

COX AUTOMOTIVE

DEALER SENTIMENT INDEX

THIRD QUARTER 2024



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 2024 CADSI is based on 933 U.S. auto dealer respondents, comprising 536 franchised dealers and 397 independents. The survey was conducted from July 23 to August 7, 2024.
- The next quarterly report will be released in December 2024. The CADSI was first published in Q2 2017.

Key Takeaways: Q3 2024

Automobile dealers in the U.S. continue to view the overall auto market as weak, according to the latest Cox Automotive Dealer Sentiment Index (CADSI). The current market sentiment in Q3 was 40, well below the positive threshold of 50. The current market sentiment score was lower than in Q2 and lower than one year ago when the score was 45.

“The retail auto business today is working through a lot of uncertainty, with the coming national election front and center, and also expectations of shifting market dynamics,” said Jonathan Smoke, chief economist at Cox Automotive.

While franchised dealers’ view of the current market improved by one point from Q2 to 50, independent dealers, businesses that sell only used vehicles, scored lower. At 37, the independent dealers’ current market index score was the second lowest in survey history, following only Q2 2020, when the

COVID pandemic had shut down much of the economy. In the Q3 report, independent dealers showed a particularly dim view of nearly every measure of the market, dragging down overall sentiment scores.

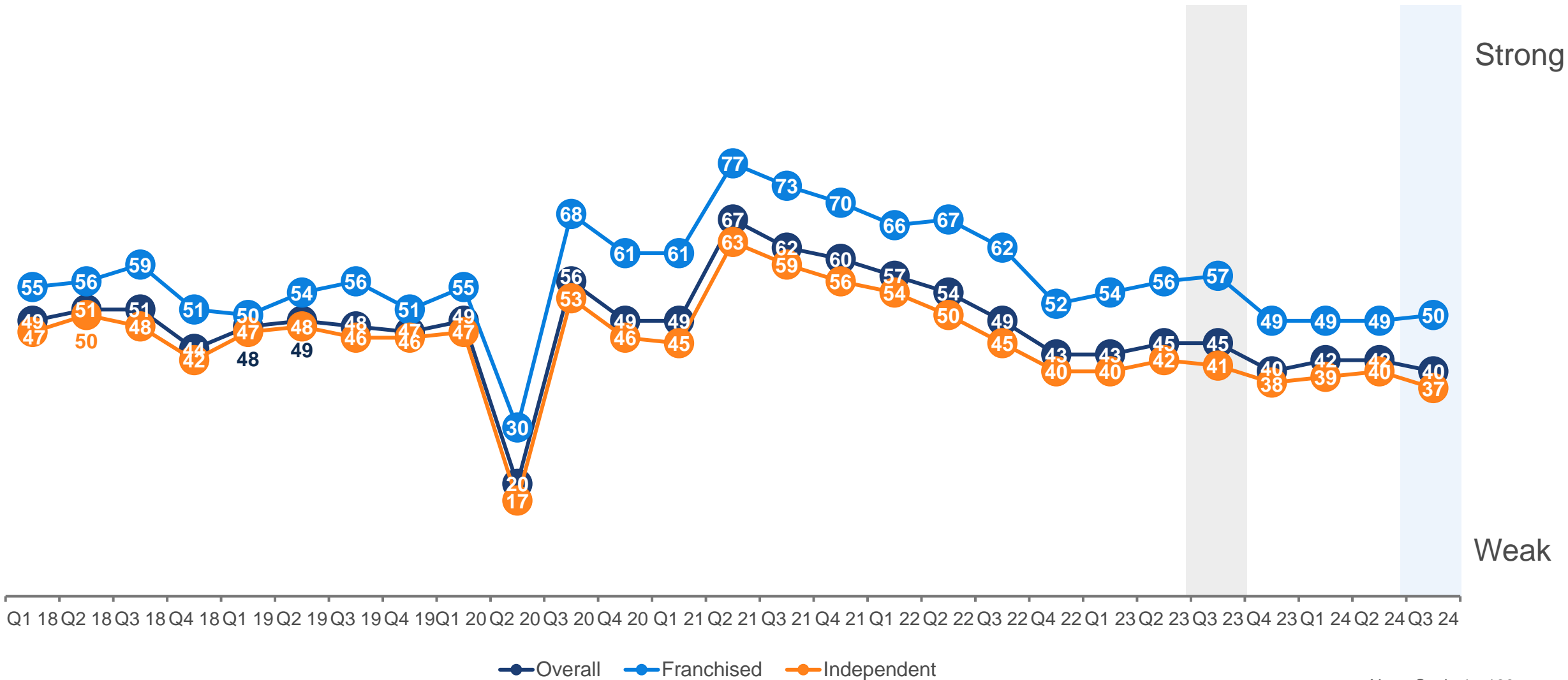
The market outlook index – which asks dealers about market expectations three months from now – dropped further in Q3, falling to 42 from 44 and remains below the year-ago level of 45.

In Q3, U.S. dealers continue to view profitability as weak, particularly independent dealers. The dealer profitability index score in Q3 was 34, lower than the score of 40 one year ago and down significantly from the index peak of 60 in Q3 2021. When asked about costs, a vast majority of dealers – franchised and independent dealers alike – indicate costs are growing, not declining. In fact, the overall score in the cost index, at 77, hit a record high in Q3 and was up from 74 one year ago.

A majority of franchised auto dealers in Q3 reported that the new-vehicle sales environment was good, not poor. The score of 51, however, is relatively low by historical standards and down from 53 in Q2. One year ago, the new-vehicle sales environment index was at 59. The used-vehicle sales environment, on the other hand, continues to be viewed as poor, with an index score of 43. The overall used-vehicle sales index has held mostly steady for two years in the low 40 range, well below the scores routinely seen before the pandemic.

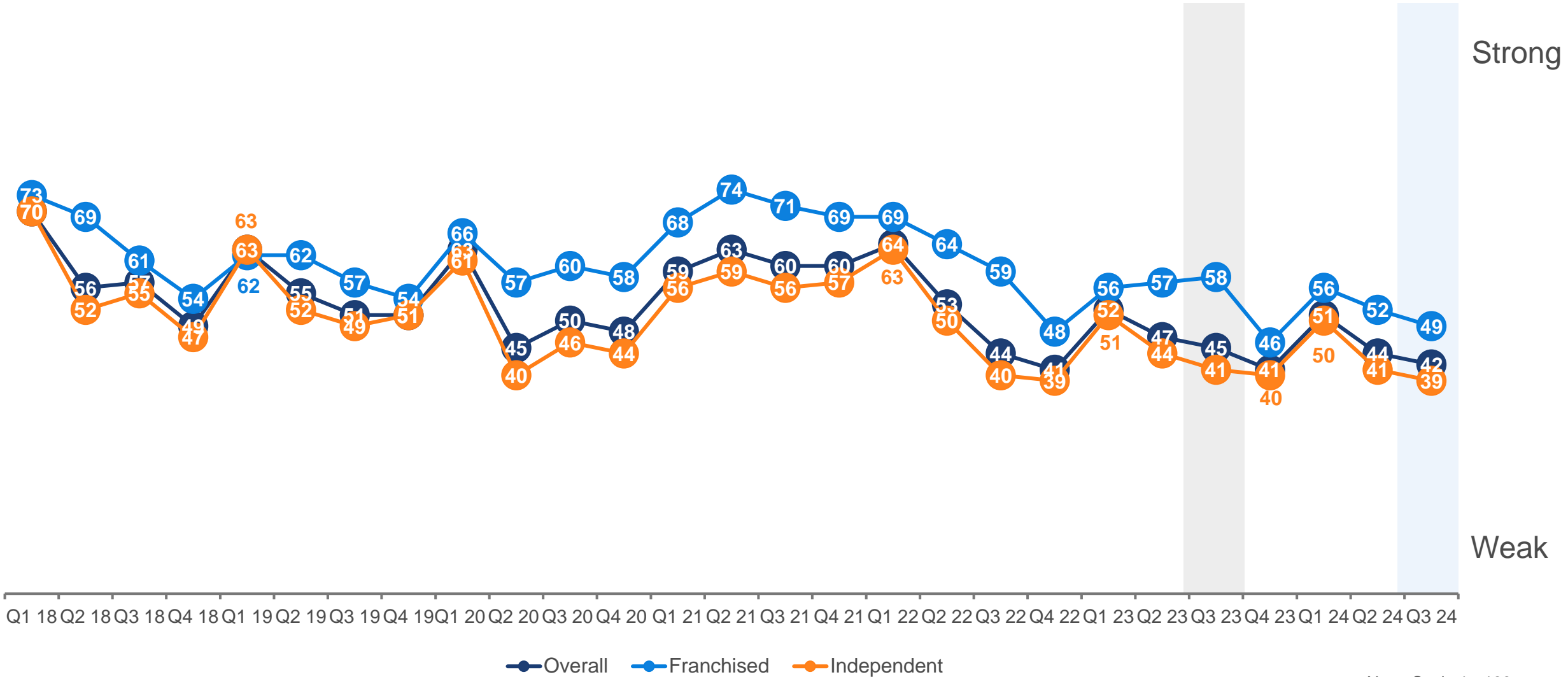
The Top Three factors holding back dealers shifted slightly in Q3, with the Economy ranking first, Interest Rates falling to second, and Political Climate making a jump into the third-place position. When asked, 44% of dealers noted Political Climate was a factor holding back business, up from 36% in Q2 and 27% one year ago. Market Conditions and Expenses rounded out the Top Five factors holding back business in Q3

