

A man in a white shirt and tie is sitting in a car dealership, holding a tablet and gesturing with his hand. The background shows a car and a desk with a computer monitor.

DEALER SENTIMENT INDEX

THIRD QUARTER 2022

Cox
AUTOMOTIVE™

Research & Market Intelligence

A Unique Market Drives Optimism

Background

- ✓ Data for the Cox Automotive Dealer Sentiment Index (CADSI) is gathered via a quarterly online survey of franchised and independent auto dealers.
- ✓ Dealer responses are weighted by dealership type and volume of sales to closely reflect the national dealer population. Data is used to calculate an index wherein a number over 50 indicates more dealers view conditions as strong or positive rather than weak or negative.
- ✓ The Q3 2022 CADSI is based on 1,040 U.S. auto dealer respondents, comprising 574 franchised dealers and 466 independents. The survey was conducted from July 26 to August 9, 2022.
- ✓ The next quarterly report will be released in December 2022. The CADSI was first published in Q2 2017.

Key Takeaways

U.S. automobile dealer sentiment in Q3 2022 reflects that more dealers view the current market as weak than strong. Now, at 49, the current market index is below the threshold of 50 in the Cox Automotive Dealer Sentiment Index (CADSI), marking the fifth quarter-over-quarter decline in overall market sentiment. The index is down five points from Q2 and down 13 points year over year. The current market index was last below 50 in Q1 2021. The current market index peaked at 67 in Q2 2021, and those gains have been wiped out. U.S. auto dealers indicate that their negative view of the market is influenced by inflation, economic anxiety, high costs and tight inventory.

The 3-month, forward-looking market outlook index dropped sharply from the previous quarter and, at 44, is at a record low for the index, back to levels last seen at the onset of the pandemic in Q2 2020 and well below the 60 recorded in Q3 2021.

Additionally, the economy index decreased in Q3 to 45, down from 50 in the prior quarter. With the index at 45, dealers are below the positive threshold in judging the economy as strong.

The important cost index fell by one point from the all-time high of 75 in Q2 but remains elevated. It is now nine points higher than a year ago, suggesting that the overall cost of running a dealership is growing. On the plus side for dealers, the price pressure index increased in Q3 to 48, up from 41 in Q2, but remains well below pre-pandemic levels, indicating fewer dealers feel pressure to lower their prices.

While new-vehicle inventory sentiment improved in Q3, the view of new-vehicle sales worsened slightly, decreasing from 52 to 51, meaning dealers are now marginally less optimistic about the current new-vehicle sales environment. One year ago, the index score was also 51, meaning the same number of dealers saw the market as

good versus poor. The new-vehicle incentives index rose by one point quarter over quarter to 22 and has remained relatively stable in the low-to-mid-twenties for a year. For comparison, the incentive index was at 48 in Q3 2019.

The used-vehicle sales index remained stable at 47. For franchised dealers, the used-vehicle sales index decreased by three points in Q3 and is now 12 points below year-ago levels. For independent dealers, the index fell one point from the previous quarter to 41 and is down 13 points from a year ago. Overall, most dealers view used-vehicle sales as poor.

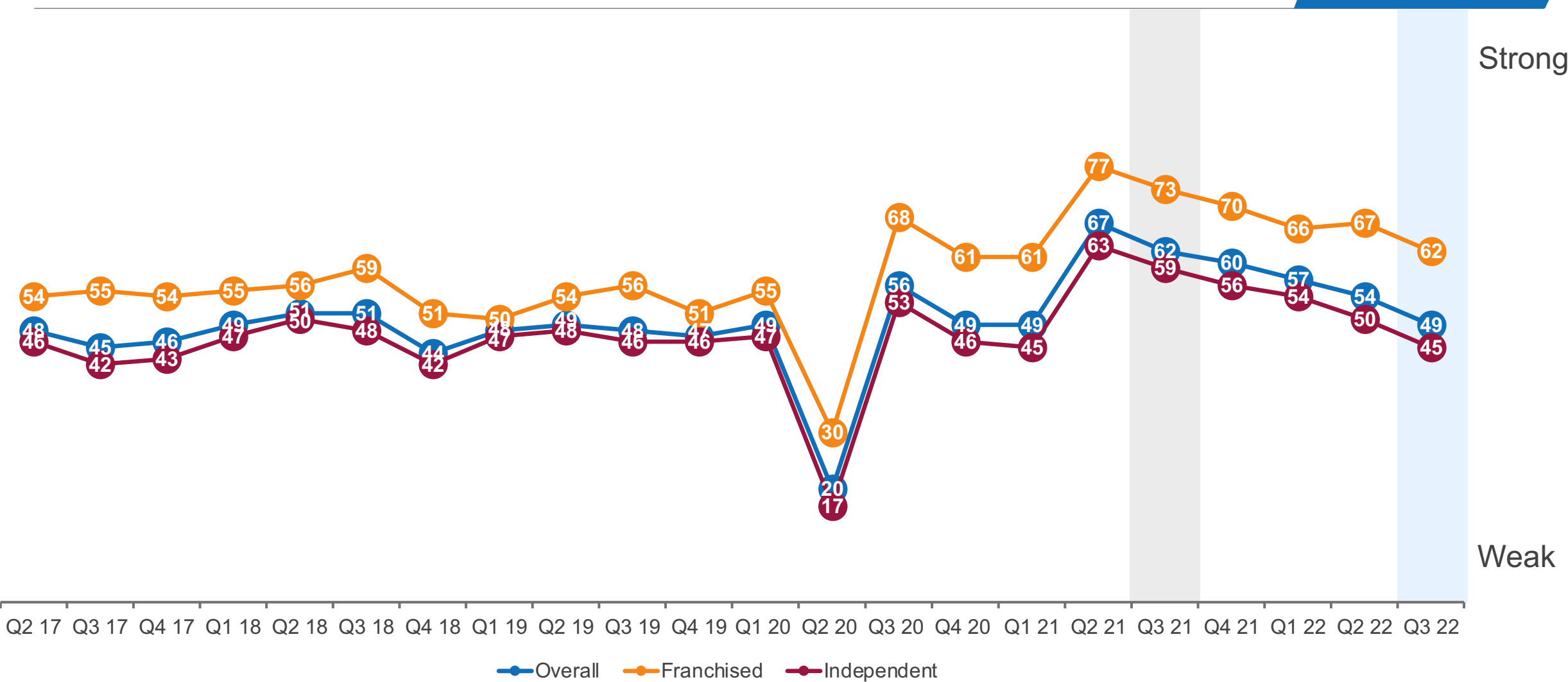
Limited Inventory continues to be the top factor holding back business according to the Q3 2022 CADSI. Both Economy and Interest Rates saw significant quarter-over-quarter increases. Interest rates jumped to the 4th position, and 53% of dealers now indicate the Economy is holding back business, up from 46% in Q2.



Q1: How would you describe the current market for vehicles in the areas where you operate?

Dealer Sentiment Index

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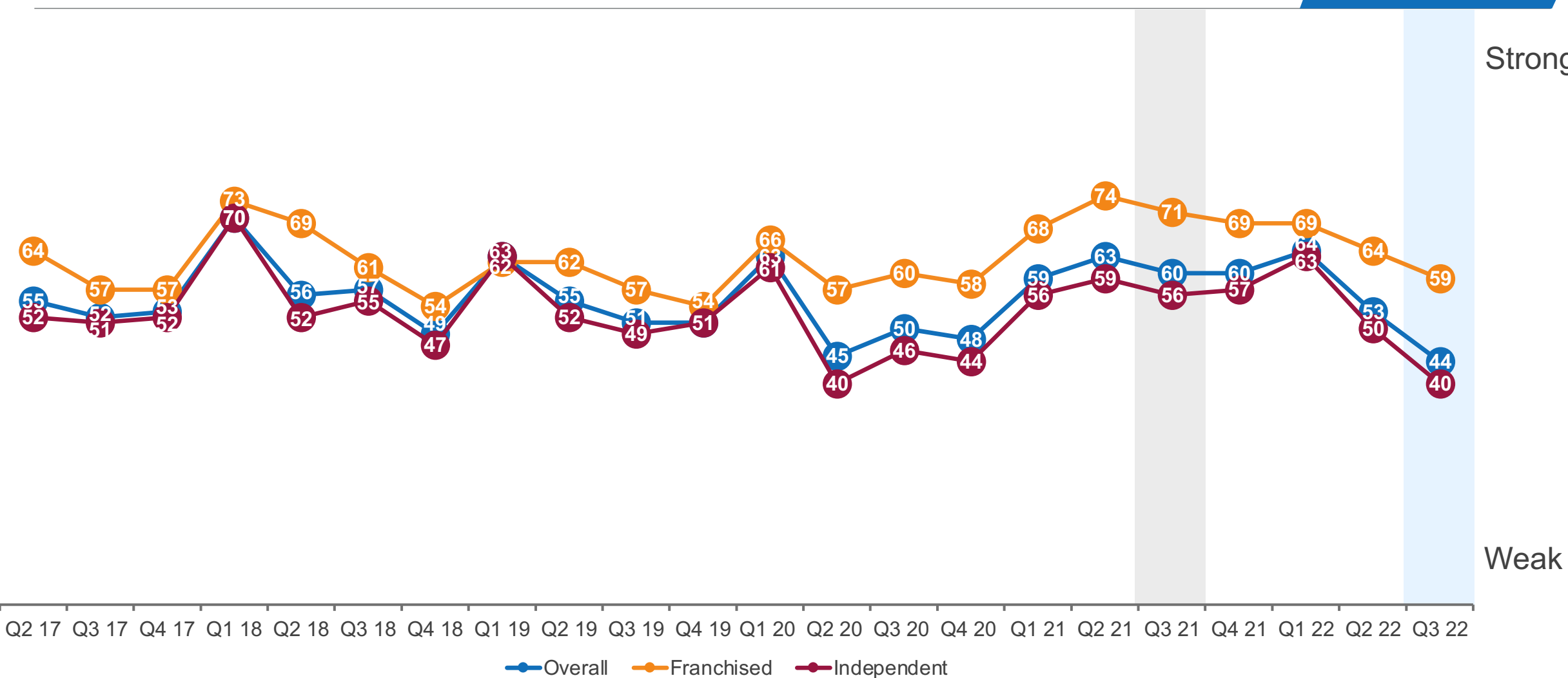


Note: Scale 1 - 100

Q2: What do you expect the market for vehicles in your area to look like 3 months from now?

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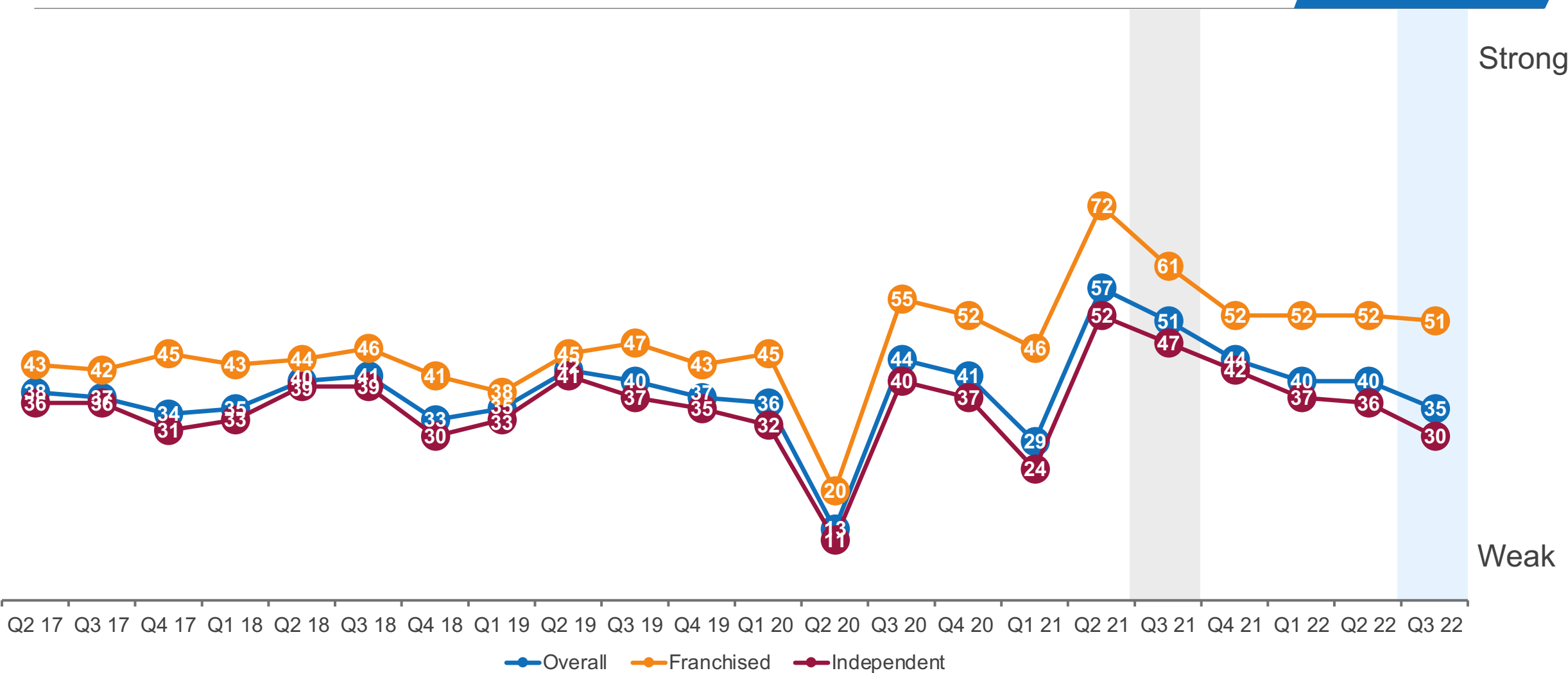


Note: Scale 1 - 100

Q3: How do you rate the customer traffic to your dealership over the past 3 months?

