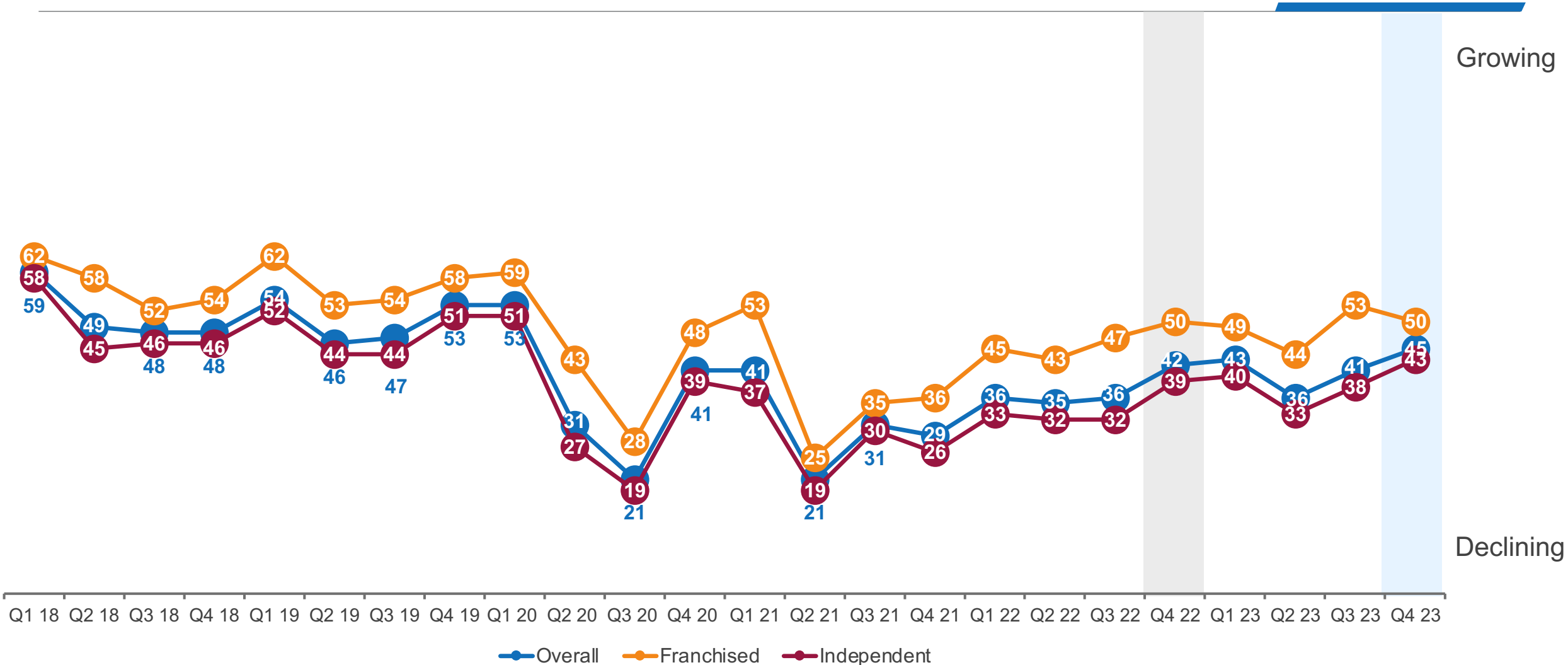
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Note: Scale 1 - 100

