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U.S. Auto Dealer Sentiment Improves in Q1, but Current Market View Remains Weak as Profit Pressures Replace Inventory Woes

- The Q1 2024 Cox Automotive Dealer Sentiment Index shows an overall increase in current market sentiment, but the profitability index dropped to nearly an all-time low.
- With the new-vehicle inventory index hitting an all-time high in the first quarter, most franchised dealers see their inventory growing, not declining.
- Interest rates, the economy and market conditions remain the top concerns for U.S. auto dealers but improved compared to Q4 2023.

ATLANTA, March 13, 2024 – The Cox Automotive Dealer Sentiment Index (CADSI) shows that current market sentiment improved slightly in the first quarter compared to the fourth quarter of 2023, increasing from 40 to 42, but remains well below the 50 threshold, indicating most dealers see the current market as weak.

The survey's current market index is largely driven by profitability, customer traffic and costs. Of the three, profitability continues to weigh most heavily on both franchised and independent dealers, according to the latest report. At 33, the profitability index fell to its second-lowest score ever, behind only Q2 2020, at the height of the COVID-19 pandemic. After peaking at 60 in 2021, the profitability index has continued to decrease, hitting a post-pandemic low for the second straight quarter in Q1, indicating most dealers see profits as weak, not strong.

For franchised dealers, the profitability index has declined significantly from the first half of 2022, when the index was near a record high and above 80. Beginning in the second half of 2022, the index has dropped significantly and, in Q1 2024, hit 41 – the lowest point in the survey's history excluding Q2 2020.

"The vehicle market in the U.S. is shifting from a seller's market to a buyer's market, and dealers are feeling the pinch of tighter margins and higher costs," said Cox Automotive Chief Economist Jonathan Smoke. "After some highly profitable years for many dealers, 2024 will be a tough comparison. Dealer costs continue to grow and profitability per sale has dropped. As we often see in our surveys, spring is bringing some optimism, but dealers are clearly indicating the U.S. auto market is very different than it was just two years ago."

While the current market index, and many of the factors driving it, remains weak, the market outlook index improved significantly in Q1, jumping from 41 last quarter to 51 in Q1. The market outlook index, which queries dealers about expectations for the vehicle market three months from now, typically enjoys a 'spring bounce' as automobile dealers look to the spring selling season.

Vehicle Sales Environment Improves from Q4 But Remains Below Year-Ago Levels

According to U.S. auto dealers, the current sales environment for new and used vehicles has improved over last quarter but remains lower year over year. The new-vehicles sales index improved 1 point to 52, down from 57 one year ago. Likewise, the used-vehicle sales index increased 1 point to 40, but it is down from 44 a year ago and well below the long-term index average of 50. For franchised dealers, the used-vehicle sales

index held steady near a record low of 51 in Q1. For independent dealers, the used-vehicle sales index increased by 1 point but remains well below longer-term averages.

Dealers See Decline in Traffic and Profits

The overall traffic and profits indexes both declined from the previous quarter. The overall profits index hit an all-time high of 60 in Q3 2021 and has been sliding ever since. The overall profits index, at 37, is now at a new low point, excluding Q2 2020, when much of the U.S. economy was shut down. For franchised dealers, the profits index sunk to 51, down seven points quarter over quarter. The profits index for independent dealers at 32 marks the ninth consecutive quarter of a below-50 index reading.

Inventory Keeps Growing

The latest Cox Automotive Dealer Sentiment Index suggests the mildly improving sales environment is being driven at least in some part by higher inventory levels, with the industry's short-supply issues mostly in the rear-view mirror, particularly on the new-vehicle front.

The new-vehicle inventory index hit an all-time high of 75 in Q1, indicating that most franchised dealers see their inventory growing, not declining. The new-vehicle inventory index has shifted dramatically over the past two years. Now at a record high of 75, the index is up from 63 in Q1 2023 and 25 in Q1 2022, when low new-vehicle supply was among the most-cited factors holding back business. That is no longer the case.

Unlike new-vehicle supply, the index for used-vehicle inventory suggests a majority of dealers see used-vehicle inventory as declining, not growing. The index score of 45 is equal to last quarter and has improved from year-ago levels. Franchised dealers are slightly more optimistic about used-vehicle inventory, with an index score of 53, suggesting more dealers see used-vehicle inventory levels as growing, not declining. Independent dealers, on the other hand, see used-vehicle inventory as declining.

