**Navigating Uncertainty: Q2 2025 Cox Automotive Dealer Sentiment Index Shows Market Momentum and Tariff Concerns**

The Q2 2025 Cox Automotive Dealer Sentiment Index (CADSI) reveals a mixed bag of results. Franchised and independent dealers view conditions differently, with franchised dealers feeling better about current shopping traffic and improving sales, but all dealers expressing concerns about future market conditions. The results of the quarterly survey, conducted in late April and early May, show a market enjoying the near-term benefits of a higher sales pace but also anticipating the tough realities of a slowing market and an uncertain future. As expected, newly implemented trade policies by the Trump administration play prominently in the survey results.

The overall current market index stands at 42 in Q2 2025, according to CADSI, indicating that more dealers perceive the market as weak rather than strong. The score in Q2 is down from 44 in Q1 and equal to the index score of one year ago. However, franchised dealers are notably more positive about the current market than independent dealers, with an increasing score of 56, up from 54 in Q1; independent dealers remain cautious with a declining score of 37, down from 42 in Q1. This divergence in current market sentiment highlights the varying experiences and expectations within the industry today.

“Dealers have a front-line view of the U.S. auto market, which appears to be at an inflection point,” noted Jonathan Smoke, Chief Economist at Cox Automotive. “The recent sales pace has been a positive, lifting current market sentiment higher for franchised dealers. But as we’ve said before, 2025 is going to be a roller coaster for this industry, and the market could be a lot more hair-raising in the months ahead.”

**Market Outlook: Significant Declines in Expectations for the Future**

The market outlook index – which measures expectations for the auto market in the next three months – dropped after two quarters of improvement, falling significantly from 58 to 45 and landing just one point higher than year-ago levels. The score of 45 indicates dealers feel the market ahead will be weak, not strong. Franchised dealers, however, expect the market over the next three months to be strong, with a score of 56, down from 61 last quarter. Independent dealers on the other hand expect the future market to be weak, with a score of 42, down significantly from 57 in Q1.

> *“As long as employment and the economy stay where they are, I don't see sales being significantly impacted in the next three months.”* – Honda Dealer, Midwest
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> *“Things are going to be changing in the second half of the year with possible recession and prices soaring on new and used cars.”* – Toyota Dealer, West

**Customer Traffic: A Surge in Engagement Across Channels**

With the new tariff policy coming into play, vehicle sales were healthy in March and April, and that health is apparent in the Q2 2025 CADSI data. The index for customer traffic increased to 37 in the last survey, up from 33 in Q1 and higher than year-ago levels.

Both in-person and online customer traffic improved in the Q2 survey, particularly with franchised dealers. The in-person traffic score for franchised dealers jumped significantly from 39 in Q1 to 49 in Q2. The 10-point jump was the largest increase since the question was introduced in Q3 2022.

*"People are buying cars because they think tariffs are coming."* – Mazda Dealer, Northeast

*"We don't seem to be slowing down. New car sales are picking up due to fear of tariffs."* – Toyota Dealer, South

**Profitability and Costs: Pressure Persists**

The profit index reflects a further gap in how the two distinct groups of dealers view the auto market today. The profit index improved in Q2, jumping from 34 to 39, and the Q2 2025 score was the highest in more than a year. Both franchised and independent dealers reported stronger profits in Q2, again with franchised dealers showing the most improvement, increasing significantly from 41 in Q1 to 52. The Q2 score was also a notable 9 points higher than year-ago levels and suggests more franchised dealers now view their profits – for the first time in more than a year – as strong, not weak. On the other hand, independent dealers continue to hold a different view, with most saying profits are weak. The Q2 score improved a modest three points to 35, one point higher than year-ago levels.

Reflecting ongoing pressures from rising operational costs, the cost index in Q2, at 71, was five points lower than in Q2 2024, when it was 76, which was just one point below the all-time high of 77 in Q3 2024. Both franchised and independent dealers feel the pressure of rising costs, but franchised dealers report slightly lower cost burdens with a score of 70 compared to 72 for independent dealers.

