



FOR IMMEDIATE RELEASE

U.S. Auto Dealer Sentiment Tumbles in Q4, as Continued Concerns Over Interest Rates and the Economy Cloud Future Prospects

- Overall, the Cox Automotive Dealer Sentiment Index highlights a challenging landscape for auto dealers, with sentiment reaching historic lows across various indicators.
- Falling to an all-time low, the market outlook index indicates a majority of U.S. franchised dealers feel the market will be weak, not strong, in the coming three months.
- The pessimism expressed by auto dealers reflects the impact of the interest rates, economy, and market conditions.

ATLANTA, Dec. 7, 2023 – The Cox Automotive Dealer Sentiment Index (CADSI) reveals a significant decrease in U.S. auto dealer sentiment in Q4 2023 compared to Q3. This decline is attributed to the ongoing adverse effects of high interest rates and a weakening economy on the automotive market.

The latest survey illuminates several areas where dealer sentiment has dipped to all-time lows after showing relative stability in the last two quarters. The Q4 current market index dropped to 40, down five points from the previous quarter and the lowest level since Q2 2020. While independent dealers' sentiment has been below the 50 threshold since Q3 2022 and is now at 38, franchised dealers' sentiment has also fallen below the threshold. The Q4 report is the sixth consecutive quarter with overall dealer sentiment below the 50 threshold and represents the first time since Q2 2020 that franchised dealers' sentiment has been below 50.

Market Outlook Index Hits All-Time Low for Franchised Dealers

The 3-month market outlook index matched an all-time low of 41, indicating more dealers feel the market will be weak, not strong, in the months ahead. The market outlook index in Q4 for franchised dealers dropped 12 points to 46, sinking below the 50 threshold and hitting an all-time low. The outlook index for independent dealers dropped one point to 40. Both scores, and the overall score, are significantly lower than pre-pandemic and historical standards.

"The low scores in the latest survey indicate a challenging market with weak prospects," said Cox Automotive Chief Economist Jonathan Smoke. "Many auto dealers are seeing their profits decline from record highs in 2021 and 2022, and they are feeling the pinch from high interest rates. Their expenses have gone up significantly, and the downward pressure on pricing has cut into their margins. Clearly, the market dynamics are much more challenging for automobile dealers and especially franchised dealers than the market of just one year ago."

Dealers See Decline in Traffic and Profits

The overall traffic and profits indexes both declined from the previous quarter. The overall profits index hit an all-time high of 60 in Q3 2021 and has been sliding ever since. The overall profits index, at 37, is now at a new low point, excluding Q2 2020, when much of the U.S. economy was shut down. For franchised dealers, the profits index sunk to 51, down seven points quarter over quarter. The profits index for independent dealers at 32 marks the ninth consecutive quarter of a below-50 index reading.

Worsening New-Vehicle and Used-Vehicle Sales Environments

After four quarters of improvement, the new-vehicle sales environment dropped eight points to 51. The above-50 score in Q4 implies that more dealers see the sales environment as good but barely. The index score is one point below a year ago and is lower than every pre-pandemic measurement. OEM-backed incentives, however, remain small, according to the index. The score of 26 is down two points from last quarter and remains well below pre-pandemic levels.

The used-vehicle sales environment worsened in Q4 and continues to be viewed as poor by most automobile dealers in the U.S. In Q4, the overall used-vehicle sales environment index score dropped to 39, down from 44 in Q3 and below the 42 recorded a year ago. Excluding the Q2 2020 trough, the Q4 used-vehicle sales environment score hit an all-time low. Independent dealers continue to view the used-vehicle sales environment as particularly poor, and the used-vehicle sales index decreased five points to a mere 35 in Q4. Franchised dealers are more positive about the used-vehicle market, but the score dropped seven points to 51, reaching the lowest level since Q2 2020. Both scores are well below pre-pandemic levels.

Electric-Vehicle Sales Index Falls for Franchised and Independent Dealers

Compared to one year ago, electric vehicle (EV) sales are seen as worse for both franchised and independent dealers at 48, with the change being statistically significant for franchised dealers. This quarter's EV sales index score for franchised dealers was down to 50 from 54 last quarter, nine points below the Q4 2022 peak of 61. At 46, independent dealers indicate EV sales are slightly worse than in 2022.

When asked about future EV sales expectations (3 months out), dealers' views were declining, with an index score of 42, down five points from last quarter and significantly lower than one year ago. The index scores for EV sales expectations for both franchised and independent dealers were at their lowest points since Q2 2021, when the EV market expectation question was added. The index for franchised dealers decreased by nine points compared to the previous quarter and was 17 points lower than last year's corresponding period.

"The excitement that existed a year ago around EVs has definitely faded," notes Smoke. "Although EV sales are growing, supply is growing faster. The EV transition is requiring more effort from dealers than before, so it makes sense that enthusiasm has declined."

Interest Rates and Economy Top Factors Holding Back Business

Interest Rates (65%) and the Economy (61%) are the top two factors cited by both franchised and independent dealers when asked about factors holding back business. The Economy and Interest Rates were also the top two in Q3. Year over year, Interest Rates is significantly higher; in Q4 2021, Interest Rates was not even listed as a top-ten factor holding back business.

Market Conditions significantly increased quarter over quarter as a factor holding back business, but it remains in the No. 3 spot. Credit Availability for Consumers was significantly higher overall and for independents compared to Q4 2022. Meanwhile, Limited Inventory was the leading factor for most of 2022 but has now fallen to the fifth most often mentioned factor, with 33% of dealers noting Limited Inventory as a top factor holding back business.

The Top 10 factors are:

Top Factors Holding Back the Business	Overall Rank	Q4 2023 Percentage	Q4 2022 Percentage
Interest Rates	1	65%	49%
Economy	2	61%	62%
Market Conditions	3	48%	46%
Credit Availability for Consumers	4	34%	24%
Limited Inventory	5	33%	47%
Political Climate	6	32%	33%
Expenses	7	31%	29%
Consumer Confidence	8	29%	33%
Competition	9	13%	12%
Business Impacts from COVID-19/ Coronavirus	10	9%	16%

In Q4, Political Climate increased significantly versus last quarter as a factor holding back business. Thirty-two percent of dealers indicated Political Climate is a challenge in the Q4 survey, up from 27% in Q3.

Cox Automotive Dealer Sentiment Index Methodology

Derived from a quarterly survey that Cox Automotive issues to a representative sample of franchised and independent auto dealers from around the country, the Dealer Sentiment Index measures dealer perceptions of current retail auto sales and sales expectations for the next three months as “strong,” “average,” or “weak.” The survey also asks dealers to rate new-car sales and used-car sales separately, along with various key drivers, including consumer traffic. Responses are used to calculate an index by which any number over 50 indicates that more dealers view conditions as strong rather than weak.

The Q4 2023 CADSI is based on 1,036 U.S. auto dealer respondents, comprising 561 franchised dealers and 475 independents. The survey was conducted from Oct. 24 to Nov. 6, 2023. Dealer responses were weighted by dealership type and sales volume to represent the national dealer population.

For each aspect of the market surveyed, respondents are given an option related to strong/increasing, average/stable, or weak/decreasing, along with a “don’t know” opt-out. Indices are calculated by creating a mean score in which:

- Strong/increasing answers are assigned a value of 100.
- Average/stable answers are assigned a value of 50.
- Weak/declining selections are assigned a value of 0.

Respondents who select “don’t know” at a particular question are removed from the related index calculation. The total metrics reported have a +/- 3.04% margin of error.

[Download the full results](#) of the Q4 2023 Cox Automotive Dealer Sentiment Index.



About Cox Automotive

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