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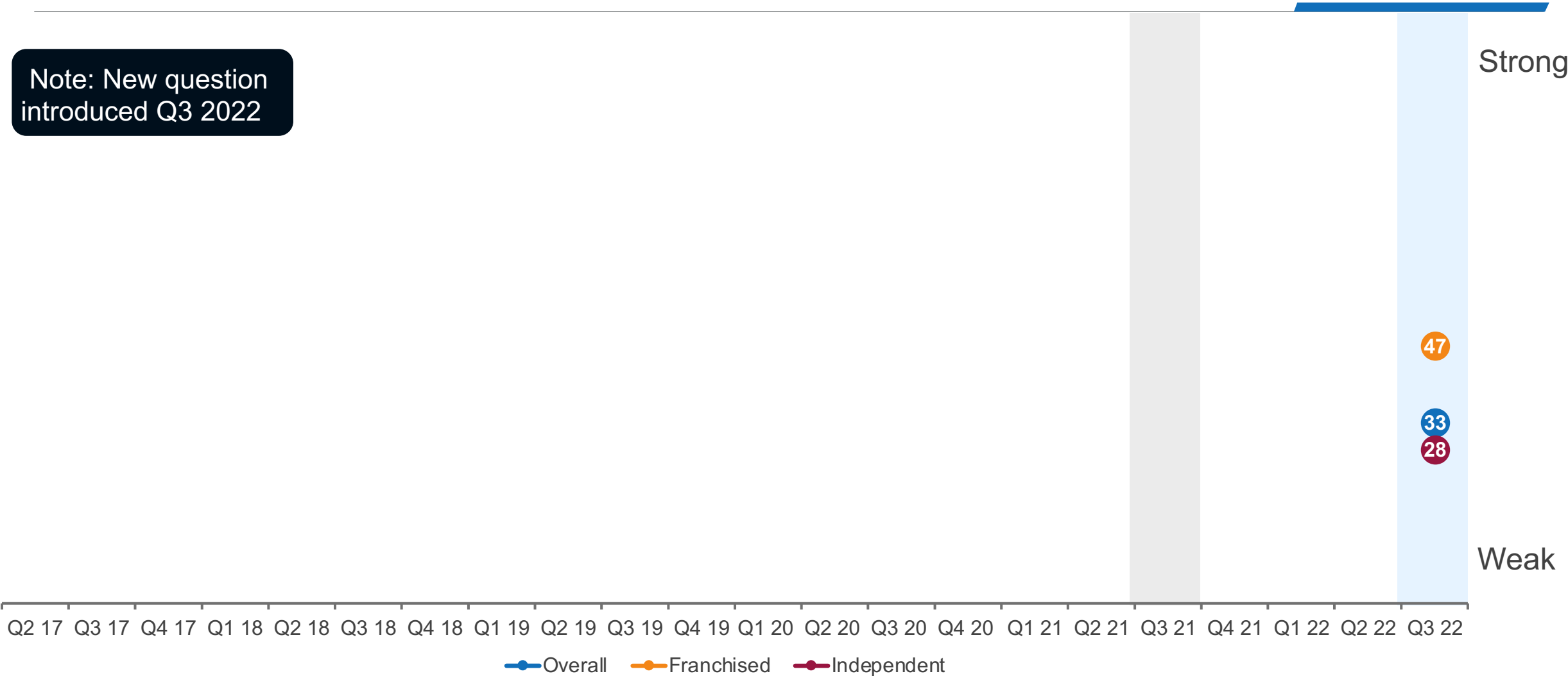
Note: Scale 1 - 100

Q3A: How do you rate the **in-person** customer traffic to your dealership over the past 3 months?

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Note: New question introduced Q3 2022



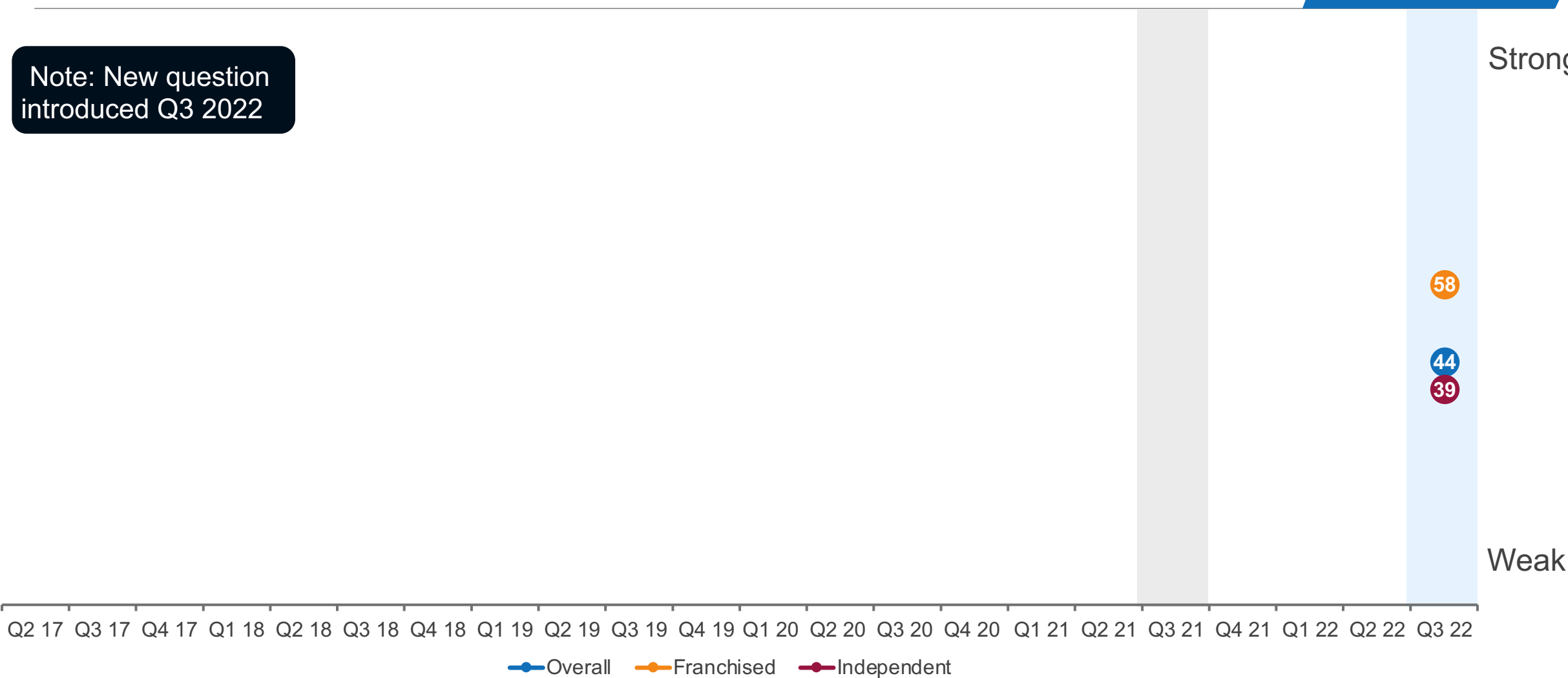
Note: Scale 1 - 100

Q3B: How do you rate the digital/online customer traffic to your dealership over the past 3 months?

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Note: New question introduced Q3 2022

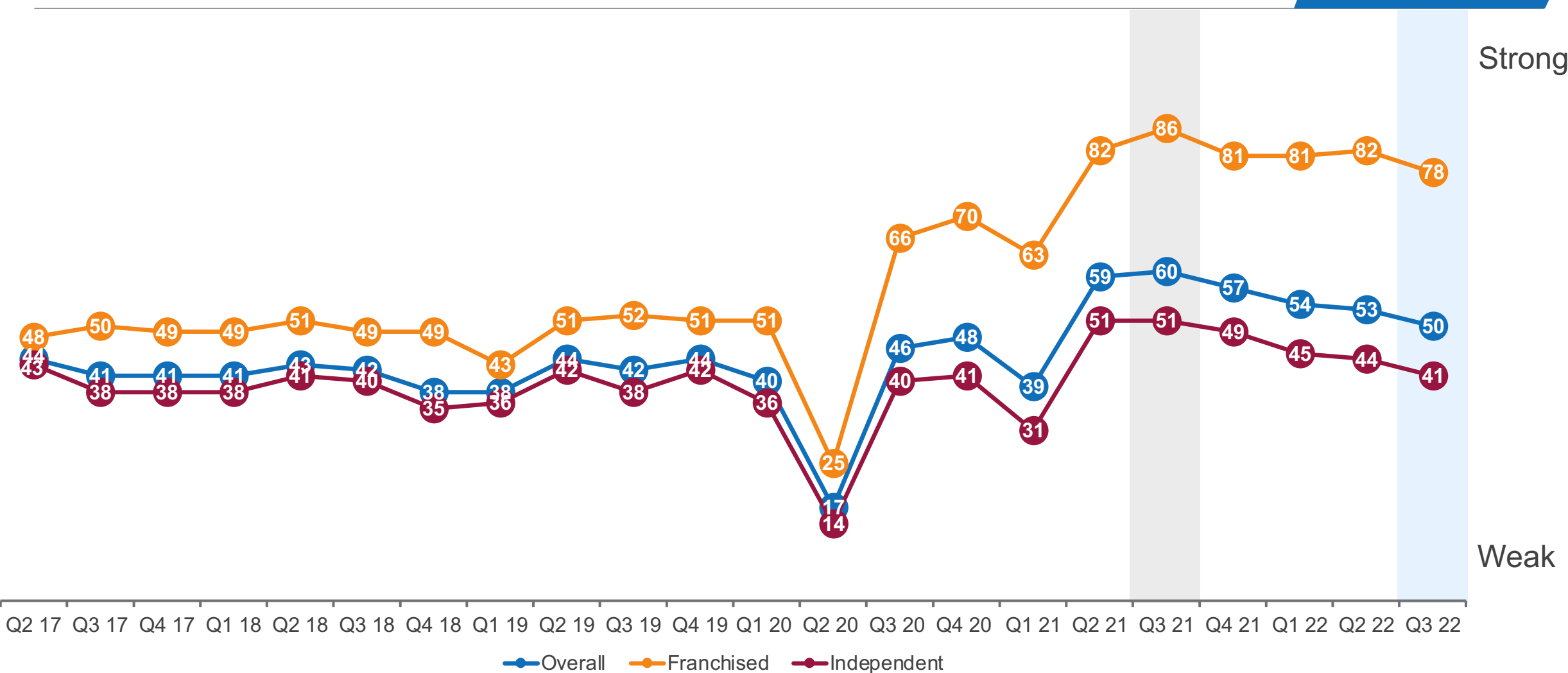


Note: Scale 1 - 100

Q4: How would you describe your profits over the past 3 months?