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

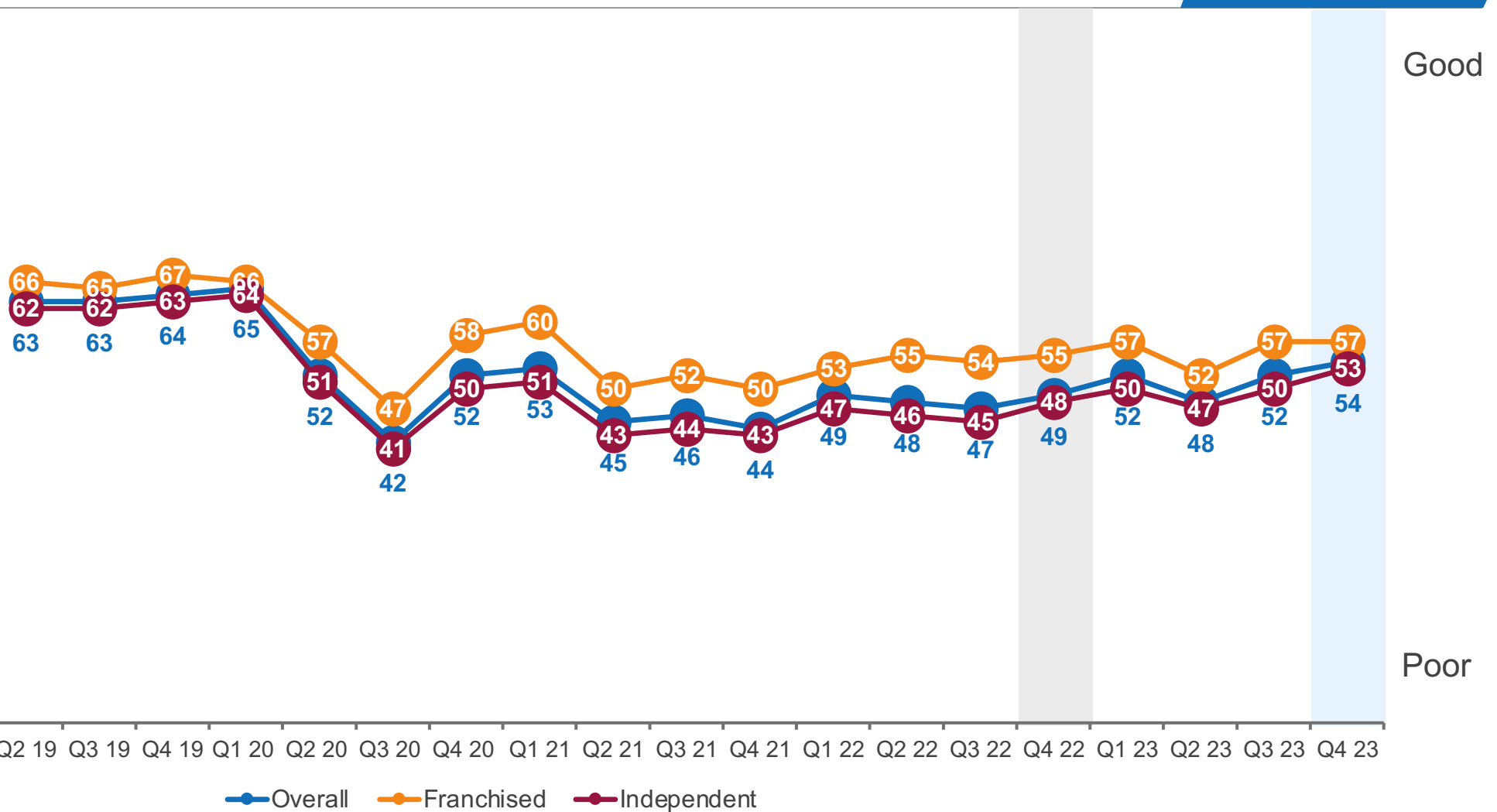
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Note: Scale 1 - 100

