

Q3 2025 Cox Automotive Dealer Sentiment Index: Cautious Optimism Emerges as Dealers Brave Economic Headwinds

While concerns over economic uncertainty and consumer confidence persist, overall auto dealer sentiment remained steady in Q3, according to the latest findings in the Cox Automotive Dealer Sentiment Index. The market outlook for the next three months was significantly higher than it was last year. The new-vehicle sales environment index was down directionally from last quarter but up significantly year over year. However, overall consumer traffic weakened significantly since the spring surge in Q2, according to the latest survey. The survey revealed dealer costs continue to grow, while profitability has taken a hit. Still, dealer sentiment remains relatively stable in most measures.

The overall current market index increased by just one point to 43 in the Q3 survey, a score below 50, which suggests more dealers see the market as weak, not strong. However, the score is not statistically different from last quarter or last year. Overall dealer sentiment has been relatively consistent for more than two years now, showing little movement. In Q3, franchised dealer sentiment fell by 3 points to 53, while independent dealers increased from 37 to 39.

“With sales momentum mostly holding, dealers are not throwing in the towel on sentiment,” noted Jonathan Smoke, Chief Economist at Cox Automotive. “New-vehicle sales have come down from the surge in the spring but have remained relatively strong and better than the past few years. While the labor market has softened, unemployment remains historically low, and, for the most part, tariffs have only been a glancing blow to consumer wallets so far. While 2025 has been a roller coaster for many, the market is still generally on track.”

Market Outlook: Expectations are Little Changed, As Market Hits Wait-and-See Moment

The market outlook index, which asks dealers about expectations for the auto market in the coming three months, improved from 45 to 46 in Q3. The market outlook index for Q3 was significantly higher than year-ago levels but down significantly from Q1 2025, when the start of the year and the new Trump administration pushed the market outlook index to 58, a two-year high. The Q3 score of 46 indicates that more dealers expect the market ahead to be weak rather than strong. For franchised dealers, the market outlook index dropped one point in Q3 to 55; the index was flat quarter over quarter for independent dealers. Both measures were directionally higher than they were one year ago.

“Business seems to be the same each month and, without changes such as more advertising or inventory, we don't anticipate anything changing.” – Chevrolet dealer, Midwest

“Higher prices and higher interest rates are driving up a person's cost of purchasing. Unless something changes, I don't see a change to how the new and used [market] is going to improve.” – GMC dealer, Midwest

“I really just don't see any contributing factors that would lead to it being better or worse, so I would expect mostly a lot of the same.” – Mazda dealer, South

“I feel that consumer confidence is down, and I have not seen anything that makes me feel that it is going to change in the near future.” – Independent dealer, South

Customer Traffic: The Surge is Over

Following a Q2 surge in customer traffic, a slowdown materialized in Q3 according to both franchised and independent dealers. The customer traffic index dropped from 37 to 33, a statistically significant decline. For franchised dealers, the customer traffic score declined from 50 to 43, a statistically significant decrease, although the Q3 score remained higher than year-ago levels. For independent dealers, the overall traffic score remains weak, shifting directionally from 32 to 30 this quarter, but one point higher than Q3 2024. In-person traffic declined more than online traffic, according to the survey.

“We have an economy that is ‘yoyo-ing’ and a political leader who says something and walks it back a few days later. It doesn’t add confidence to the market.” – Ford dealer, Midwest

“The price of vehicles is too high, and consumers are waiting until it is absolutely necessary to purchase.” – Jeep dealer, South

“Sales are slowing down – fewer customer inquiries, fewer calls, fewer leads. Car profits are tighter with less room to move inventory.” – Independent dealer, Midwest

Profitability and Costs: Pressure Persists

Profitability declined for auto dealers, according to the Q3 survey, although the profit index remains higher than year-ago levels. The overall profit index for Q3 remained weak, shifting directionally from 39 to 38 this quarter. Independent dealers (34) continue to indicate worse profitability than franchised dealers (49). The last time the profit index was 50 was in Q3 2022, at the height of the inventory shortage.

