



# Dealer Sentiment Index

FIRST QUARTER 2024

COX AUTOMOTIVE

## A Unique Market Drives Optimism

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### 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 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.
- ✓ The next quarterly report will be released in June 2024. The CADSI was first published in Q2 2017.

# Key Takeaways: Q1 2024

The latest Cox Automotive Dealer Sentiment Index (CADSI) shows that current market sentiment improved slightly from 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 compared to strong. The index score of 42 in Q1 is down one point from Q1 2023, one year ago.

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. 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 sellers' market to a buyers' 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 has brought some optimism, but dealers are clearly indicating the U.S. auto market is very different than it was just two years ago.”

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. Likewise, the used-vehicle sales index increased 1 point to 40. For franchised

dealers, the used-vehicle sales index held steady near a record low of 51 in Q1.

The latest CADSI 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, 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.

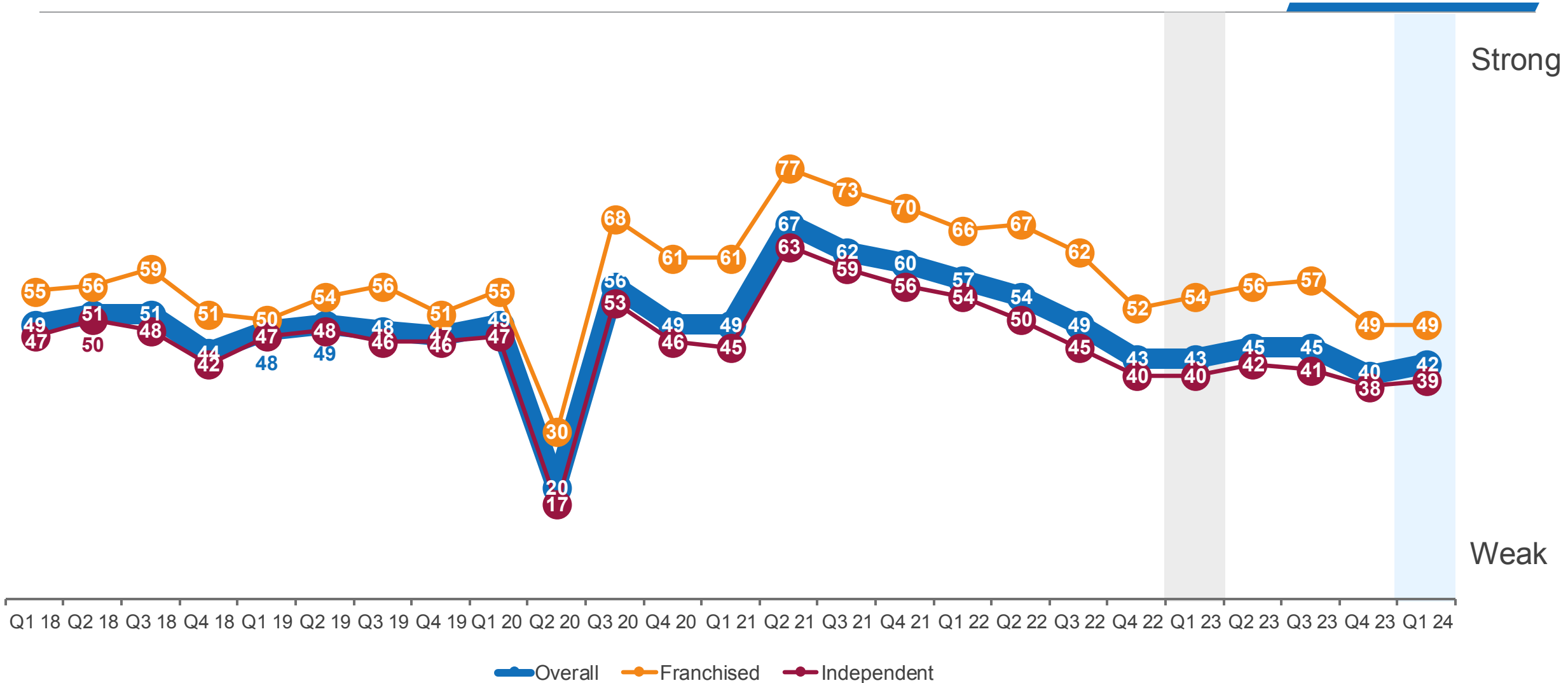
When asked about factors holding back business, Interest Rates remain the top factor for all dealers, with 62% of dealers citing Interest Rates as the top factor. The Economy was identified by 55% of dealers, down significantly from 61% last quarter, while Market Conditions also fell significantly to 40% in Q1 from 48% in Q4.



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

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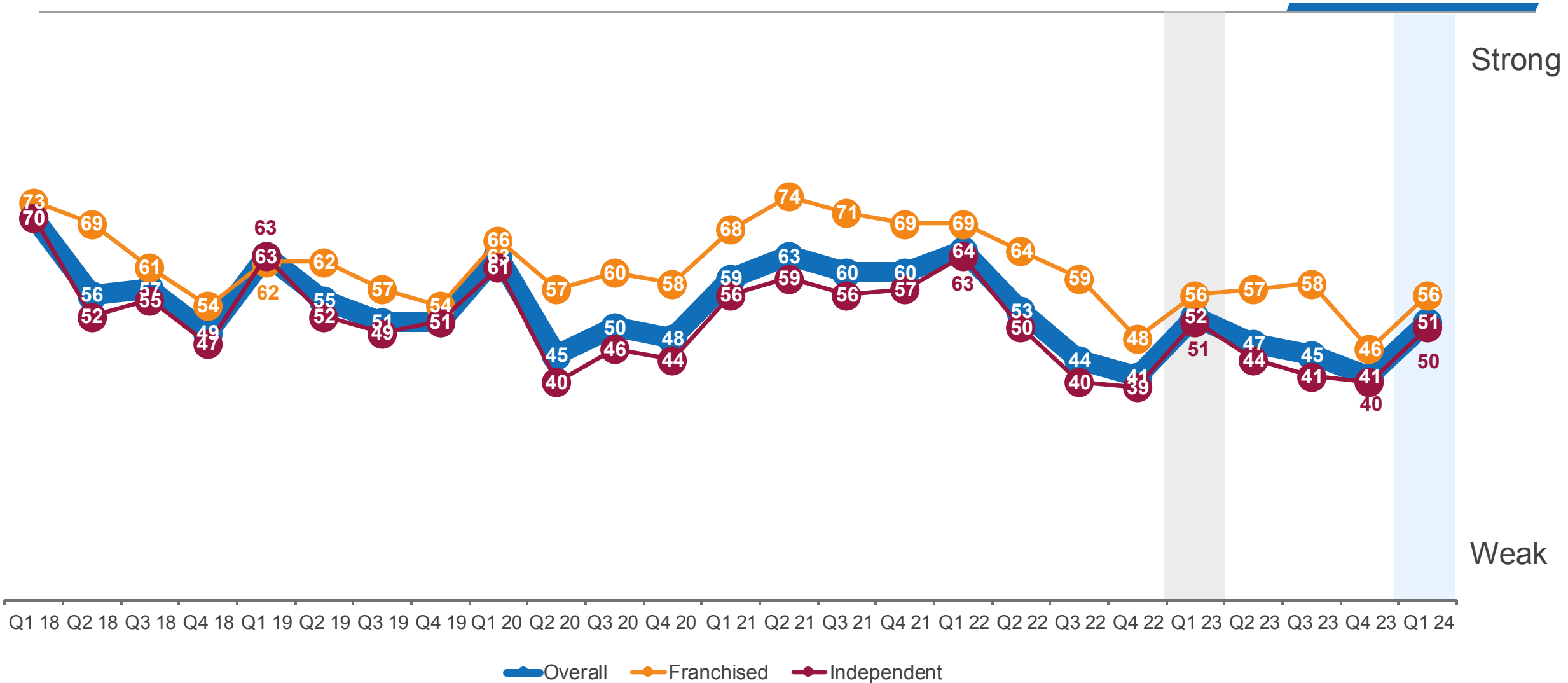


Note: Scale 1 - 100

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

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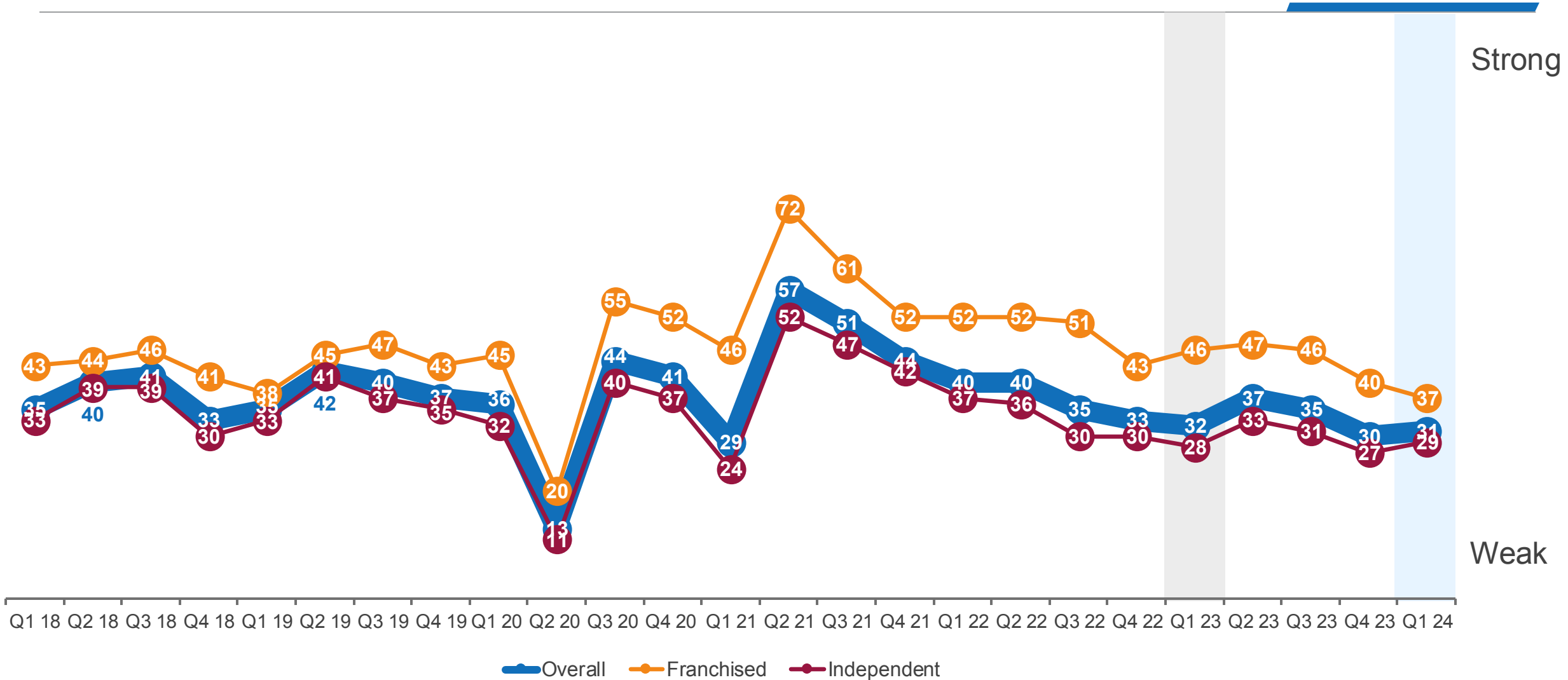