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

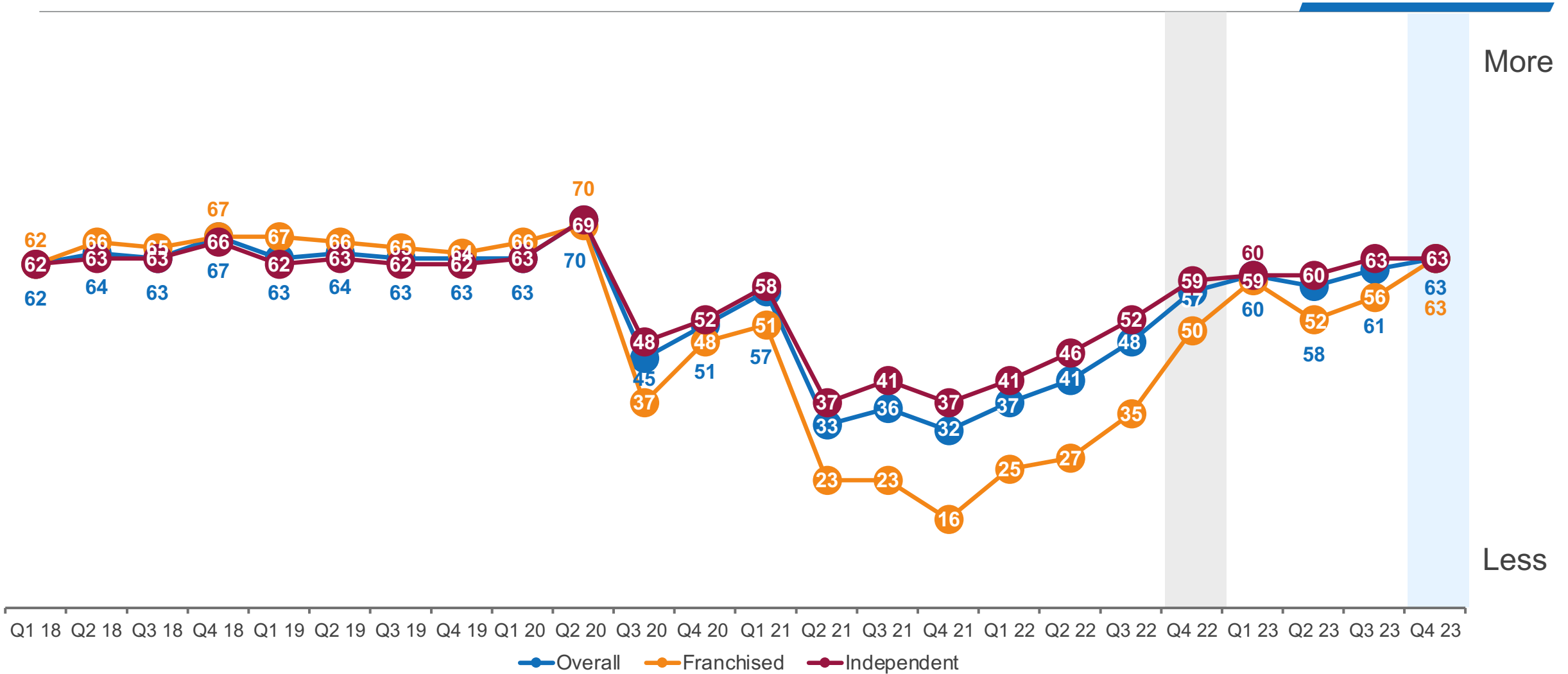
Note: New question introduced Q2 2019



Note: Scale 1 - 100

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

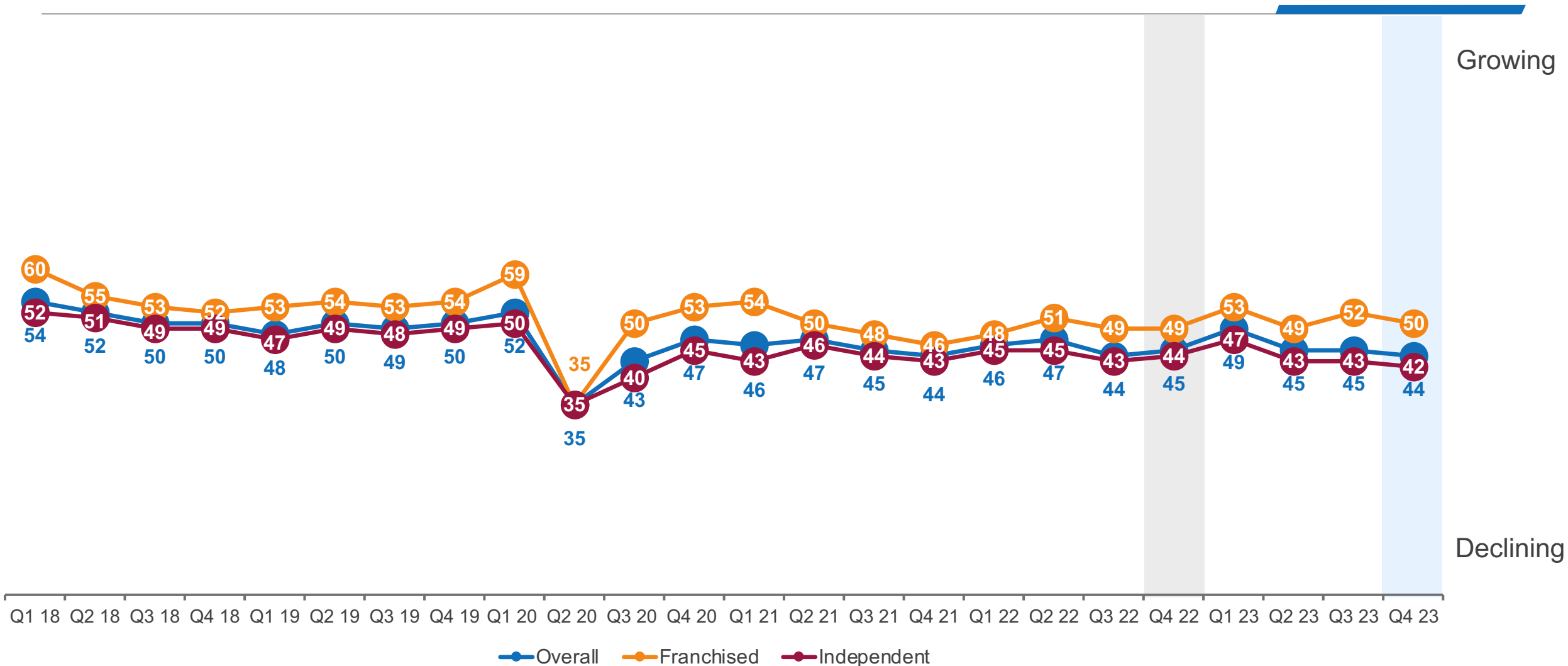
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Note: Scale 1 - 100

