

## **Q2 2026 Cox Automotive Dealer Sentiment Index Commentary and Notes**

The Q2 2026 Cox Automotive Dealer Sentiment Index (CADSI) showed modest improvement in overall dealer sentiment, marking the second consecutive quarterly gain. The increase was driven by stronger current market views, the result of improved sales activity during the spring selling season, particularly in March and April. However, future expectations weakened, signaling growing concern about the market in the coming three months.

Current market sentiment in Q2 rose to 43, up from 41 in Q1, but remains below the threshold of 50, indicating most dealers continue to view conditions as weak rather than strong. The improvement came despite ongoing macro uncertainty, including elevated fuel prices and global geopolitical tensions during the survey period.

“The gains this quarter are in line with seasonal expectations we’ve seen in the past,” noted Deputy Chief Economist Mark Strand. “Sales in March and April were healthy, and a sharp turnaround from earlier in the year. That likely helped boost current sentiment, but the troubles in the Middle East and rising inflation clearly have the dealers worried about the months ahead.”

Franchised dealers reported a current market index of 53, up five points from Q1 and above the 50 threshold, indicating a generally positive view of current conditions, but lower from one year ago when the current market index was 56. For independent dealers, the current market index improved from Q1 and year-ago levels, but the sentiment score of 40 suggests independent dealers still view the market as weak.

Expectations for the future declined. The future market index fell sharply to 47 from 56 in Q1, dropping below 50 and signaling expectations for weaker conditions in the months ahead. Both franchised and independent dealers saw declines in future sentiment, with independent dealers reporting a more pronounced decrease. Franchised dealers, at 57, still expect relatively stronger near-term conditions.

The Q2 decline in the outlook index is seasonally normal, following the “spring bounce” dealers expect in Q1, but the significant drop also reflects increasing concern about consumer demand, inflation, and broader economic conditions.

### **Traffic and Profitability Remain Weak**

Key drivers of current sentiment — customer traffic and profitability — improved from Q1 but remain weak by historical standards.

The overall customer traffic index rose 8 points to 36, a notable improvement from the near-record lows seen in Q1. While still below the threshold of 50, traffic is now nearly in line with year-ago levels. Gains were seen across both franchised and independent dealers, with franchised dealers reporting stronger traffic at 43. Both in-person and

online traffic improved in Q2. Notably, franchised dealers reported an online traffic reading of 51, indicating that digital activity is now viewed as strong.

Dealer cost pressures remain elevated. The cost index increased to 74, higher than year-ago levels and the highest reading in more than a year, underscoring continued pressure on margins.

Profitability improved modestly for the first time in a year. The profit index rose to 36 from a near-record low of 32 in Q1 but remains below the score of 39 a year ago. Franchised dealers reported improved profitability at 48, but still below the level considered strong and down four points from Q2 2025.

- *Economic uncertainty, interest rates still high, ability to get credit still hard for non-excellent credit, fuel costs, higher household costs overall. It all impacts our profits.* – Independent dealer, Midwest
- *Massive inflation. The pressure to buy into AI-based tools that have virtually no impact on business. We have to run as fast as we can to stay in the same place.* – GMC dealer, South
- *Not enough car buyers out there because cars are too expensive. Everyone wants cheap, but cheap doesn't exist anymore.* – Independent dealer, Northeast

### **Sales Environment Mixed**

Dealer views of the sales environment were mixed in Q2, with new-vehicle sentiment improving while used-vehicle sentiment remained weak overall.

New-vehicle sales sentiment rose to 53, up from 48 in Q1, as strong March and early April sales lifted dealer views. A majority of dealers in the latest survey viewed the new-vehicle sales as good. However, sentiment remains well below the reading of 62 one year ago, when demand was boosted by pre-tariff buying activity.

Used-vehicle sales sentiment was unchanged at 44, down slightly from year-ago levels and still below the threshold indicating strength.

A widening gap between franchised and independent dealers continues to define the used-vehicle market. Franchised dealers reported strong used-vehicle conditions with a reading of 62, the highest level since early 2022. In contrast, independent dealers held steady at 39 for the third consecutive quarter, indicating a view of persistently weak conditions.

This divide highlights the ongoing “haves vs. have-nots” dynamic in the market, driven in part by inventory access and pricing power.

- *Our used car dept. is currently thriving. We've recorded the highest gross profit in years, indicating that used vehicles sales have been our key profit center for the last few months.* – Ram dealer, West
- *Seems that of late the consumer is looking at units of lower price points, the kind of cars I typically don't sell. And, of course, the units in this price range are a challenge.* – Independent dealer, West
- *Still a high demand, but economic uncertainty is making people wary. We are focusing on cheap cars though and those sell regardless of what the economy looks like.* – Toyota dealer, West
- *I have every style of vehicle that I am looking for; SUV/sedan/luxury/economy. Softer foot traffic and lower number of deals closing has made the inventory side of things easier to deal with.* – Independent dealer, South

### **Inventory Stabilizes; Price Pressure Persists**

Inventory conditions in Q2 were mixed across dealer types and segments as well. For franchised dealers, the new-vehicle inventory index was little changed, increasing one point from 56 to 57. Compared to Q2 2025, the index is up significantly, suggesting inventory levels are growing.

On the other hand, franchised dealers reported relatively stable used-vehicle inventory at 49, consistent with recent quarters and slightly above year-ago levels. Healthy new-vehicle sales in March and April likely resulted in good access to trade-ins for franchised dealers. While stable, however, the reading suggests inventory is not expanding meaningfully.