Note: Scale 1 - 100



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

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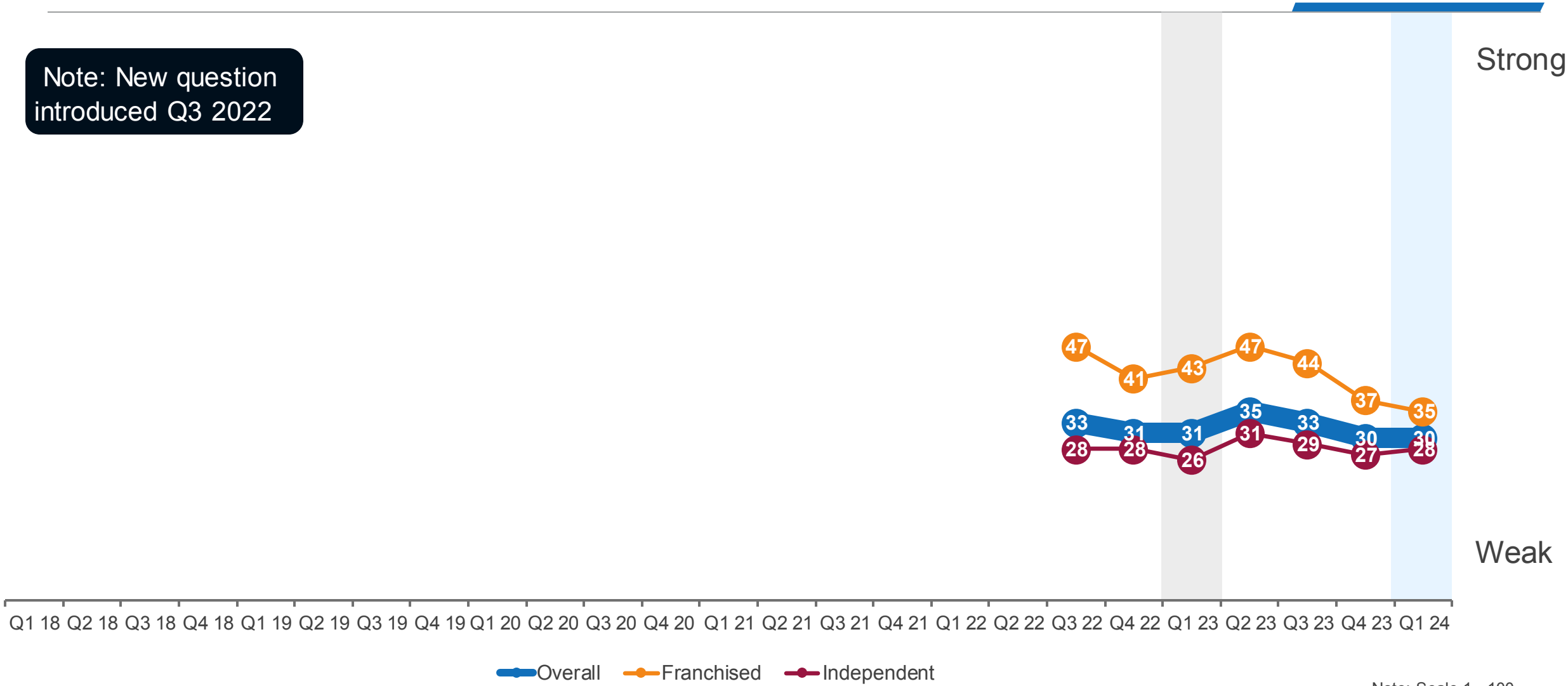
Note: Scale 1 - 100

