Q3 2026 Cox Automotive Sales Forecast Update

Presentation Transcript

Introduction: Q3 2026 Sales Forecast Update

Mark Schirmer | Director, Corporate Communications

Slide 1

Hello, and welcome to Cox Automotive's Q3 2026 Forecast Update.

My name is Mark Schirmer. I'm a director of Communications at Cox Automotive.

Before we begin, I want to briefly explain what's new about this quarter's presentation and tell you what you can expect from our Economic and Industry Insights Team.

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As we close the books on Q3 2026, we have assembled a collection of perspectives that we hope will provide a comprehensive look at the health of the US auto industry.

In the past, our team has presented this information as a single, live conference call. This quarter, we're introducing a new approach – a collection of "on-demand content" that we believe is easier to access and more comprehensive in its scale.

Each chapter here – from new vehicles to used vehicle, from dealer sentiment to credit availability – will provide valuable insights on how the auto industry is performing in what can certainly be considered a challenging environment.

We have an ongoing war in the middle east, with no easy end in sight. We have inflation that is alive and well. And we have consumer sentiment that is testing the limits of all-time lows.

That's a lot of headwind.

And yet, the auto market continues to surprise, and show signs of strength. We're reminded again and again, the auto industry finds a way.

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What has NOT changed for our quarterly presentations is the source of our perspectives.

Cox Automotive is the world's largest automotive services and technology provider. Our team has access to the industry's largest breadth of first-party data, generated across our inter-connected collection of leading brands and products, the important tools that retail outlets across the US use to buy, sell, finance and service vehicles.

From retail to wholesale, from EV battery services to vehicle shipping, and to a growing fleet management business, Cox Automotive touches nearly every aspect of the automotive universe. We provide the systems and the know-how to help the auto business flourish. We do not produce vehicles, but we support nearly everything that happens around them.

We appreciate your interest in the data and insights we are able to generate and share. For Q3, we've assembled a broad collection of topics, to be viewed as individual chapters, or from start to finish as a single, hour-long presentation.

Either way, we hope you find our Q3 forecast updates both interesting and valuable.

Chapter 1: Economy and Market Outlook

Jeremy Robb | Chief Economist

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Hello, and welcome to the Economy and Market Outlook chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

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I'm Jeremy Robb, chief economist at Cox Automotive.

Good morning, everyone, and thanks for joining.
In this chapter, I'll set the economic backdrop for the automotive trends covered throughout this presentation. We will begin by looking at the conditions influencing vehicle demand, including a host of factors: inflation, fuel prices, household budgets, Treasury yields, interest rates, and borrowing costs. Then, I'll also review the key economic developments from the third quarter and what they may signal as we enter the fourth quarter.
The central takeaway: consumers remain under financial pressure, but vehicle demand continues to hold, showing more resiliency in the automotive industry than we've seen in other parts of the economy.

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Let's start with the tug-of-war shaping demand right now. On the headwind side, rising gas and fuel prices are forcing consumers into difficult trade-offs — when energy costs climb, people prioritize essential spending and push big-ticket purchases, like a vehicle, further down the list. And interest rates have been front and center, with the Fed's recent rate hike for the first time in three years adding an additional headwind. Higher financing costs are pulling double duty: they're acting as a psychological dampener on demand directly, and at the same time, they're slowing housing activity, which we know is closely correlated with vehicle sales.

But there are positives as well. On the tailwind side, we're seeing strong growth in liquid assets — savings, money market, and stock holdings outside of 401(k) and IRA accounts have been expanding at double-digit rates in recent years, and that's bolstering purchasing power, particularly for higher-income buyers. Additionally, we continue to live in an era with a healthy retiree population — a growing demographic with stable incomes and solid asset reserves that's continuing to sustain new vehicle demand in key segments.

So as we think about where we are now and where we are headed, we've got some real headwinds, but also some very real strength too, and that helps out trends and outlook.

Let's look at what the actual data is telling us.

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This is our scorecard across the five things that matter most for vehicle demand. Starting with the overall economy: real GDP growth has remained mildly positive this year, supported by AI investment and consumer spending. As we look into Q3, current expectations show growth at 3% in the current quarter, and we're forecasting that to moderate to 2.0% in Q4.

Employment conditions are the bright spot — unemployment rate remains low by historical standards and sits at 4.1% as of August. Moving towards year end, we expect it to hold around 4.2%. That's a good sign for the economy.

Buyer ability is more of a caution signal — real disposable income growth is running at just 0.5% year over year as of July, and down from levels seen from a year ago. While we still see incomes rising, the fact is that inflation and expense growth are running hotter than income, and lowering consumer's purchasing power along with it.

Borrowing costs – this is something we are really paying attending to at this point in the cycle. The average new auto loan rate has climbed from 9.24% a year ago to 9.93% in August, and we're already tracking above 10% month-to-date in September. But keep in mind these increases in rates likely do more damage to consumer sentiment that the vehicle payment. On a new loan, a quarter point rate increase – fully passed through – increases the consumer payment by just $5.50 currently.

The one genuinely encouraging signal is credit availability, and one we've talked about a lot this year. Our New Loan Credit Index has climbed from 102.8 a year ago to 112.0 in August, meaning lenders are opening up, even as rates themselves rise. We are seeing lenders more willing to finance negative equity, lower down payments, and extend terms – and with that – we are seeing the yield spread narrow. Jonathan Gregory will discuss that in more detail in our section on credit availability, but any way you slice it, access is improving.

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This chart tells the affordability story in one picture. What you're looking at is personal income growth against personal expenditure growth going back to 2018, with PCE inflation overlaid as the line.

The pattern to notice: in most years, income and expenses track pretty close together. In fact, the long term run rate – over decades – is that income growth outpaces expense by 0.1%. Now that's not much but it is POSITIVE But look at where we are today, and where we've been every year since 2021. Expenditures are growing at nearly 6% year over year through July, while income growth has slowed to 3.7%. That gap of over two percentage points between the two bars is now the widest we've seen since 2021, when inflation was spiking. Even as inflation, though the PCE, stays steadily higher than the Fed's 2% target – this year consumer's have felt that cost increase directly – through PRICES at the PUMP. And lately that trend is getting worse, as the nationwide gas average has moved back towards $4.50 per gallon – showing that the price of gas is up 41% Y/Y. Earlier this year, consumers had large tax refund checks and could absorb these higher prices – but that buffer is now long gone.

That's the real affordability squeeze consumers are feeling right now, and it's a big part of why sentiment has been softer even as the hard data holds up reasonably well.

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Before we move on to the rest of the team – let's center ourselves on a KEY theme we've talked about a lot this year – and that's the STORY of Solid and Resilient demand.