Meanwhile, the cost index in Q3 indicated that costs are growing, shifting directionally from 71 to 70 this quarter, which remains well below the peak of 77 recorded one year ago. At a score of 70, the cost index score is the highest in the survey, suggesting that most dealers feel their costs are growing rather than declining. Both franchised and independent dealers reported the same score of 70 regarding their view of business operating costs.

“Everything is more expensive, or, in actuality, the dollar has lost more of its value. Labor costs have gone up, advertising areas [have] increased costs, parts costs have increased, utilities [have] increased, insurance premiums have skyrocketed.” – Mitsubishi dealer, South

“Almost everything, starting with utilities, supplies, cost of labor, subcontractor costs – you name it and it’s just a bit more expensive every month.” – Independent dealer, South

Sales Environment and Inventory: Market Slows, Inventory Grows

The new-vehicle sales environment index shows that dealers still view the market as good rather than poor, though there was a directional shift from 62 to 58 in Q3. The index score is significantly higher than the 51 recorded in Q3 2024, indicating a better new-vehicle sales environment year over year despite the quarterly dip. As noted, the U.S. auto market continues to be relatively healthy despite numerous headwinds; the consumer is hanging in there.

While the sales environment is declining, new-vehicle inventory is building, according to the franchised dealers. After dropping sharply in Q1 and Q2, the new-vehicle inventory index rebounded in Q3, rising significantly from 50 to 57. And, as is often the case, growing inventory is a

signal of declining profitability. Indeed, as noted earlier, the franchised dealer profit index declined in Q3 to below the 50 threshold, indicating that profits were weak rather than strong.

According to franchised dealers, incentive spending by the automakers increased in Q3. The new-vehicle incentive index rose from 38 to 41, reaching the highest level since Q2 2021. While still below pre-pandemic norms, this increase suggests automakers are boosting incentives to help sustain sales momentum. In July, according to data from Kelley Blue Book, the average incentive package on a new vehicle was equal to 7.3% of the average transaction price (ATP), the largest amount of 2025 and higher than year-ago levels, when incentive spending averaged 7.0% of ATP.

The used-vehicle sales index remained unchanged in Q3 at 46. Franchised dealers saw a slight decline of one point to 60, while independent dealers improved by one point to 42. The overall score of 46 is up from 43 one year ago and has been slowly improving for two years. As is consistent in the CADSI, franchised dealers have a strong view of used-vehicle sales, viewing the market as good, not poor.

Used-vehicle inventory increased modestly for both franchised and independent dealers, with scores directionally higher than last quarter and above year-ago levels. Still, the overall index score of 42 suggests that used inventory is declining, not growing. Franchised dealers posted a neutral score of 50, while independent dealers scored 40, a score consistent with the past two years. For Independent dealers, the used-vehicle inventory index has not been above 50 since before the pandemic, peaking at 45 in Q1 of 2025.

In response to slower sales and rising inventory, dealers reported increased pressure to lower prices in Q3. The price pressure index rose to 61, up four points from Q2, a significant quarter-over-quarter increase. While still below the post-pandemic peak of 66 seen a year ago, this marks the first increase in a year. Franchised dealers reported a price pressure index score of 58, lower than that of independent dealers (61), suggesting less pressure to reduce prices on new vehicles.

“Interest rates and high prices are hurting our sales.” – Ford dealer, Northeast

“The whole New and Used vehicle market is unsure of where prices are going, and with the interest rates holding a higher rate, it makes the market adapt to a lower level of demand for vehicles.” – GMC dealer, Midwest

“Not enough inventory on the ground and in stock. Negatively impacts new cars and that carries over to used cars in terms of acquiring nice late model trade-ins.” – Toyota dealer, Midwest

“We’d like to have more entry-level models at lower price points; however, we’re low on those.” – Chevrolet dealer, South

Electric Vehicle Sales: Dealers Concerned about the Future, Despite Strong July

Dealers continue to express pessimism about the EV sales environment, with a current index score of 42, indicating dealers feel EV sales are worse now than one year ago. The current EV market index score is directionally lower than last quarter and one year ago. And despite strong EV sales in July, one of the best months on record, dealer enthusiasm for EV sales remains muted.