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

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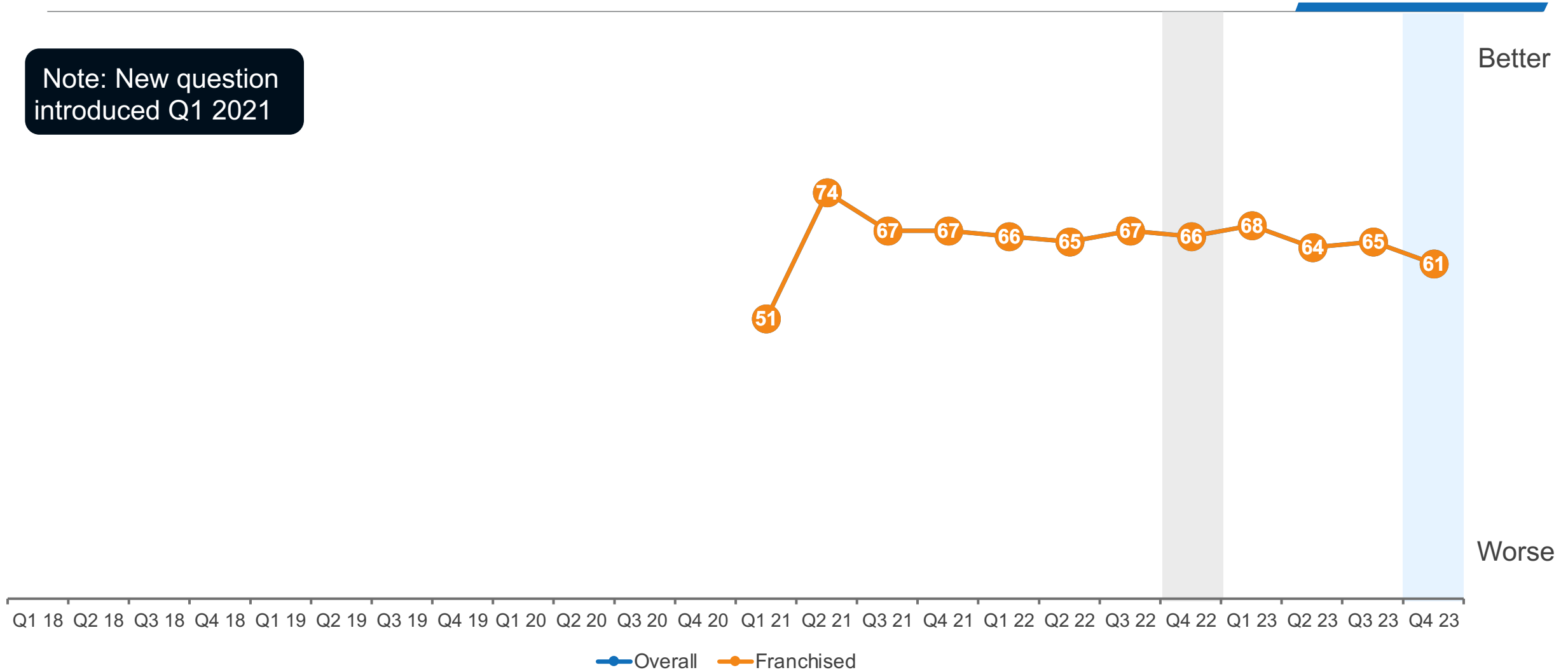


Note: Scale 1 - 100

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

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Note: New question introduced Q1 2021

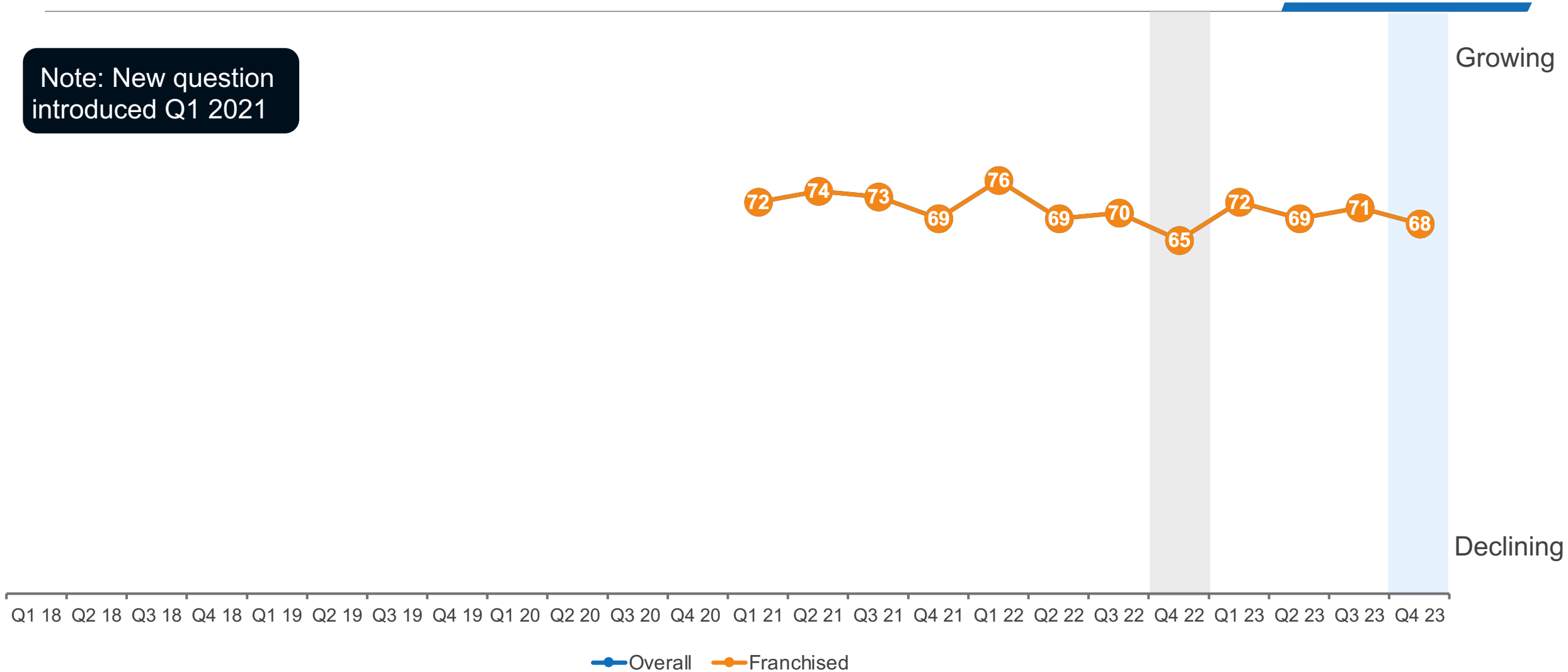


Note: Scale 1 - 100

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

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Note: New question introduced Q1 2021