Despite elevated gas prices, weaker consumer sentiment, and inflation that just won't go away, demand has proven more durable than expected:
1) new and used sales are fairly stable year-to-date with some upside surprises seen lately,
2) credit availability continues to improve as lenders show more appetite,
3) valuations and depreciation are tracking normal seasonal patterns so far this year, even as the mix changes with more off-lease supply and
4) that pandemic-era demand tailwind — the aging fleet couple with the replacement cycle — continues to provide a steady baseline of marginal demand.
The bottom line: once again, consumers are proving more resilient than the headlines suggest.

Chapter 2: The Dealer Perspective

Alex Bland | Senior Director, Customer and Market Research

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Hello, and welcome to the Dealer Perspective chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

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I'm Alex Bland, senior director of Customer and Market Research at Cox Automotive.

In this chapter, I'll review a few highlights from the third quarter Automotive Dealer Sentiment Index, including a few key takeaways and comparisons to our long-term trends. I'll also discuss how dealers are feeling and what is shaping that outlook. Although sales volumes and other market measures remain relatively healthy, dealers continue to express concern about consumer finances, operating costs, interest rates, and profitability. If you'd like to see the full in-depth study, it's available on our Insights hub on Cox Automotive.

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Before we get started, let me share a quick bit of background. Cox Automotive has been releasing the Dealer Sentiment Index for almost 10 years. Gathering quarterly input on the automotive market from franchised and independent dealers. Those inputs are then analyzed, with the final results being weighted to reflect the national dealer population. In terms of the index itself, 50 is the cutoff between positive and negative sentiment. That means any reading above 50 means more dealers view conditions as strong than weak, and vice versa. The distance above or below 50 helps us understand how strong those feelings are. As we go, you'll see comments directly from the dealers themselves, addressing each of the areas I'll discuss. And last but not least, this quarter's results came from 929 dealers surveyed in late July and into early August.

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Dealers rated the current market at 41 this quarter, down from 43 in the second quarter and six points below the all-time average of 47. Despite better-than-expected sales numbers, dealers continue to see the market as weak, and they really have for some time. The gap between dealer types is consistent with historical trends, with franchises consistently more optimistic than their independent counterparts; however, for this quarter, franchised dealers had the larger negative turn. They're down four points from last quarter and seven points under their long run average. Dealers continue to point to inflation, fuel prices and elevated rates limiting what their customers can afford.

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Looking three months out, sentiment declined for a second consecutive quarter to 46, well below the all-time average of 52. Franchised dealers were made modestly positive at 51, but their decline is noteworthy. They fell six points from 57 last quarter and eight points below their historical norm of 59. Although they expect some lift from the fall selling season helped out by new model year arrivals and better inventory availability, their level of optimism has clearly dimmed.

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Next, we come to profits, which, not surprisingly, are a key driver of dealer sentiment. The first item of note is that profits for both franchised and independent dealers are down year over year and when compared to the all-time average. Beyond that, we're seeing a bit of a divergence story for the quarter, with franchises clearly under pressure, but the independents showing consecutive quarters of improvement. The upswing for independents is likely connected to the strong demand for more affordable vehicles and the strong pricing power in the used car market.

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The EV sales outlook bottomed out to start the year as incentives fell to the wayside and sentiment remains negative. However, sentiment improved for a second straight quarter to 41. Beneath the surface of that number are two very different markets. Franchised dealers sit at 31, 17 points below their long-run average of 48. Independents are at 47, which is above their own historical average and they were really the ones driving the overall increase. That shift is definitely a new occurrence. Franchised have led this measure for most of its history. Independents, though, are now benefiting from a wave of off-lease inventory and surging fuel prices, which are bringing some shoppers back to the category and bringing some new shoppers in.

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Finally, we'll conclude with the things dealers tell us are holding back their business. Not surprisingly, the economy leads at 54%, up from 44% a year ago. Market conditions rank second 42% also higher year over year. If we dig in a bit deeper, we see interest rates are an area that's showing some movement overall, with the category rising to No. 3 on our concern list. They're also a particularly important issue for franchises where they sit at No. 2 on the concern list. One quick note on something that we were listening for but didn't hear much about this quarter, which are tariffs. Despite recent announcements, the level of concern we heard from dealers was far lower than what we saw last year's tariff push, with most expecting a resolution long before it hits their bottom line.

Chapter 3: Consumer Health and Sentiment

Erin Keating | Executive Analyst

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Hello, and welcome to the Consumer Narrative chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

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I'm Erin Keating, executive analyst at Cox Automotive.
In this chapter, I'll examine how consumers are navigating today's vehicle market and how economic pressures are influencing their decisions.

To do this, I draw on Morning Consult, a valued Cox Automotive partner, combining its surveys and tools with our trend analysis and industry data. Together, these sources provide context for consumer behavior, affordability, and how broader market conditions are shaping vehicle shopping and purchasing patterns.

The story that emerges is one of resilience under pressure: consumers are financially strained and increasingly uneasy, but they have not left the market. Instead, they are adapting—and that distinction is central to why sales continue to hold up.

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First, the topline. Consumer sentiment has been drifting lower for almost two years now, but the number that matters more here is the Consumer Health Index — because sentiment doesn't buy cars. Sentiment is how people feel; the Consumer Health Index blends that feeling with real labor-market data to track actual spending capacity in real time.
Think of this index as measuring the cushion underneath sentiment: my sentiment can be down, but if my wallet's still open, that cushion is what keeps me shopping. For most of the last two years, that's exactly what happened — sentiment fell, but the cushion held, so spending demand didn't fall with it.

You'll notice that sharp dip in the middle of 2024 — that's a labor-market story. Hiring cooled and unemployment drifted up that summer, and because this index blends sentiment with actual labor-market data, it picked that up directly — not just how people felt, but what was actually happening to their capacity to spend. That's the real value of this metric: it gives you an early read on actual spending strength, weeks ahead of lagging government data like PCE or retail sales.

What's different now, and why it matters for the rest of this chapter, is the index has only recently turned negative again. That cushion is finally thinning. That's a bigger deal than the sentiment line by itself, because it's the cushion — not the mood — that's kept sales resilient up to this point.

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Underneath that topline number, the pressure isn't evenly distributed. For a while this was a clean K-shaped story — higher-income households carrying the topline while everyone else struggled. That's inverting. Over just the last four months, the Consumer Health Index for $50K-plus households has fallen sharply toward zero, while under-$50K households have been climbing off some of the weakest readings in the series. The gap between the top and bottom of the income ladder is compressing — not because the top is collapsing, but because the bottom is finally getting some relief.