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



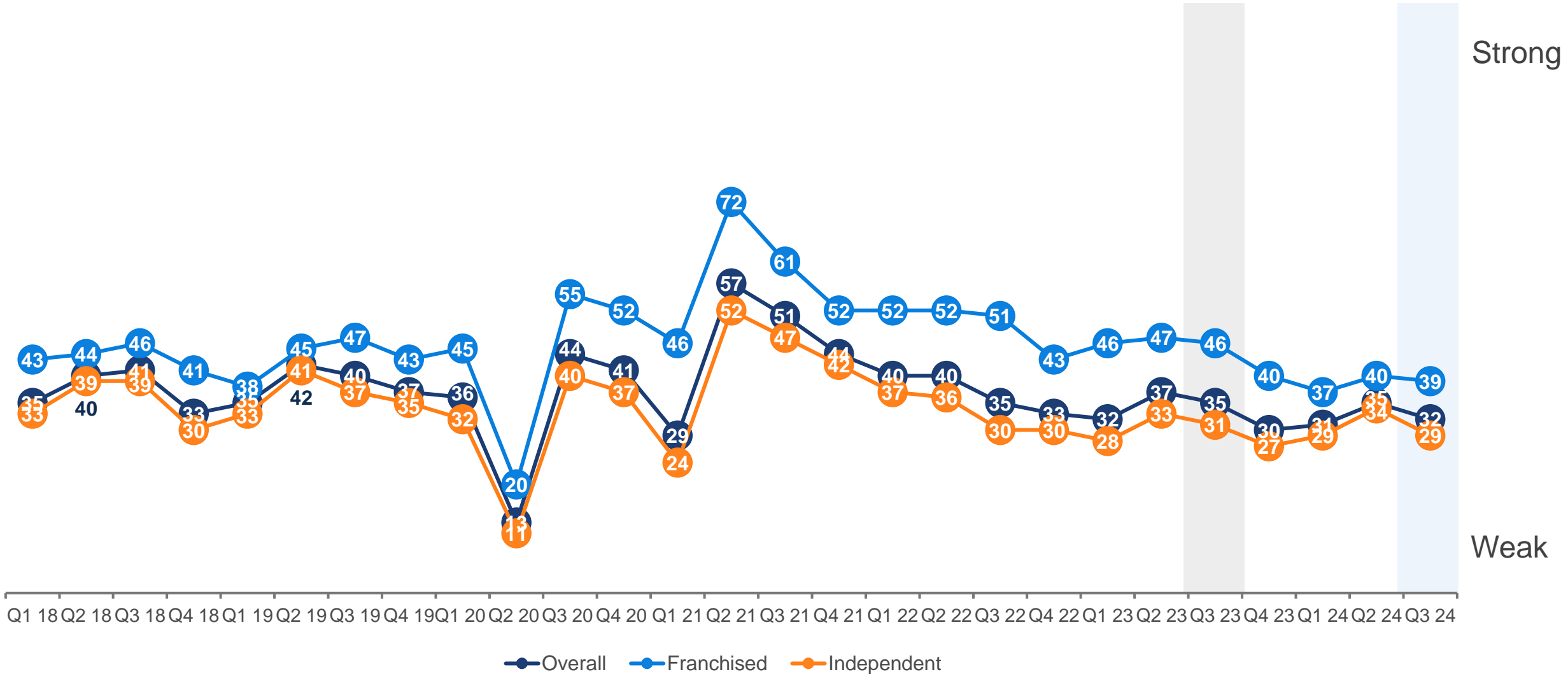
Note: Scale 1 - 100

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



Note: Scale 1 - 100

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

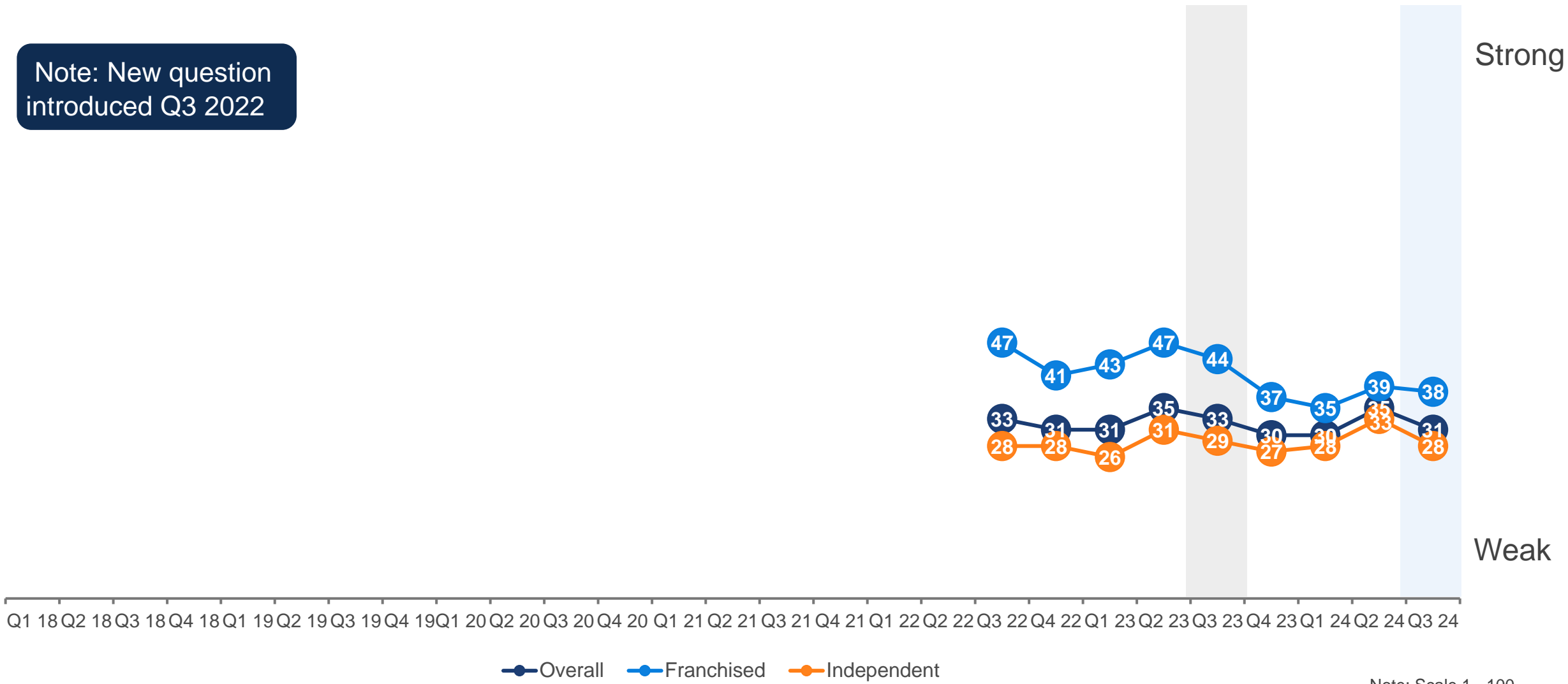


Note: Scale 1 - 100

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

Note: New question introduced Q3 2022

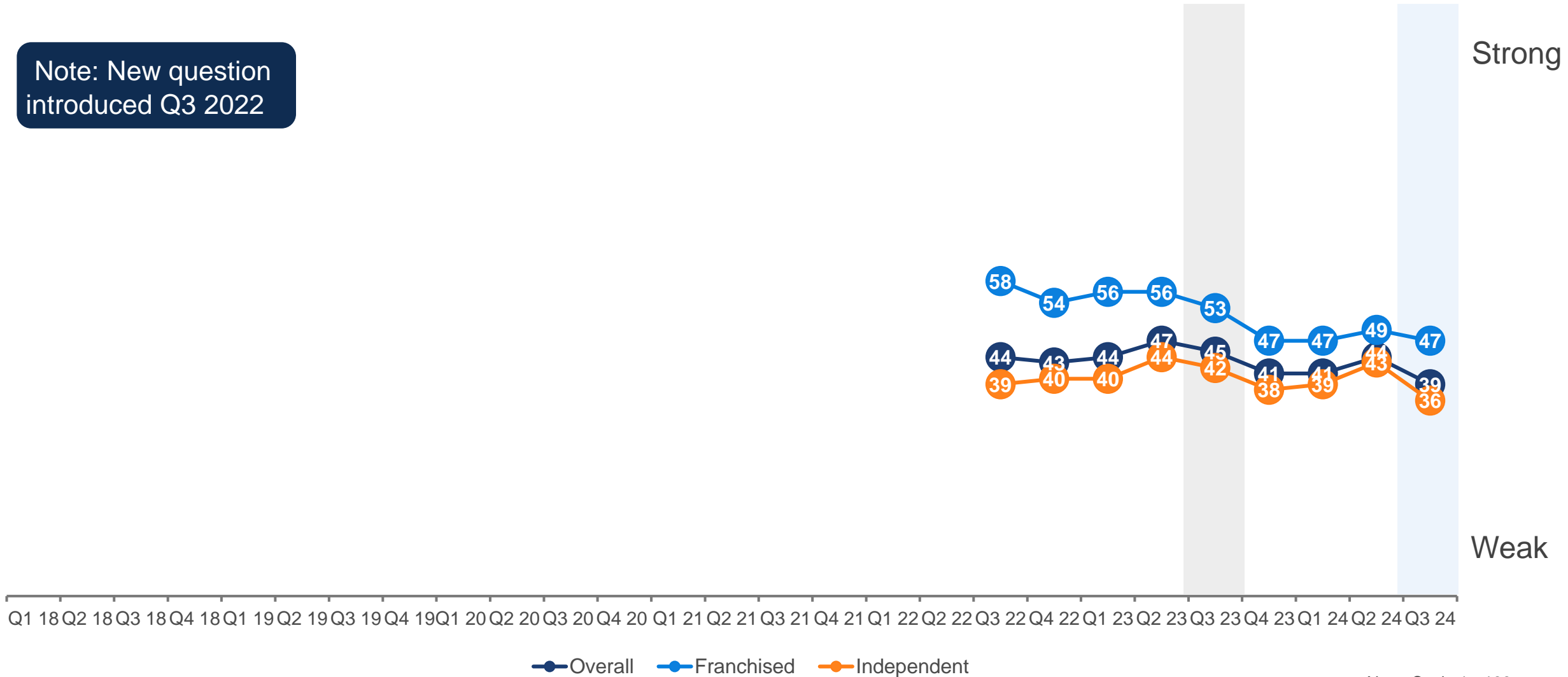
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Note: Scale 1 - 100

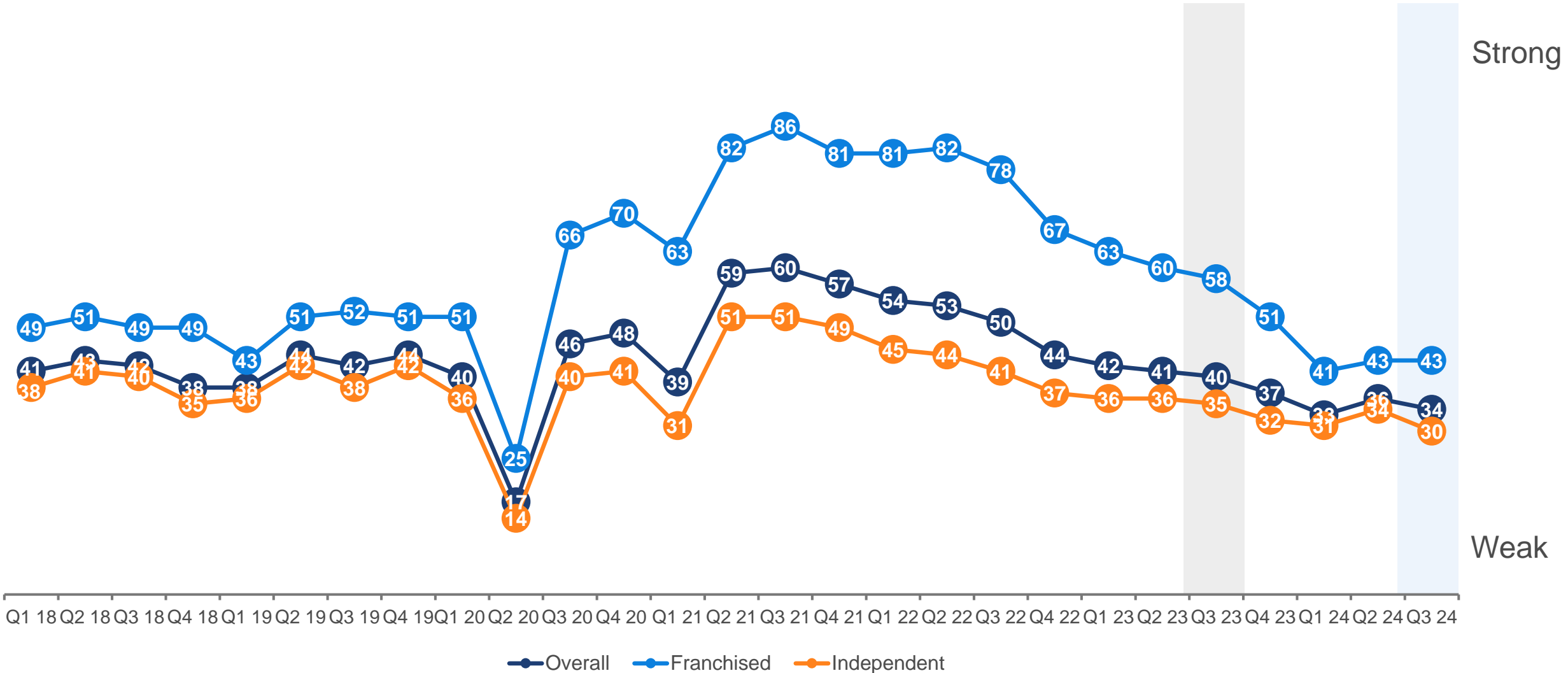
Q3B: How do you rate the digital/online customer traffic to your dealership over the past 3 months?