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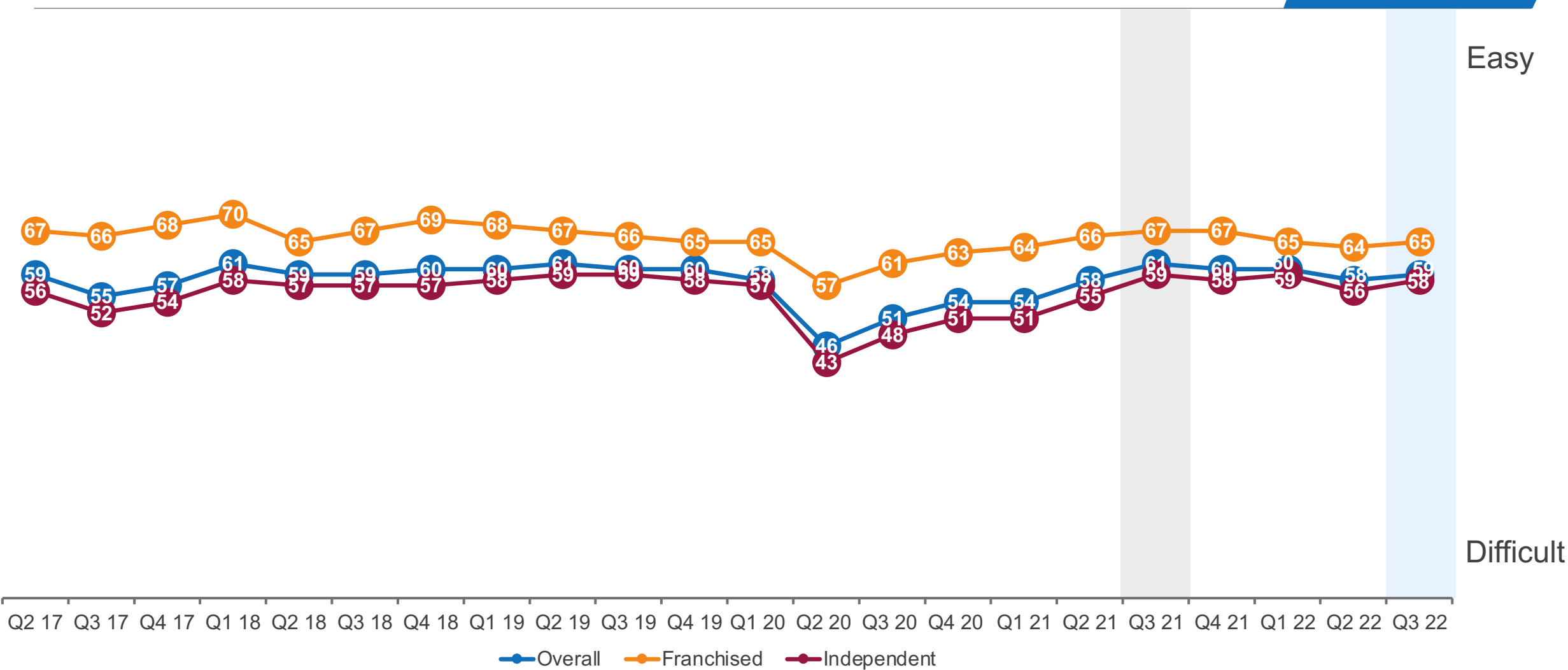


Note: Scale 1 - 100

Q5: How would you describe your ability to get credit to operate your business over the past 3 months?

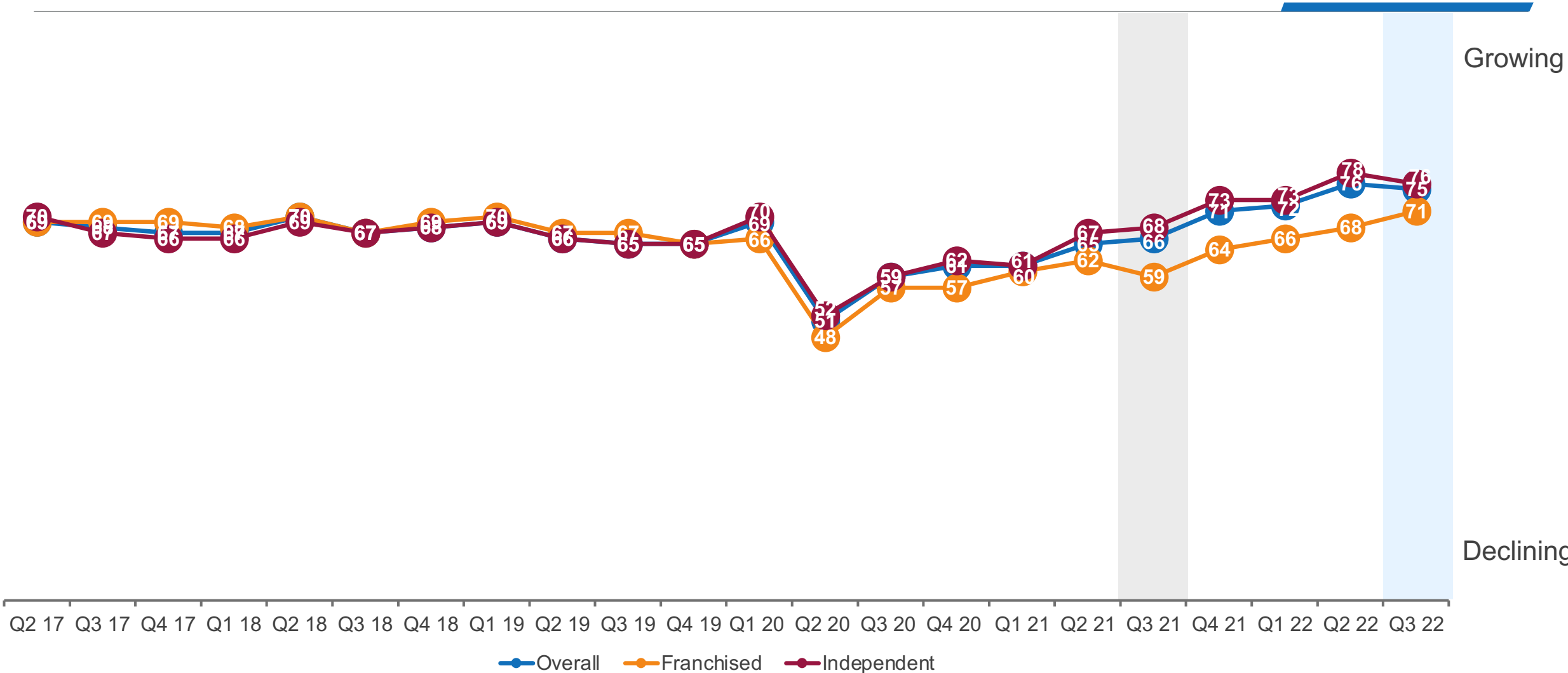
Dealer Sentiment Index

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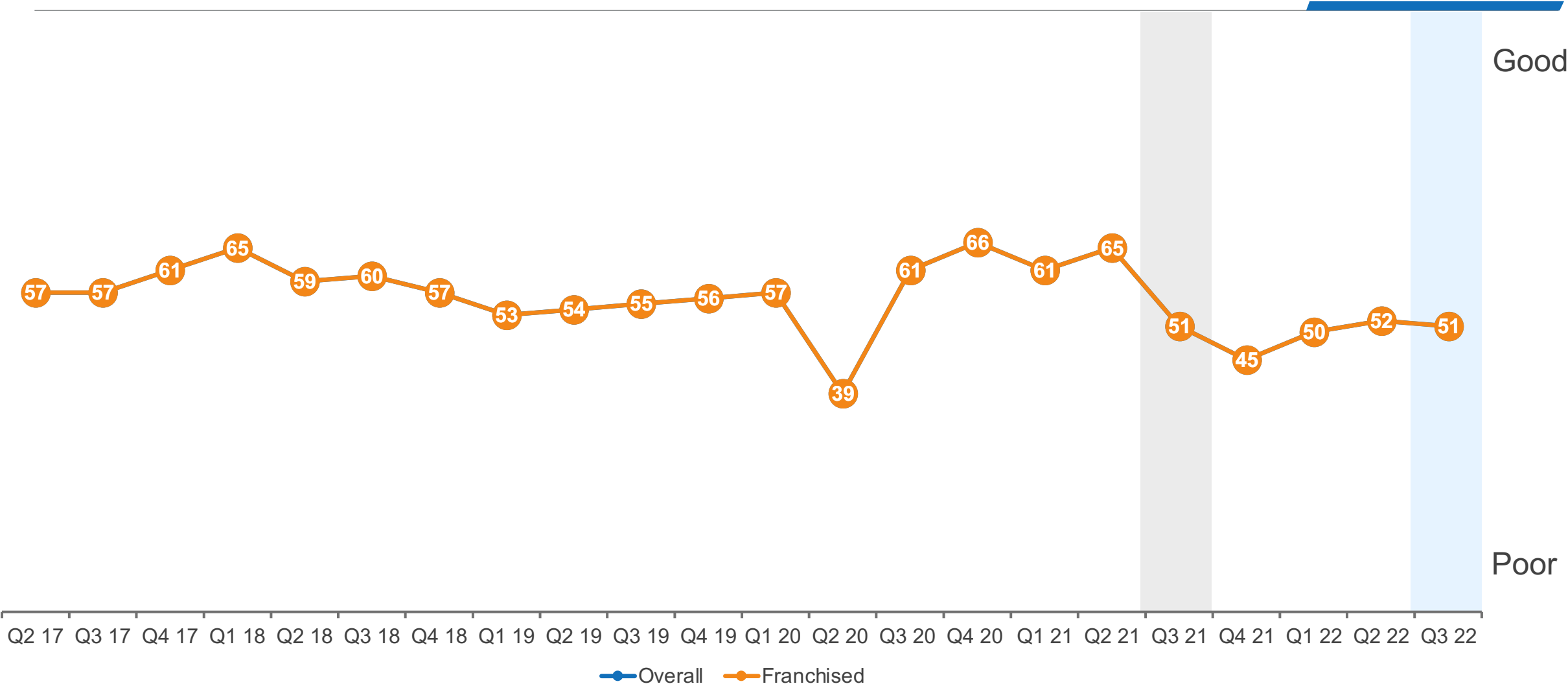
Note: Scale 1 - 100

Q6: How would you describe the cost of running your dealership over the past 3 months?



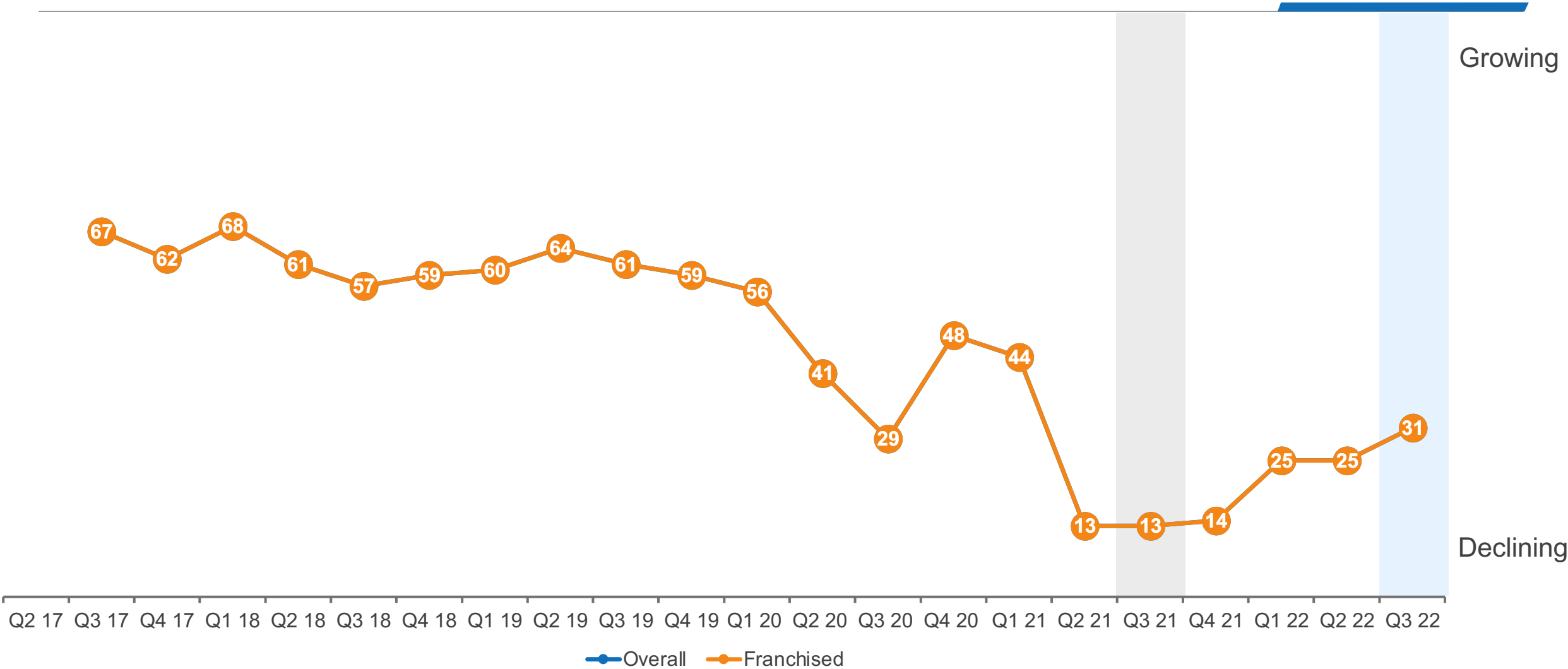
Note: Scale 1 - 100

Q7: How would you describe the current new-vehicle sales environment?