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This chart tracks Morning Consult's Price Response Indicators for new vehicles — five categories that describe what actually happens when someone goes to buy. Quick primer as we go through it: the green line is Normal Buying Experience — a shopper who bought the vehicle they wanted at the price they expected, no real friction. The orange line is Trading Down — someone who bought, but chose a cheaper alternative than what they originally wanted. The blue line is Price Sensitive — someone who wanted to buy but walked away because the price was too high. The teal line is Supply Constrained — someone who wanted to buy but couldn't find the vehicle they wanted, so they didn't. And the purple line is Price Absorbers — someone who bought anyway, but paid more than they expected to.

Now watch what's actually moving: the orange line, Trading Down, is climbing back near its highest level in three years. At the same time, the green line, Normal Buying Experience, just hit a series low — fewer people are having a friction-free purchase than at almost any point in this series. By the textbook, that combination should be showing up as lost sales.

It isn't: look at the gray shaded area behind everything — that's actual new-vehicle sales volume — and it's still up roughly 20% versus where it started in 2022. The blue line, Price Sensitive, and the teal line, Supply Constrained, have moved with the cycle too, but neither is driving this story the way Trading Down and Normal Buying Experience are.

Consumers are absorbing the price pressure through the vehicle they choose — that's the orange line, Trading Down — not by walking away from the market — that's the gray area holding steady.

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Put those last three slides together and you get the throughline for this chapter: consumers don't jump straight from pressure to demand destruction. They adapt first. They delay a replacement purchase, they trade down, they lease, buy used, or go hybrid — and that adaptation is what has kept sales volume remarkably resilient in Q3 and through much of 2026.

Market watchers might expect more negative news on the sales front, given so many negative sentiment reports, the recent inflation headlines, and the general negative vibe out there — but market volume has not collapsed materially. That's precisely why we're raising our forecast.

For OEMs and dealers, the operating implication is the same one on the slide: product, incentive, and financing strategy needs to meet consumers where they're adapting, not just react to the pressure that's driving them there. And if you want to go deeper on the work that Morning Consult does and how it shapes these indexes and surveys shared today, tune into the Auto Market Brief for my discussion with Kayla Bruun, head of economic analysis for Morning Consult.

Chapter 4: New-Vehicle Market Scorecard

Charlie Chesbrough | Senior Economist

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Hello, and welcome to the New-Vehicle Market Scorecard chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

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I'm Charlie Chesbrough, senior economist at Cox Automotive.

In this chapter, I'll review third-quarter sales performance and the seasonally adjusted annual rate, including the market's six-month streak at a 16 million-plus pace. I'll also discuss inventory, availability, pricing, incentives, OEM and segment performance, and our updated 2026 new-vehicle sales forecast. Overall, the new-vehicle market remains steady despite pressure on household budgets and a cautious consumer environment.

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Although there has been a lot of economic volatility in 2026, the new vehicle market has held surprisingly steady. A wealthier customer base, and more business buying, is insulating the vehicle market from more negative forces. And as long as the stock market remains strong, this trend seem likely to continue.

This chart is showing the monthly sales SAAR, or seasonally adjusted selling rate, since January 2024. In red is the total annual sales that year and in blue is the monthly selling rate. We can see that the monthly sales pace has been volatile since the second Trump term began, however this seems to have subsided somewhat over recent months.

The SAAR this month is expected to finish near 16.3 million, down from last September and last month, but still quite robust and has been like this since the Iran War began. After a slow, winter impacted January and February average SAAR pace of 15.1 million, sales have averaged a 16.4 million level since March. As a result of this strength, we are raising our year end forecast for new vehicle sales to 16.1 million from 15.8 million. YTD sale pace is averaging 16.1 million and this to continue through Q4.

We expected the market to decline this year due in part to the loss of EV subsidies and ongoing affordability issues, and those obstacles persist. However, although high interest rates and high vehicle prices remain significant headwinds, record high stock markets and the wealth created is providing sales support. And besides wealthy consumers, strong Fleet activity in 2026, which is nearly 1 in 5 sales, is critical. Combined sales to Commercial, Government, and Rental companies is up 7% this year while Retail sales to consumers are down 5%. Affordability issues remain – just not for everyone.

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To evaluate the performance of the manufactures so far in 2026, let's look at our Kelley Blue Book sales data. Please note, these numbers are slightly higher than on the previous slide due to the inclusion of some bigger Trucks.

The winner of the third quarter, and the year-to-date sales leader, is General Motors. They will finish with over 670K sales, however they are showing some weakness heading into the end of the year. This quarter's decline from last year and last quarter is much more than the national average. And market share has fallen 0.8 of a percent. All GM brands are down, with high volume nameplates Equinox and Blazer leading the declines.

Second place for Q3 goes to Toyota. They will finish this quarter with 642K units, over a 2% gain over last year and just 30,000 units behind GM. Their year-to-date sales will finish over 1% higher than last year leading to a 0.5% gain in market share. For the title of top seller in the US market, they are now about 120K units behind GM. Last year at this point they were 275K units behind. The supply challenged RAV4 is down 100K units this year, so when that issue is resolved, we may have a serious title race ahead of us.

Hyundai also had a very strong Q3. Sales are expected to finish over 6% higher than last year, and up over 4% from last quarter. Year-to-date Hyundai sales are up over 4% giving them a 0.7% gain in market share compared to last year. And, Hyundai is closing the gap behind number 3 Ford. Currently, they are about 75K units behind versus one year ago they trailed by 277K units.

Among manufacturers having a difficult quarter, Ford may be our leader. Q3 sales are expected to be down over

7% from last year, and down nearly 8% from last quarter. So far this year Ford has lost 0.8% market share compared to last year. Big losses from the discontinued Escape and production challenged F-Series are leading Ford's decline. However, they also pulled back from Rental Car sales, volume Hyundai has since absorbed.

However, the big story this quarter for the market may not be individual performances but rather regional results. The market share of the Detroit 3 is expected to be the lowest in history at just over 36% market share. This would be lower than even the inventory constrained summer of 2021. The Asian OEMs will finish above 50% for a second quarter in a row and approach all-time highs. With the D3 having limited hybrid powertrain options and few passenger car offerings, this trend seems likely to continue.

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So, some manufactures are having a stronger year than others, and that is true for the product segments as well. Looking at the top 10 segments, which represent 88% of all sales, we see middle ground, or more practical segments gaining.

Year to date, the more affordable segments like Compact SUV and Compact Car, priced less than $40K - are down this year compared to last year. High interest rates and high prices are impacting affordability for these segments' customer base. However, the more expensive segments like $70K full-size trucks, $78K luxury midsize SUVs, and $83K Full-size SUVs are also down this year. Those segments all saw gains or were flat last year. What is selling are Midsize cars, Midsize trucks and Midsize SUVs. As we stated in March - Mid is In – and in June – and at the end of September, Mid is Still In. And, the family friendly Minivan segment, about as practical as there is, is seeing the biggest percentage gains of all this year.