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

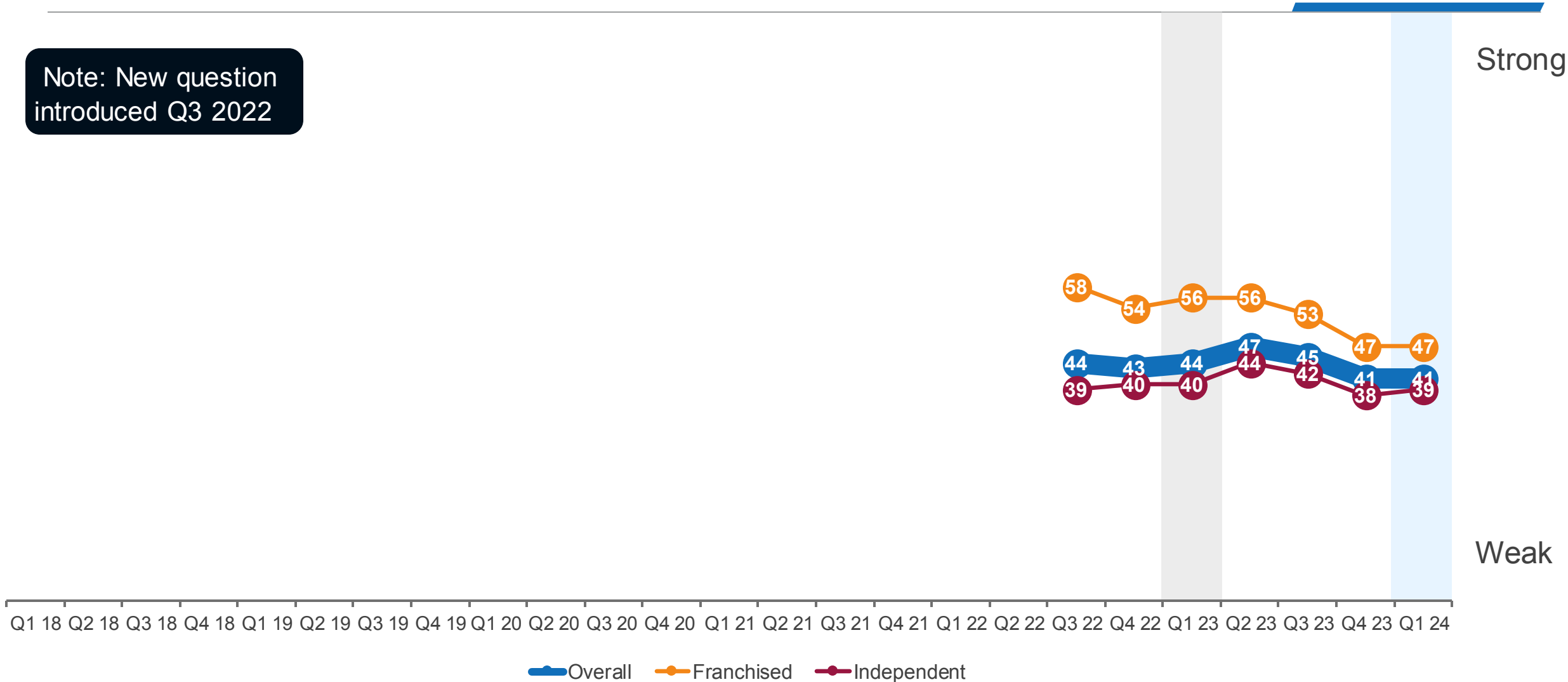


Note: Scale 1 - 100

# 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

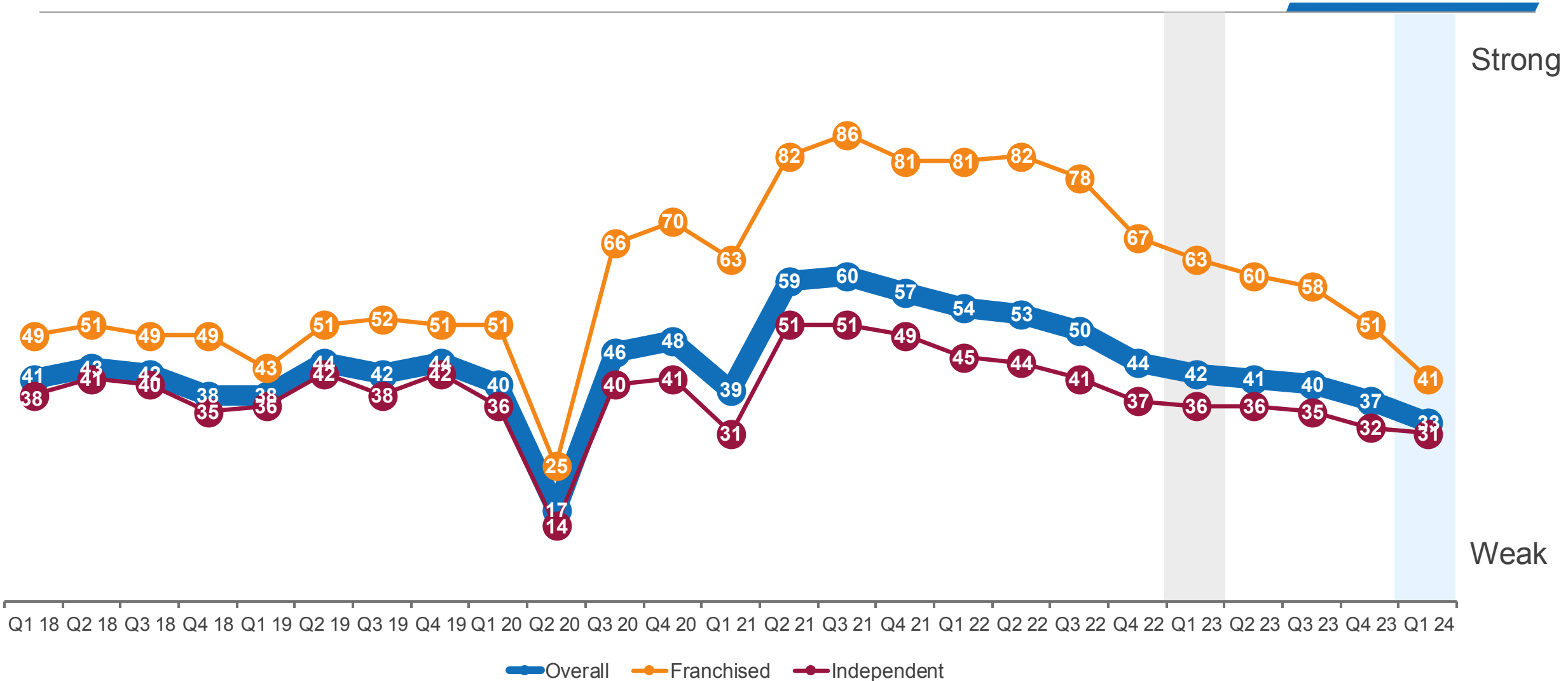


Note: Scale 1 - 100



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

## Dealer Sentiment Index FIRST QUARTER 2024

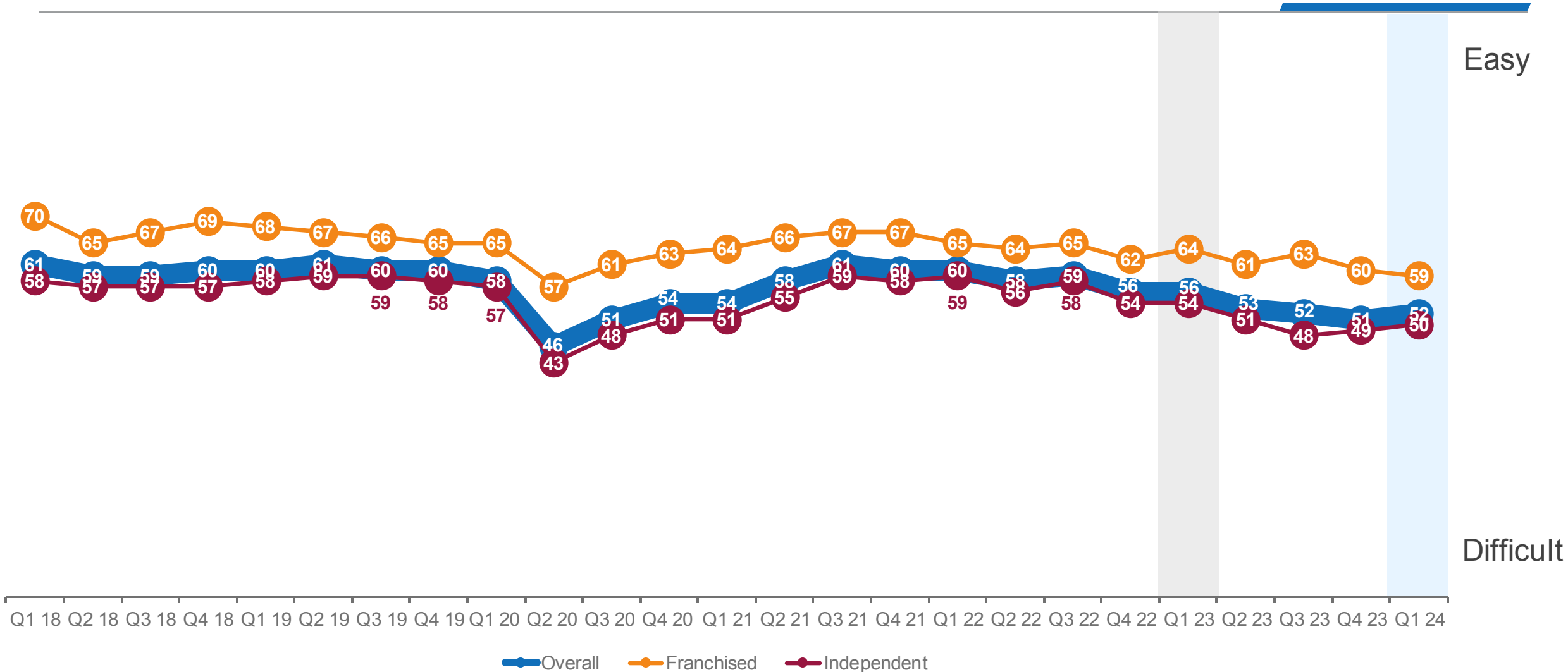


Note: Scale 1 - 100

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

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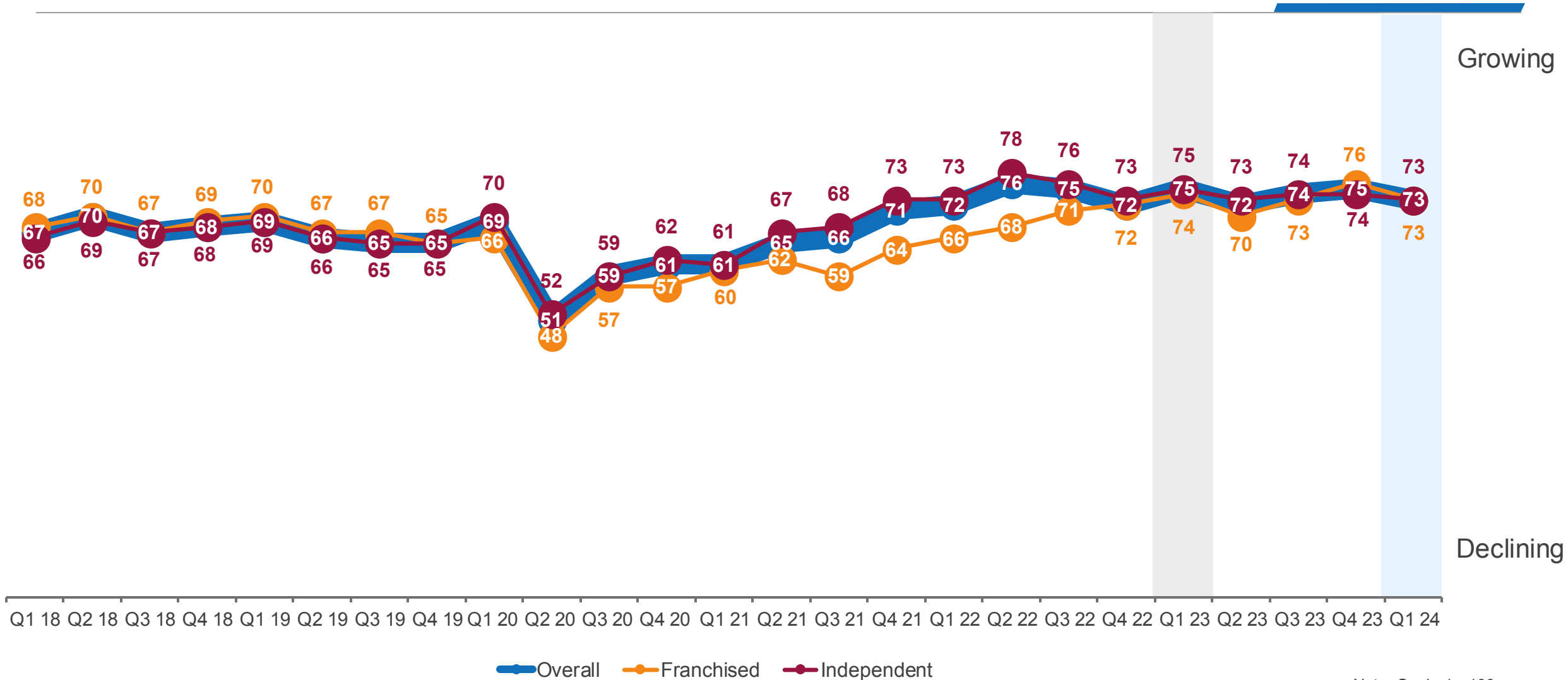


Note: Scale 1 - 100

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

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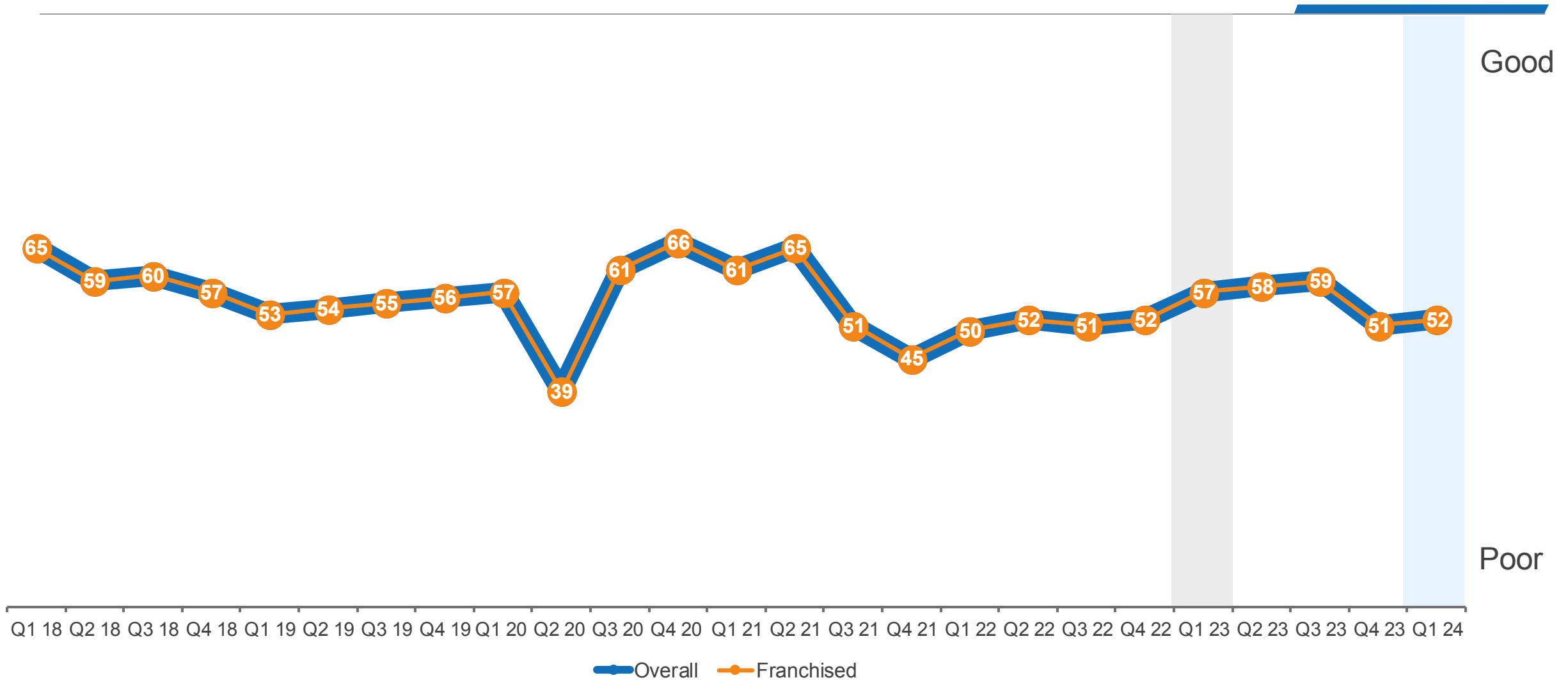
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Note: Scale 1 - 100

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

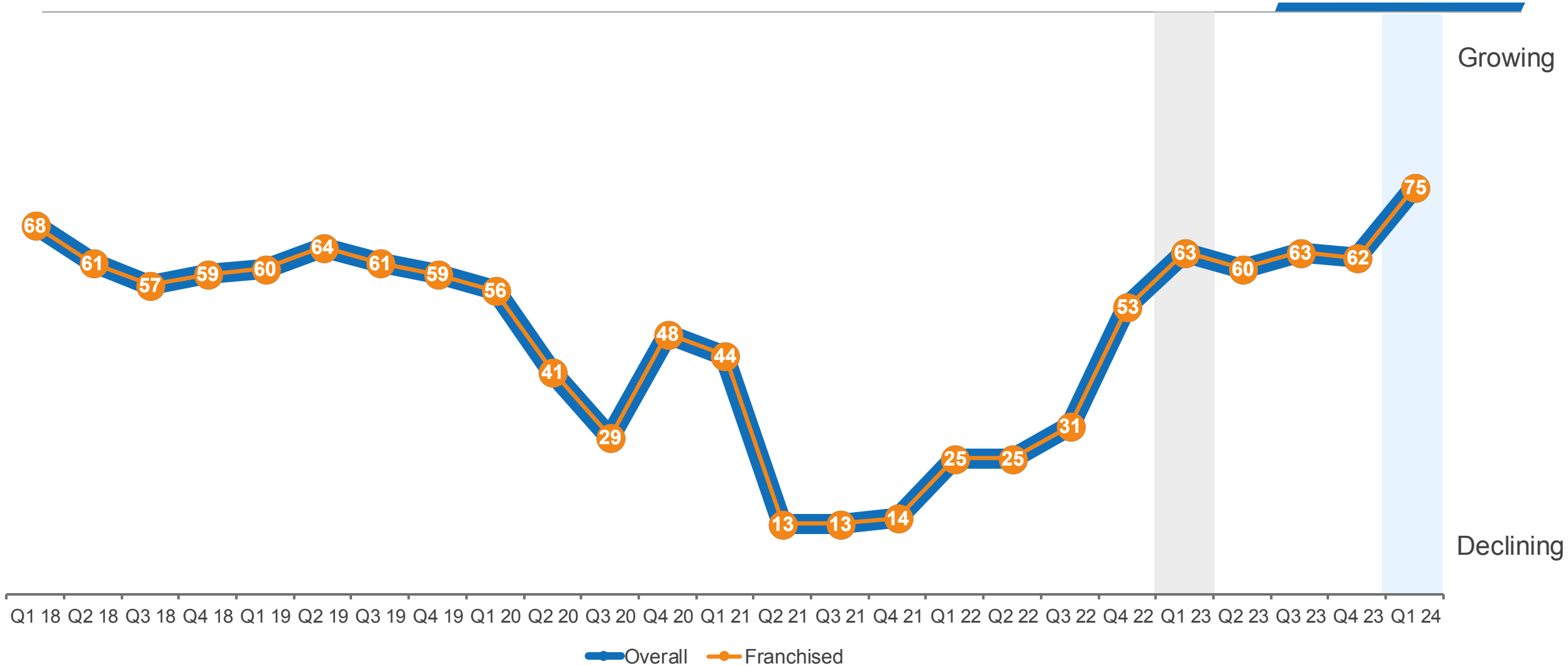
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Note: Scale 1 - 100