Note: New question introduced Q3 2022



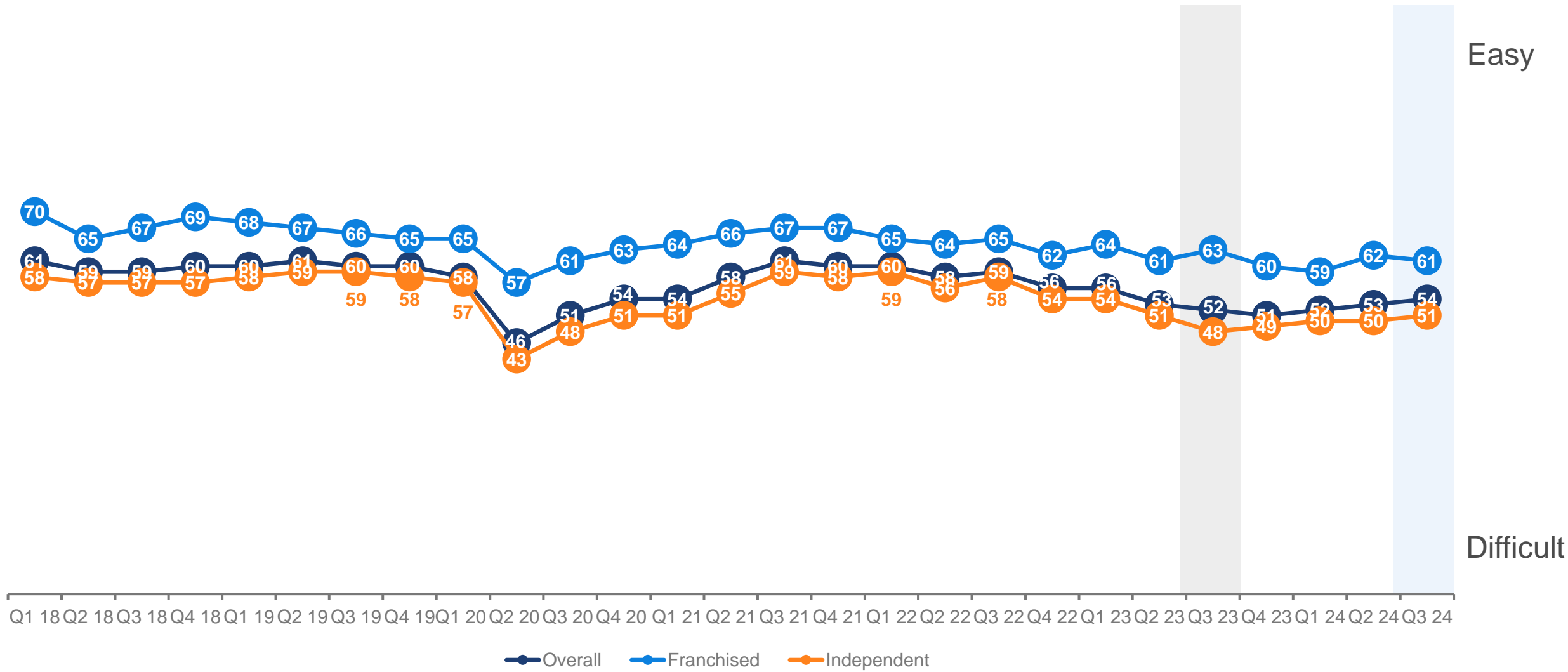
Note: Scale 1 - 100

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



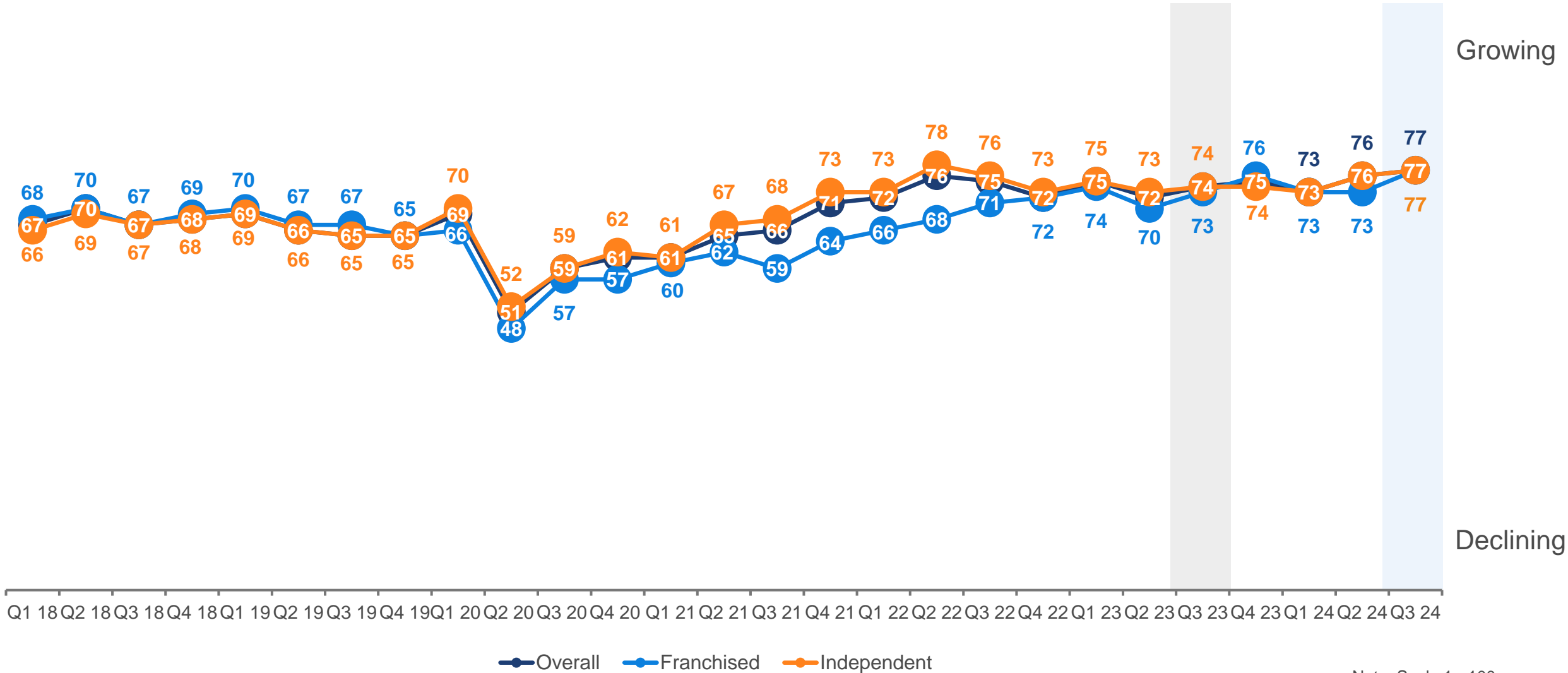
Note: Scale 1 - 100

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



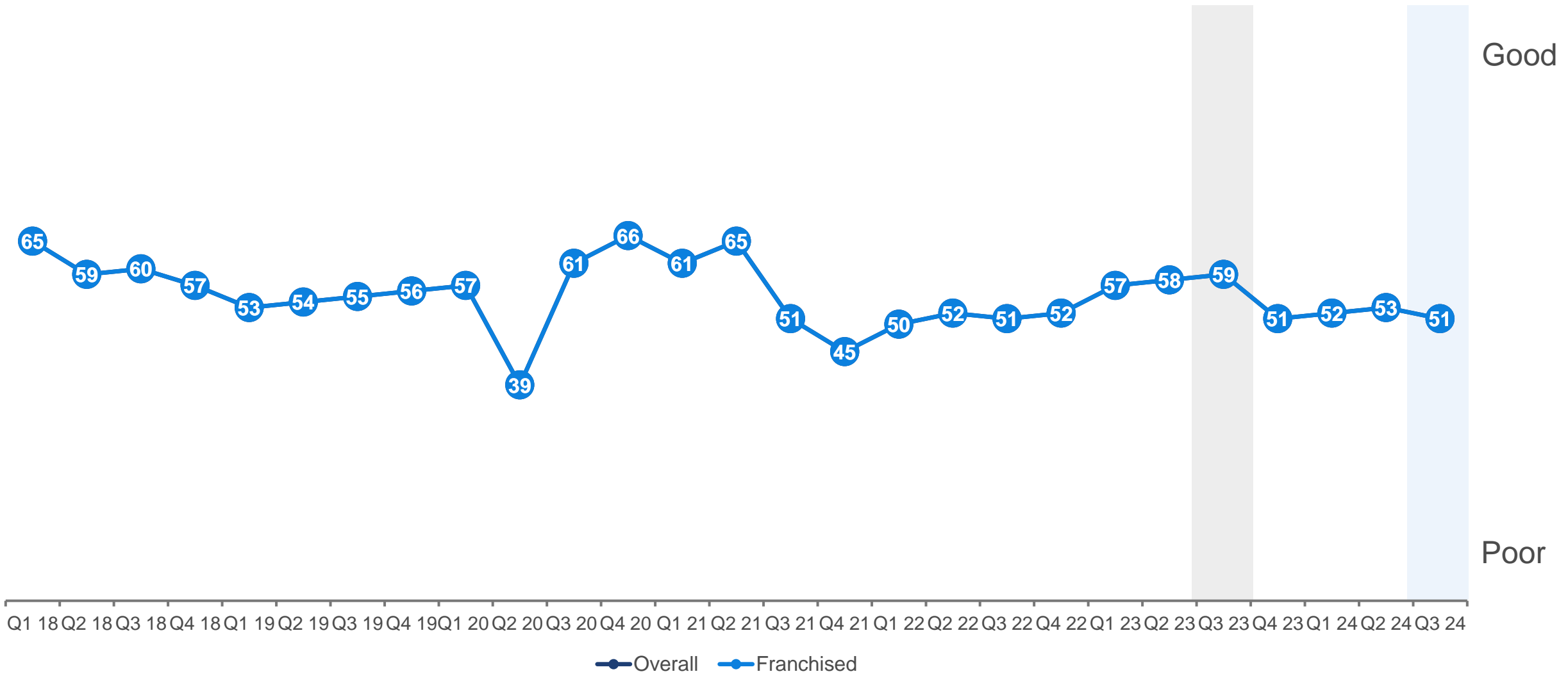
Note: Scale 1 - 100