These buyer trends may be showing a shift towards value in the marketplace. Affordability concerns and economic uncertainty may be leading more affluent segments to lose their customers to the more practical. And, high prices may be leading customers of the more affordable segments to pull-back from buying new vehicles and push them into the used market.

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So, sales volume so far this year is down, but inventory remains relatively tight compared to last year. This slide shows our vAuto data, and on the left we see Available Supply, or the total count of vehicles on dealer lots and in transit across the country. In dark blue, we can see the supply is now 1% lower than this week last year at 2.67 million units.

On the right is days of supply, or how long existing inventories will last based on the current sales pace. Today, days of supply is at 76 days – down 1%, from this week last year, and down 5% from just three months ago.

One of most interesting changes from last year is the composition of available inventory. It seems the introduction of new vehicles has slowed. Next year's vehicles – the newest products, MY2027s – are just 12% of the supply right now, well below this week last year when 26% of supply was the new MY2026 product. This suggests manufacturers may be taking a more cautious approach with vehicle production. Last year Available Supply ballooned quickly back to 3 million units in Q4. It may be the manufactures try to take a different path forward this year.

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And profitability may be an important reason why. This is a chart on the left from Kelly Blue Book showing the average incentive relative to the vehicle transaction price. Currently, the incentive level is just 6.5%. This is the lowest since January, and it reflects the relatively tight inventory environment. It is also part of a downward trend since December of 2024 when incentives were closer to 8%.

With retail sales down this year increasing incentives would be one option for manufactures to boost sales. However, in the wake of tariffs, and their squeeze on profitability, it appears that more pricing discipline is the new path forward.

Prior to covid, during the 17+ million sales years, incentives were closer to 10 or 11% of the transaction price. They then fell dramatically during the post-covid lean supply period, but rose again as inventories recovered. However, while supply has since returned to pre-covid levels, discounting has remained well below previous peaks. This leaner and meaner approach of stronger profitability through lower incentives, may be the new strategy going forward even if it means fewer sales.

So high prices, and the affordability issues they bring, will continue as a major headwind to vehicle sales. The chart of the right from KBB reveals the average transaction price for a new vehicle over the last three years. In August it reached $50,090 – the highest August in history – and the trend suggests it is going higher. Average prices generally rise over the course of a year as next year products are released and luxury sales grow in Q4, and this year appears to be following a similar trajectory.

However, while average price is near all-time highs, inflation in the new vehicle market remains relatively low. Price growth over the last two years has averaged less than 2%, well below the national Consumer Price Index, and it's lower than the 3% vehicle inflation rate we experienced in the decade prior covid. The more practical product mix selling today reveals how consumers are adapting to affordability issues, reconciling both their vehicle needs and their wallets.

So, for the remainder of the year, it is expected prices will rise and support from manufacturers will be limited. But, even with these headwinds, a relatively strong new vehicle market during this period of significantly economic and policy uncertainty will continue.

Chapter 5: Used-Vehicle Market Scorecard: Retail & Wholesale

Mark Strand | Deputy Chief Economist

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Hello, and welcome to the Used-Vehicle Market Scorecard chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

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I'm Mark Strand, deputy chief economist at Cox Automotive.

In this chapter, I'll cover the latest moves in both the retail and wholesale markets, including used-vehicle demand, pricing, inventory, vehicle mix and performance across price segments.

I'll also review wholesale values and auction activity and discuss what these trends may signal for the fourth quarter.

Used-vehicle demand remains steady, running just below 2025 pace as affordability and supply challenges persist.

Older, lower-priced inventory remains scarce, while wholesale values are returning to more typical seasonal patterns with sharper depreciation as the year progresses.

That's the high level into, so let's dive into the data!

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Let's begin with taking a look at our weekly trend on estimated used retail sales by dealerships.

The story remains "steady as she goes" with demand tracking very close to but a little behind 2025 pace.

We had a strong start to the year fueled by higher tax refunds putting more cash in the pockets of used car buyers but since then the Iran conflict, higher fuel prices, sticky inflation and general uncertainty has put demand in a slightly lower gear. As of mid-September the overall used market is running down about 2% YTD.

Despite the many headwinds to affordability and consumer confidence the market pace actually picked up in recent weeks and while still below the 2025 trend the gap between the 2026 and 2025 lines closed significantly.

There remains lots of pent-up demand with buyers on the sideline waiting to move on the right vehicle at the right price, so we expect relative stability to persist, though with limited upside given the fundamental limits on supply.

Credit is relatively loose and buyers are still buying but what we will see as we continue looking through the latest is that concerns over fuel prices and operating costs are shifting what is being bought and how much is being paid.

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Speaking of what buyer's are having to pay for used vehicles in 2026, let's look at where retail listing prices are as we move toward Q4.

We saw a big bump in the average listing price this year. Looking at the most in demand 3-year-old vehicle (the top 50 by sales volume) We saw the average listing price exceed $30,000 for the first time, peaking out just over $30,500.

Some of that is supply scarcity meeting lots of demand and some of it is the richer mix of later model / higher priced inventory we are seeing come into the market as off lease supply recovers from its low point last year.

At the peak 2026 retail list prices for the top 50 models were over a thousand dollars above the 2025 level.

However, over the past few weeks, observed listing prices have begun to moderate, more line with expected seasonal patterns we would normally see this time of year.

This is consistent with the general theme we are seeing across retail and wholesale with markets beginning to track to a more normal seasonal pattern, perhaps with high fuel prices acting as a bit of a catalyst on depreciation and moderating pace.

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Digging into pricing trends beneath the overall averages we continue to see patterns that tell us buyers are still prioritizing affordability and putting a premium on the most affordable vehicles that can translation into a manageable monthly payment.

The inescapable reality of this market is that the buyer can get fundamentally less for their money than pre-pandemic and it is only older and higher mileage vehicles that are working financially for many buyers.

Vehicles upward of 10 years old and 90,000 miles are still transacting out of necessity for many buyers, particularly in the pickup truck segments where there can be a lot life left after 90,000 miles, albeit with likely some expensive repairs waiting in the wings not long after purchase.

This chart illustrates the dynamic by showing that older vehicles 5+ old consistently show the largest price increases YoY.

Demand is strong for the affordable cars, but this is a years long trend now and supply is getting increasingly scarce in the older segments as cars are held longer and what comes to market is increasingly rougher.