Note: Scale 1 - 100

Q8: How would you describe the current new-vehicle inventory levels?



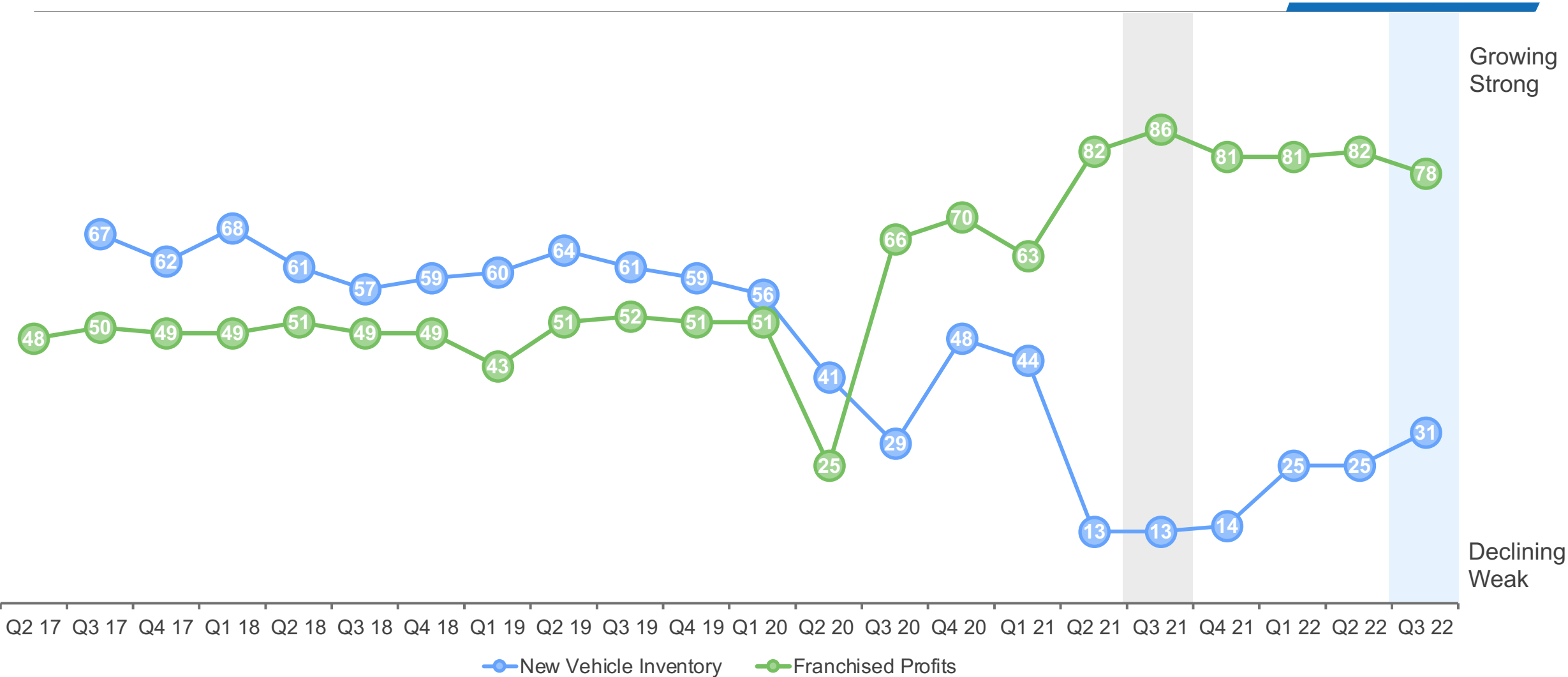
Note: Scale 1 - 100

Inventory/Profits

Q4: How would you describe your profits over the past 3 months?
Q8: How would you describe the current new-vehicle inventory levels?

Dealer Sentiment Index

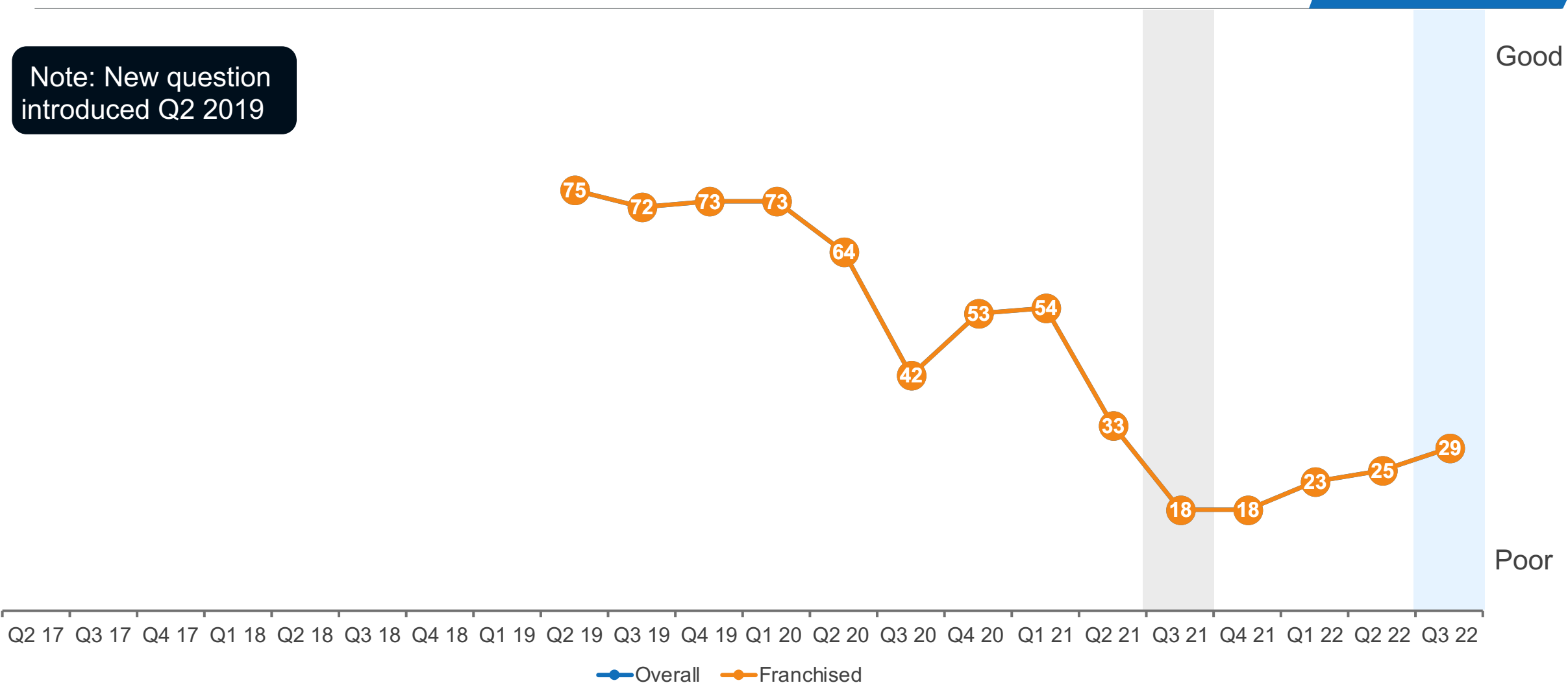
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Note: Scale 1 - 100

Q9: How would you describe the current new-vehicle inventory mix?

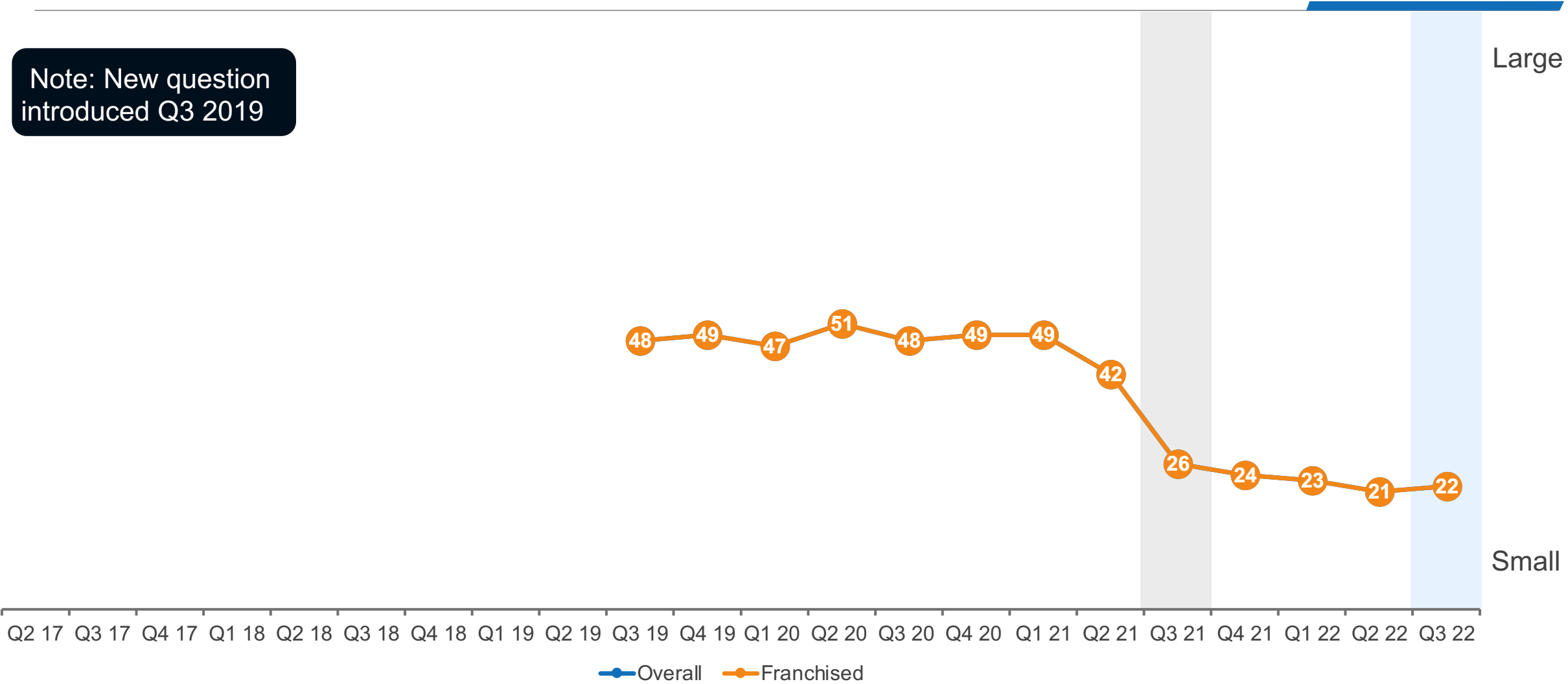
Note: New question introduced Q2 2019



Note: Scale 1 - 100

Q10: How would you describe the current level of OEM new-vehicle incentives?