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



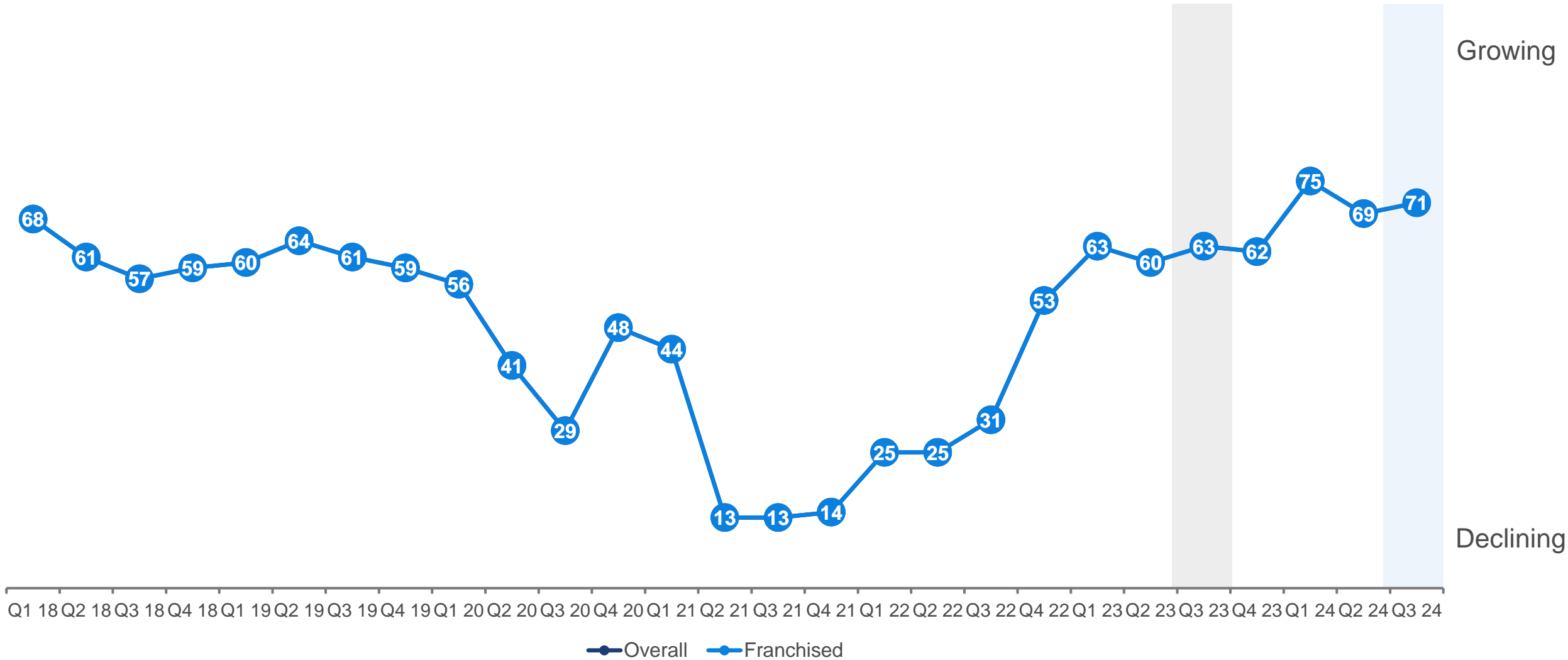
Note: Scale 1 - 100

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?

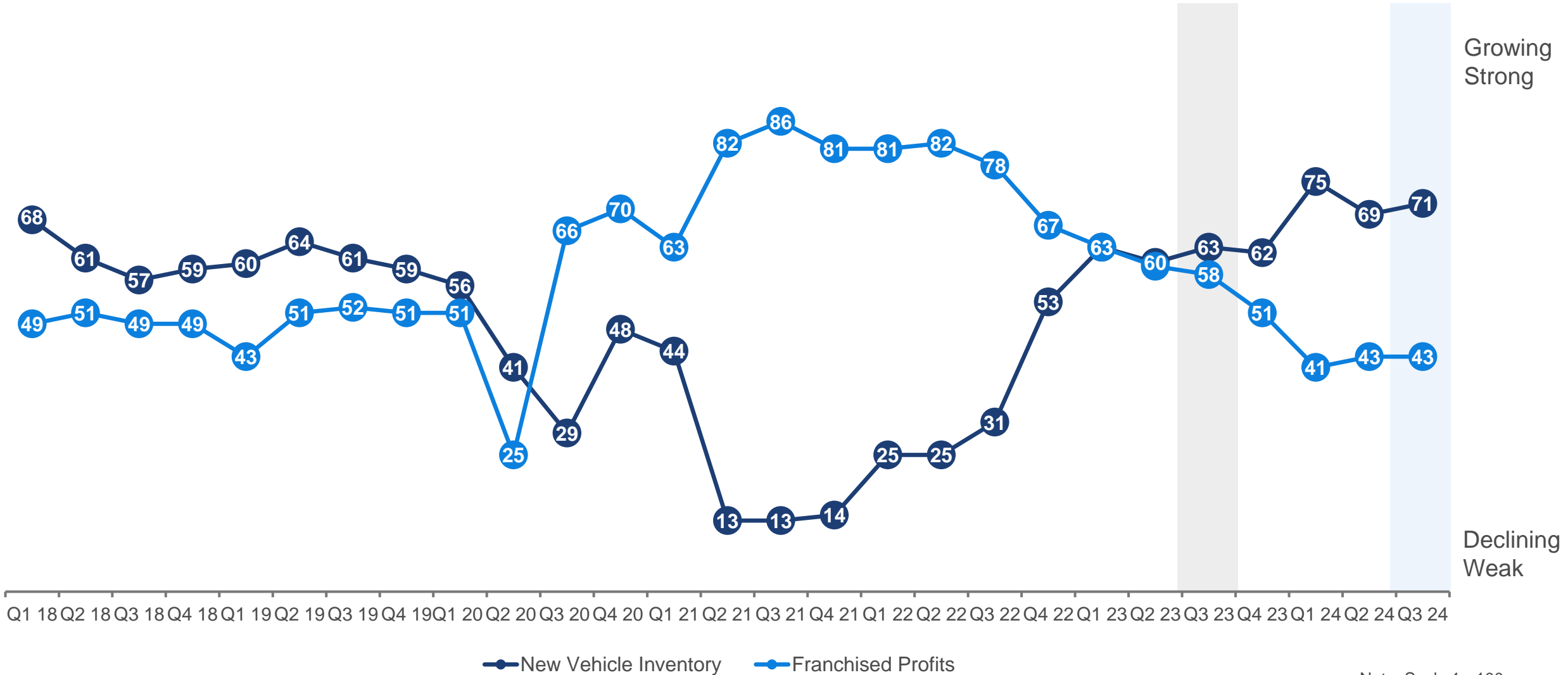


Note: Scale 1 - 100

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?

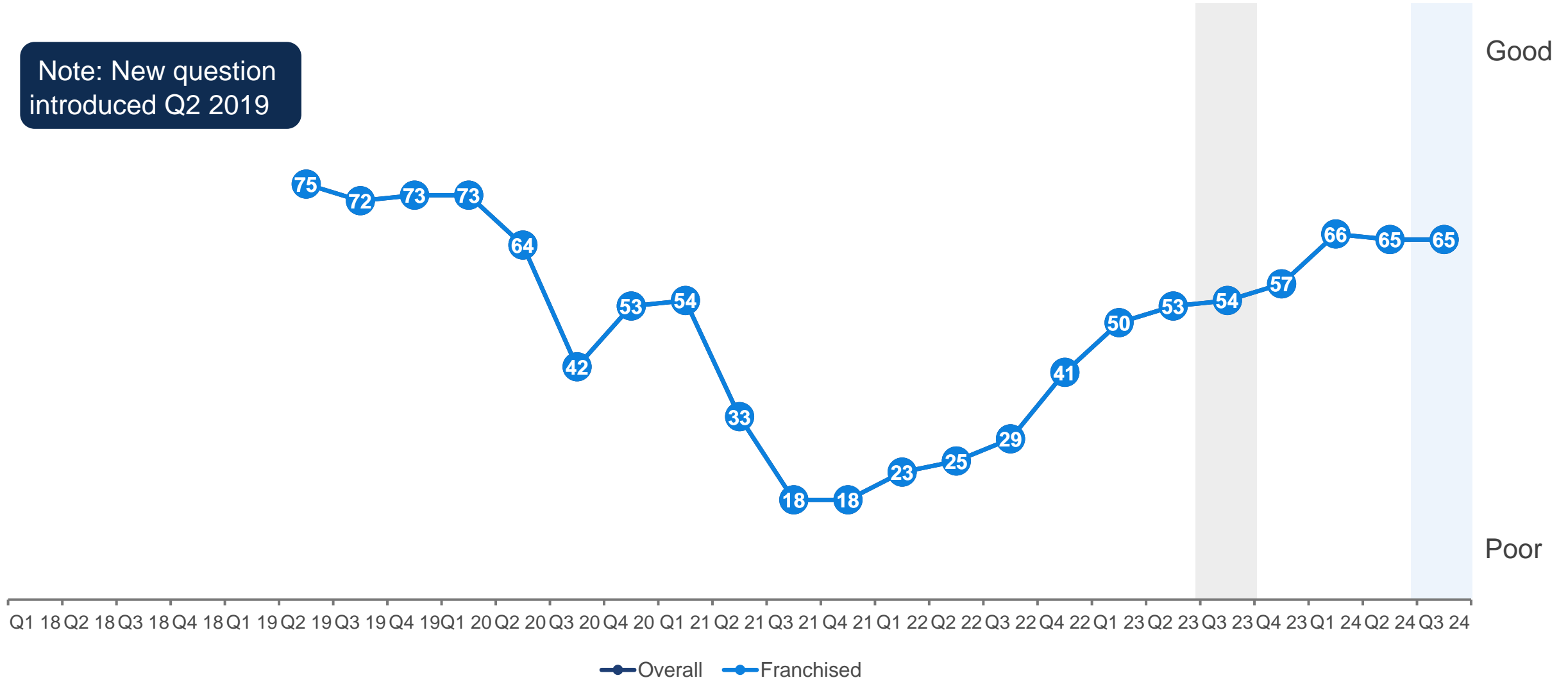
Dealer Sentiment Index THIRD QUARTER 2024