*"Scarcity is driving pricing power. And people are still buying cars."* – Toyota Dealer, Northeast

*"Cost to obtain inventory is higher. Transporting sold cars is way up. Seems most 3rd party vendors have had steady price increases. Everything is more expensive today that it was even three months ago."* – Audi Dealer, South

*"I think the overall effect of inflation. Everything everywhere has gone up. All of our advertising cost, software company, internet, mechanic fees."* – Independent Dealer, South

**Sales Environment: Market Urgency Drives Higher Scores**

The new-vehicle sales index improved to a strong 62 in Q2, indicating good market conditions and an improvement from the score of 54 in the previous quarter. The new-vehicle sales index score in Q2 was the highest since early 2021. According to Cox Automotive's Kelley Blue Book, new-vehicle sales in March and April were strong, with the seasonally adjusted annual rate (SAAR) above 17 million in both months, the highest sales pace since early 2021.

The used-vehicle sales index also improved in Q2, increasing one point to 46, marking the sixth consecutive quarter of growth. Still, the score of 46 suggests most dealers continue to view used-vehicle sales as poor, not good. Franchised dealers are significantly more positive about used-vehicle sales, with a score of 61, up 3 points from the prior quarter; for independent dealers, the used-vehicle sales index score of 41 was flat from Q1. These scores again showcase the different views franchised and independent dealers have of the current market.

"*More inventory and a bigger selection to choose from has helped with buyers looking for specific vehicles*." – GMC Dealer, Northeast

*"Customers seem to be holding off on major purchases right now.  Wallets are tight with the economic uncertainty."* – Nissan Dealer, Northeast

*"Markets are incredibly unstable, and nobody can predict what Trump will do. Everyone is in a holding pattern, and spending is decreasing for consumers."*  – Independent Dealer, Midwest

**Inventory: Higher Sales Lead to Declines Across New and Used, Less Price Pressure**
Higher vehicle sales in March and April resulted in tighter inventory levels across the industry, according to the latest CADSI results. In the Q2 survey, a significantly higher number of franchise dealers noted their inventory was declining, not growing. The new-vehicle inventory index score plunged to 50 in Q2, down from 63 in Q1 and 73 in Q4 2024. The new-vehicle inventory score of 50 was the lowest since late 2022.

Likewise, current used-vehicle inventory levels were also seen as declining in Q2, not growing. The used-vehicle inventory score of 41 was down from 47 in Q1. Both franchised and independent dealers consistently reported declining, not growing, inventory.

Importantly, dealers reported feeling less pressure to lower prices as inventory declined. The price pressure score dropped from 63 in Q1 to 57 in Q2. Still, the index score of 57 suggests that dealers continue to feel more pressure to lower prices, but in Q2, this was far less pronounced than in the previous quarter and year.  A year ago, the price pressure index was 65. In Q2, franchise dealers also reported that automaker-supported incentive levels held steady, with an index score of 38. While this level still suggests that dealers view current incentive levels as small, not large, it is consistent with Q1 and higher than year-ago levels.

*"We have a good inventory mix. We stocked up anticipating better sales in January and February and flooring was starting to be a factor. March and April sales have helped to clear out the excess inventory."* – Ford Dealer, West

*"Still a lot of inventory. Manufacturers are trying to scare you into taking more vehicles because of the looming tariffs."* – Infiniti Dealer, Midwest

*"Factories are not giving the necessary amount of lower-priced SUVs that I need to service my clients."* – Chevrolet Dealer, Midwest

**Electric Vehicle Sales: General Pessimism Continues**
While electric vehicle (EV) sales continue to increase slowly, dealers note that current EV sales are worse, not better, than a year ago. The EV sales index dropped to 44 in Q2, down from 47 last quarter. Both franchised and independent dealers' index scores declined. Looking ahead, index scores for the future EV market also declined, falling to 37 from 40. The EV market outlook score fell to 38 for franchised dealers, down from 39 in Q1 and the lowest point since the question was introduced in 2021.