Note: New question introduced Q3 2019

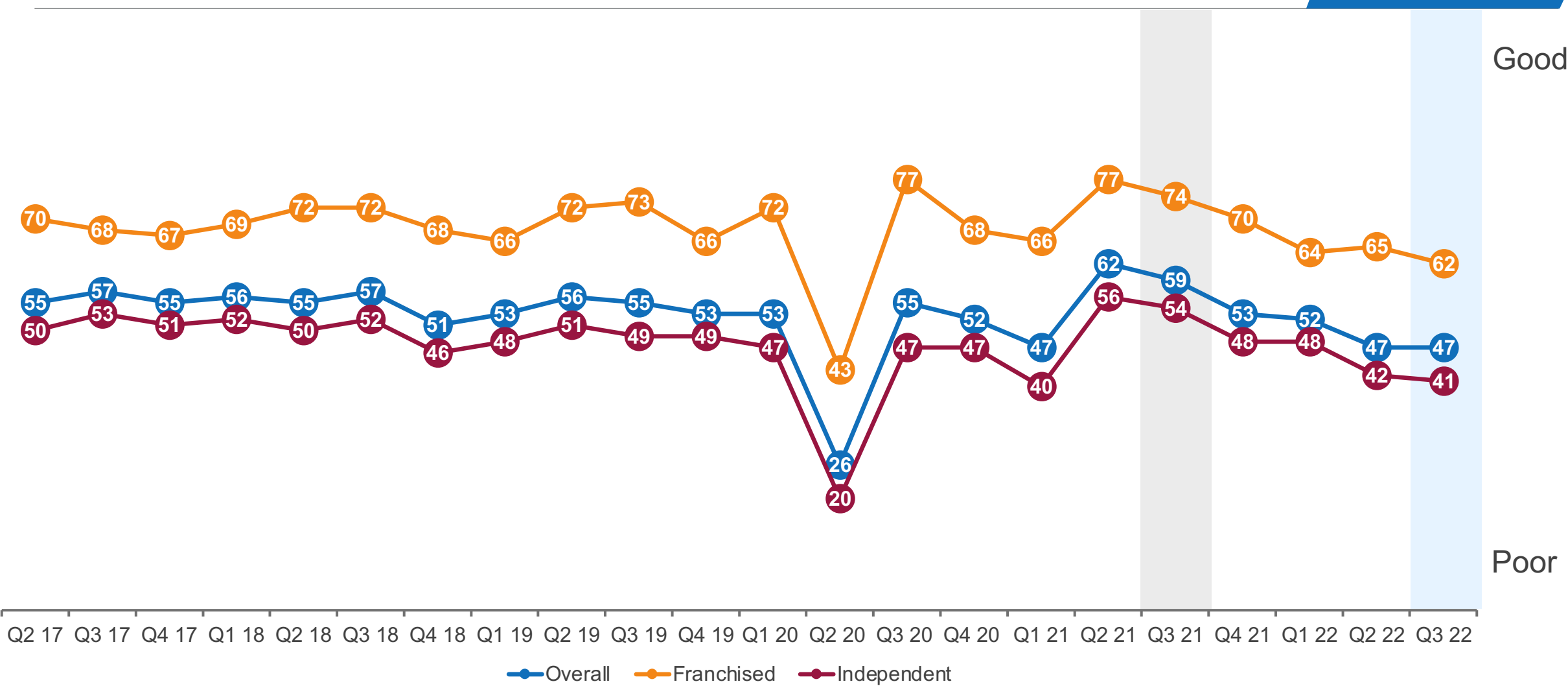


Note: Scale 1 - 100

Q11: How would you describe the current used-vehicle sales environment?

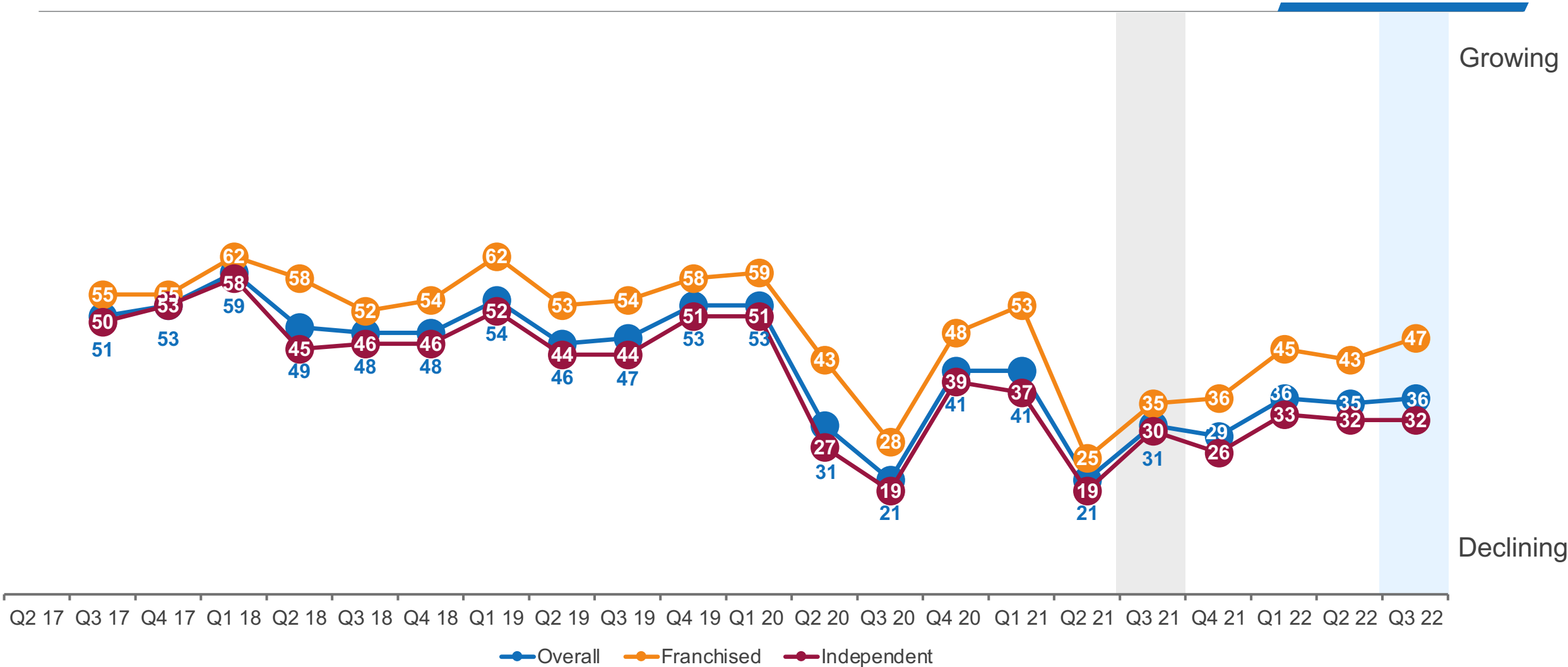
Dealer Sentiment Index

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Note: Scale 1 - 100

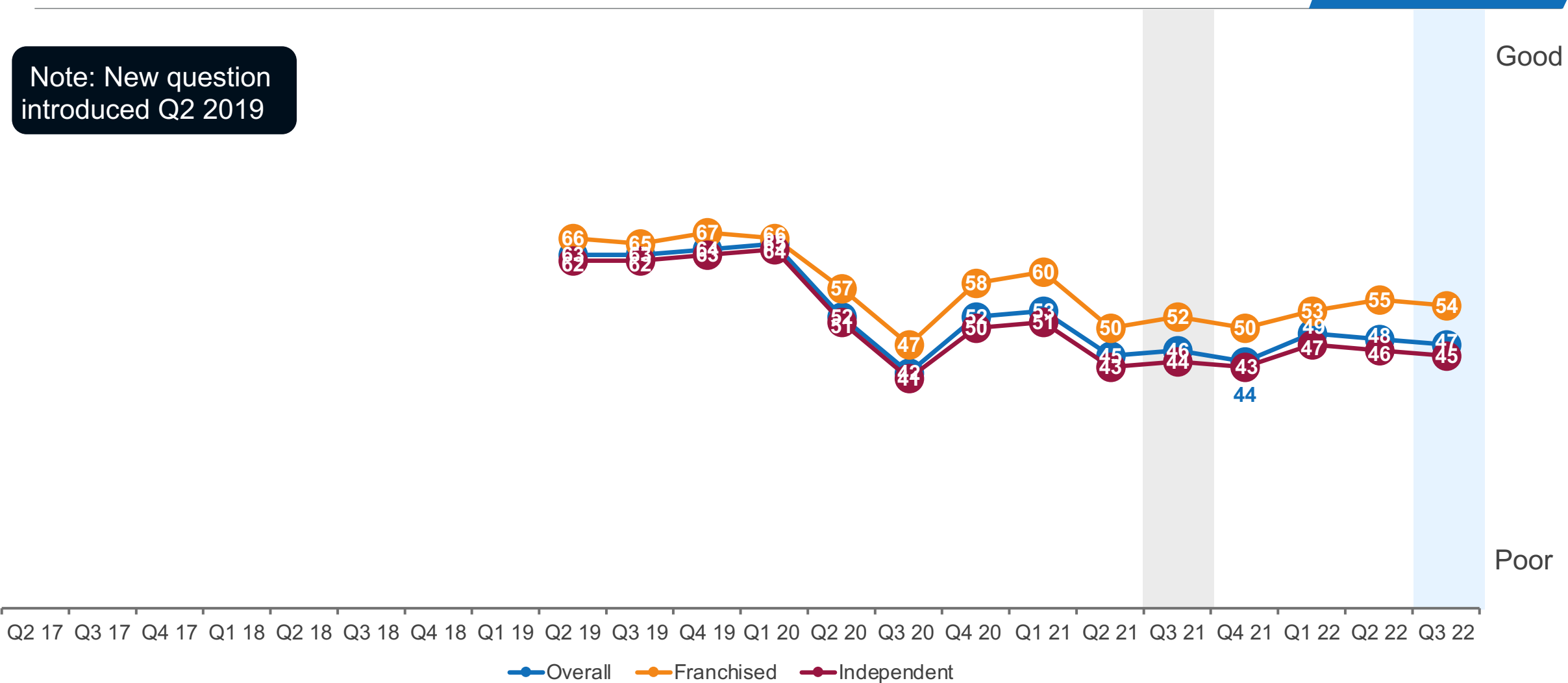
Q12: How would you describe the current used-vehicle inventory levels?



Note: Scale 1 - 100

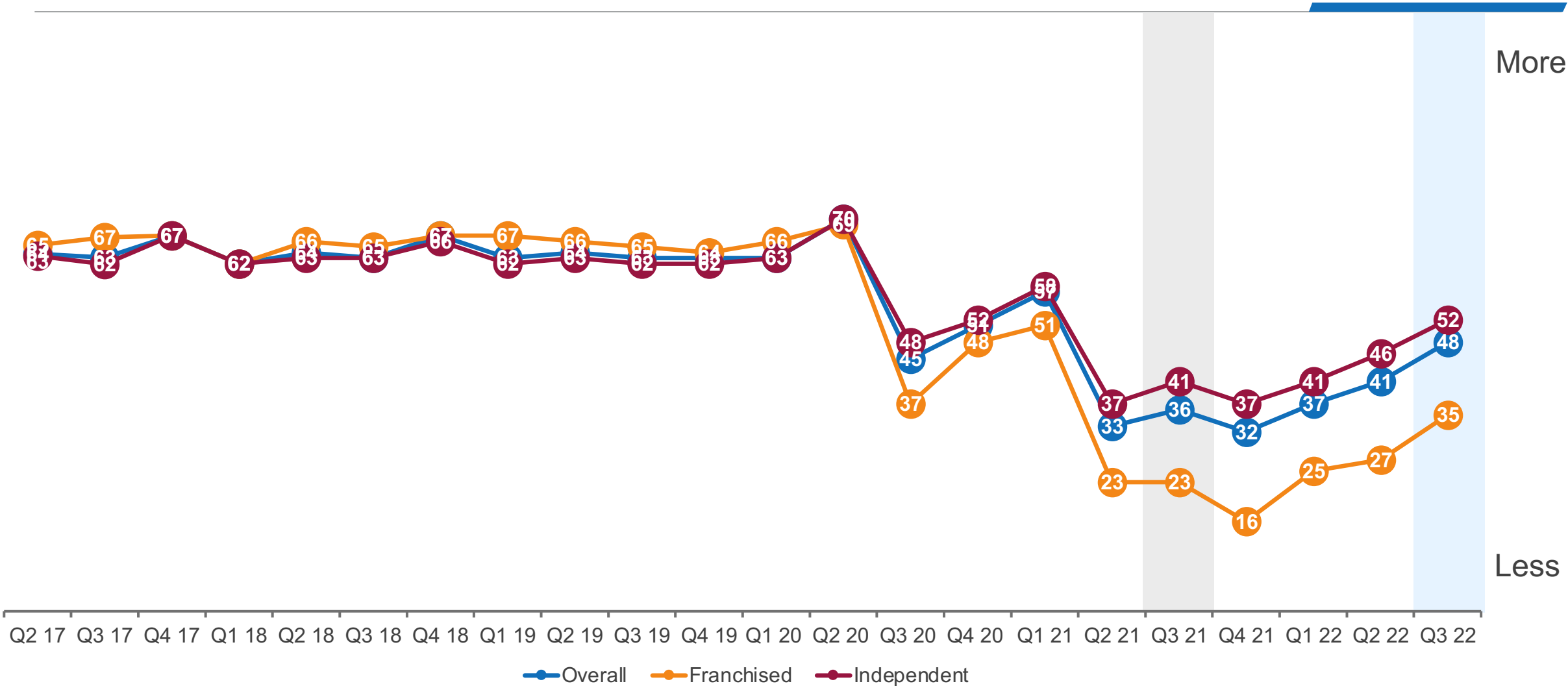
Q13: How would you describe the current used-vehicle inventory mix?