Note: Scale 1 - 100

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

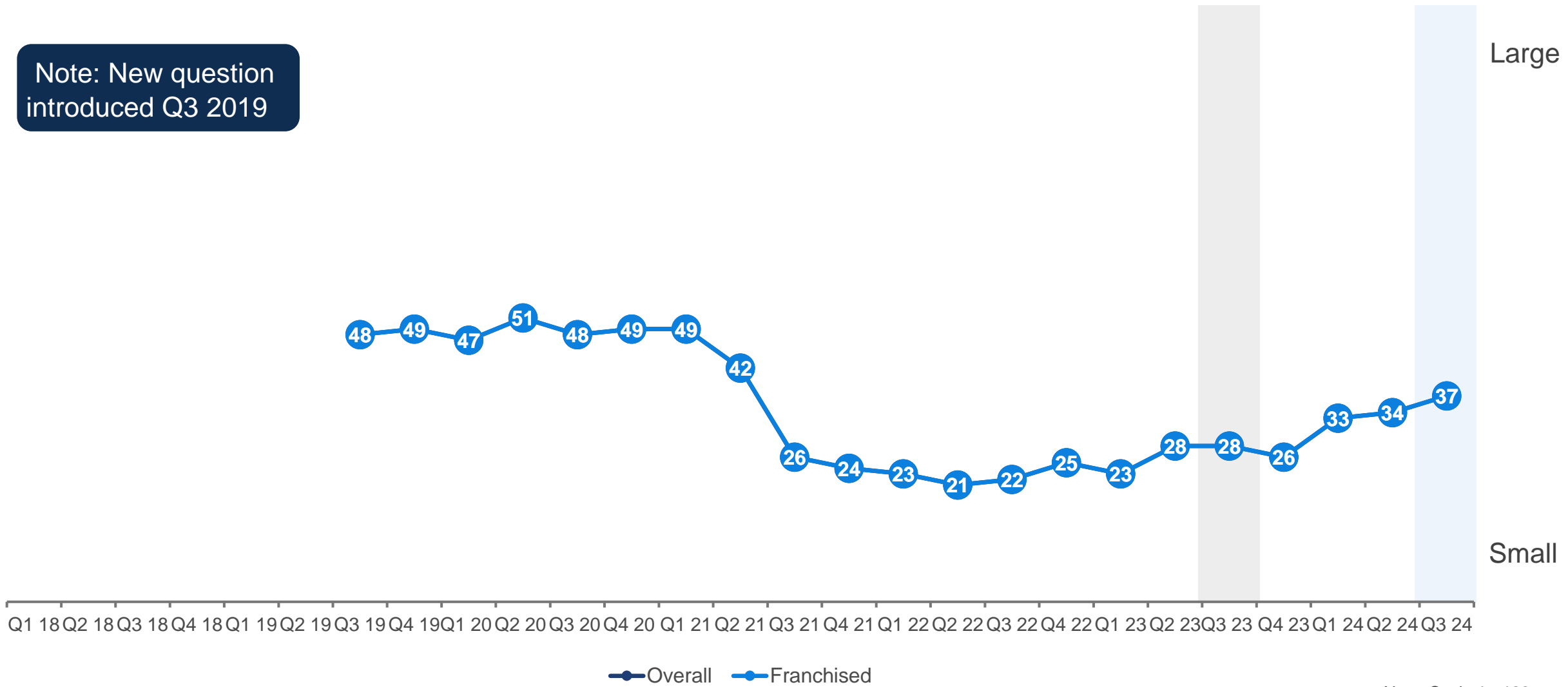
Note: New question introduced Q2 2019



Note: Scale 1 - 100

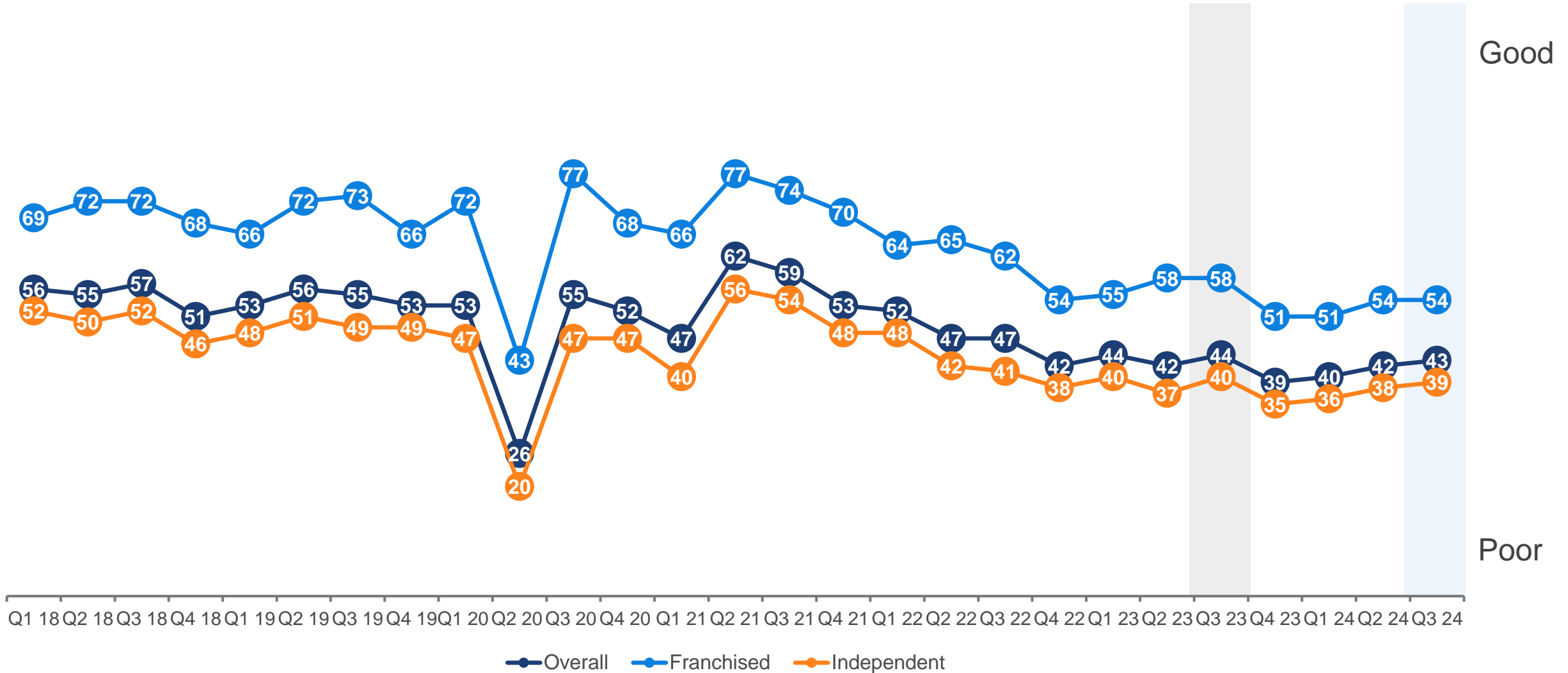
Q10: How would you describe the current level of OEM new-vehicle incentives?

Note: New question introduced Q3 2019



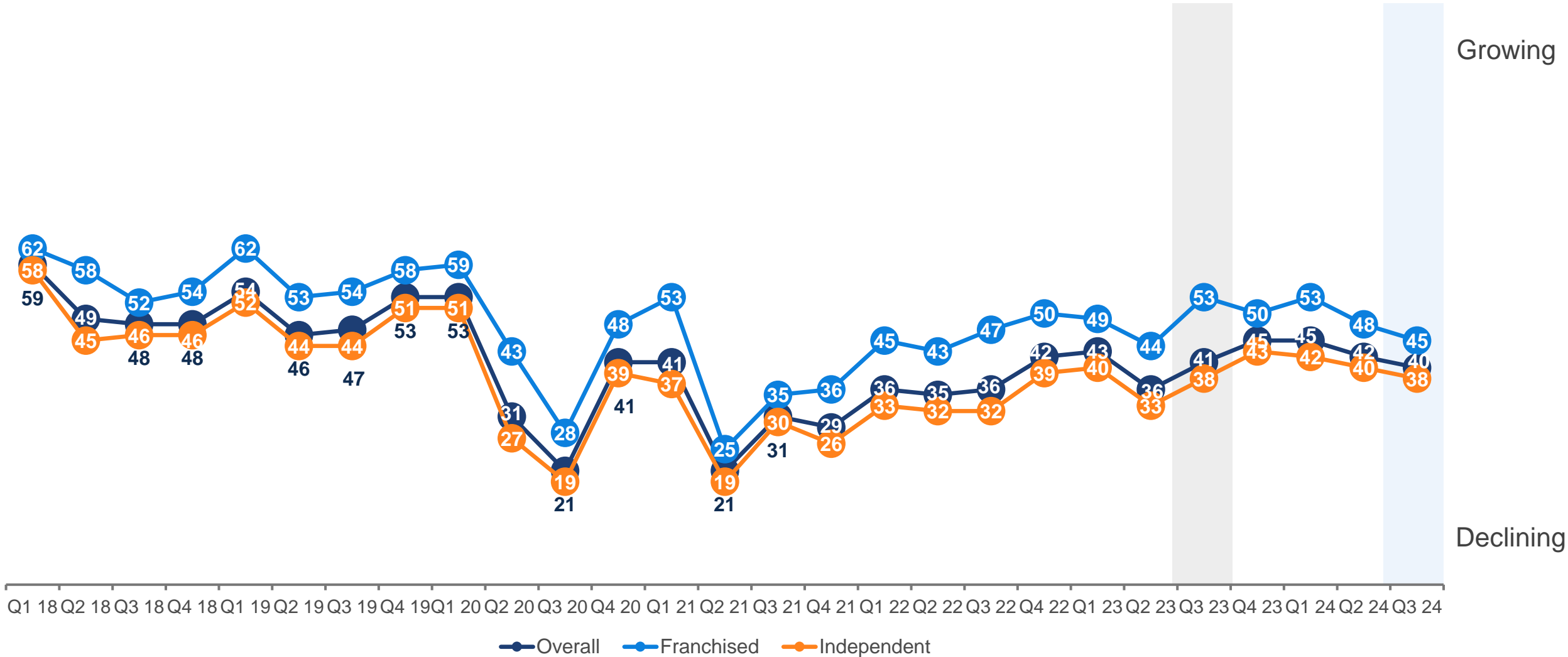
Note: Scale 1 - 100

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



Note: Scale 1 - 100

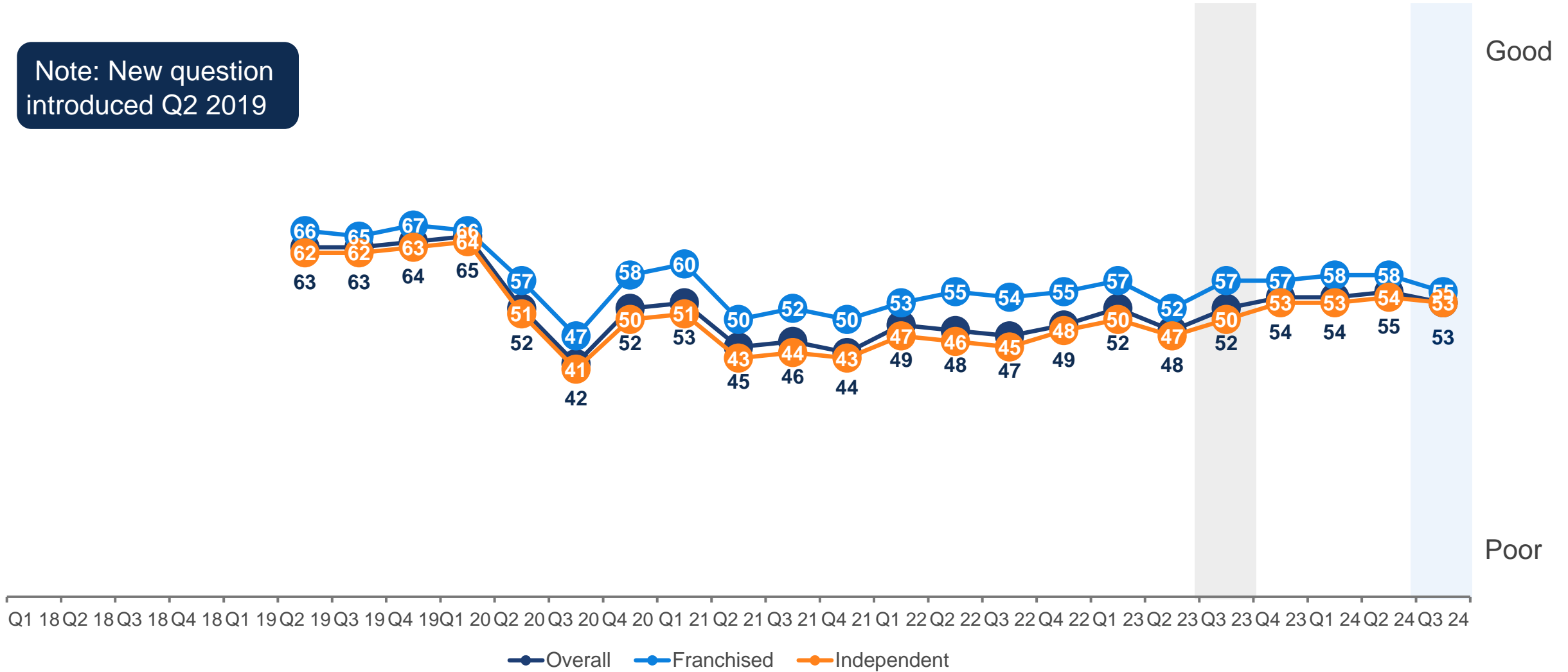
Q12: How would you describe the current used-vehicle inventory levels?