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Shifting to the latest wholesale data, let’s look at our weekly retention chart.

While retail unit demand is holding steady, we are starting to see some accelerating depreciation on wholesale values, a little faster than we would expect to see this time of year.

A key factor in this we believe is the combination of the heavier SUV/Pickup mix we have in the market and the impact of high fuel prices on valuations.

It’s been historically observed that when fuel prices increase, we see that translate to lower values for the larger, less fuel-efficient vehicles and we are seeing a bit of that now.

The elevated cost of fuel and general uncertainly around when there might be relief is increasing current real and perceived future operating costs of the larger vehicles.

Cautious buyers are needing some discounts to pull the trigger on a buy, and we are seeing that in the softer values of late.

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Sales conversion remains the best key indicator of wholesale vehicles at Manheim and I always show it. When I talk about buyer demand being strong, it’s because we see it through the lens of sales conversion. The higher the number goes, the more it indicates that buyers are willing to pay the prices sellers are offering. So when that number is rising, we should listen. Sales conversion dipped in late December, driven by the seasonal slowdowns and the timing of the holidays in the week. With Christmas Eve and Christmas Day both happening on really strong selling days, it was more of a drag than we usually see.

Sales Conversion remained high last week at 60.6%, no changes on the week. Conversion is now flat to last year but higher than every year going back to 2021.

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As we close in on our final few charts, let’s look at the mid-month read on the Manheim Used Vehicle Value Index for September.

Consistent with the trends we saw with weekly MMR retention, sales conversion and days supply the MUVVI also softened.

The MUUVI has declined about 1% in the first 15 days of September compared to August. It’s been trending down since it saw its 2026 peak in March.

It is also negative versus the levels seen for most of the second half of 2025. Just looking the comp to September2025, the MUVVI is down 0.4%.

As discussed, when we looked at MMR retention trends, much of the dip in wholesale values is attributable to the hit that higher fuel prices and operating costs have delivered to the larger and less fuel-efficient vehicles that have the largest footprint in the market.

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Drilling into the moves in wholesale vehicle values at the Segment level, we can clearly see how higher fuel prices are impacting vehicle demand and buyer behaviors.

Our mid-September read on the market shows the overall wholesale market down 1.1% on average price while the Compact Car segment was up 4.3% and EVs up 1.7%, reflecting the demand for fuel efficient vehicles that will cost less to operate daily.

Still, the high mix and steeper price declines for the larger and less fuel-efficient vehicles like Pickup Trucks and SUVs offset the Compact Car and EV strength and took the overall market average negative.

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As we close out the used retail section and think about the future there remains a lot of uncertainty around high fuel prices and inflation and how long the consumers who live from the middle to the bottom of the K in the "K-shaped economy" can remain resilient.

In the near-term, affordability will not improve. The Fed hiked rates recently and is expected to hike at least once more this year in an effort to send a credible message to markets about its commitment to fight inflation.

Two 25 basis point increases will not make affordability dramatically worse, but neither will it improve the situation.

At the same time, as loan terms increase to make payments digestible, longer term loan rates tied to the 10-year treasury are also likely to remain elevated given the voracious demand for capital from governments and AI hyperscalers.

So, no material improvement on the affordability side is coming any time soon.

If you think of new vehicle sales as "the used car factory", that factory won't be adding another shift any time soon either. It takes 3-4 years for new vehicles to begin working their way fully into used vehicle supply and as we have been hovering around 15.5 to 16 million units the last 3 years there's no large wave of used vehicle supply coming into the market, only a moderate recovery of off-lease with a high mix of EVs.

Put together the headwinds of high fuel prices and uncertainty, with higher interest rates and flat supply and we think the market continues look a lot like it did this year. "Steady as she goes" and relatively flat, below pre-pandemic trend, which is what is illustrated in this chart.

And with that, we'll talk to you all again when we review how we closed out 2026!

Chapter 6: Electrified Vehicle Market

Stephanie Valdez Streaty | Director, Industry Insights

Slide 41
Hello, and welcome to the Electrified Vehicle Market chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

Slide 42

In this section, I'll examine how the electrified market is evolving across new and used EVs, pricing, inventory and hybrid growth. Let's begin with the broader trends shaping the market.

Slide 43
The building blocks for electrification continue to improve, even as consumer adoption varies across powertrains. On battery technology, average EV range has increased 20% over the past five years, from roughly 250 miles in 2021 to about 300 miles for 2026 models. At the same time, global battery pack prices have fallen 21% over five years to $108 per kilowatt-hour.

Charging infrastructure is expanding as well. There are now approximately 74,000 public fast chargers, up 27% year over year, and most states are achieving reliability in the 90% to 95% range. Private investment also continues to support network expansion.
Product choice continues to broaden, with alternative-powertrain model availability up 14% from the second quarter of 2024.

And electrification has reached meaningful scale. Nearly one in four new vehicles sold in the second quarter was electrified, and seven brands now derive more than 25% of their sales from electrified vehicles.
Taken together, the ecosystem continues to improve, but growth is not uniform across powertrains. We can see that divergence clearly in new and used EV sales.

Slide 44
New EV sales are stabilizing near 6% of the market, while used EV sales continue to reach record levels.
The third quarter of 2025 is an important point of context. Ahead of the federal EV tax credit expiration, purchases were pulled forward, lifting new EV sales to approximately 437,000 units and a 10.6% share.

Against that unusually strong comparison, we forecast third-quarter 2026 new EV sales will be down about 45% year over year. But that decline largely reflects last year's pull-forward rather than the market's more recent trajectory.

Sequentially, the market has been much steadier. New EV sales totaled approximately 216,000 in the first quarter and 247,000 in the second, and we forecast 239,000 in the third, down just 3% quarter over quarter, with share remaining close to 6% throughout 2026.

The used market is moving differently. We forecast nearly 127,000 used EV sales in the third quarter, another record, up 8.9% quarter over quarter and 13.3% year over year. Used EV share is holding at approximately 2.8%, up from less than 1% in early 2023.

Growing off-lease supply and more accessible price points are helping used EVs reach more buyers. The contrast is clear: new EV sales have settled into a relatively stable range following last year's pull-forward, while used EV sales continue to grow both sequentially and year over year.

That brings us to inventory, where the market is also becoming more balanced.

Slide 45
New EV days' supply reached approximately 180 days in early 2026. By the end of August, it had fallen to about 78 days, essentially in line with ICE+ at 76 days.

That adjustment reflects more than stronger demand. New EV sales have remained relatively flat during 2026, so much of the steep reduction in days' supply reflects a substantial inventory drawdown. Automakers and dealers have brought supply into much closer alignment with the current pace of demand.