Note: New question introduced Q2 2019



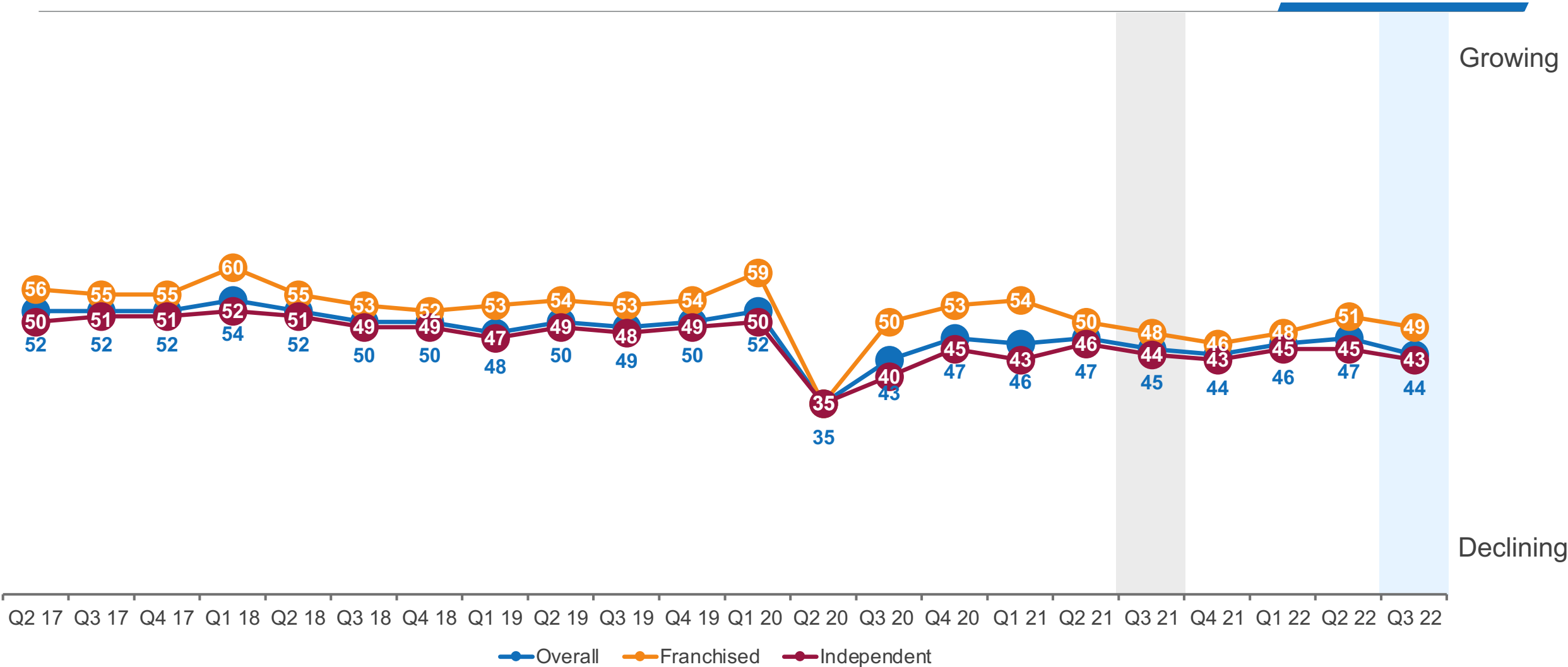
Note: Scale 1 - 100

Q14: How much pressure do you feel to lower your prices?



Note: Scale 1 - 100

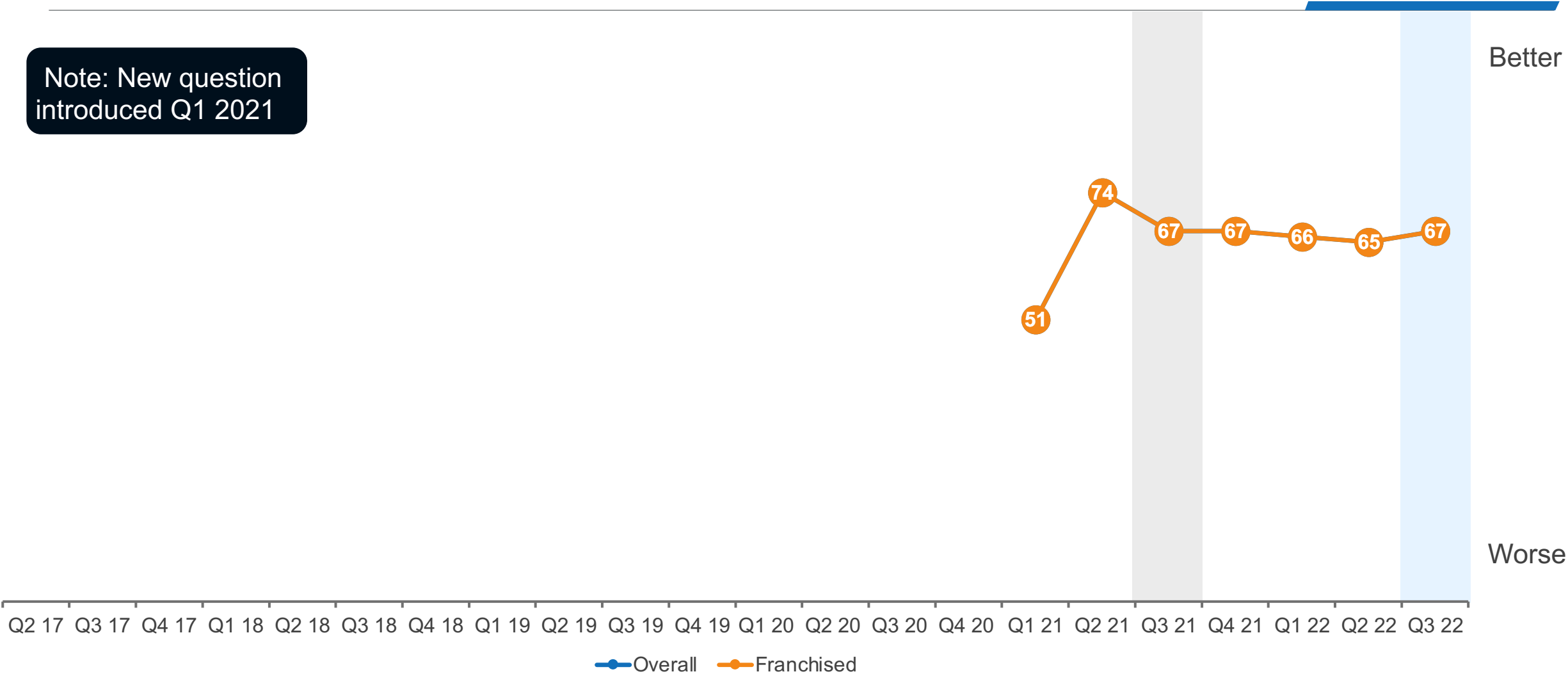
Q15: How would you describe your dealership's current staffing levels?



Note: Scale 1 - 100

Q16: How would you describe the current level of business in your fixed operation?

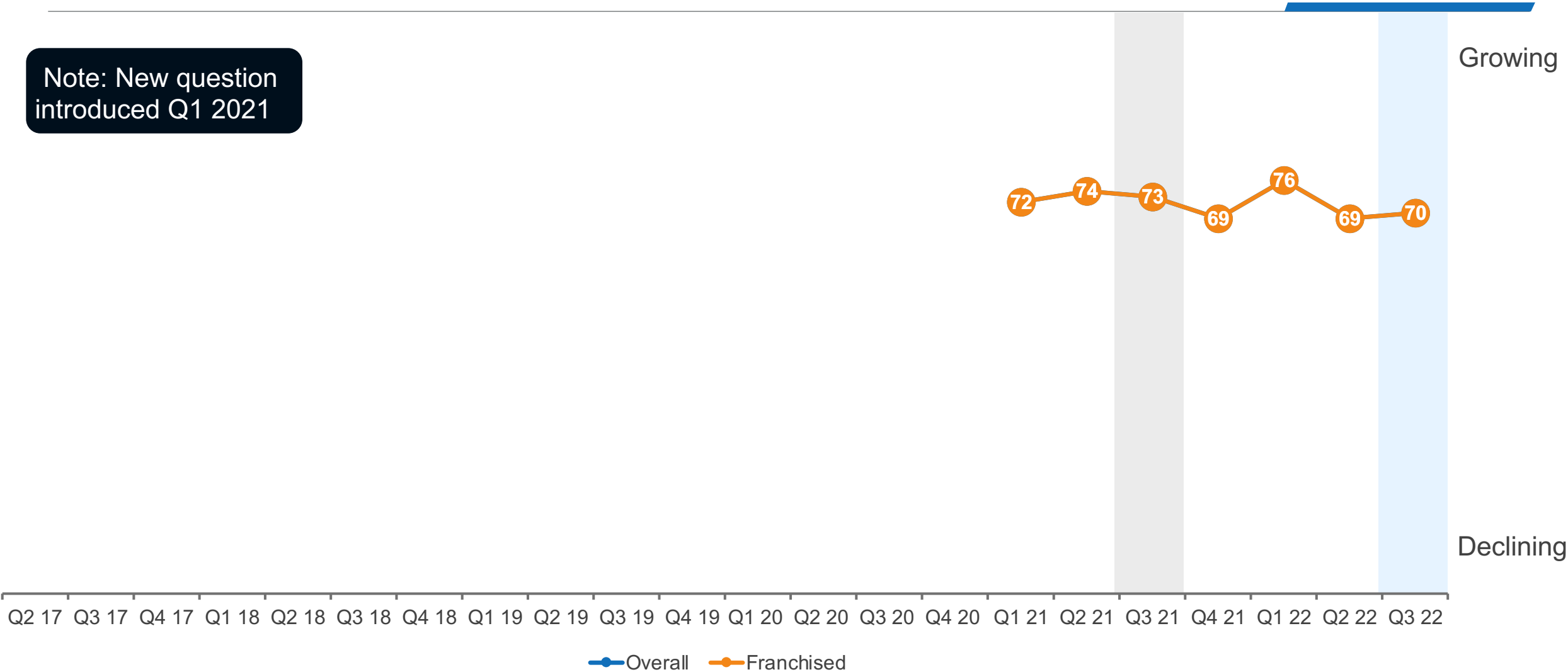
Note: New question introduced Q1 2021



Note: Scale 1 - 100

Q17: How would you describe the future opportunity with your fixed operations business?