Note: Scale 1 - 100

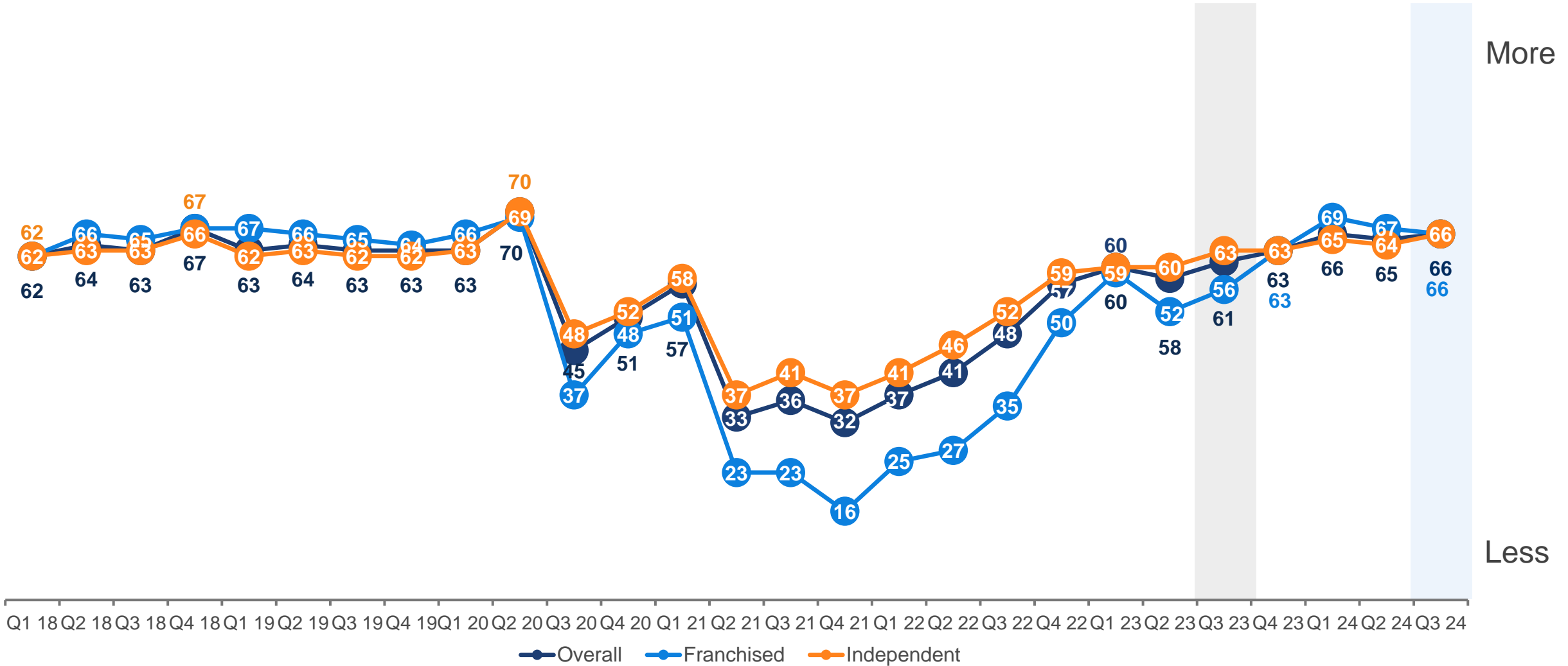
Q13: How would you describe the current used-vehicle inventory mix?

Note: New question introduced Q2 2019



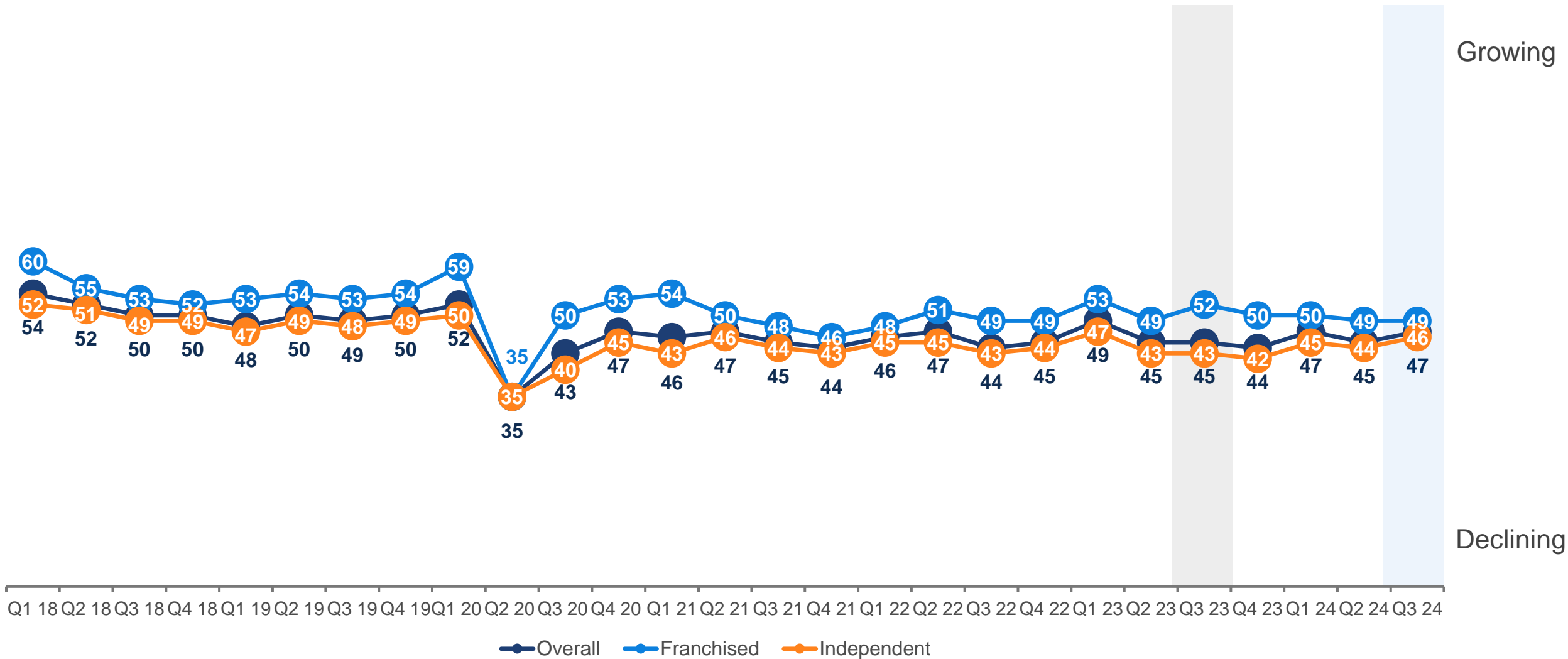
Note: Scale 1 - 100

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



Note: Scale 1 - 100

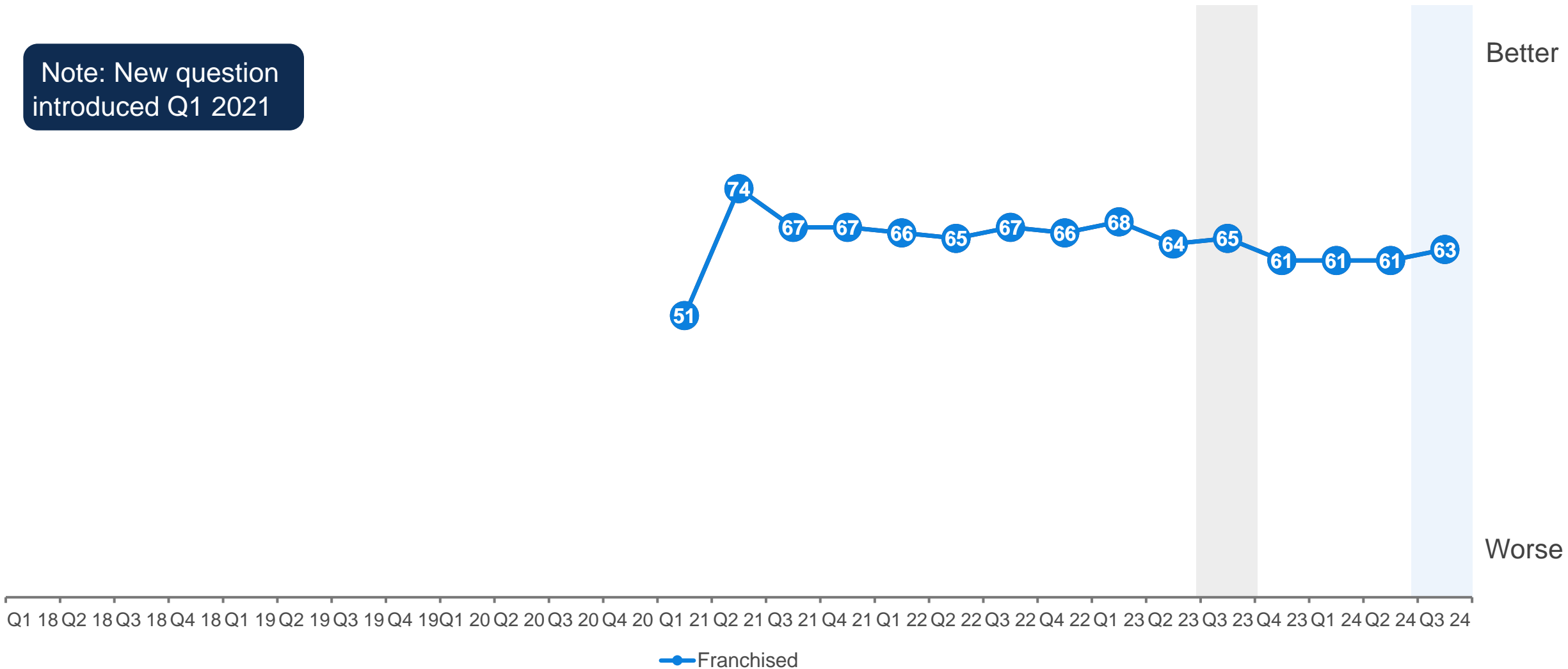
Q15: How would you describe your dealership's current staffing levels?