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

## Dealer Sentiment Index FIRST QUARTER 2024



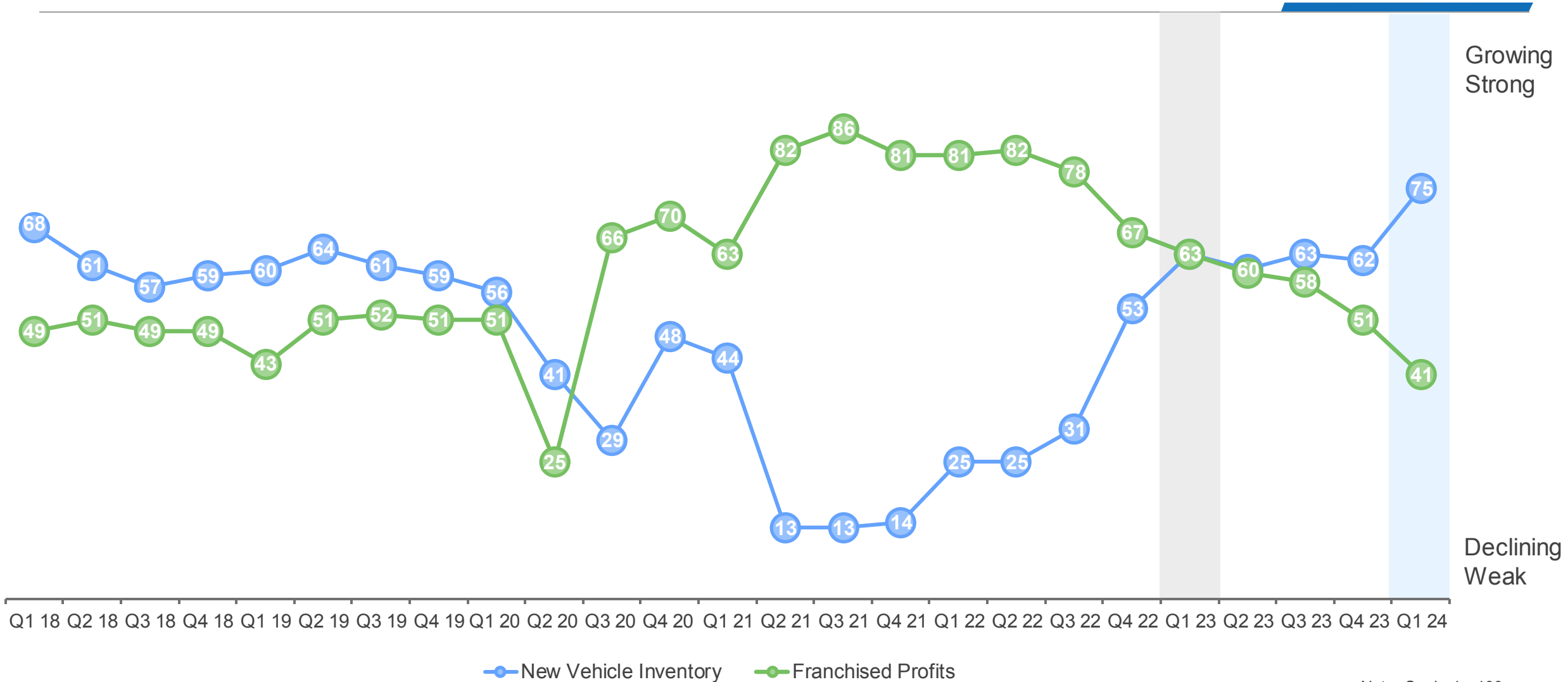
Note: Scale 1 - 100

# 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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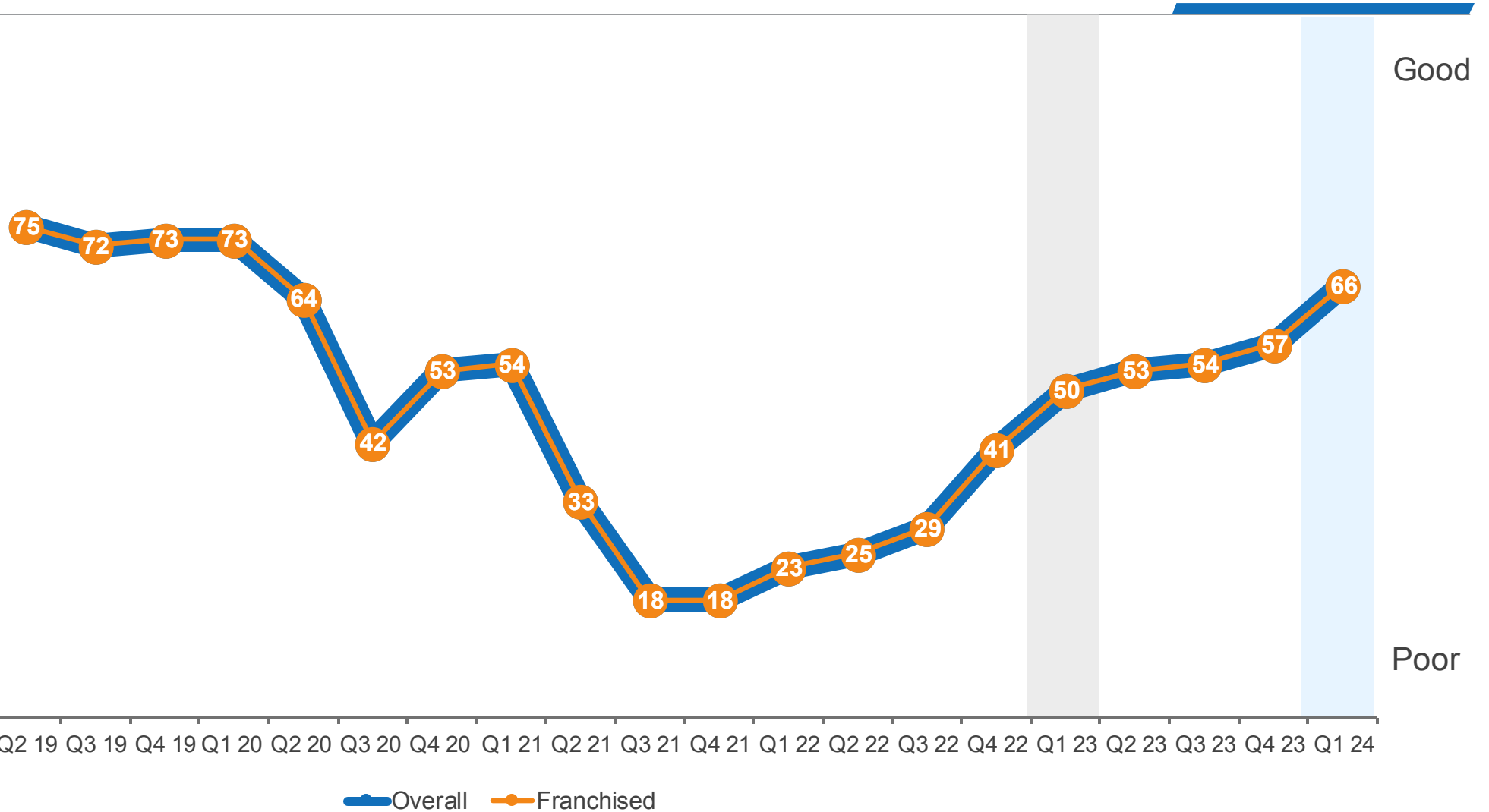


Note: Scale 1 - 100

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

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Note: New question introduced Q2 2019