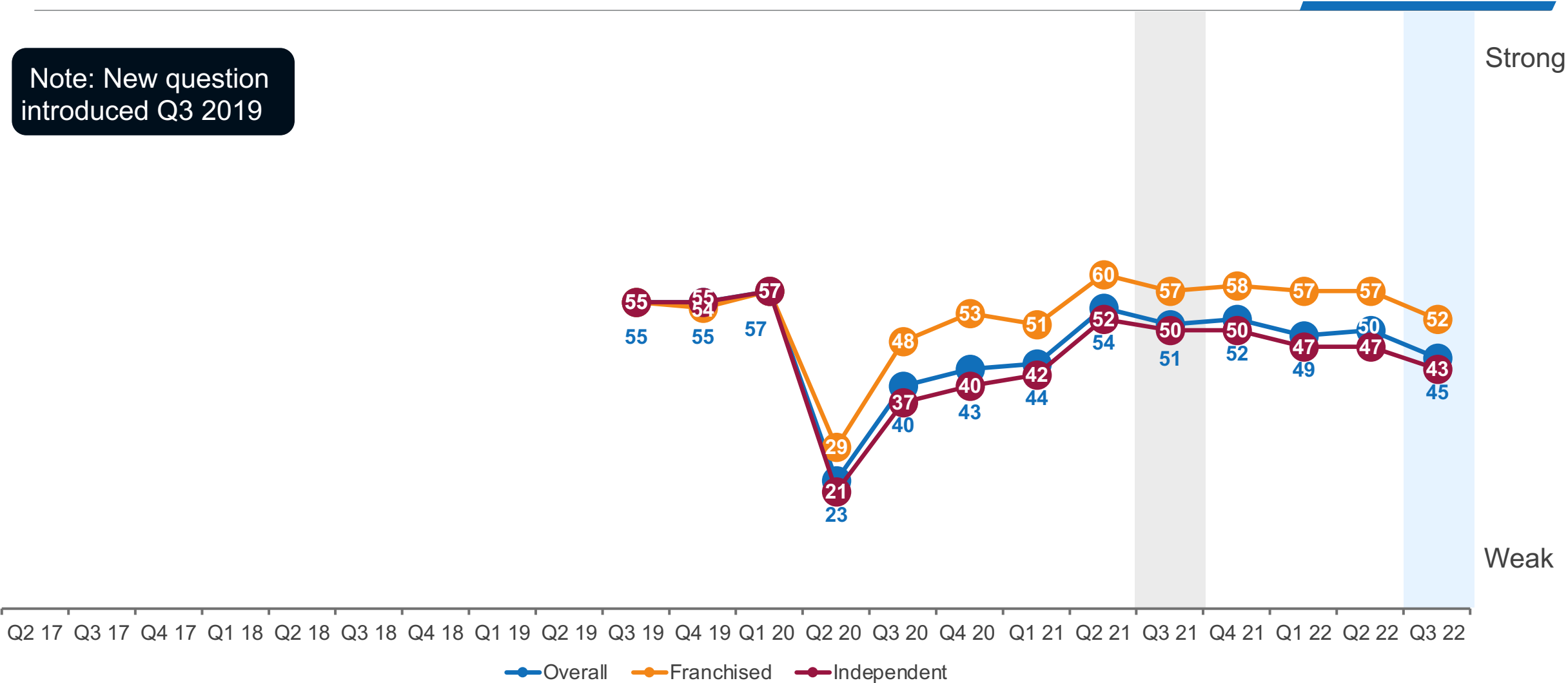
Note: New question introduced Q1 2021



Note: Scale 1 - 100

Q18: How would you describe the current U.S. economy?

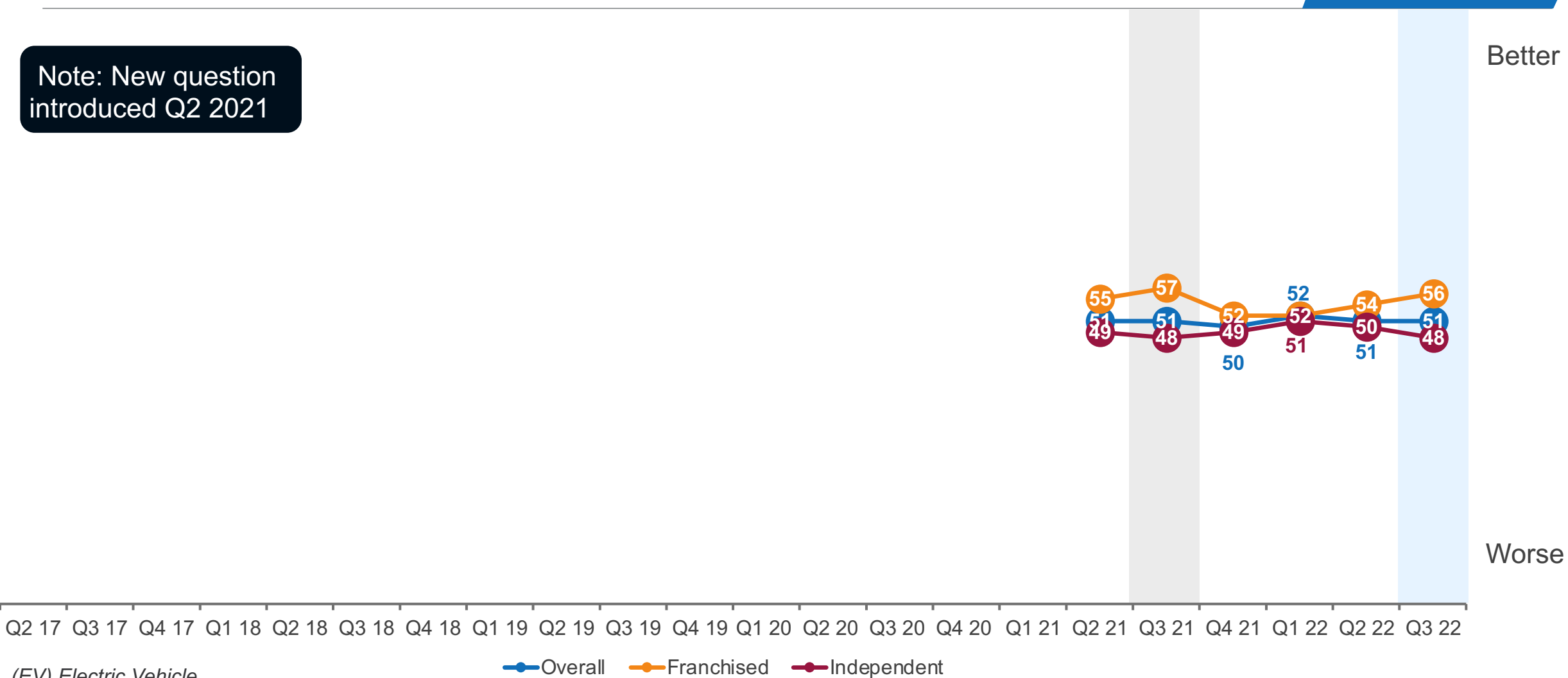
Note: New question introduced Q3 2019



Note: Scale 1 - 100

Q19: Compared to last year, how would you describe your EV sales?

Note: New question introduced Q2 2021



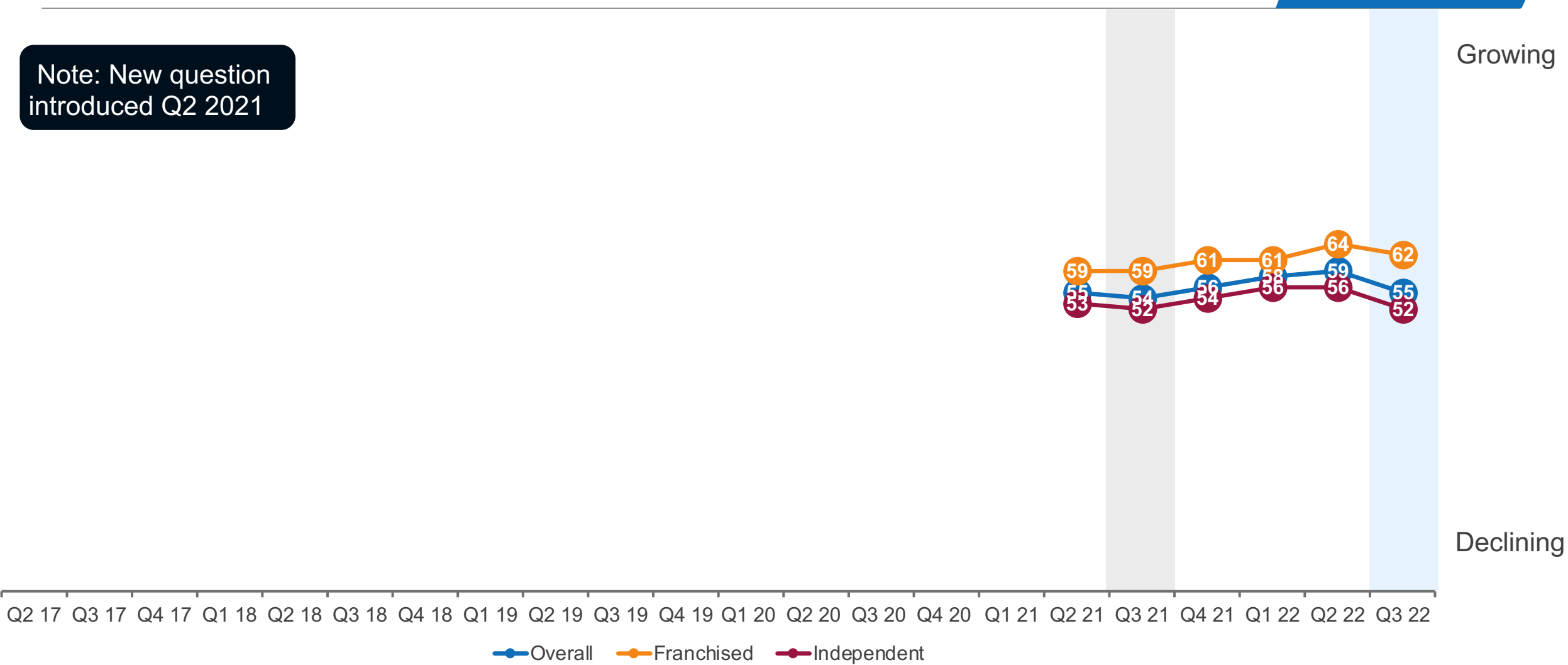
(EV) Electric Vehicle

Note: Scale 1 - 100

Q20: What do you expect the EV market in your area to look like 3 months from now?

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Note: New question introduced Q2 2021



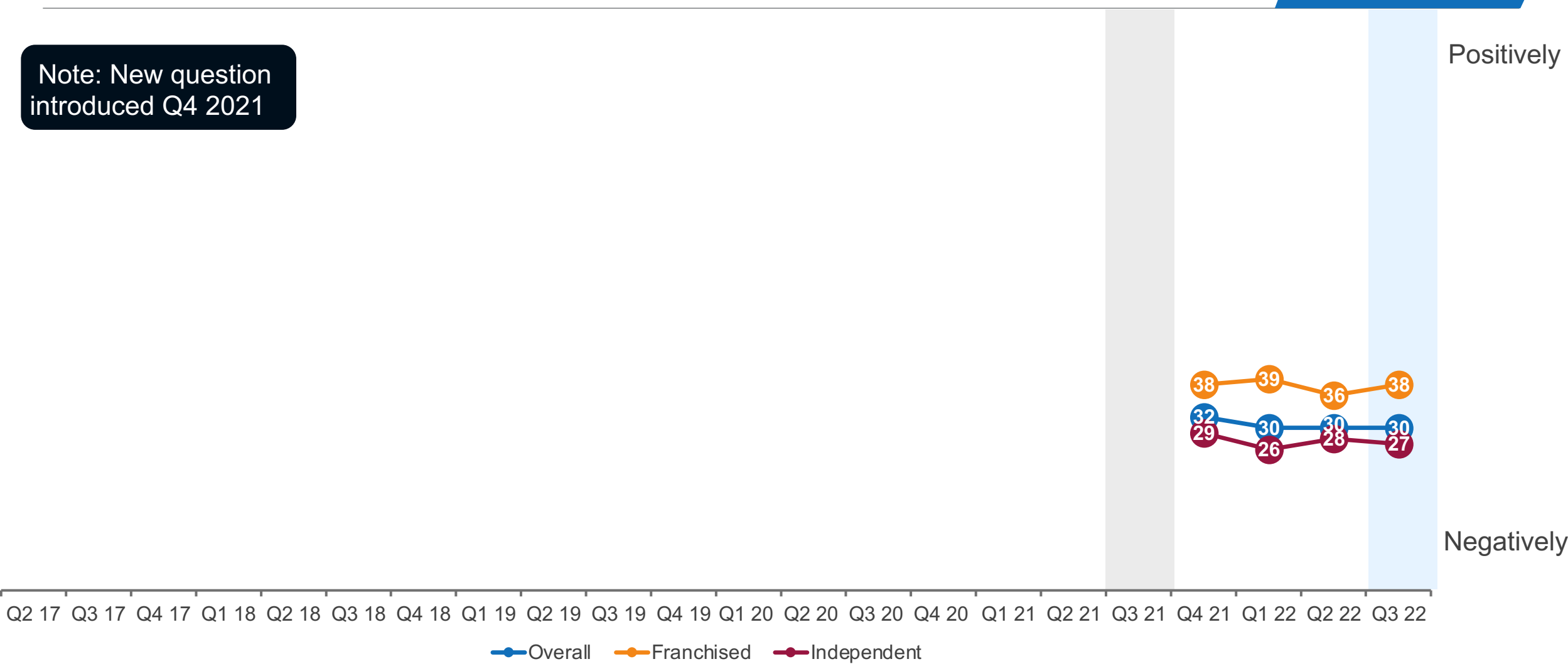
Note: Scale 1 - 100

Q21: How do you feel the consolidation of dealerships is impacting the market?