View of the Economy Improves but Remains Weak in Q1

According to the Q1 CADSI, dealers have a better view of the economy in Q1 than they did in Q4. The index score increased from 39 to 42. The index score is down one point from year-ago levels and down from 49 in Q1 2022, indicating a majority of dealers continue to see the economy as weak, not strong. The franchised dealers' score of 46 held steady quarter over quarter, whereas independent dealers saw an improvement, moving up from 36 to 40.

Electric Vehicle Sales Index Drops to Record Low

When asked how EV sales compare to one year ago, a majority of dealers say they are worse, not better. The index score for EV sales in Q1 dropped to 42, the lowest score since the question was added in the second quarter of 2021. The index score in Q1 was down from 48 in Q4 and lower than the 50 recorded in Q1 2023.

The outlook for EV sales tumbled as well, with the index score falling from 42 in Q4 to 36 in Q1. A year ago, when the index score was 53, a majority of auto dealers indicated that the EV market would be growing, not declining. That sentiment has changed. The Q1 score of 36 was the lowest score for the EV outlook index since the question was in 2021. In both indexes, independent dealers scored lower than franchised dealers. The gap between the two was very small for current EV sales, suggesting a consistent perspective across the board.

“The drop in dealer sentiment related to electric vehicles is understandable when we look at where EVs stand on the adoption continuum – shifting from early-adopter buyers to mainstream,” said [Stephanie Valdez Streaty](#). “In 2024, the Cox Automotive team expects the industry to fully acknowledge the fact that

the average consumer needs to be convinced on the merits of going electric, and many won't be easily persuaded. The EV market is likely to see a rise in the number of models, incentives, discounting, and advertising. However, selling more EVs will require more effort on the part of dealers.”

High Interest Rates Continue to Hold Back Business

When asked about factors holding back business, Interest Rates, the Economy, and Market Conditions continue to be the top concerns for U.S. automobile dealers. All three factors, however, decreased compared to Q4 2023, with the Economy and Market Conditions decreasing significantly.

Interest Rates remain the top factor holding back business for both franchised and independent dealers, with 62% of dealers citing Interest Rates as the top factor in Q1, down from 65% in Q4 2023. In Q1 2022, only 5% of dealers indicated Interest Rates were holding back business. The Economy was identified by 55% of dealers, down significantly from 61% last quarter, while Market Conditions also fell significantly to 40% in Q1 from 48% in Q4. A year ago, Interest Rates and the Economy were also the top two factors holding back business, and Market Conditions was No. 4 on the list.

The Top 10 factors are:

Top Factors Holding Back the Business	Overall Rank	Q1 2024 Percentage	Q1 2023 Percentage
Interest Rates	1	62%	55%
Economy	2	55%	54%
Market Conditions	3	40%	42%
Political Climate	4	33%	25%
Expenses	5	32%	29%
Credit Availability for Consumers	6	31%	26%
Limited Inventory	7	31%	43%
Consumer Confidence	8	31%	28%
Weather	9	14%	13%
Competition	10	14%	12%

Cox Automotive Dealer Sentiment Index Methodology

Derived from a quarterly survey that Cox Automotive issues to a representative sample of franchised and independent auto dealers from around the country, the Dealer Sentiment Index measures dealer perceptions of current retail auto sales and sales expectations for the next three months as “strong,” “average,” or “weak.” The survey also asks dealers to rate new-car sales and used-car sales separately, along with various key drivers, including consumer traffic. Responses are used to calculate an index by which any number over 50 indicates that more dealers view conditions as strong rather than weak. The Q1 2024 CADSI is based on 1,018 U.S. auto dealer respondents, comprising 546 franchised dealers and 472 independents. The survey was conducted from January 30 to February 13, 2024.

Dealer responses were weighted by dealership type and sales volume to represent the national dealer population. For each aspect of the market surveyed, respondents are given an option related 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 +/- 3.04% margin of error.

[Download the full results](#) of the Q1 2024 Cox Automotive Dealer Sentiment Index.

About Cox Automotive

Cox Automotive is the world’s largest automotive services and technology provider. Fueled by the largest breadth of first-party data fed by 2.3 billion online interactions a year, Cox Automotive tailors leading solutions for car shoppers, auto manufacturers, dealers, lenders and fleets. The company has 29,000+ employees on five continents and a portfolio of industry-leading brands that include Autotrader®, Kelley Blue Book®, Manheim®, vAuto®, Dealertrack®, NextGear Capital™, CentralDispatch® and FleetNet America®. Cox Automotive is a subsidiary of Cox Enterprises Inc., a privately owned, Atlanta-based company with \$22 billion in annual revenue. Visit coxautoinc.com or connect via [@CoxAutomotive](#) on X, [CoxAutoInc](#) on Facebook or [Cox-Automotive-Inc](#) on LinkedIn.

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