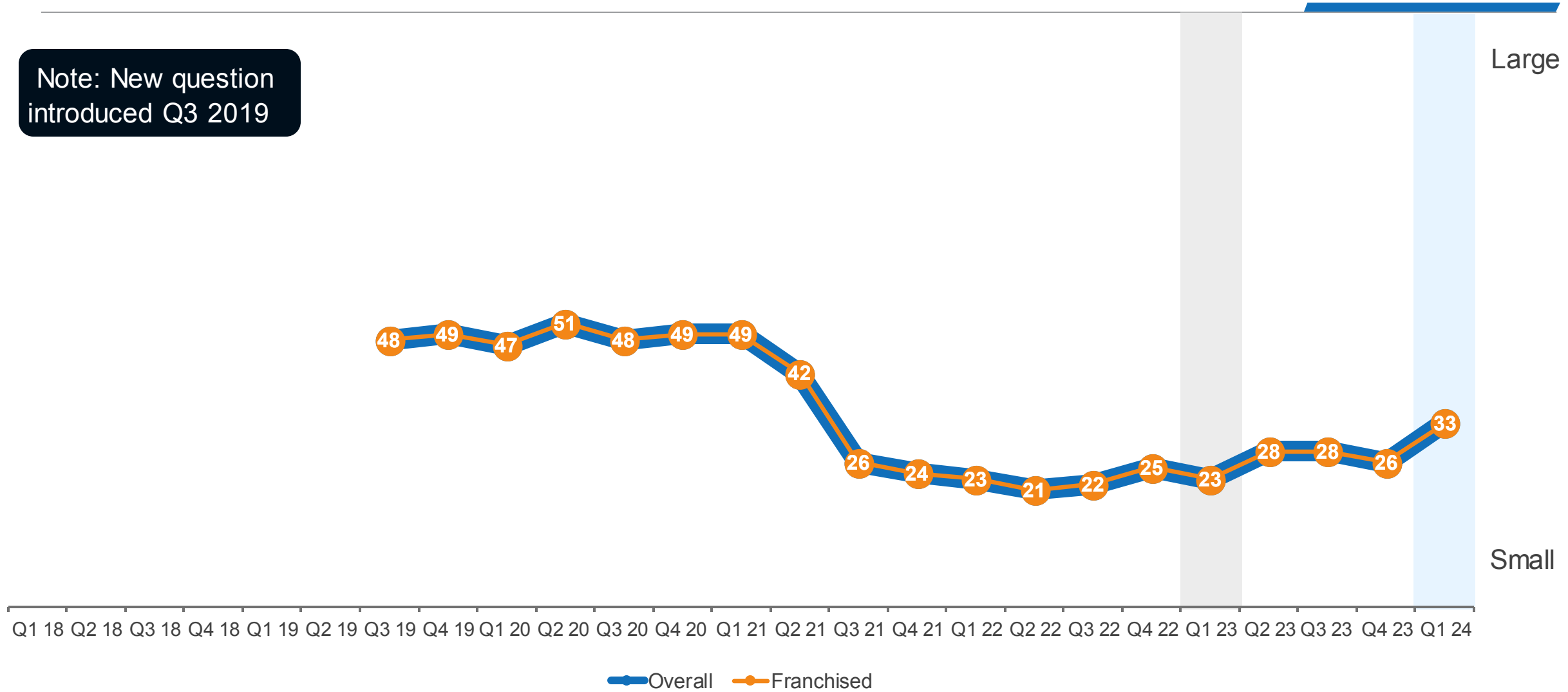


Note: Scale 1 - 100



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

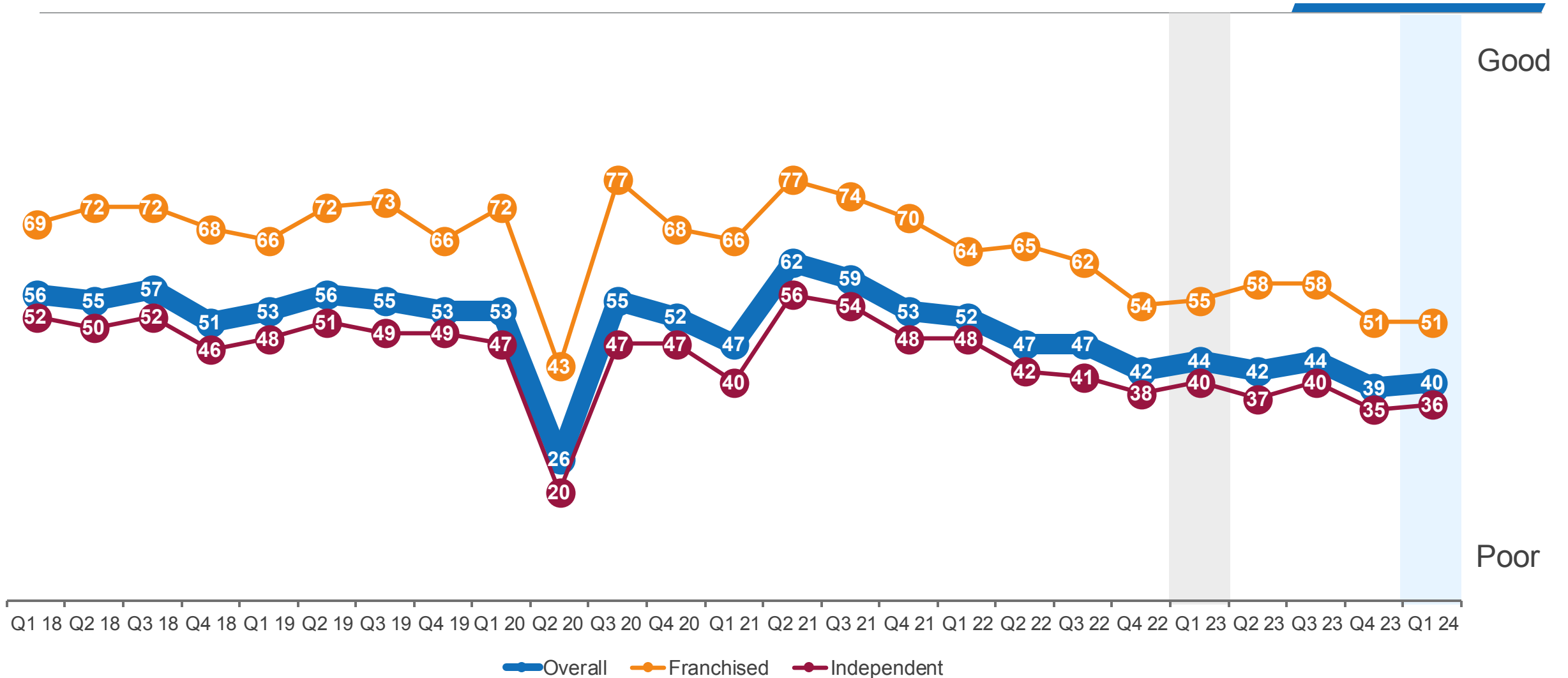
Note: New question introduced Q3 2019



Note: Scale 1 - 100

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

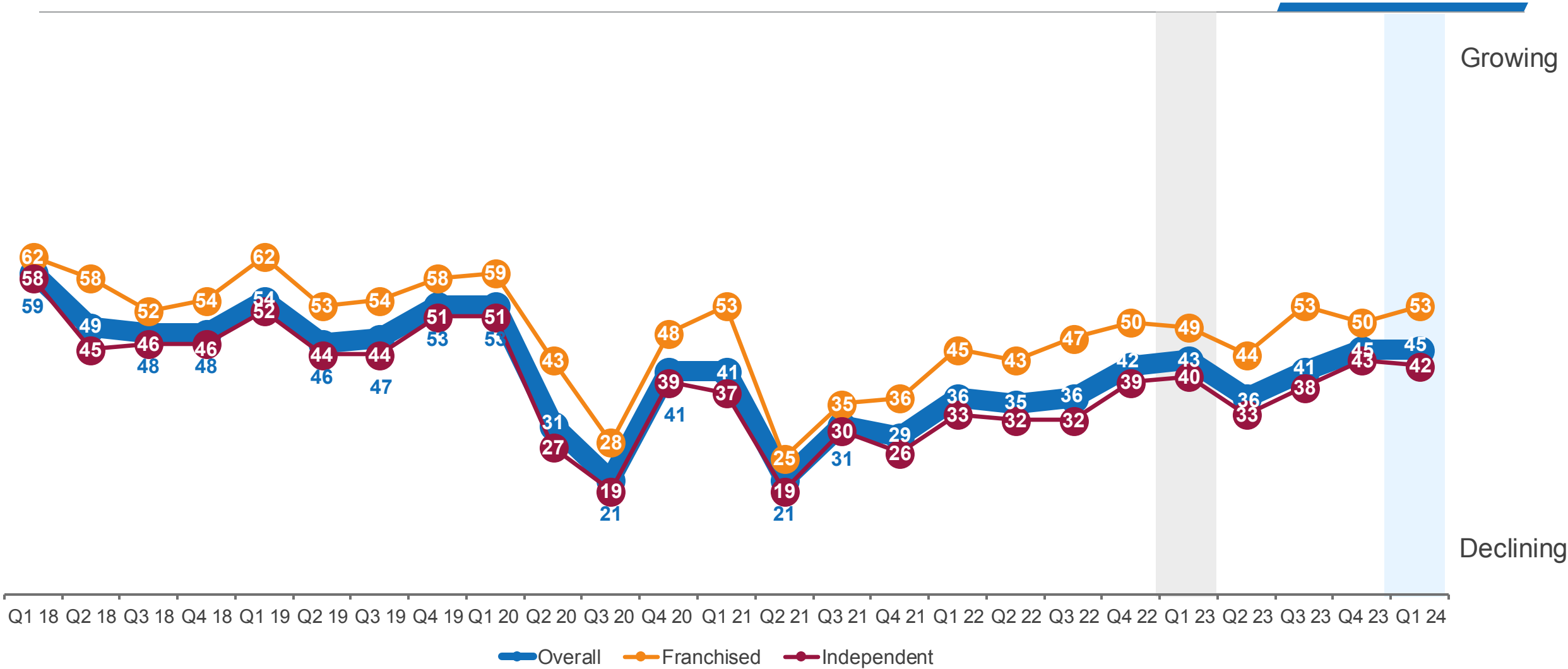
## Dealer Sentiment Index FIRST QUARTER 2024