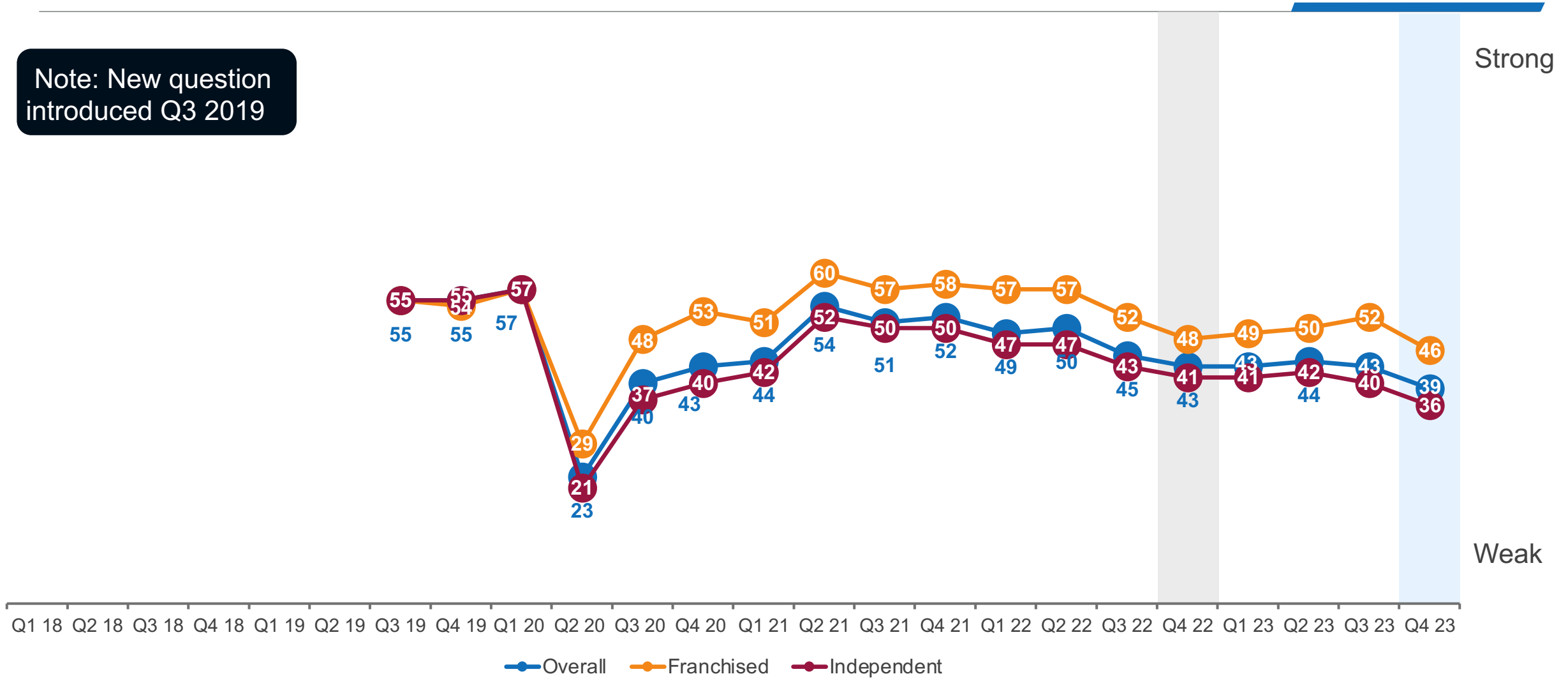


Note: Scale 1 - 100

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

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Note: New question introduced Q3 2019

