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Spring Optimism Boosts U.S. Automobile Dealer Sentiment, Despite Weak Profits, Growing Costs

ATLANTA, March 12, 2025 – The Q1 2025 Cox Automotive Dealer Sentiment Index (CADSI) reports that the U.S. automobile dealers' view of current market conditions increased from an index score of 42 in Q4 2024 to 44 in Q1 2025. The survey, conducted in late January and early February, indicates an upward shift in dealer sentiment.

The current market index score increased year over year. However, the score of 44 – below the threshold of 50 – indicates more dealers view the market as weak rather than strong. Franchised automobile dealers had a positive outlook with a score of 54, seeing the market as strong. The Q1 index score rose from 50 last quarter and 49 a year ago. Independent dealers rated the current market as weak, with a score of 42, although this was higher than last quarter and last year.

"Certainly, a theme that continues through all of the findings is that the first quarter is better than a year ago for sure," noted Cox Automotive Chief Economist [Jonathan Smoke](#). "Even though we have some risks about the future, and it's not exactly a straightforward bet for improvement by dealers, the sentiment at the time of this survey was certainly more positive than it was a year ago."

Market Outlook Reaches Highest Score Since 2022

The market outlook index improved in Q1, rising for the second consecutive quarter to 58, its highest score since 2022. This increase reflects optimism for the spring selling season. A score of 58 indicates more dealers anticipate a strong market in the next three months.

"At the time of this survey, U.S. automobile dealers were feeling pretty good about the market," added Smoke. "A combination of positive factors has been working in the dealers' favor – inventory is healthy, and consumers have some urgency to buy. At least as we head into spring, conditions are favorable. However, considering the administration's current and shifting tariff stance, how long this momentum will last is unclear."

Profit Index Declines, Cost Index Holds Steady

The profit index dropped from 35 in Q4 to 34 in Q1, reflecting dealers' perception of weak profits. This is just one point above the all-time low of 33 in Q1 2024 (excluding Q2 2020 during the pandemic) and has been weak for over two years.

For franchised dealers, the profit index declined from 45 in Q4 to 41 in Q1, matching the low score set one year ago (excluding Q2 2020). Independent dealers' profit index remained unchanged from last quarter but stayed near an all-time low due to perceived weak profitability.

On a positive note, the cost index in Q1 held steady quarter over quarter at 71 and was lower than the year-ago level. Still, even as the cost index in Q1 was unchanged from last quarter and lower than year-ago levels (73), most dealers continue to indicate that the cost of running their business is growing.

New-Vehicle Sales Index Unchanged from Q4, Higher Year Over Year

Franchised automobile dealers reported a good sales environment during the survey. The Q1 new-vehicle sales index remained at 54, higher than last year's 52. According to Cox Automotive's Kelley Blue Book,

new-vehicle sales picked up in Q4 2024 and stayed steady through January when the Q1 CADSI was measured.

In the Q1 survey, the new-vehicle inventory index fell sharply to 63 from last quarter's 73, the second-highest point ever. The new-vehicle inventory index peaked at 75 in Q1 2024. The current index score indicates that franchised dealers continue to view their new-vehicle inventory as growing. However, the growth rate has dropped significantly compared to the previous year and last quarter.

Used-Vehicle Sales Index Improves for Fifth Straight Quarter

The used-vehicle sales index rose to 45 in Q1, up one point from Q4 and five points higher than a year ago. This marks the fifth consecutive quarter of improvement. Franchised dealers rated the market better than independent dealers, with an index of 58 in Q1, up from 51 a year ago, indicating most see the market as good.

With an index score of 41, independent dealers view the used-vehicle sales environment as challenging. The index score for independent dealers has been improving steadily for over a year. A year ago, the index score was 36, which was close to the all-time low of 35 (excluding Q2 2020 when it fell to 20).

The used-vehicle inventory index improved for the second straight quarter. With a score of 47, more dealers perceive used-vehicle inventory as decreasing rather than increasing. Franchised dealers have reported an increase in used inventory, reflected by an index score of 55. In contrast, independent dealers are facing greater inventory challenges, as indicated by an index score of 45.

The mix of used-vehicle inventory at the time of the survey was good, according to both franchised and independent dealers. The score of 58 is higher than year-ago levels and above last quarter.

Mixed Views on Electric Vehicle Sales and Market Expectations

Dealers' views on electric vehicle (EV) sales improved in Q1 compared to the previous quarter and last year. However, at an index of 47, many dealers feel EV sales are worse now than a year ago. Franchised dealers scored 51, up from 43 last year, marking their highest score since Q3 2023. Independent dealers also saw an improvement over the past year and last quarter, but their score of 45 indicates more believe sales are worse now than a year ago.

Expectations for the electric vehicle market rose in Q1. However, a score of 40 indicates that most dealers anticipate the electric vehicle market will decline, rather than grow, over the next three months. Despite this, dealers continue to view the electric vehicle tax credit favorably, citing its benefits for both dealerships and sales. Notably, scores for franchised dealers dropped from a record high of 67 last quarter to 64 this quarter. Overall sentiment also saw a slight decrease from 60 to 59. Nevertheless, a score of 59 still reflects that a majority of auto dealers believe the electric vehicle tax credit is positively influencing EV sales.

Dealer Sentiment on U.S. Economy Remains Weak Despite Slight Improvement

Views of the U.S. economy improved slightly quarter over quarter in Q1, although more dealers view it as weak rather than strong. Over the past year, the view of the economy has remained stable but is much lower than pre-pandemic levels. The current index score is 42, indicating most dealers feel the economy is weak, compared to a score of 57 just before the pandemic in Q1 2020, when it was considered strong.

Interest Rates and the Economy Continue to Hold Back Business

In Q1 2025, Interest Rates were back on top as the leading factor holding back business. In the latest survey, 52% of dealers noted Interest Rates were holding back business, unchanged from Q4 2024 but

down from 62% a year ago. The Economy dropped to No. 2 on the list, mentioned by 45% of dealers, down significantly from 56% in Q4 and 55% a year earlier. Market Conditions remained in the third spot at 36%, down from 40% in Q1 2024. Expenses (29%) and Consumer Confidence (26%) round out the top five factors.

Top Factors	Overall Rank	Q1 2025 Percentage	Q1 2024 Percentage
Interest Rates	1	52%	62%
Economy	2	45%	55%
Market Conditions	3	36%	40%
Expenses	4	29%	32%
Consumer Confidence	5	26%	31%
Credit Availability for Consumers	6	26%	31%
Limited Inventory	7	26%	31%
Cost of Vehicle Insurance for Consumers	8	22%	N/A
Political Climate	9	21%	33%
Weather	10	18%	14%

A new factor added this quarter, Cost of Vehicle Insurance for Consumers, came in eighth on the Top 10 list, just ahead of Political Climate. Twenty-two percent of dealers noted that the Cost of Vehicle Insurance for Consumers is holding back their business. Independent dealers, more than franchised dealers, felt that the Cost of Insurance was holding back business.

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 2025 CADSI is based on 969 U.S. auto dealer respondents, comprising 530 franchised dealers and 439 independents. The survey was conducted from Jan. 28 to Feb. 10, 2025.

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 +/- 3.15% margin of error.

[Download the full results](#) of the Q1 2025 Cox Automotive Dealer Sentiment Index.

About Cox Automotive

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