Note: Scale 1 - 100

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

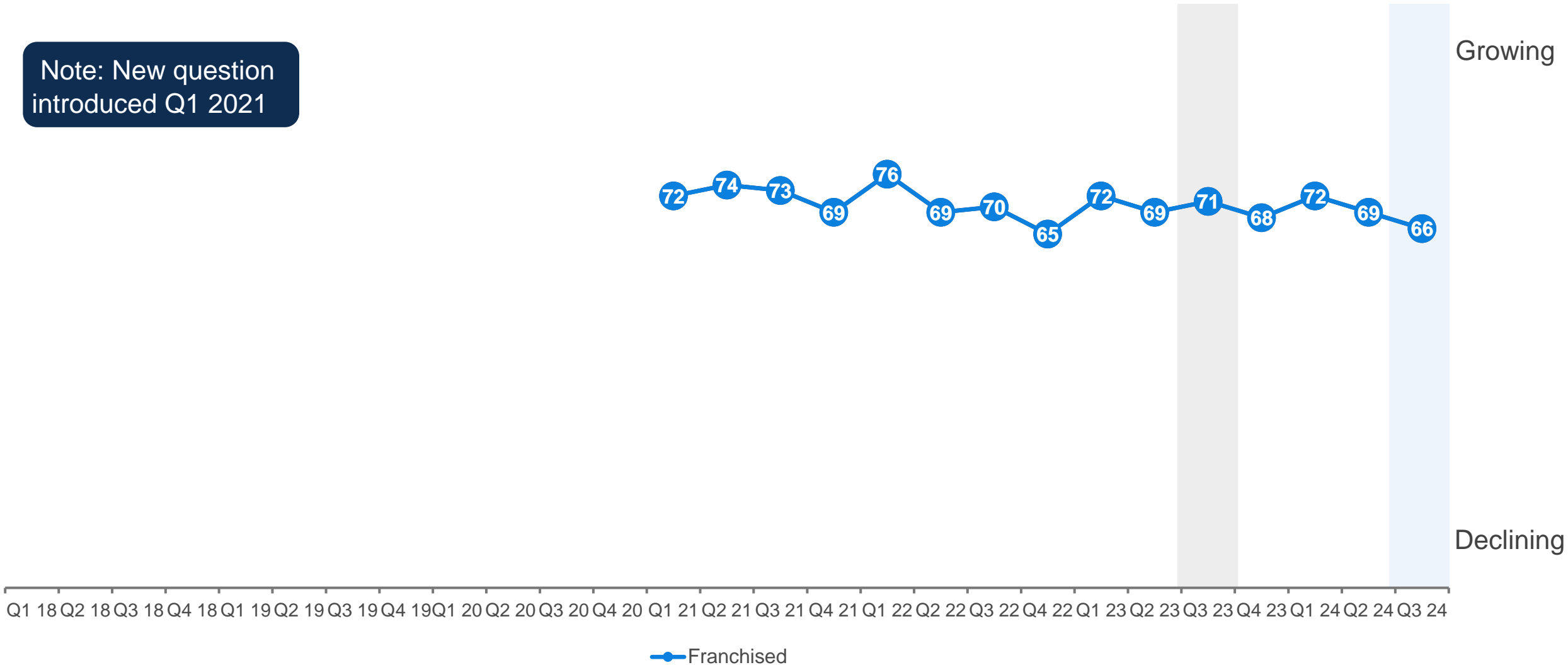
Note: New question introduced Q1 2021



Note: Scale 1 - 100

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

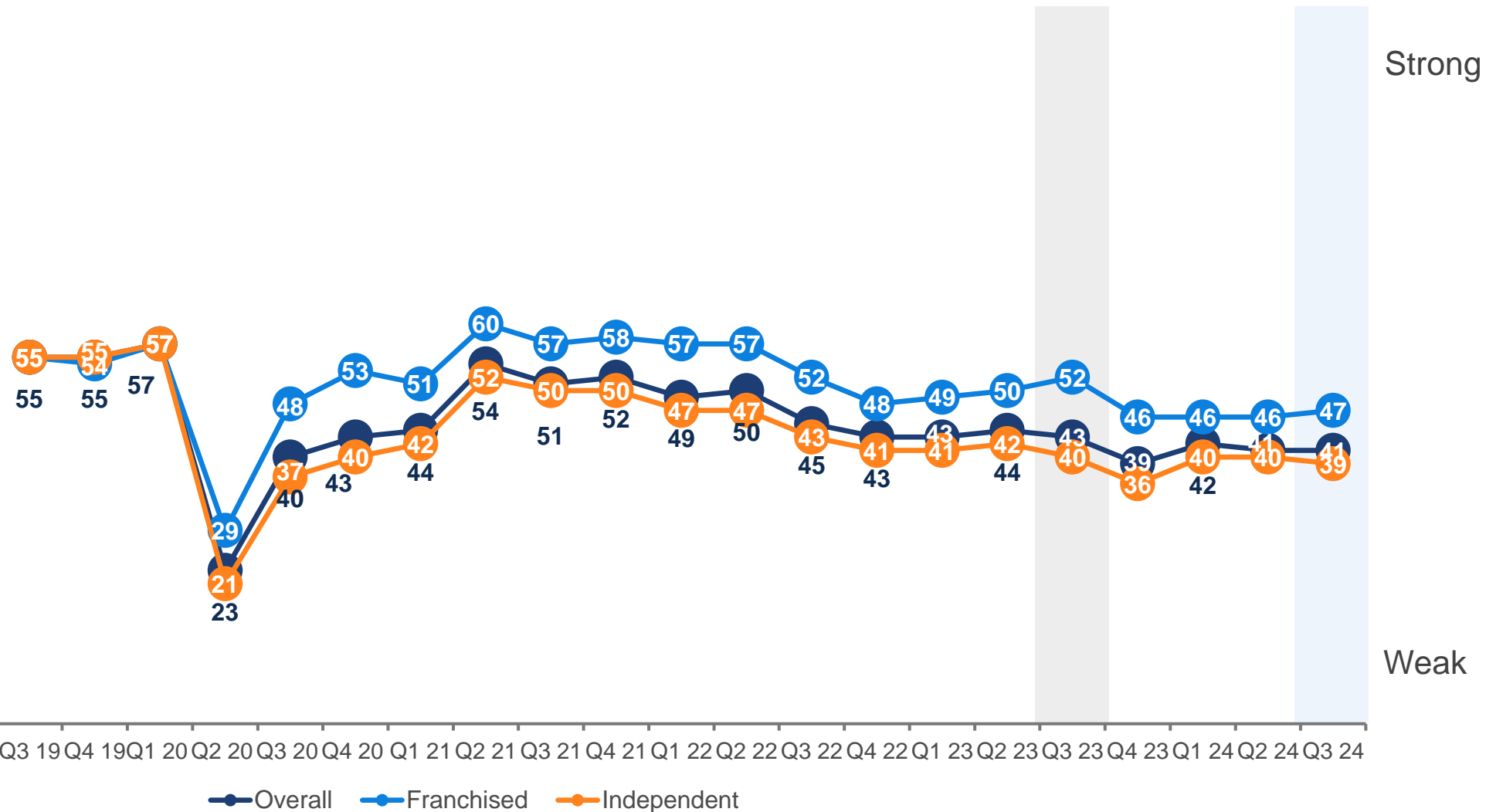
Note: New question introduced Q1 2021



Note: Scale 1 - 100

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

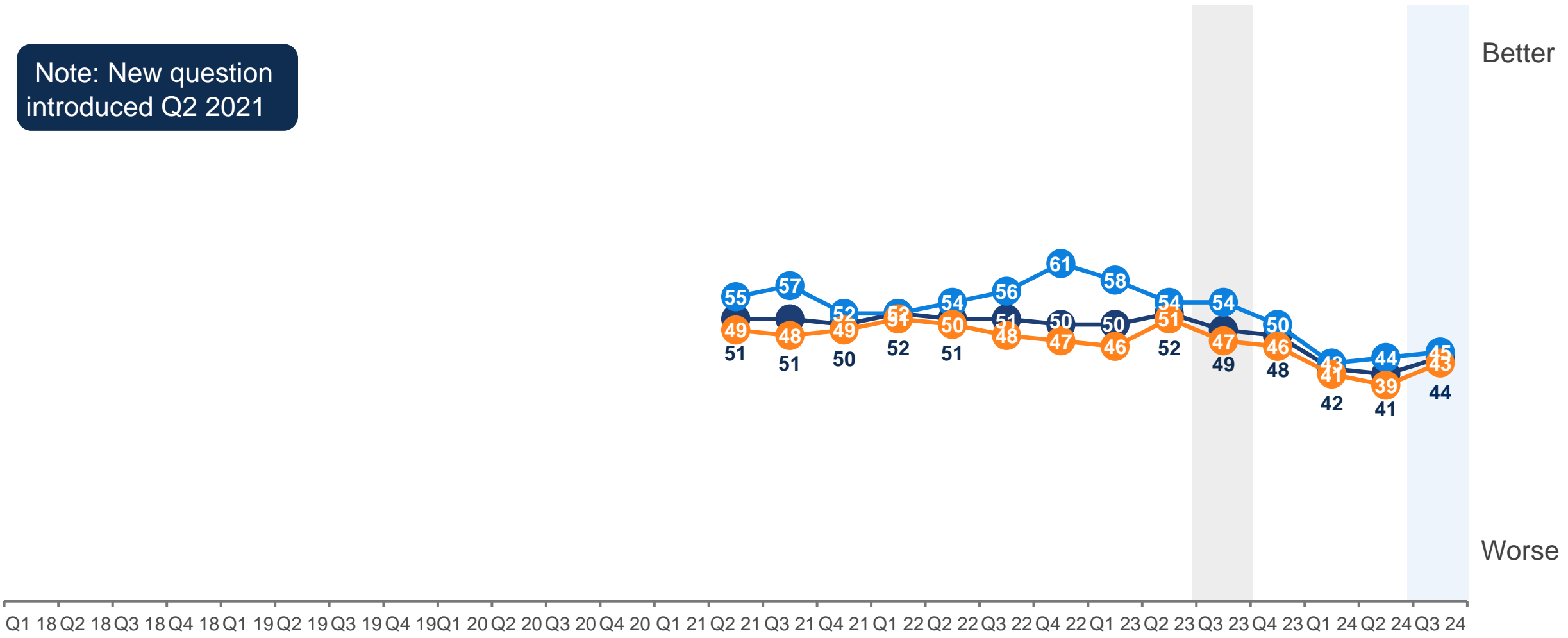
Note: New question introduced Q3 2019



Note: Scale 1 - 100

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

Note: New question introduced Q2 2021



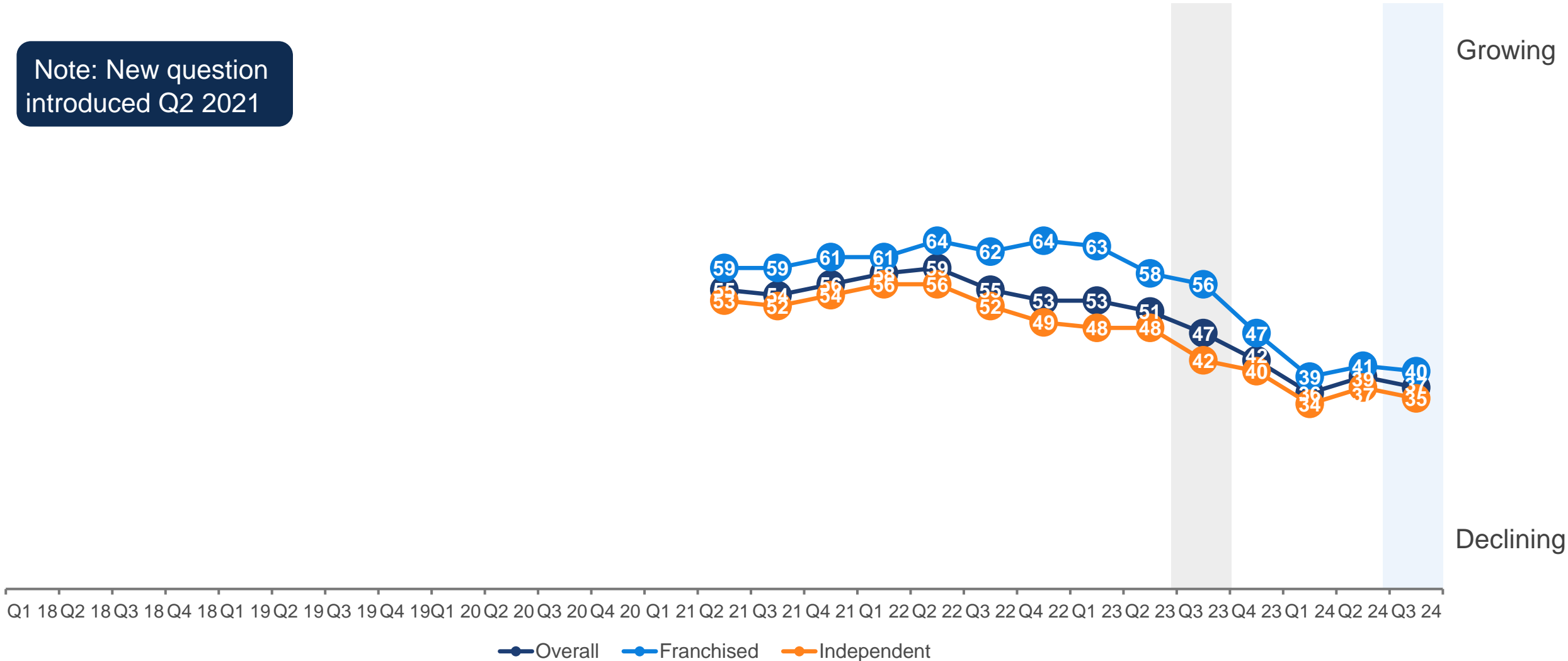
(EV) Electric Vehicle

● Overall ● Franchised ● Independent

Note: Scale 1 - 100

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

Note: New question introduced Q2 2021

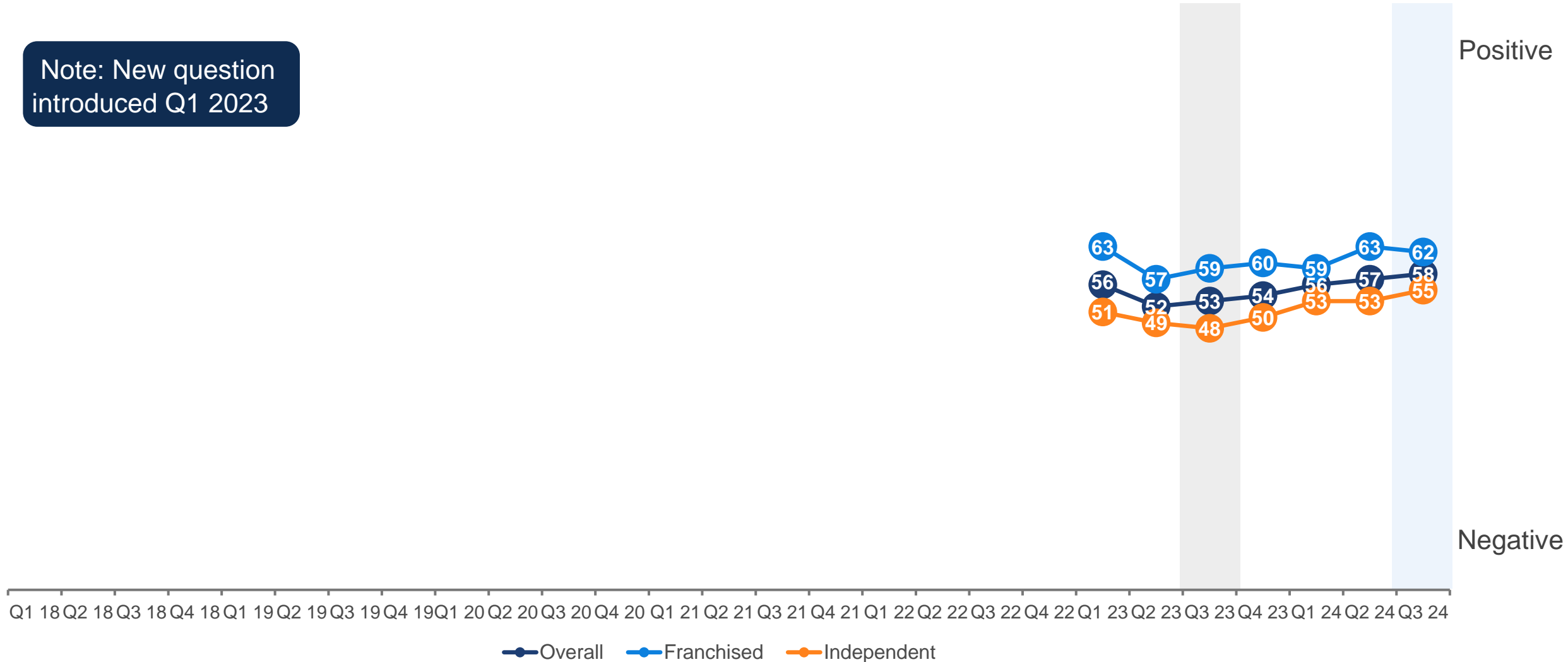


Note: Scale 1 - 100

Q23: How would you describe the effect of battery electric vehicle (BEV) tax credits are having on your dealership's BEV sales?

Note: New question introduced Q1 2023

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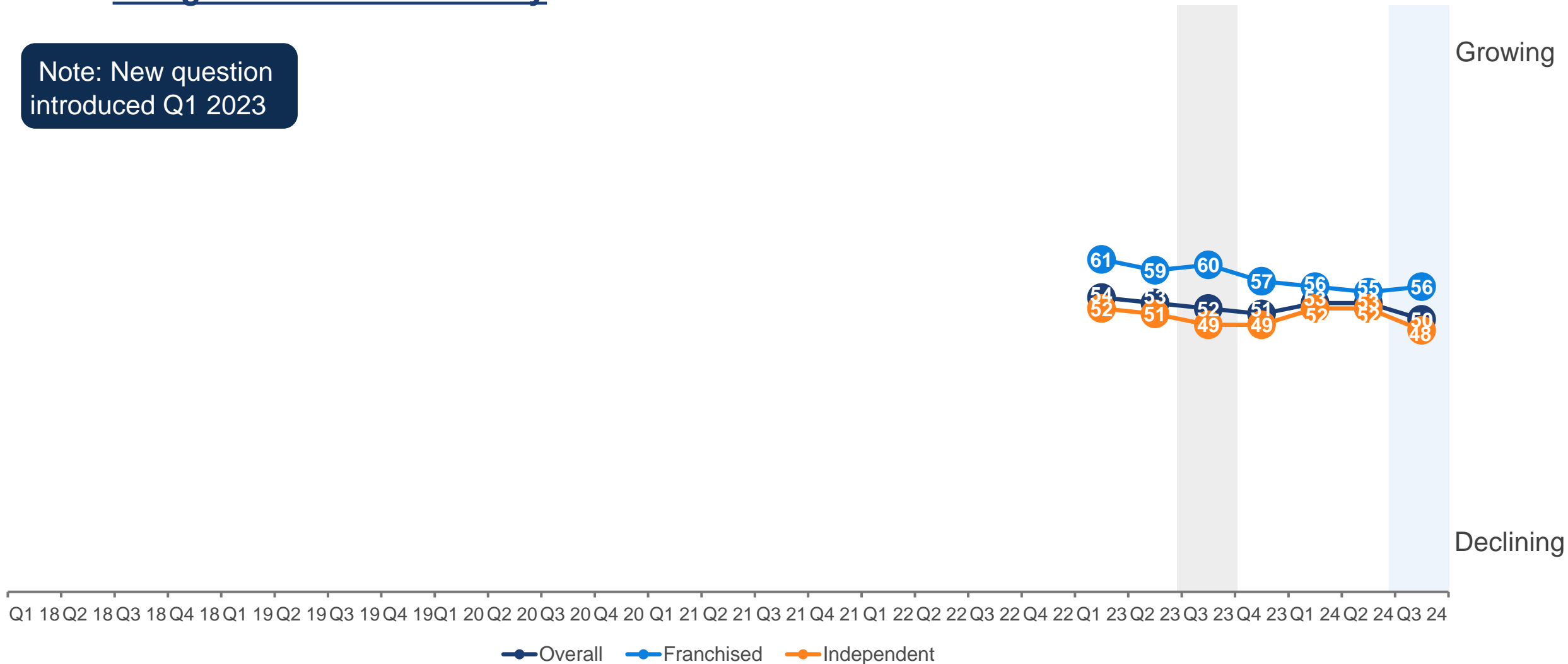


Note: Scale 1 - 100

Q24: Compared to the last 3 months, how would you describe the extent of your dealership's sales process that are being done online currently?

Note: New question introduced Q1 2023

Dealer Sentiment Index THIRD QUARTER 2024



Note: Scale 1 - 100

Factors Holding Back Business

		Q3 '24	Q2 '24	Q3 '23	Q3 '22	
OVERALL RANK	1	Economy	61%	57%	54%	53%
	2	Interest Rates	59%	59%	61%	35%
	3	Political Climate	44% ↑	36%	27%	30%
	4	Market Conditions	41%	41%	41%	48%
	5	Expenses	33%	31%	30%	28%
	6	Credit Availability for Consumers	31%	31%	33%	18%
	7	Consumer Confidence	30%	28%	25%	29%
	8	Limited Inventory	30%	29%	37%	56%
	9	Competition	15%	15%	13%	11%
	10	Staff Turnover	8%	7%	8%	9%



Significant decrease vs previous quarter



Significant increase vs previous quarter

Factors Holding Back Business

FRANCHISED DEALERS

		Q3 '24	Q2 '24	Q3 '23	Q3 '22
1	Interest Rates	67%	68%	65%	40%
2	Economy	53%	53%	43%	47%
3	Political Climate	49%	41%	26%	29%
4	Market Conditions	39%	35%	33%	39%
5	Consumer Confidence	32%	31%	22%	24%
6	Lack of Consumer Incentives from my OEM	24%	29%	26%	25%
7	Expenses	23%	22%	16%	15%
8	Credit Availability for Consumers	19%	21%	21%	10%
9	Limited Inventory	16%	18%	33%	63%
10	Staff Turnover	15%	17%	15%	14%



Significant decrease vs previous quarter



Significant increase vs previous quarter

