

Q1 2026 Cox Automotive Dealer Sentiment Index Commentary and Notes

The Q1 2026 Cox Automotive Dealer Sentiment Index (CADSI) showed a seasonal improvement, driven largely by a sharp rebound in expectations for the three months ahead. While current market conditions remain weak by historical standards, dealer optimism for the spring selling season lifted future market sentiment meaningfully in the first quarter.

Current market sentiment improved to 41 in Q1, up from a near-record low of 38 in Q4 2025. Despite the quarter-over-quarter gain, a score of 41 remains below the threshold of 50, indicating that most dealers continue to view current market conditions as weak rather than strong. The current market index is also down 3 points from one year ago, underscoring the many challenges of the current market environment.

At the same time, dealer expectations for the coming three months improved sharply. The future market index jumped to 56 in Q1 from 42 in the prior quarter, signaling that a majority of dealers expect market conditions to improve over the next three months. While the rebound reflects a typical first-quarter seasonal lift, the outlook index remains below year-ago levels, suggesting optimism remains guarded.

“Our dealer sentiment index got its typical ‘spring bounce’ in Q1,” said [Mark Strand](#), deputy chief economist at Cox Automotive. “While current market conditions are still challenging, the sharp improvement in outlook reflects growing hope for a stronger spring selling season. Dealers are looking for relief from interest rates, a good spring selling season, and a pickup in consumer confidence to help turn that optimism into sustained momentum.”

Franchised dealers reported a current market index of 48, down 6 points from one year earlier and the second consecutive quarter below the positive threshold, indicating continued market concern even among typically more optimistic franchised dealers. However, franchised dealers also posted a notable improvement in future sentiment, with the outlook index rising 10 points to 59, reflecting increased confidence in near-term market conditions.

- *Going into the Spring market, and for us March is one of our best months, so we plan for that every year. We just hope it always holds true.* – Chevrolet dealer, Midwest
- *Typical spring market is always strong. We are starting to see it already. And tax time brings new shoppers out.* – Toyota dealer, West
- *I think people need vehicles, so there is always slight demand, but the economy and unstable market weigh on a lot of people's decision-making.* – Kia dealer, Midwest

- *Everyone getting tax (returns) and many knowing how much they have to pay. So I believe the market will improve because of financial security of the buyers. – Independent dealer, South*
- *It's tax season. Auto sales have been down in our region over the last three months. We hear it from all the surrounding dealers. I believe with the changes to the tax code, we will see a stronger turnout in 2026. – Independent dealer, South*

Traffic and Profitability Remain Weak

Customer traffic weakened further in Q1, according to the latest survey. The overall traffic index fell to 28, down from 31 in Q4 2025 and down from 33 one year ago. The traffic index score of 28 marks the lowest reading since the pandemic-era lows of Q2 2020 (13) and Q1 2021 (29).

In-person traffic declined quarter over quarter, falling to 27, the lowest level since the “in-person” metric was introduced in Q3 2022. Scores for franchised dealers held steady at 34, an all-time low, while independent dealers’ scores fell from the previous quarter to a record low of 24. Digital traffic remained weak as well, at 40, unchanged from the previous quarter and 1 point lower than a year ago. Franchised dealers reported a slight improvement in digital traffic, while independent dealers saw a modest decline.

With traffic under pressure, dealers continue to report weak profits. The profit index declined 4 points in Q1 to 32, remaining well below historical norms. Franchised dealers reported a profit index of 40, roughly half the level recorded in early 2022, highlighting the ongoing impact of rising costs and margin compression. The cost index remained elevated at 71, unchanged from one year ago.

- *Coming off the holidays, traffic typically dips a bit for us and will rebound once people receive their (tax) refunds. But people aren't using their funds for vehicles like they used to. – Ram dealer, South*
- *The spring will bring customers in, just not sure how much the traffic will increase, or if people will still hold off on buying or leasing new vehicles. – Mazda dealer, Midwest*
- *Insurance premiums increasing, fees increasing, taxes increasing -- everything but our profits is increasing. – Independent dealer, Midwest*

Sales Environment Mixed

New-vehicle sales sentiment softened further in Q1, with the index declining to 48, down from 49 in Q4 and 54 one year ago. The index has now remained below 50 for two consecutive quarters, the first time this has occurred since the survey began in 201.

Used-vehicle sales sentiment improved modestly in Q1 2026. The overall used-vehicle sales index rose 2 points to 44, but remains below the positive threshold, indicating most dealers continue to see the used-vehicle sales environment as weak.

Independent dealers held steady with an index score of 39, signaling ongoing weakness in used-vehicle sales. Franchised dealers were the good news story in Q1 with an index score of 57, indicating continued strength in used-vehicle sales. The 18-point gap in the used-vehicle sales indexes between franchised and independent dealers is a consistent feature in the CADSI, with franchised dealers consistently seeing the market as strong while independents see it as weak. The gap reached up to 20 points as recently as Q2 2025 and is likely a feature of franchised dealers' ability to secure desirable inventory more consistently.