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Note: New question introduced Q4 2021



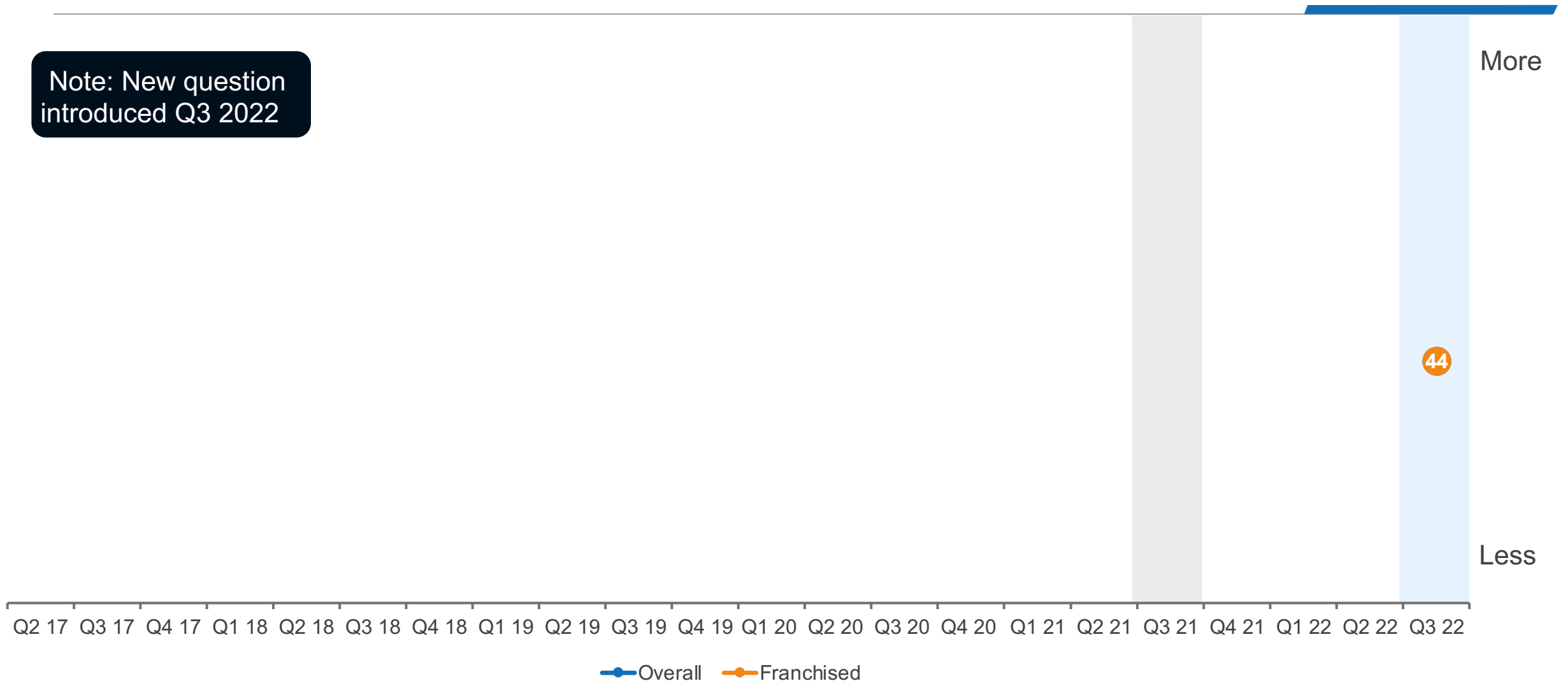
Note: Scale 1 - 100

Q22: And compared to this time last year, how often does your dealership pre-load vehicles with aftermarket equipment?

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Note: New question introduced Q3 2022



Note: Scale 1 - 100

Factors Holding Back Your Business?

OVERALL RANK

		Q3 '22	Q2 '22	Q3 '21	Q3 '20
1	Limited Inventory	56% 	61%	62%	60%
2	Economy	53% 	46%	24%	39%
3	Market Conditions	48%	44%	37%	40%
4	Interest Rates	35% 	17%	3%	4%
5	Political Climate	30%	28%	17%	27%
6	Consumer Confidence	29% 	22%	10%	24%
7	Expenses	28%	28%	17%	20%
8	Business Impacts from COVID-19/Coronavirus	20%	20%	30%	49%
9	Credit Availability for Consumers	18%	17%	12%	21%
10	Competition	11%	11%	12%	13%
11	Staff Turnover	9%	9%	10%	7%
12	Lack of Consumer Incentives From My OEM	6%	6%	4%	3%
13	Regulations	6%	4%	7%	8%
14	Credit Availability for Business	4%	5%	4%	7%
15	Weather	4% 	6%	4%	3%
16	Tariffs on Imported Vehicles and Parts	4%	4%	3%	2%
17	Consumer Transparency in the Pricing	3%	5%	6%	5%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

OVERALL RANK

		Q3 '22	Q2 '22	Q3 '21	Q3 '20
18	OEM Mandates/Restrictions	3%	3%	2%	2%
19	OEM Priorities	3%	4%	2%	2%
20	Technology to Support Operations	2%	3%	3%	2%
21	Technology to Support Sales	2%	1%	2%	3%
22	Dealership Systems/Tools	2%	3%	4%	4%
23	Too Much Retail Inventory	1%	2%	2%	2%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q3 '22	Q2 '22	Q3 '21	Q3 '20
1	Limited Inventory	63%	67%	73%	59%
2	Economy	47% ↑	38%	22%	33%
3	Interest Rates	40% ↑	16%	2%	3%
4	Market Conditions	39%	32%	33%	32%
5	Political Climate	29%	25%	19%	30%
6	Lack of Consumer Incentives From My OEM	25%	22%	18%	13%
7	Consumer Confidence	24%	18%	13%	24%
8	Expenses	15%	15%	8%	11%
9	Staff Turnover	14%	14%	17%	10%
10	Business Impacts from COVID-19/Coronavirus	14%	16%	27%	46%
11	OEM Mandates/Restrictions	11%	13%	7%	6%
12	OEM Priorities	11%	14%	6%	7%
13	Credit Availability for Consumers	10% ↑	4%	4%	11%
14	Competition	6%	6%	8%	10%
15	Regulations	5%	4%	5%	7%
16	Consumer Transparency in the Pricing	3%	3%	4%	4%
17	Dealership Systems/Tools	3%	2%	2%	2%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q3 '22	Q2 '22	Q3 '21	Q3 '20
18	Weather	3%	3%	3%	4%
19	Credit Availability for Business	3%	2%	1%	1%
20	Technology to Support Operations	2%	2%	2%	1%
21	Technology to Support Sales	2%	2%	1%	1%
22	Tariffs on Imported Vehicles and Parts	2%	4%	4%	3%
23	Too Much Retail Inventory	1%	1%	0%	1%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q3 '22	Q2 '22	Q3 '21	Q3 '20
1	Economy	56% ↑	49%	25%	41%
2	Limited Inventory	54% ↓	59%	58%	60%
3	Market Conditions	51%	48%	38%	43%
4	Interest Rates	34% ↑	17%	4%	4%
5	Expenses	33%	33%	20%	24%
6	Consumer Confidence	31% ↑	23%	9%	24%
7	Political Climate	31%	29%	16%	25%
8	Business Impacts From COVID-19/Coronavirus	22%	21%	31%	50%
9	Credit Availability for Consumers	21%	21%	15%	25%
10	Competition	13%	13%	14%	14%
11	Staff Turnover	8%	7%	8%	6%
12	Regulations	6%	5%	7%	9%
13	Credit Availability for Business	4%	6%	4%	9%
14	Tariffs on Imported Vehicles and Parts	4%	4%	3%	2%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q3 '22	Q2 '22	Q3 '21	Q3 '20
15	Weather	4% ↓	7%	4%	2%
16	Consumer Transparency in Pricing	4%	6%	6%	6%
17	Technology to Support Operations	2%	3%	3%	2%
18	Technology to Support Sales	2%	1%	3%	3%
19	Dealership Systems/Tools	2% ↓	4%	4%	5%
20	Too Much Retail Inventory	1% ↓	3%	2%	3%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Impact of Inflation on Areas of Dealership

	Index (Strong/Weak)	Overall	Franchised (A)	Independent (B)
1	Costs/Expenses	80	74	81 A
2	Interest Rates	71	73	70
3	Vehicle Sales	62	65	61
4	Fixed Operations	62	61	63
5	Staffing Levels	50	53	49

Note: New question introduced in Q3 2022.

A/B indicates significant difference between groups at the 95% confidence level

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Area of Business with Staffing Issues

		Overall	Franchised (A)	Independent (B)
1	Sales	73%	69%	75%
2	Service	58%	74% B	48%
3	Management	21%	17%	23% ↓
4	Collision/Auto Body	16% ↓	17%	15% ↓
5	Finance and Insurance	16%	11%	18%
6	Parts	13% ↓	25% B	7% ↓
7	Marketing	7%	6%	7% ↓
8	Other	4%	6%	3%

Of those who said Staff Turnover was holding back their business.

A/B indicates significant difference between groups at the 95% confidence level

Significant decrease vs
previous quarter



Significant increase vs
previous quarter





Regional Market Views: Franchised Dealers



Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	60	61	62	66
Market Next 3 Months	Strong/Weak	57	57	60	62
Overall Customer Traffic	Strong/Weak	53	49	51	53
In-Person Customer Traffic	Strong/Weak	52	46	46	49
Digital/Online Customer Traffic	Strong/Weak	61	55	59	60
Profits	Strong/Weak	81	76	78	76
Costs	Growing/Declining	77	70	69	72
New Vehicle Sales	Good/Poor	50	50	51	56
New Vehicle Inventory	Growing/Declining	31	26	32	40
New Vehicle Inventory Mix	Good/Poor	28	27	29	32
Used Vehicle Sales	Good/Poor	64	63	61	62
Used Vehicle Inventory	Growing/Declining	47	46	49	46



Note: Scale 1 – 100

GREEN: Significant *increase* from prior quarter

RED: Significant *decrease* from prior quarter

Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Used Vehicle Inventory Mix	Good/Poor	53	53	59	50
Price Pressure	More/Less	32	37	37	36
Staffing	Growing/Declining	52	47	48	47
OEM incentives	Large/Small	20	24	23	20
Economy	Strong/Weak	52	52	50	57
Current Fixed Operations	Better/Worse	67	68	67	63
Future Fixed Operations	Growing/Declining	71	66	73	71
Current BEV Sales	Better/Worse	61	50	55	64
Future BEV Sales	Growing/Declining	68	60	60	64
Dealer Consolidation Impact	Positive/Negative	40	35	39	38
Dealer Credit	Easy/Difficult	66	63	67	62
Pre-Loading Aftermarket Equip.	More/Less	46	39	45	50



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

Dealer Sentiment Index

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