Factors Holding Back Business

INDEPENDENTS

		Q3 '24	Q2 '24	Q3 '23	Q3 '22
1	Economy	63%	59%	58%	56%
2	Interest Rates	57%	56%	60%	34%
3	Political Climate	42% ↑	34%	28%	31%
4	Market Conditions	42%	43%	44%	51%
5	Expenses	36%	34%	34%	33%
6	Credit Availability for Consumers	35%	34%	37%	21%
7	Limited Inventory	34%	32%	38%	54%
8	Consumer Confidence	30%	27%	26%	31%
9	Competition	15%	16%	14%	13%
10	Credit Availability for my Business	9%	9%	10%	4%



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	Interest Rates	81	81	81
2	Costs/Expenses	79	75	80 A
3	Vehicle Sales	66	68	66
4	Fixed Operations	66	63	67
5	Staffing Levels	54	54	54

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



Regional View – Index Score (Franchised)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	50	53	48	48
Market Next 3 Months	Strong/Weak	47	52	49	48
Overall Customer Traffic	Strong/Weak	39	42	38	35
In-Person Customer Traffic	Strong/Weak	38	42	37	33
Digital/Online Customer Traffic	Strong/Weak	49	44	50	45
Profits	Strong/Weak	44	46	43	40
Costs	Growing/Declining	78	75	74	80
New Vehicle Sales	Good/Poor	49	51	51	55
New Vehicle Inventory	Growing/Declining	67	68	71	78
New Vehicle Inventory Mix	Good/Poor	65	61	64	70

 Significant decrease vs previous quarter

 Significant increase vs previous quarter

Regional View – Index Score (Franchised)

Question	Answer	North-east	Mid-west	South	West
Price Pressure	More/Less	67	65	63	71
Staffing	Growing/Declining	47	51	50	47
OEM incentives	Large/Small	37	35	38	38
Economy	Strong/Weak	45	47	50	46
Current Fixed Operations	Better/Worse	63	62	62	66
Future Fixed Operations	Growing/Declining	65	64	67	68
Current BEV Sales	Better/Worse	44	47	43	44
Future BEV Sales	Growing/Declining	40	39	41	42
Dealer Credit	Easy/Difficult	61	64	60	61
Effect BEV Tax Credits Have on BEV Sales	Positive/Negative	60	60	60	70

 Significant decrease vs previous quarter
 Significant increase vs previous quarter

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The Cox Automotive biweekly newsletter, published every other Tuesday, is a round-up of news from Cox Automotive and perspectives from its analysts and experts on topics dominating the automotive industry.



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Contact information:

Dara Hailes

Senior Manager

Cox Automotive Corporate Communications

dara.hailes@coxautoinc.com

Mark Schirmer

Director

Cox Automotive Corporate Communications

mark.schirmer@coxautoinc.com



6205 6305

6325