Cox Automotive anticipates a record-breaking Q3 for EV sales, but dealers remain skeptical about the future. With government-supported EV tax credits set to expire at the end of September, future EV sales expectations have hit record lows, according to the latest survey. The EV market outlook index, which asked dealers about the EV market three months from now, dropped to 30, the lowest score on record, down from 37 last quarter and one year ago. These decreases are significantly lower than a year ago for both franchised and independent dealers.

As Chief Economist Jonathan Smoke notes: “The outlook for future EV sales really comes as no surprise: Dealers have calendars too; they see the end of government-backed incentives fast approaching and are expecting a slowdown as the market adjusts to a new reality in Q4.”

“Urgency for consumers to purchase due to tariff news and the federal tax credit leaving.” – Hyundai dealer, West

“More are available, and the manufacturer has good incentives.” – Honda dealer, Northeast

“Availability is always an issue. Price sensitivity is also a problem. With the upcoming changes to government tax incentives going away, we were hoping we would see an increase in sales, but so far that has not been the case.” – Ford dealer, Midwest

“If EVs lose their monetary incentives from the government, there will be a huge drop off of EV sales, and we have spent the past several years and invested lots of capital into the EV push, only to have the market shift yet again into a different direction.” – Jeep dealer, Northeast

“I think the repeal of the tax credits is going to have a negative effect on the EVs that we sell. I also believe that margins are going to continue to get tighter, and we're going to have fewer customers.” – Independent dealer, South

Economy: With Little Changing, Views of the U.S. Economy Hold Mostly Steady

Current views of the U.S. economy suggest dealers see the economy as weak, not strong. The index score increased, however, from 41 to 43 and is higher than year-ago levels. Franchised dealers (49) are significantly more optimistic about the U.S. economy than independent dealers (41), and index scores for both groups improved in Q3. Generally speaking, though, the economic index has remained mostly flat for two years now.

“The economy is scary right now. People are trying to save and plan for an uncertain future.” – Toyota dealer, Northeast

“People are holding back on major spending purchases right now with the fluctuation in the market and the unknowns given the back-and-forth policy changes.” – Toyota dealer, Midwest

“The economy is not trending up as predicted; tariffs are scaring everyone.” – Independent dealer, South

“People are leery of spending too much when their businesses are not as profitable. We sell a lot of work trucks, and businesses seem less confident.” – Independent dealer, West

Factors Holding Back Business: Economic Concerns Wane

According to the Q3 2025 Cox Automotive Dealer Sentiment Index, the economy remains the top factor holding back business. However, economic concerns have declined significantly compared to Q2 2025, with 44% of dealers citing it as a barrier, just one point ahead of interest rates, which rose slightly to 43%. Both factors are down notably from one year ago, reflecting dealers' gradual adjustment to persistent high rates and a lagging economy.

Market conditions also saw a decline, dropping from 40% to 36%, while the political climate fell from 33% in Q2 – when tariffs were first announced – to 28%. This is a sharp drop from 44% a year ago, when the political climate ranked as the third most-cited concern.

Among franchised dealers, interest rates emerged as the top concern, with 49% citing them as a factor holding back business, up from 46% in Q2. The economy, which led in the previous quarter, dropped to second place at 43%. Market conditions rose slightly to 35%, placing third. Political climate and tariffs rounded out the top five concerns, though both saw fewer mentions in Q3 compared to Q2. Overall, most concern levels remained relatively stable quarter-over-quarter.

For independent dealers, the economy remains the leading concern, although mentions decreased from 52% in Q2 to 44% in Q3. Interest rates held steady at 41%, both significantly lower than year-ago levels. Expenses rose to become the third most-cited concern, indicating growing cost pressures. Notably, tariff concerns dropped sharply, from 31% in Q2 to just 16% in Q3. The political climate also declined as a perceived barrier to business.

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 Q3 2025 CADSI is based on responses from 891 dealers, including 477 franchised and 414 independent dealers.

The survey, conducted from July 22 to August 4, 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 +/- 3.28%.

The Cox Automotive Dealer Sentiment Index was first published in Q2 2017. The next report will be available in December 2025.