The used market tells a somewhat different story. Used EV and ICE+ inventory both finished August at approximately 42 days' supply.

But the volume of used EVs available today has increased substantially over the past two years.

At the end of August, roughly 55,000 used EVs were listed for sale, compared with about 42,000 a year ago and 34,000 in August 2024, an increase of about 30% year over year and 60% in two years.

Used EV days' supply has increased modestly, from about 36 days last August to 42 today, as inventory growth has outpaced sales growth. A year ago, used EVs were turning faster than ICE+; today, the two are essentially aligned.

With new EV inventory now much closer to the broader market and used EV availability continuing to expand, the next question is how those adjustments are showing up in pricing.

Slide 46
Pricing trends are diverging across the new and used EV markets.

On the new side, the EV price premium over ICE+ has narrowed significantly. In August, the average EV transaction price was $54,754, compared with $49,907 for ICE+, bringing the price premium to 9.7%, down from 16.5% a year ago.

That narrowing reflects movement on both sides: EV transaction prices declined about 3% year over year, helped by a shift toward lower-priced EVs and lower prices for several popular models, while ICE+ prices increased about 3%. Together, those trends have considerably narrowed the price gap.

The used market is moving in the other direction. Used EV listing prices averaged $37,441 in August, up 8.2% year over year, while ICE+ prices increased about 3% to $34,740. That widened the used EV price premium from 2.9% a year ago to 7.8% today.

Used EV prices remain above year-ago levels even as supply has grown, reflecting both steady demand and a younger, higher-value mix of off-lease vehicles entering the market.

That reinforces the inventory story from the previous slide: more off-lease EVs are entering the market, expanding the number of used EVs available to consumers, even as pricing remains firm.

So overall, the price gap is narrowing on the new side, while used EV pricing remains firm.

But the clearest growth within the broader electrified market continues to come from hybrids.

Slide 47
Hybrid vehicles continue to be the clearest growth story in the electrified market.

HEV volume increased 23% from Q2 2025 to Q2 2026, pushing hybrid share to a record 16.3%, up from 13.0% a year ago.

Toyota remains the clear HEV market leader, accounting for 44% of hybrid registrations. But the competitive mix is shifting. Toyota's share has declined more than four percentage points over the past year, while Ford has fallen from nearly 10% to 6%.

At the same time, Kia and Hyundai are gaining ground quickly. Kia posted the largest year-over-year gain, adding roughly 36,000 hybrid registrations, while Hyundai added another 30,000. Together, they added more than twice as many hybrid registrations as Toyota, which gained roughly 32,000. Subaru and Honda also posted solid gains.

The takeaway is that Toyota is still growing hybrid volume while losing share, a sign that a broader set of manufacturers is contributing to the market's growth.

For consumers, hybrids offer better fuel efficiency without requiring a major change in how they fuel or use their vehicle. For automakers, that creates another way to expand electrification across high-volume segments while meeting consumers where they are today.

Stepping back, the electrification mix is evolving. New EV demand is stabilizing, used EVs are reaching more buyers, and hybrids are providing much of the current growth momentum. The market continues to electrify, but the path is proving more gradual and more diverse, with consumers choosing among a broader mix of powertrains.

Chapter 7: Credit Availability and the Cost of Borrowing

Jonathan Gregory | Senior Director, Economic and Industry Insights

Slide 48

Hello, and welcome to the Credit Availability and the Cost of Borrowing chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

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Thanks Stephanie. I'm Jonathan Gregory, senior director of Economic and Industry Insights at Cox Automotive.

In this chapter, I'll review the Dealertrack Credit Availability Index, auto-loan rates, Treasury yields, approval trends and lender behavior. I'll also examine longer loan terms and the implications for monthly payments. Credit became more accessible as lenders took on additional risk in 2026, but higher interest rates are beginning to offset those gains and are likely to put near-term pressure on the auto market.

Slide 50

Credit is the one part of this forecast that is unambiguously looser than a year ago, and it's one reason sales keep tracking at a reasonably healthy level.

Almost nothing in auto retail happens without a lender. More than 80% of new vehicles are financed — roughly 60% loans, 24% leases — and about 7 in 10 used vehicles carry a loan. So asking whether sales can hold is really asking whether lenders will say yes. If credit isn't there, most of those sales don't happen, however motivated the shopper.

Cash is about 16% of new transactions and 31% of used, and the used cash share keeps climbing — 31.3% in June, up from 23% in mid-2022. Cash buyers are the least rate-sensitive group in the market. When their share grows, it's usually the financed buyer getting squeezed out. Which is why we track credit access every month.

The Dealertrack Credit Availability Index came in at 105.3 in August: a fourth consecutive increase, up 7.7% year over year, and the highest reading since November 2015.

The gains are broad. New-vehicle access, the green line, is up 8.9% year over year. On the used side, every channel set a new series high, led by independent used at 8.0%. On access alone, this is the loosest auto lending market in a decade.

Slide 51

The composition of that loosening matters more than the level, and this is where the risk is accumulating.

In August the three inputs that moved our index were all deal structure, not price. A record 31.3% of loans now run past 72 months, up 580 basis points year over year. 57.4% were written with negative equity which is higher than any monthly reading between 2015 and 2019. Down payments held at 13%, the lowest in nearly four years.

The two bars on the right measure lender willingness, and they say something different. The 73.9% approval rate is a 12-month high, but still 50 basis points below last August, and the gains have stalled: 150 and 220 basis points in May and June, then 10 and 20 in July and August. Subprime share rose to 16.6% and was the largest contributor to the index gain - but subprime volume fell. The share rose because the rest of the book contracted faster. That is a mix effect, not a wider credit box.

The easing is also concentrated: captives, up 14.9% year over year, and finance companies, at a new series high, delivered nearly all of August's approval gains, while banks held flat and credit unions pulled back.

Slide 52

None of this came from cheaper money - that is the second takeaway.

Offered rates are higher year over year at every tier: prime up 53 basis points, prime-plus up 33, super prime up 5. The 10-year Treasury is up 42 basis points over the same window, so the benchmark is not giving lenders room either and lenders are keeping margins tight for better paper.

On the index's own measure, the average contract rate rose 9 basis points in August to 10.99%, while the 5-year Treasury reached 4.38%, its highest since January 2025. The spread widened 4 basis points to 6.61% - the first widening since June, and the only drag on the index this month - though it remains about 54 basis points below its post-2023 average.

One clarification: these are new-loan rates. Used borrowers pay materially more - used prime is 12.4% against 10.1% on new, a 230-basis-point gap, and used super prime is 6.9% versus 5.4%. But used pricing has been flatter: used prime is up only 6 basis points year over year and the higher used tiers are down slightly. The year-over-year deterioration is concentrated on the new side.