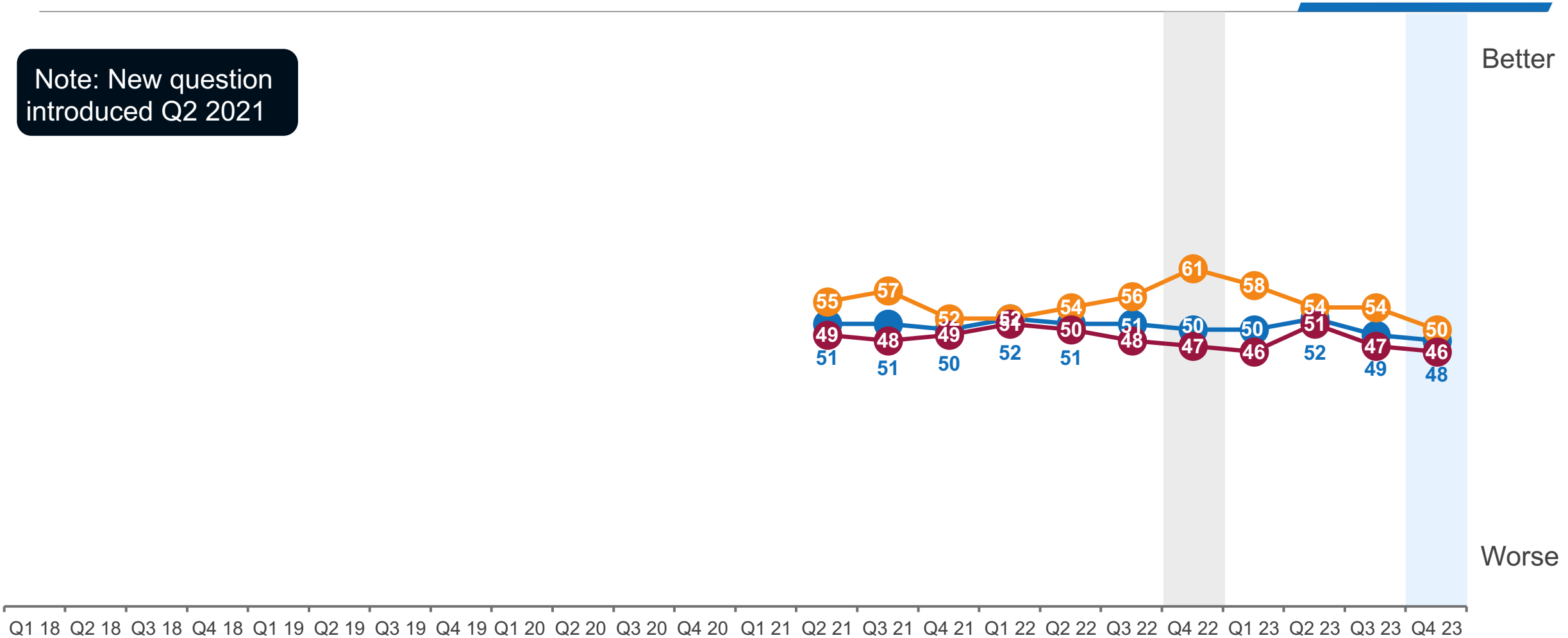


Note: Scale 1 - 100

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

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Note: New question introduced Q2 2021