- *There isn't anything going on that should disrupt the sales market in any extreme fashion, but until rates drop more, we don't think there will be a huge increase in business.* – Ford dealer, West
- *Things seem stable right now and, if anything, our sales are trending slightly up. Interest rates are getting better.* – Independent dealer, Midwest
- *Weather impacted sales, should increase spring purchase numbers.* – GMC dealer, Northeast

Inventory Stabilizes; Price Pressure Persists

New-vehicle inventory levels eased slightly in Q1. The new-vehicle inventory index declined 3 points to 56, suggesting inventories are still growing but at a slower pace. The index remains well below the peak of 75 recorded in Q1 2024, pointing to increased inventory discipline.

Used-vehicle inventory remained tight but stable. The used-vehicle inventory index increased 2 points to 45, a level relatively consistent for nearly three years and suggests manageable supply constraints.

Price pressure edged higher in Q1, with the index rising from 63 to 64. Dealers continue to report pressure to lower prices as inventory levels normalize, with views largely aligned between franchised and independent dealers. In the latest report, the prices pressure index was higher by 1 point year over year.

- *I have a great mix of mid-level trims as well as entry-level trims, and a great mix of the different brands.* – Ram dealer, South
- *Supplies are matching sales pretty well. We are getting replacement inventory very frequently.* – Subaru dealer, West
- *We are really not short on anything in new except for customers, more are moving to used purchases. We strive to be a 1:1 (new:used), but we are currently*

at 1:1.6. Still early to know if this is going to be the trend for 2026 or if it was just January sales. – Chevrolet dealer, Midwest

- *Our price points have risen. Lower-priced vehicles are extremely hard to acquire. Higher-priced vehicles take longer to sell and many times end up being losers. – Independent dealer, Northeast*
- *We have more inventory than we have had in years because we aren't selling as many cars, so I have most all vehicles in stock with multiple color options for each. – Kia dealer, West*

EV Sentiment Hits Record Lows

Dealer sentiment toward electric vehicle sales deteriorated sharply in Q1. The EV sales index fell to 33, down from 42 in Q4 2025 and 47 one year ago. The index score of 33 is the lowest reading since the index was introduced in Q2 2021.

Franchised dealers saw the steepest decline, with EV sales sentiment falling to 25, down from 51 one year earlier. This decline is aligned with overall new EV sales, which have fallen sharply since government-backed sales incentives were eliminated at the end of Q3 2025.

While index scores were lower year over year and quarter over quarter, independent dealers were less pessimistic than franchised dealers; sales of used EVs continue to increase. Looking at the months ahead, expectations for EV sales remained subdued, with the future-outlook index generally unchanged from Q4 2025, but well below year-ago readings, suggesting most dealers expect EV sales to decline.

- *Sales are no longer being driven by incentives. Low lease payments were moving the vehicles previously and now payments are about the same as similar ICE vehicles. Our manufacturers have slowed production as well. – Ford dealer, West*
- *We are not focusing on this segment; don't feel it is a good product at this time for our profile of used car market. – Independent dealer, West*
- *We were getting good at buying and selling cars that qualified for the tax incentive and now that the incentive has gone away, it has made it a lot harder to be competitive and to get customers interested. – Independent dealer, South*

Economy Remains Top Concern Holding Back Business

Dealer views of the U.S. economy improved slightly in Q1, with the economy index climbing from 39 to 41. The index score suggests most dealers view the U.S. economy as weak, not strong, a view that has been mostly consistent over the past two years.

In terms of factors holding back business, the economy continues to be the top factor, cited by 52% of dealers, up from 45% one year ago. Market conditions ranked second

but eased slightly, while concern about interest rates declined sharply, falling to 34% from 52% one year earlier. Weather emerged as a significant headwind in Q1, jumping to No. 5 on the list, behind Expenses, and cited by 32% of dealers amid widespread winter storms during the survey period.

- *Things will have to pick up when the weather does, and hopefully by then the economy too.* – Independent dealer, South

Notably, Political Climate continues to be viewed as a leading factor holding back business among franchised automobile dealers, ahead of Market Conditions and Weather. While down from Q4 2025, Political Climate in the latest survey was higher than in the first quarter of 2024 and 2025.

- *No easy way to answer this...when people are uncertain and uneasy about the current state of the world, and when our dollar is in question regularly, it halts discretionary spending.* – BMW dealer, South
- *Just a generally uncertain outlook for the near future has people waiting for better, more stable times.* – Chevrolet dealer, Midwest

Methodology

The Cox Automotive Dealer Sentiment Index (CADSI) is derived from a quarterly survey of a representative sample of franchised and independent auto dealers across the United States. The Q1 2026 CADSI is based on responses from 1,031 dealers, including 532 franchised and 499 independent dealers.

The survey was conducted from Jan. 28 to Feb. 10, 2026. Responses are weighted by dealership type and sales volume. Index scores assign values of 100 for strong/increasing, 50 for average/stable, and 0 for weak/decreasing. The margin of error is $\pm 3.05\%$.