Slide 53

Which brings us to what the household actually feels - the payment. This is our retail transaction data, new-vehicle retail loans, and it is the clearest picture of what a decade of price and rate increases has done to the deal.

In 2022, the single largest group of loans - almost 30% - carried a payment under $500 a month. Year to date it is under 21%, and it is no longer the largest group. The $1,000-plus bucket is, at 17.8%, up from 13.3% in 2022. Every band above $700 has gained share over that period; every band below $600 has lost it. And the average new-loan payment has now crossed $800 for the first time - $802 year to date against $782 last year.

That is the punchline on affordability: record-long terms have not held payments down, they have only slowed the climb. A 72-plus-month term is doing the work that a lower the payment, and even with that, the distribution keeps sliding right. Nothing in the 2026 data suggests it reverses.

Used tells the same story at a lower altitude, with average used payments running near $540 and the same erosion of the sub-$500 group.

So, to wrap. Credit access is a modest tailwind for the back half of 2026, consistent with the 16.1 million SAAR. But the mechanism borrows from future demand: when 57% of loans start underwater, on a record-long term, with 13% down, you lengthen trade cycles and leave less cushion if the labor market softens. Credit performance is the offset to watch, and for now it is behaving - delinquencies fell across nearly every tier in August and subprime 60-plus is a full point better year over year.

Chapter 8: Transportation and Freight Perspectives

Zo Rahim | Senior Manager, Economic and Industry Insights

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Hello, and welcome to the Transportation and Freight Perspectives chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

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I'm Zo Rahim, senior manager of Economic and Industry Insights at Cox Automotive.

In this chapter, I'll examine vehicle transportation and freight trends, including demand, operating costs, vehicle flows and overall market activity. I'll also discuss regulatory developments that may affect the business, including commercial driver's license limits and liability requirements. This perspective provides context for dealers' concerns about transportation costs and the broader conditions shaping the industry.

Slide 56

Before I dive in, I want to take a second to mention Cox Fleet. Cox Fleet, part of Cox Automotive, operates a leading private fleet maintenance and roadside network in the U.S., with more than 1,500 in-house technicians, over 65,000 service providers nationwide, and 30-plus service centers across the U.S. That footprint lets us connect roadside, scheduled, and unscheduled maintenance on a single platform, with 24/7/365 dispatch coast to coast. It's safe to say monitoring and analyzing trends and data on the medium and heavy-duty vehicle market are very important to our team and our business as a whole.

Slide 57

The medium and heavy-duty fleet market is not just one market. Millions of fleet vehicles comprise a wide range of industries, responding to different macroeconomic signals. What matters for fleets and their decision-making is the composition of growth, not just headline GDP. Consumer spending and fixed investment, freight-relevant components, remain the steadiest contributors to growth. Trucking, a part of the medium and heavy-duty fleet market, is the backbone of American freight transportation, handling more goods by tonnage and value than any other mode representing over 70% of total freight tonnage and the industry generates over $900 billion in revenue. It is incredibly massive and even vital to the economic performance of other sectors. If you have bought something, from candy to cars, it is highly likely the product or an input to make that product found itself on a truck at some point.

Slide 58

The U.S. trucking industry is inherently cyclical, but the post-pandemic downturn, widely called the "Great Freight Recession", began in early-to-mid 2022 and is the longest in modern trucking history. A freight recession occurs when there is a supply/demand imbalance in the freight market. Namely, there are too many trucks chasing too few loads. It is sector-specific, driven by the imbalance between trucking capacity (which is the supply of trucks) and shipping demand (which is the volume of goods to move). The Great Freight Recessions' origins are traced to a pandemic-era boom-and-bust where the level and scale of oversupply in the trucking industry was unprecedented; the pandemic-era carrier surge was more than double any previous expansion. That has started to change, especially this year. Federal policy actions are accelerating capacity removal: enforcement of English language proficiency standards, a crackdown on non-domiciled commercial driver's licenses, scrutiny of driving schools, and even immigration reform are reducing available trucks. However, it is important to keep in mind that this remains a supply-driven recovery, not a demand-driven one. The structural conditions for recovery are the strongest they have been in four years. But the magnitude of recovery remains contingent on conditions like the demand-side that are influenced by broader economic trends such as business investment and consumer spending. Equipment demand reflects this dynamic but it is more replacement-driven than expansionary.

Slide 59

The automotive sector has a strong connection to the fleet and freight market. Transporting vehicles and parts from factories, ports, auctions, and dealers is a critical way auto hauling, a segment of the freight market, supports the sector. This year we have seen overall freight rates increase due to the tightening of supply. As capacity leaves the market, that creates upward pricing pressure, even in auto hauling, and increases the cost to move vehicles. Dealers for example might be seeing higher transportation costs but also might be seeing automotive transport supply changes depending on their market. Said another way, reduction in trucking capacity will impact auto transport capacity. A tighter market means fleets like auto haulers should protect their fleet capacity by prioritizing utilization.

Costs have also increased due to the sudden rise in fuel prices this year. For auto haulers, diesel prices are the highest they have ever been. This means that operating costs have increased, so the rates for transporting vehicles has also gone up to accommodate. What we have seen is that not all of the fuel costs have been passed on to the shipper, but there have been some cost pressures nonetheless.

Chapter 9: 2026 Forecast Update

Jeremy Robb | Chief Economist

Slide 60

Hello, and welcome to the Forecast Update and Closing chapter of Cox Automotive's Q3 2026 Sales Forecast Update.

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I'm Jeremy Robb, chief economist at Cox Automotive.

In this final chapter, I'll review our updated 2026 forecasts, explain what has changed since the Mid-Year Review and outline the principal risks and potential opportunities entering the fourth quarter. I'll also highlight the indicators we are watching and our outlook through year-end. The market has remained steady despite significant headwinds, but fourth-quarter performance will depend on consumer confidence, household finances, credit conditions and broader economic stability.

Slide 62

Let's take a step back and look at the full picture of what's driven the auto market this year — and what's shaping the rest of it. This word cloud captures the key signals we've been tracking all summer in our Weekly Market Summaries. The red terms represent headwinds — things like record diesel prices, rising interest rates, negative real wages, and housing market strain. The green terms are tailwinds — the wealth effect, pent-up demand from the oldest car parc in history, growing hybrid share, and a credit market that's actually been expanding. The orange and blue terms are the macro and lending data points that sit underneath it all. The headline here is TENSION — real, building tension between a consumer that's being squeezed and a market that has remained remarkably resilient. So far in 2026 – that's the story for the auto market: resilient demand despite macro headwinds. The question is how much further it can hold. Gains in the wealth effect and an aging car parc have been solid demand drivers. But the average consumer is feeling real pressure – and we've yet to see relief in sight.