Dealers continue to believe the current electric vehicle tax credits are positively affecting the market. In fact, in Q2, the index score for the EV tax credits reached an all-time high of 62, up from 57 one year ago. The score of 62 indicates a majority of auto dealers feel the tax credits are having a positive effect on the market.

> *"Consumers are more familiar with EVs than they were a year ago. As more of these vehicles continue to be produced and sold, people are less afraid to move away from ICE vehicles."* – Independent Dealer, West

> *"People have more confidence in them, and because incentives are probably going away under this administration, people are trying to take advantage while they can."* – Chevrolet Dealer, Midwest

> "*Sadly, BEV technology has become a politically charged topic. Some folks accept the technology; however, many now fear and openly reject BEV due to limited support infrastructure (charging centers, etc.), fear of being 'targeted' (i.e., vandalized) - but most importantly, fear of plummeting value and inability to repair anything but the simplest of issues."* – Independent Dealer, West

**Economy: A Mixed Economic Landscape**

Views of the current U.S. economy declined one point in Q2, falling to 41, suggesting more dealers view the market as weak, not strong. The score was unchanged from one year ago and has mostly held steady for six straight quarters. For franchised dealers, the index score for the economy held steady at 48; the index for independent dealers declined 2 points in Q2 to 38.

> *"Inflation really seems to have impacted folks. The up and down in the stock market is also affecting people's confidence and fears of a recession seem to be increasing."* – Independent Dealer, Midwest

> "*Considering the losses everyone with a 401K has taken along with the huge losses for all investors, consumer spending on high-ticket items is declining. Talks of recession are never good for business*." – Audi Dealer, South

**Factors Holding Back Business: Politics and Tariffs Jump Higher**

According to the Q2 2025 Cox Automotive Dealer Sentiment Index, the U.S. Economy – mentioned by 51% of all dealers – is the top factor holding back business, moving back above Interest Rates (42%). Political Climate and Tariffs on Imported Vehicles and Parts both jumped significantly in the latest survey, moving to No. 4 and No. 5, respectively. Market Conditions was No. 3.

Among franchised dealers, Political Climate and Tariffs were particularly notable. In fact, 41% of dealers surveyed noted that the Political Climate is holding back their business. Political Climate is now ranked No. 3 on the Top 10 list among franchised dealers, up from No. 5 in Q1 at 26%. Tariffs on Imported Vehicles and Parts, now at No. 4, was noted by 40% of franchised dealers, up from only 9% in Q1, when the factor was not even among the Top 10.

In fact, among franchised dealers who expected future market conditions to be weak, 48% included the word "tariffs" in the verbatims at some point, suggesting the current administration's policies on imported vehicles is front of mind for dealers concerned about the market in the coming months.

For independent dealers, when asked about factors holding back business, Expenses, Limited Inventory and Consumer Confidence were ranked higher than both Politics and Tariffs.

> *"The market has been very unstable with the current political whiplash going on. Tariffs today. No tariffs tomorrow. No, wait. Tariffs are back on. We're going to lower interest rates one day. The next day, maybe we should raise them instead."* – Chevrolet Dealer, Midwest

**Cox Automotive Dealer Sentiment Index Methodology**

The Cox Automotive Dealer Sentiment Index (CADSI) is derived from a quarterly survey issued to a representative sample of franchised and independent auto dealers across the United States. The Q2 2025 CADSI is based on responses from 977 dealers, including 496 franchised and 481 independent dealers.

The survey, conducted from April 22 to May 5, 2025, measures dealer perceptions of current retail auto sales and sales expectations for the next three months as "strong," "average," or "weak." Responses are weighted by dealership type and sales volume to represent the national dealer population. Indices are calculated by assigning values to responses: 100 for strong/increasing, 50 for average/stable, and 0 for weak/decreasing. Respondents who select "don't know" are excluded from the index calculation. The reported metrics have a margin of error of +/- 3.14%.