Note: Scale 1 - 100

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

## Dealer Sentiment Index FIRST QUARTER 2024

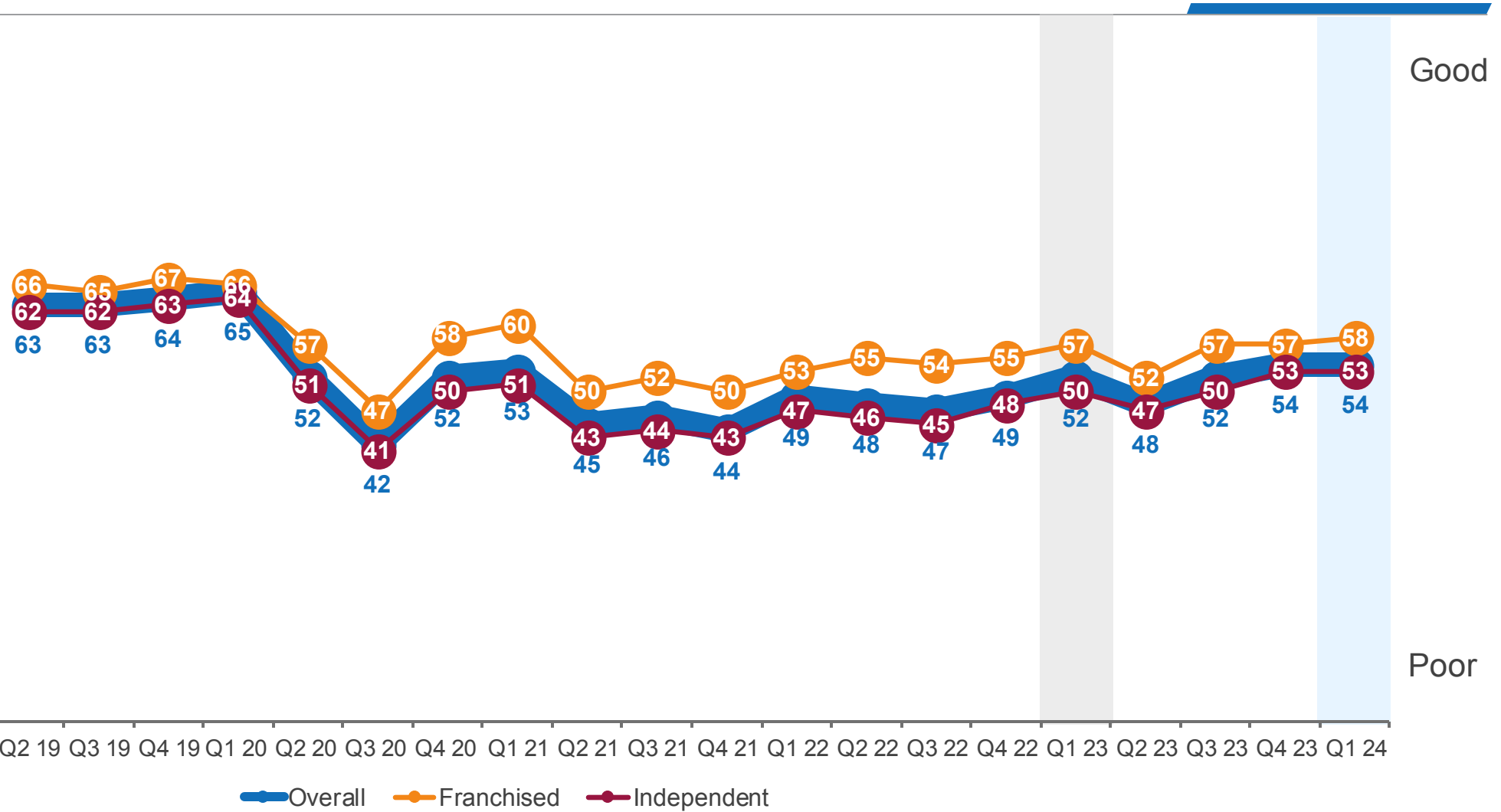


Note: Scale 1 - 100

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

## Dealer Sentiment Index FIRST QUARTER 2024

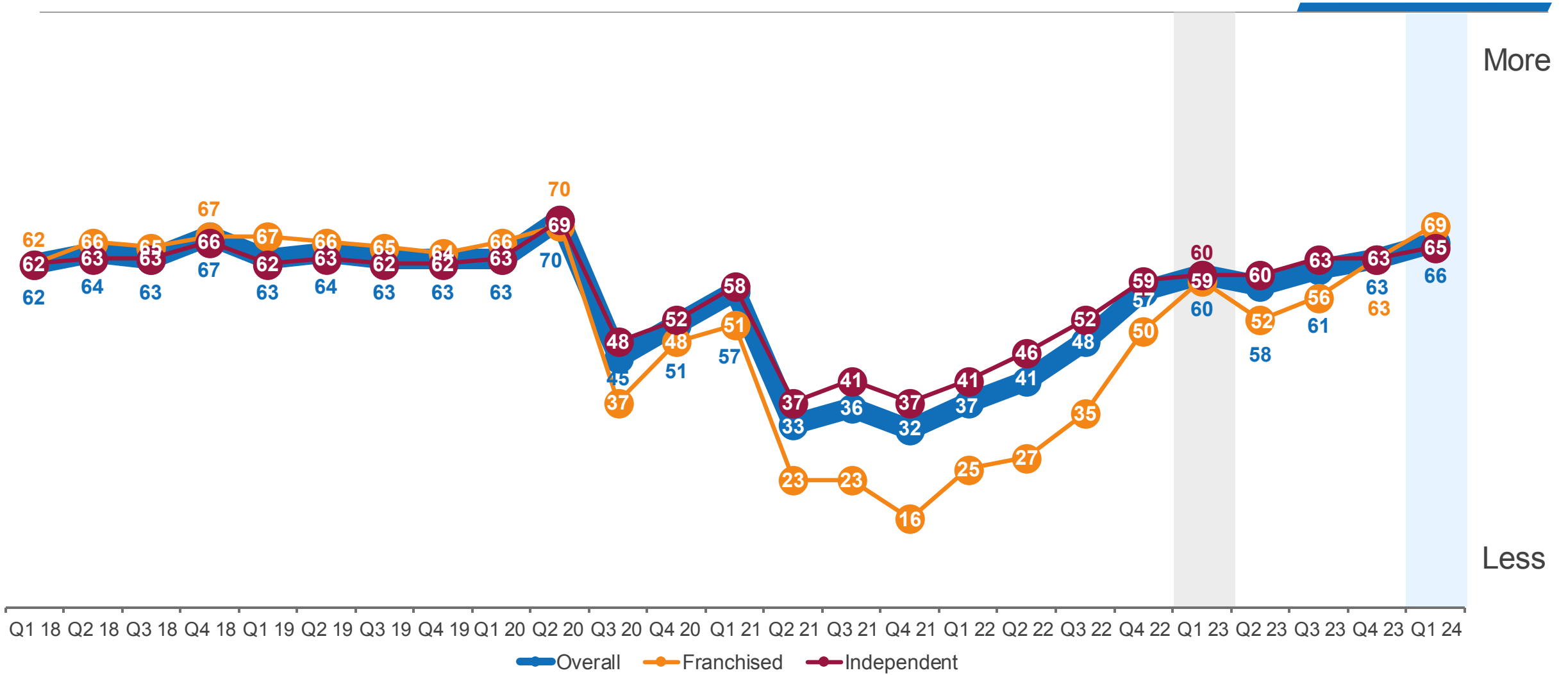
Note: New question introduced Q2 2019



Note: Scale 1 - 100

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

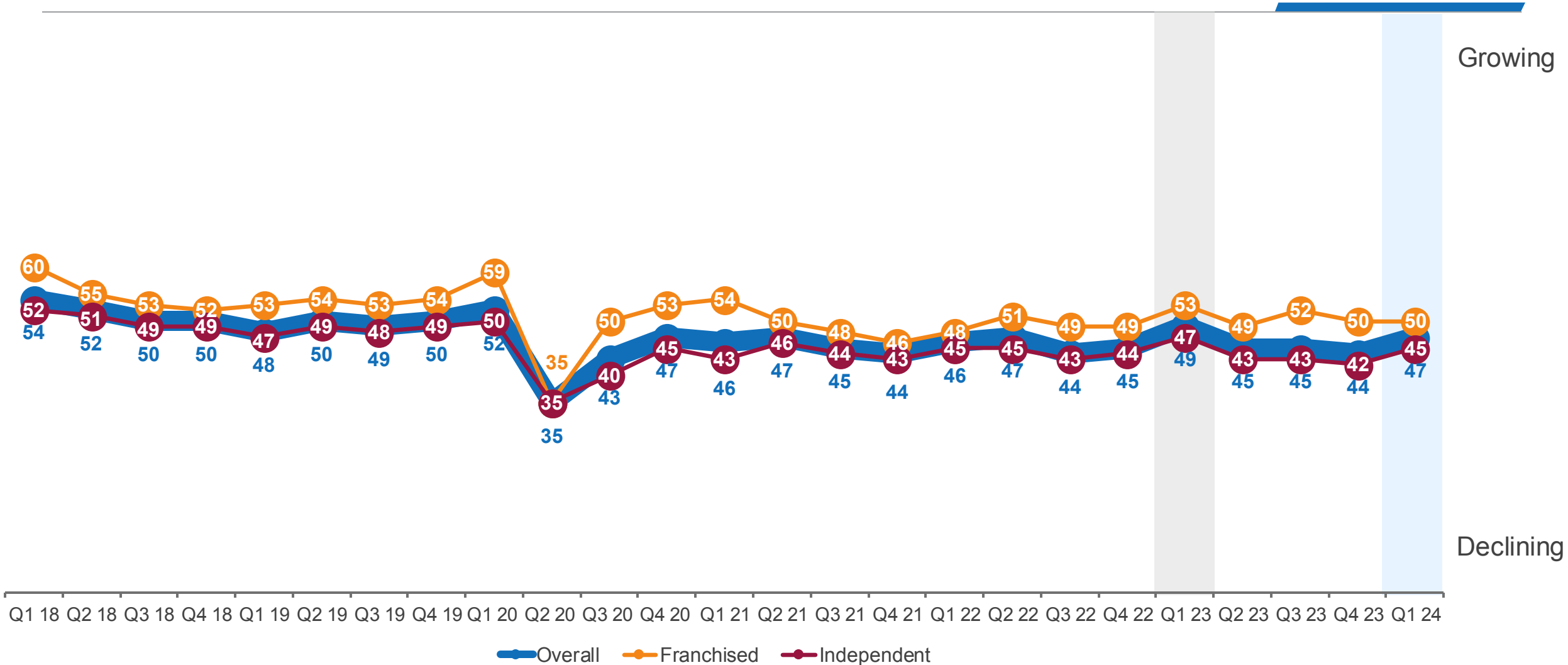
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Note: Scale 1 - 100

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

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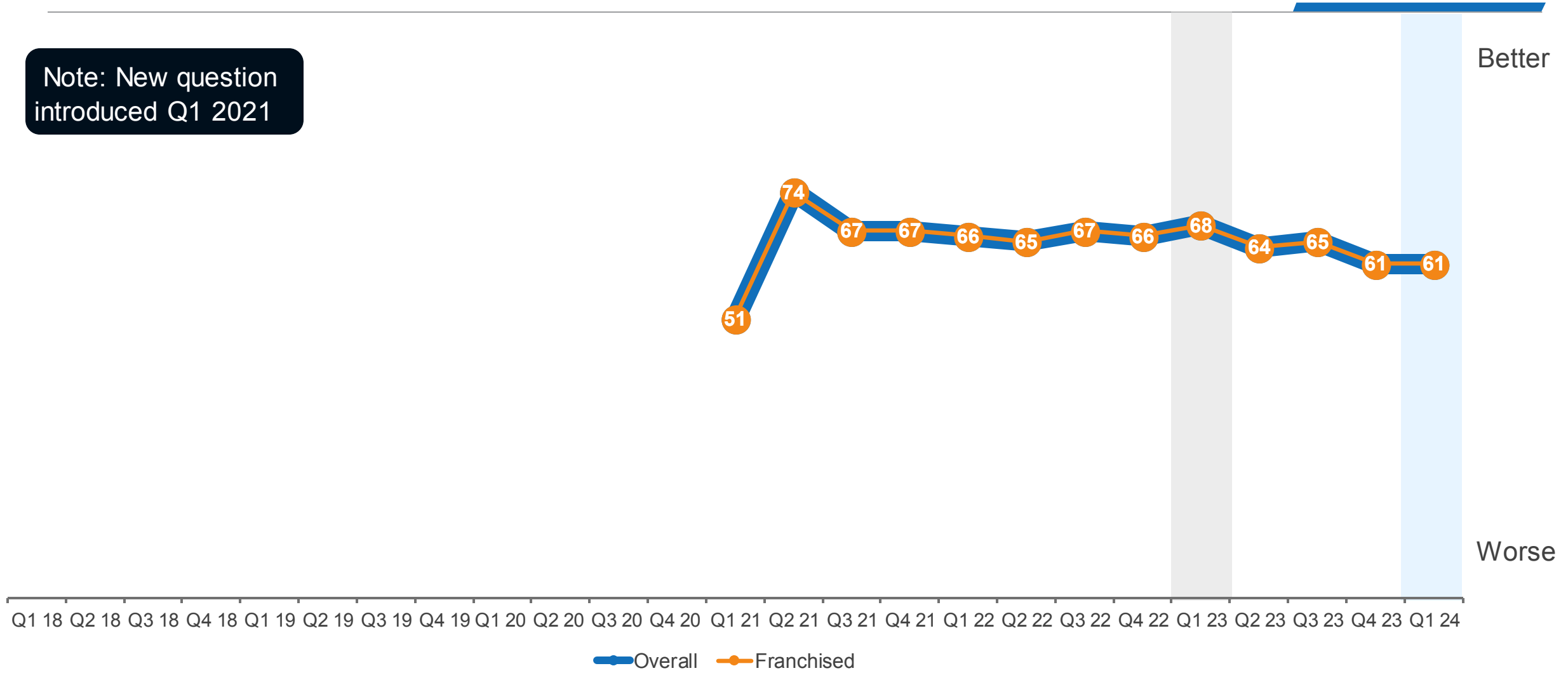