(EV) Electric Vehicle

Overall Franchised Independent

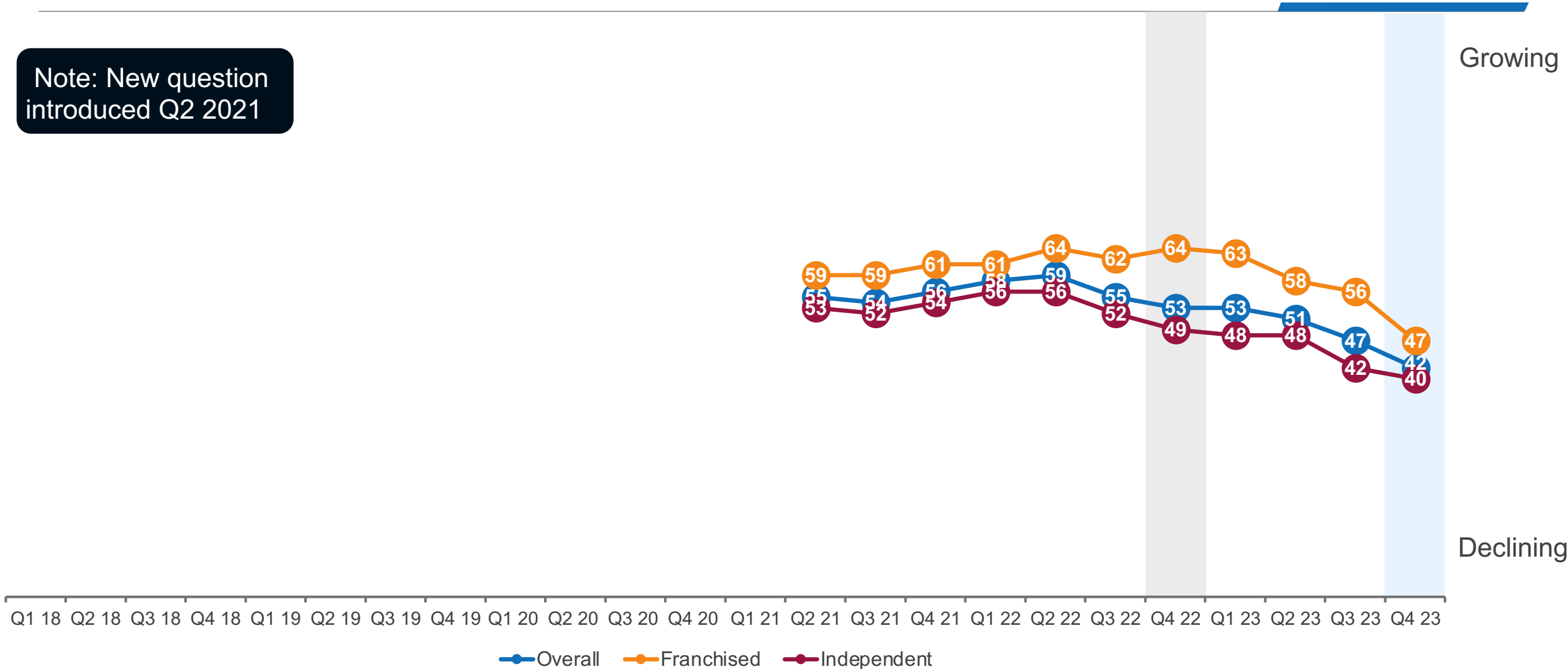
Note: Scale 1 - 100

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

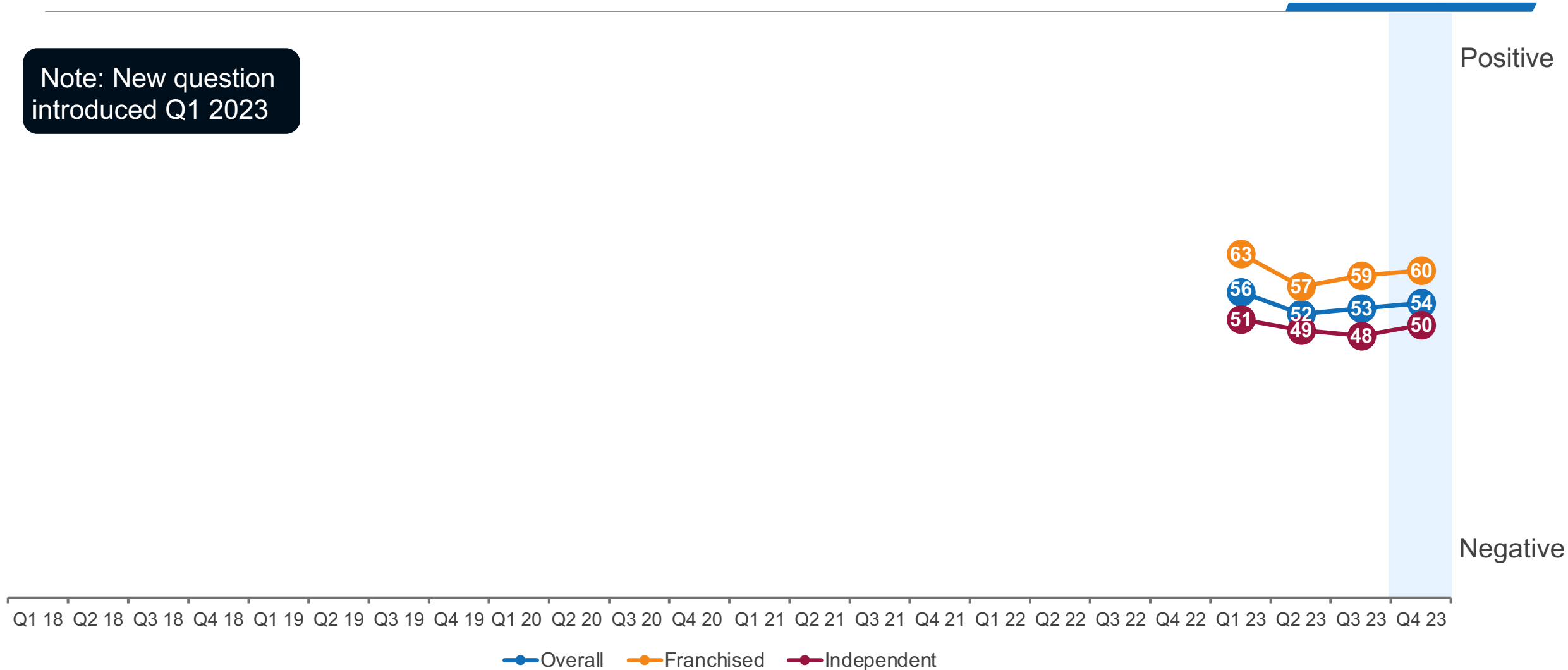


Note: Scale 1 - 100

Q21: 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



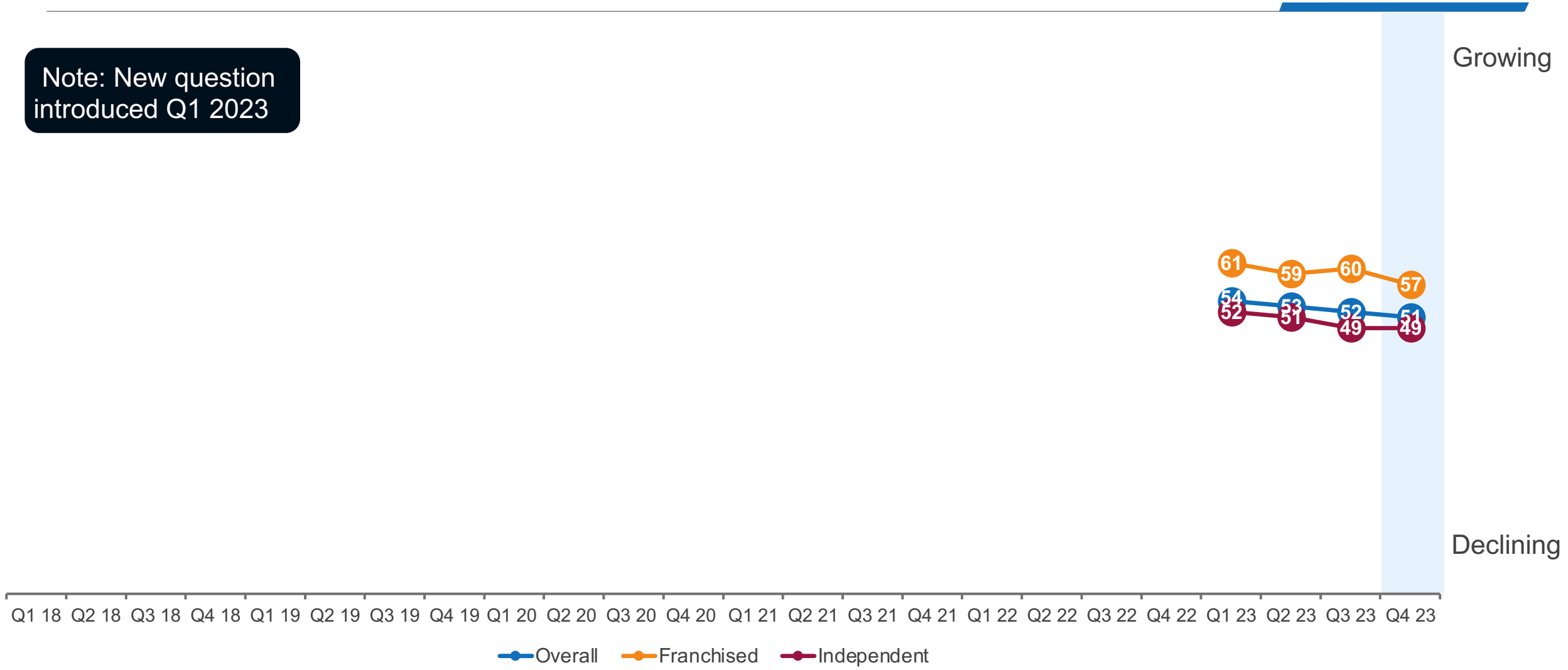
Note: Scale 1 - 100

Q22: 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

		Q4 '23	Q3 '23	Q4 '22	Q4 '21
1	Interest Rates	65% ↑	61%	49%	3%
2	Economy	61% ↑	54%	62%	34%
3	Market Conditions	48% ↑	41%	46%	44%
4	Credit Availability for Consumers	34%	33%	24%	11%
5	Limited Inventory	33%	37%	47%	64%
6	Political Climate	32% ↑	27%	33%	24%
7	Expenses	31%	30%	29%	23%
8	Consumer Confidence	29%	25%	33%	13%
9	Competition	13%	13%	12%	12%
10	Business Impacts from COVID-19/Coronavirus	9%	10%	16%	30%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q4 '23	Q3 '23	Q4 '22	Q4 '21
1	Interest Rates	73%	65%	58%	2%
2	Economy	56% ↑	43%	57%	26%
3	Market Conditions	46% ↑	33%	41%	31%
4	Political Climate	35% ↑	26%	34%	21%
5	Lack of Consumer Incentives from my OEM	34%	26%	31%	14%
6	Limited Inventory	31%	33%	51%	71%
7	Consumer Confidence	31% ↑	22%	28%	13%
8	Credit Availability for Consumers	24%	21%	18%	3%
9	Expenses	20%	16%	16%	9%
10	OEM Priorities	14%	15%	11%	8%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q4 '23	Q3 '23	Q4 '22	Q4 '21
1	Interest Rates	63%	60%	46%	3%
2	Economy	62%	58%	64%	37%
3	Market Conditions	48%	44%	48%	49%
4	Credit Availability for Consumers	37%	37%	26%	14%
5	Expenses	35%	34%	34%	27%
6	Limited Inventory	34%	38%	45%	62%
7	Political Climate	32%	28%	33%	25%
8	Consumer Confidence	28%	26%	35%	14%
9	Competition	14%	14%	13%	14%
10	Business Impacts from COVID-19/Coronavirus	10%	12%	17%	30%