Slide 63

This slide is one of my favorites in the whole deck because it shows you the engine behind new vehicle demand in a way that's hard to argue with. I've been researching how to visual show the strength of this wealth effect, and did a deep dive into a data series put out by the Fed called Distributed Financial Accounts.

These accounts show many measures of net worth – both assets and liabilities (or debt). But what I wanted to hone in on were items outside of housing and your traditional 401K or pension assets. So here in this view, what you are seeing is liquid financial assets — deposits, money markets, debt securities (like treasuries held by individuals, and stocks and mutual funds (outside of those in retirement accounts). This is broken out by wealth percentile going back to 1990.

If you look at the long term trend, these accounts in total have grown at an average of 7.7%. But – the key is twofold: 1) these four assets classes don't grow at the same rate and 2) the top 10% holds an outsized – and GROWING – portion.

To get a flavor- before the pandemic and the intervention that followed - deposits had grown about 4.3% on average over the whole series, Money Market funds by about 6.3%, Debt securities higher by 5.8% and corporate equities and mutuals funds by 10.5%. But since the pandemic – those growth rates have sped up – as has the percent owned by the top 10%. In fact - visually you can literally see the slope of the total turning upwards from 2021 onward.
Now since then – we've seen much higher interest rates – and that's driven a lot of growth in Money market accounts as many consumers park assets with a solid return. A new avenue for almost an entire generation. Since 2019 growth in money market funds have increased by 189% - or 31.6% on average. Deposits and Debt securities have also risen by 6% and 9% respectively each year. And securities and mutual funds are higher by 149% over the period, or an average of 24.9% - EACH and EVERY Year.

And ALL groups have seen strong gains, but because the distribution varies the returns are very different. The Bottom 50% currently have 63% of what they own in deposits – though they ARE participating in the wealth effect of the stock market as it's 30% what they own – but they own less than 1% of total equities. The top 10%: own 88%.

So the average gain across all these classes is just 4.5% for the last five years for the bottom 50% - the 50th to 90th percentile have seen a 7.7% average gain, and the top 10% - a whopping 11.3% gain – each and every year. These gains are running FAR above the growth of debt, leading to an economy MUCH more driven by asset growth. Although about 20% of total financial assets are held in Deposits and Money market funds, 72% is in the Corporate equities and mutual fund bucket. Our economy has a strong financial base even if it's concentrated in top earners. But it's also ONE that is more susceptible to a stock market correction and any corresponding impact on financial assets.

Slide 64

Here's where our full-year 2026 forecast stands as of this September update.

Given the strength in the new market over the summer, we have raised our outlook on new vehicle sales of 16.1 million units — now down about 1.2% versus 2025, which reflects the macro environment we've discussed. Within that, new retail sales come in at 13.1 million, and fleet is expected to rise almost 4% against last years levels. On the leasing side, new lease volume is down 7% to 3.0 million, and lease penetration slips a point to 23%. We are still feeling the impact of the loss of the EV tax credit on leasing this year, but that will start to unwind as we move through the fourth quarter. CPO sales are forecasted at 2.6 million, down 1.8%.

On the used side, we're looking at 38.5 million total used sales — essentially flat versus last year — with used retail at 20.5 million.

For wholesale values, we made an update to our projections last month, partially due to the higher gas prices and diesel prices impacting the values of larger trucks and SUVs. Currently, we're projecting the Manheim Used Vehicle Value Index to end the year up about 0.8% year-over-year, which would still be a bit better than seen in 2025, but lower than the long term average. The growth in lease maturities is putting a little pressure on younger units this year, while older units are showing less depreciation as affordable and OLDER units see more demand.

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As we look ahead to 2027, this quadrant chart maps the forces we're monitoring — plotted on two axes: headwind to tailwind left to right, and global versus US-specific top to bottom. The largest circle on the headwind side is the Middle East conflict and oil prices — that's the dominant risk we're watching, and the size of the bubble reflects its potential impact. Chinese EV entry timing sits near the center — that's an uncertainty more than a clear headwind today, but the timing matters enormously for the competitive landscape. On the tailwind side, the wealth effect remains our most powerful structural support, with fleet recovery and the aging car parc adding incremental demand. The US-specific headwinds — elevated inflation, the Fed on hold, and affordability crowd-out — are real but manageable if energy prices stabilize. The big watch item heading into 2027 is whether the macro headwinds intensify or begin to fade.

Instead of a straight risk list, I plotted 2027's forces on two axes — headwind to tailwind, and US-specific to global. A few don't sit cleanly in one bucket, and that's the point.

Top-left, the biggest dot: the Middle East conflict shows no resolution path, meaning sustained elevated oil, gas, and diesel prices — and higher diesel also raises supply chain costs, so it hits from more than one angle.

Bottom-left: elevated inflation keeps the Fed on hold, so financing costs stay high through most of next year. As we've mentioned, even a full point rise in interest rates increases the new vehicle payment by ONLY $22 per month. But that psychological impact – as well as the corresponding housing market effect – may take some wind out of the sails of the US market.

On the right, this is our recurring theme of stability this year: the record-old car parc, fleet recovery keep helping the US market marginally, and a wealth effect that leans global and remains supportive.

And two genuine wildcards near the center — the midterms, which could shift wide ranging policies from EV credits to tariff policy depending on how the House and Senate land – with a growing probability that both may change in November. Coupled with the topic on the mind of the industry: Chinese EV timing – a force that could cut both ways for incumbents and affordability.

Bottom line: we do have real tailwinds but the more positive impact is centered at the top tier of the market – and that could be offset by a stretched consumer - with those two wildcards able to tip the balance either way.

Closing: Final Thoughts and Thank You

Mark Schirmer | Director, Corporate Communications

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That concludes our Q3 forecast update. We hope you found the content helpful and interesting.
Special thanks to everyone on the Cox Automotive Economic and Industry Insight team that helped us assemble and present this information.

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IF you would like more information on Cox Automotive's view of the auto industry, be sure to visit our Insights page. You can find the website here. We have also introduced a new podcast, the Auto Market Brief, covering some of the most interesting aspect of the auto industry, with new episode nearly ever week. For all the most recent data points our team is tracking, check out the Auto Market Snapshot. And if you want to hear from us more regularly, be sure to sign up for Topline Auto Insights, our bi-weekly newsletter.

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Thank you for watching and for your interest in Cox Automotive's Q3 2026 Sales Forecast Update. We hope this presentation has useful context and insights. If you have questions or would like additional information, please feel free to reach out. We always appreciate hearing from you.