Note: Scale 1 - 100

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

## Dealer Sentiment Index FIRST QUARTER 2024

Note: New question introduced Q1 2021



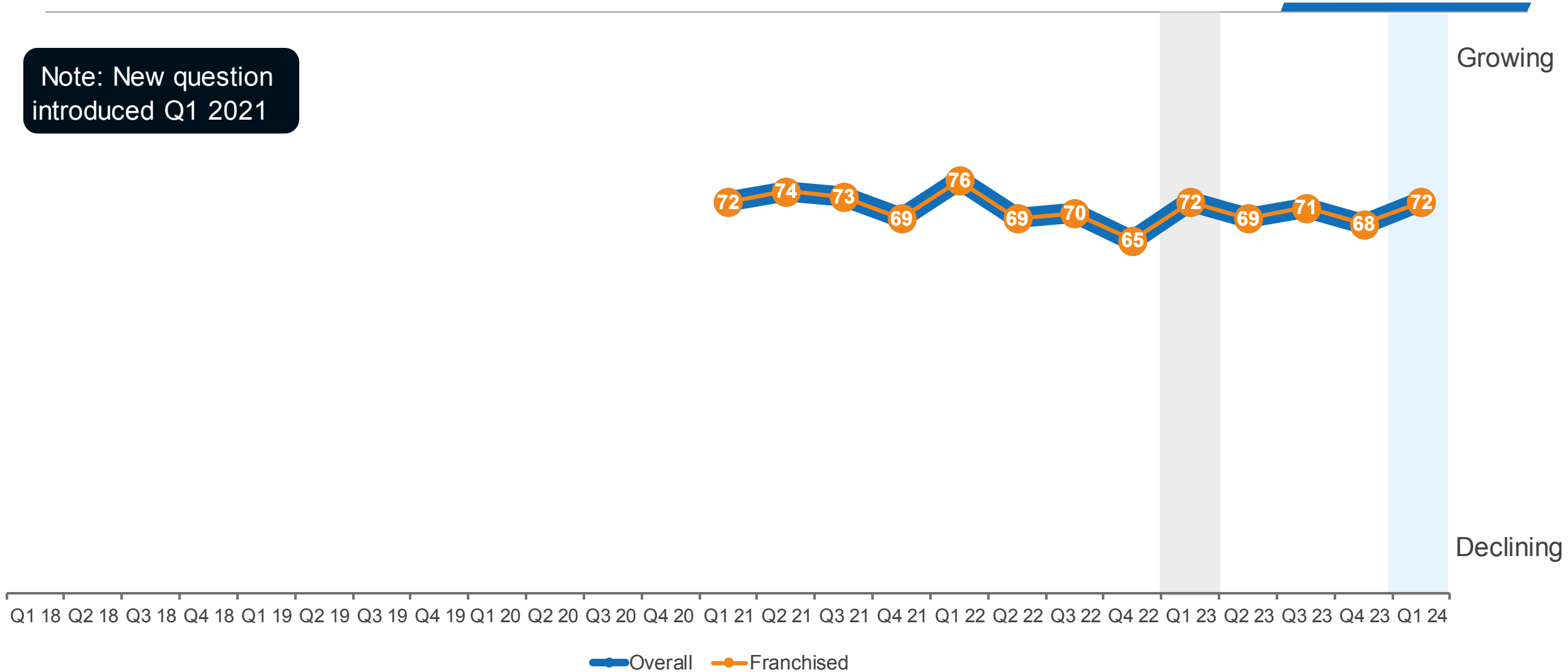
Note: Scale 1 - 100



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

## Dealer Sentiment Index FIRST QUARTER 2024

Note: New question introduced Q1 2021

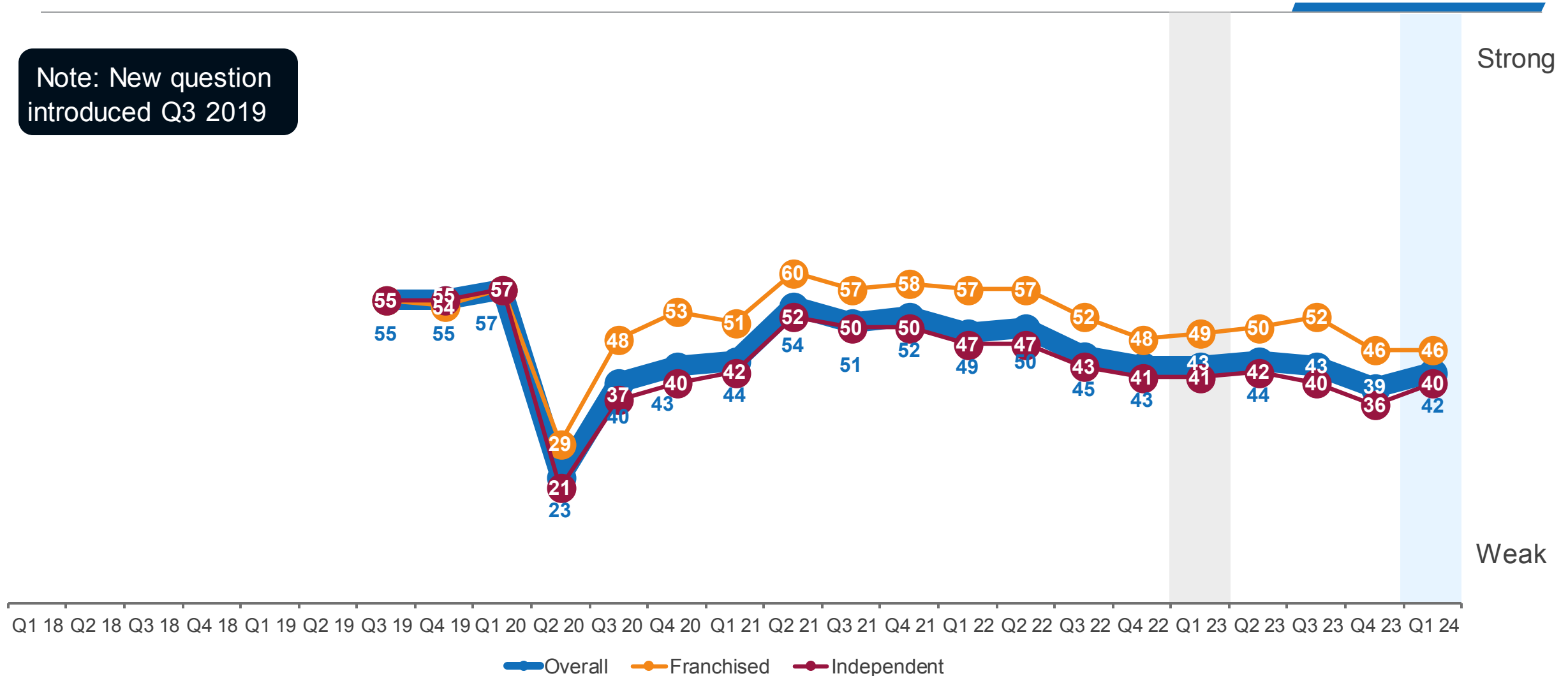


Note: Scale 1 - 100

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

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Note: New question introduced Q3 2019