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	81	84	80
2	Costs/Expenses	78	77	78
3	Fixed Operations	64	62	65
4	Vehicle Sales	64	69 B	62
5	Staffing Levels	52	53	52

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	Service	66%	74%	58%
2	Sales	65%	68%	62%
3	Management	19%	25%	14%
4	Parts	17%	26% B	8%
5	Finance and Insurance	12%	15%	10%
6	Other	12%	3%	19% A
7	Collision/Auto Body	9%	17% B	3%
8	Marketing	6%	4%	7%

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	47	48	49	50
Market Next 3 Months	Strong/Weak	43	44	50	46
Overall Customer Traffic	Strong/Weak	44	43	38	33
In-Person Customer Traffic	Strong/Weak	42	37	36	35
Digital/Online Customer Traffic	Strong/Weak	53	44	48	43
Profits	Strong/Weak	53	53	47	49
Costs	Growing/Declining	78	77	73	77
New Vehicle Sales	Good/Poor	56	50	49	47
New Vehicle Inventory	Growing/Declining	66	57	63	64
New Vehicle Inventory Mix	Good/Poor	61	52	57	59
Used Vehicle Sales	Good/Poor	54	52	48	51
Used Vehicle Inventory	Growing/Declining	54	52	45	50
Used Vehicle Inventory Mix	Good/Poor	56	59	56	55



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	59	63	64	65
Staffing	Growing/Declining	51	51	49	50
OEM incentives	Large/Small	23	22	27	31
Economy	Strong/Weak	47	44	45	48
Current Fixed Operations	Better/Worse	58	58	62	68
Future Fixed Operations	Growing/Declining	64	66	70	71
Current BEV Sales	Better/Worse	54	49	44	57
Future BEV Sales	Growing/Declining	48	43	51	48
Dealer Credit	Easy/Difficult	61	60	60	61
Effect BEV Tax Credits Have on BEV Sales	Positive/Negative	59	61	55	64
Extent of Sales Being Done Online Last 3 Months	Growing/Declining	55	56	55	63



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

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