Used-vehicle inventory tightened for independent dealers, with the index falling to 35, the lowest reading in three years. The low score indicates ongoing supply challenges, particularly for independent automobile dealers that are often challenged in securing inventory. Wholesale prices were elevated through the spring, adding to the challenge.

With inventory tight, price pressure remained elevated but largely unchanged. The index edged down one point to 63 but remained higher than a year ago, indicating continued pressure to lower prices.

The new-vehicle incentive index improved modestly in Q2, rising to 41 from 38 and reaching the highest level since early 2021. While still below pre-pandemic norms, increased incentives are helping support sales activity for franchised dealers.

- *It has been in flux, and with rising gas prices the need for EV's has grown along with good-mpg, small SUVs, which take longer to build and arrive on location.* – Chevrolet dealer, Midwest

- *It is hard to find vehicles in the price range that customers seem to be looking for. Everyone is looking for a cheaper range of quality vehicles that just isn't out there.* – Independent dealer, South
- *Can't keep low-cost, pre-owned vehicles or expensive luxury pre-owned vehicles on the lot. Flush with lots of low miles, like new mass market vehicles in the 30-40k range, but the top end and bottom end are tough to stock.* – Volkswagen dealer, Midwest
- *With these market conditions, we had to downgrade the vehicles related to year and miles, meaning old-and-high-miles are more in inventory than before, with customers with less money were and are intent to supply and keep the business flowing.* – Independent dealer, South
- *Good mix of entry level and mid trims in more inexpensive inventory. Good mix of trucks for our customers and businesses also.* – Ram dealer, South

### **EV Sentiment Begins to Recover from Record Lows**

Dealer sentiment toward electric vehicle (EV) sales improved in Q2 after falling to record lows in Q1.

The EV sales index rose to 40 from 33, rebounding from the lowest level recorded since the metric was introduced. Both franchised and independent dealers reported improved sentiment, though views remain negative overall compared to one year ago.

Independent dealers were notably more optimistic, with a reading of 45 compared to 30 among franchised dealers. Since the expiration of federal EV incentives in Q3 2025, independent dealers have consistently reported more favorable views of the EV market compared to franchised dealers.

Looking ahead, expectations for EV sales also improved. The future EV market index increased to 37 from 28 in Q1, returning to year-ago levels. Independent dealers again led with a reading of 41, compared to 30 for franchised dealers.

While most dealers still expect EV sales to remain weak in the near term, improving sentiment suggests the market may be stabilizing after a sharp decline. Factors supporting improved sentiment include growing supply of used EVs from lease maturities and elevated fuel prices, which has boosted consumer interest.

- *The end of the tax credits. It front loaded buyers in the market for BEV and now without those credits, it's getting harder to entice customers to buy BEVs.* – Ford dealer, Midwest
- *Everything from politics to public opinion makes selling an electric vehicle a dicey proposition. Our market is also in a poor location for electric infrastructure to begin with.* – GMC dealer, South

- *There is no market anymore (for BEVs). Consumers in the area know it's a lot more on insurance than ICE vehicles, so they are not leasing or buying them. – Chevrolet dealer, Midwest*
- *We actually anticipated BEV sales to decrease following the end of the IRS clean vehicle credit program, but our sales have actually increased for BEV vehicles - perhaps due to rising fuel costs. – Independent dealer, Midwest*
- *Selling more compared to last year; BEV is becoming more common. – Independent dealer, Northeast*

### **Economy Remains Top Concern Holding Back Business**

Economic conditions remain the primary concern for dealers in Q2. More than half of dealers (55%) cited the Economy as the a factor holding back business, up from 52% in Q1. Market Conditions ranked second at 40%, followed by Political Climate at 36%. Political Climate saw a notable increase versus the prior quarter.

Concerns about Expenses and Interest Rates eased slightly in Q2 and round out the top five factors holding back business.

Among franchised dealers, Political Climate rose to the No. 2 concern, cited by 43% of respondents, highlighting growing sensitivity to broader uncertainty driven by the Political Climate the Administration's policies.

Independent dealers continued to cite the Economy and Market Conditions as their top concerns, followed by Expenses. Political Climate also increased among independents but remained behind top-tier economic concerns. Consumer Confidence rounded out the top five factors for independent dealers.

- *Hopefully the political climate, i.e. the war, will settle down or go away and gas prices will come down and settle the economy down. – Mercedes dealer, South*
- *Being optimistic, but the truth is we run a risk of local economic collapse between inflation, fuel prices, and overall public perception of our country and economy. – GMC dealer, South*
- *Hopefully the situation in the Middle East will be resolved and fuel prices will recede and people will have more confidence to make larger purchases. – Ford dealer, Northeast*
- *Interest rates holding buyers back, tariff uncertainty making people hesitate, but summer selling season usually picks up in May/June. Balance of pressure and demand keeps market average, rather than strong or weak. Political noise is hurting consumer confidence though. – Independent dealer, South*

- *The conditions for selling are average. Rates are ok, but not amazing. Lots of people can't trade due to negative equity or debt-to-income too high. Used-car prices are high. More people are wanting used because new-car prices are even higher lately and higher insurance premiums too. People who usually trade every couple of years are holding off. – Jeep dealer, South*
- *The economy is tight due to rising cost of living and inflation. Customers simply don't have room in their budget and less cash on hand. – Independent dealer, West*

### **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 Q2 2026 CADSI is based on responses from 958 dealers, including 502 franchised and 456 independent dealers.

The survey was conducted from April 21 to May 4, 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  $\pm 3.17\%$ .