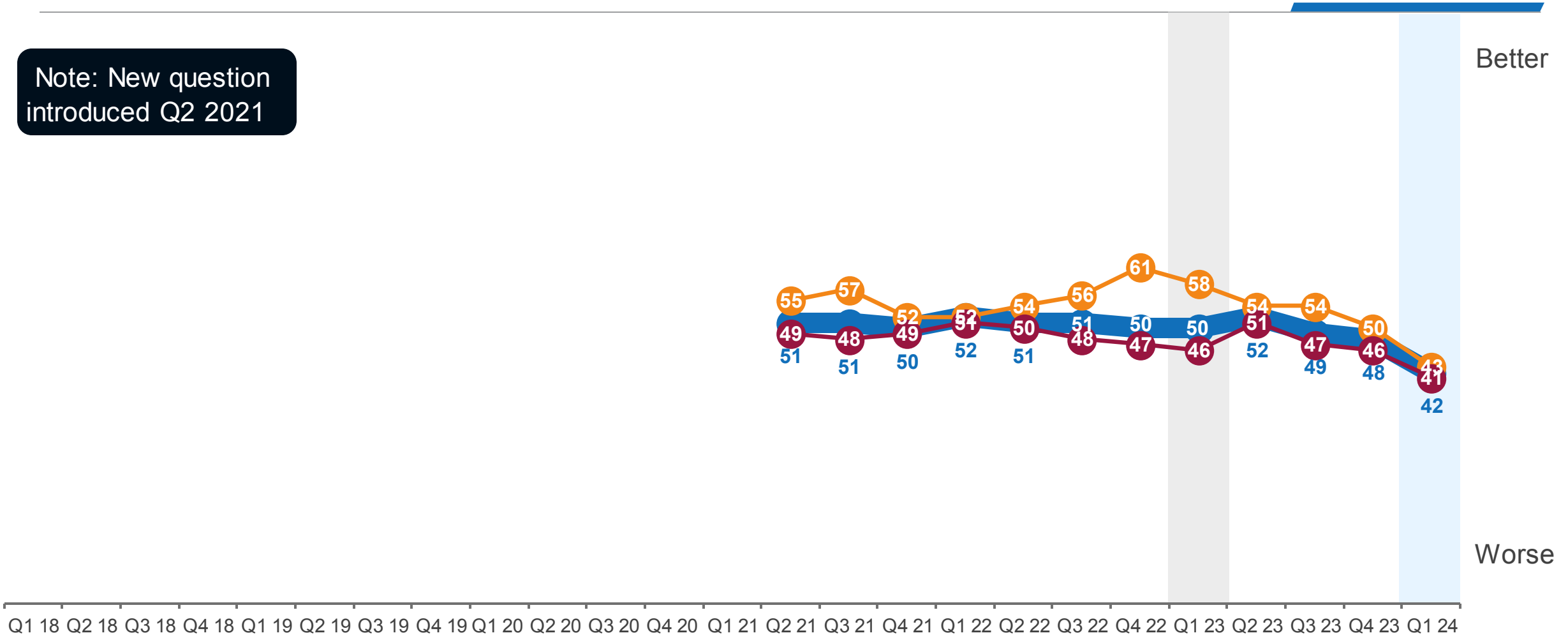


Note: Scale 1 - 100

# 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

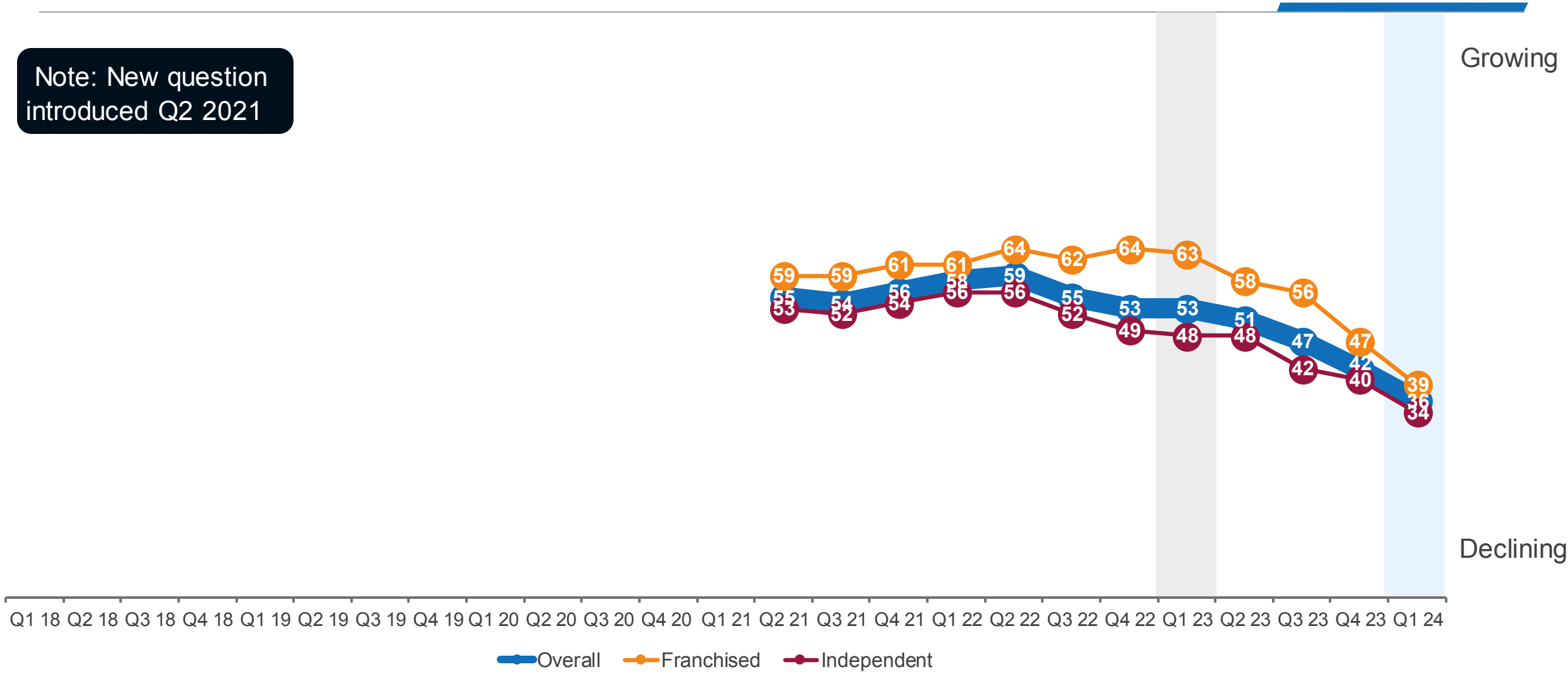
Note: Scale 1 - 100

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



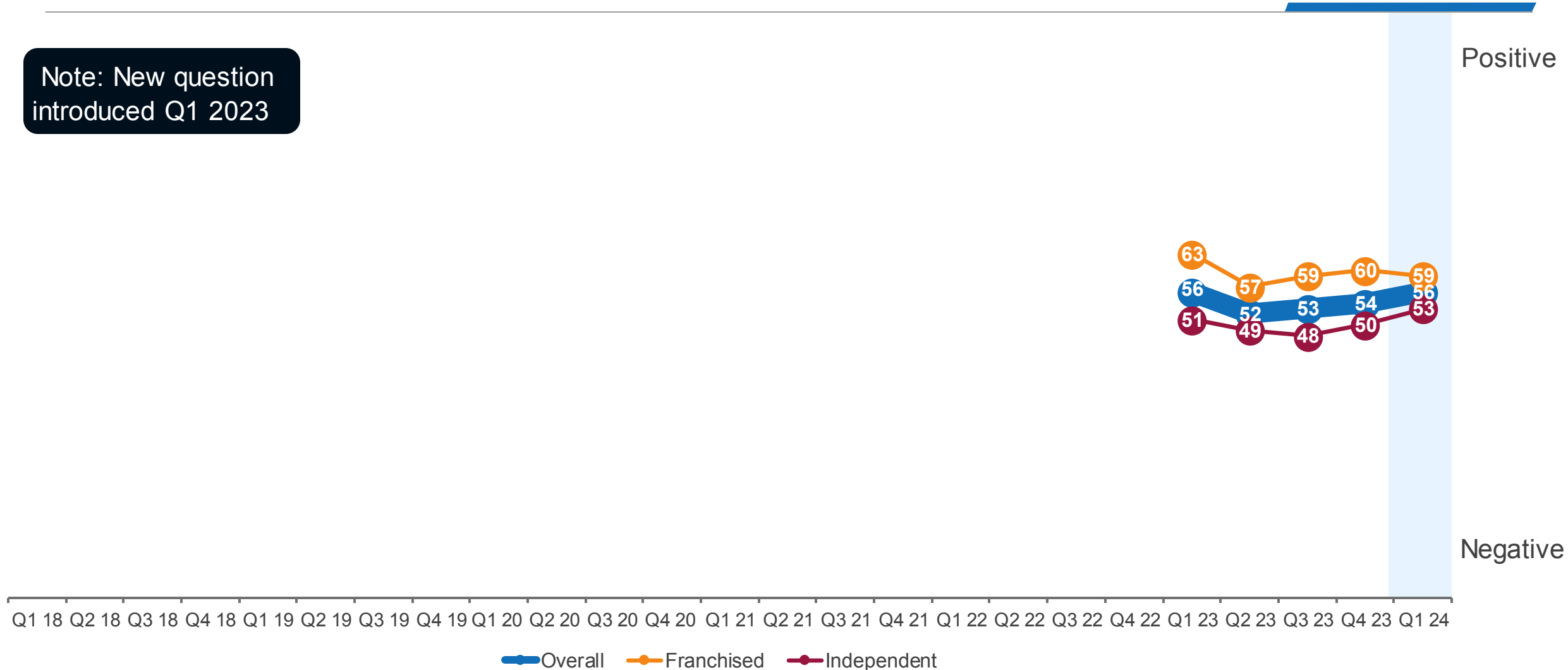
Note: Scale 1 - 100

Q23: 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



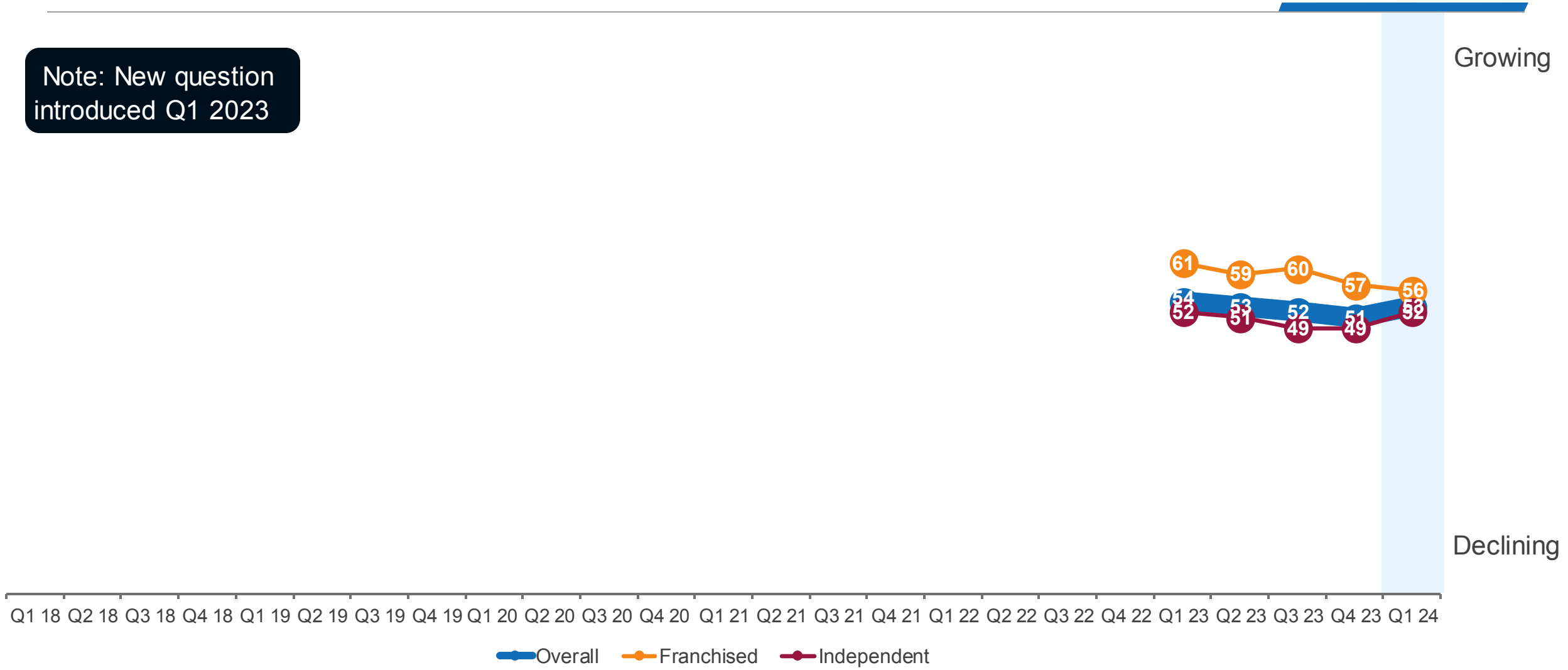
Note: Scale 1 - 100

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?

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Note: New question introduced Q1 2023



Note: Scale 1 - 100

## Factors Holding Back Your Business?

OVERALL RANK

		Q1 '24	Q4 '23	Q1 '23	Q1 '22
1	Interest Rates	62%	65%	55%	5%
2	Economy	55% ↓	61%	54%	37%
3	Market Conditions	40% ↓	48%	42%	40%
4	Political Climate	33%	32%	25%	20%
5	Expenses	32%	31%	29%	23%
6	Credit Availability for Consumers	31%	34%	26%	13%
7	Limited Inventory	31%	33%	43%	62%
8	Consumer Confidence	31%	29%	28%	15%
9	Weather	14% ↑	6%	13%	15%
10	Competition	14%	13%	12%	13%

Significant decrease vs previous quarter



Significant increase vs previous quarter





## Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q1 '24	Q4 '23	Q1 '23	Q1 '22
1	Interest Rates	70%	73%	60%	4%
2	Economy	51%	56%	50%	30%
3	Market Conditions	38%	46%	38%	34%
4	Political Climate	34%	35%	24%	20%
5	Consumer Confidence	32%	31%	27%	13%
6	Lack of Consumer Incentives from my OEM	30%	34%	29%	18%
7	Expenses	23%	20%	17%	11%
8	Credit Availability for Consumers	22%	24%	19%	6%
9	Limited Inventory	21% ↓	31%	42%	68%
10	Weather	20% ↑	4%	14%	16%

Significant decrease vs previous quarter



Significant increase vs previous quarter



## Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q1 '24	Q4 '23	Q1 '23	Q1 '22
1	Interest Rates	60%	63%	53%	5%
2	Economy	56% ↓	62%	55%	39%
3	Market Conditions	41% ↓	48%	44%	43%
4	Expenses	35%	35%	33%	28%
5	Limited Inventory	34%	34%	43%	60%
6	Credit Availability for Consumers	34%	37%	28%	15%
7	Political Climate	33%	32%	25%	20%
8	Consumer Confidence	30%	28%	29%	15%
9	Competition	14%	14%	14%	15%
10	Weather	12% ↑	6%	13%	14%

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	82	81	83
2	Costs/Expenses	81 ↑	78	82 ↑
3	Fixed Operations	69 ↑	65	<b>70 A</b> ↑
4	Vehicle Sales	69 ↑	70	69 ↑
5	Staffing Levels	55	56	54

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	71%	71%	70%
2	Service	54%	65%	44%
3	Finance and Insurance	18%	9%	<b>27% A</b>
4	Parts	16%	21%	12%
5	Management	12%	18%	7%
6	Other	11%	10%	11%
7	Collision/Auto Body	9%	12%	6%
8	Marketing	8%	2%	13%

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

COX AUTOMOTIVE





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

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	48	48	51	49
Market Next 3 Months	Strong/Weak	58	57	54	53
Overall Customer Traffic	Strong/Weak	35	39	39	32
In-Person Customer Traffic	Strong/Weak	35	36	37	31
Digital/Online Customer Traffic	Strong/Weak	48	45	51	43
Profits	Strong/Weak	41	43	43	33
Costs	Growing/Declining	74	72	72	77
New Vehicle Sales	Good/Poor	54	53	53	48
New Vehicle Inventory	Growing/Declining	81	72	72	75
New Vehicle Inventory Mix	Good/Poor	68	62	68	69
Used Vehicle Sales	Good/Poor	50	52	54	48
Used Vehicle Inventory	Growing/Declining	52	55	51	54
Used Vehicle Inventory Mix	Good/Poor	58	59	60	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
Price Pressure	More/Less	70	69	65	72
Staffing	Growing/Declining	52	50	50	47
OEM incentives	Large/Small	35	31	35	29
Economy	Strong/Weak	46	45	45	48
Current Fixed Operations	Better/Worse	63	61	62	59
Future Fixed Operations	Growing/Declining	70	73	72	73
Current BEV Sales	Better/Worse	48	38	39	52
Future BEV Sales	Growing/Declining	43	40	31	44
Dealer Credit	Easy/Difficult	59	60	59	60
Effect BEV Tax Credits Have on BEV Sales	Positive/Negative	55	60	58	65
Extent of Sales Being Done Online Last 3 Months	Growing/Declining	58	56	55	54

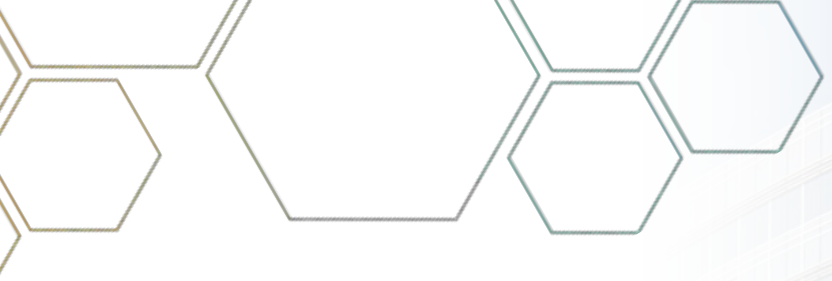


Note: Scale 1 – 100

**GREEN:** Significant increase from prior quarter

**RED:** Significant decrease from prior quarter





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