

Dealer Sentiment Index

Second Quarter 2019



Dealer Sentiment Index

First Quarter 2019

Background

Data for the Cox Automotive Dealer Sentiment Index (CADSI) is gathered via a quarterly online survey of franchise 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 Q2 2019 CADSI is based on 1,031 U.S. auto dealer respondents, comprising 583 franchise dealers and 448 independents. The survey was conducted from April 29 to May 14, 2019.

The CADSI was first published in Q3 2017. The next quarterly report will be released in September 2019.

Key Takeaways

U.S. auto dealer sentiment in Q2 2019 remained similar to Q1, as the overall current market index remained in negative territory on the Cox Automotive Dealer Sentiment Index (CADSI). The index reading of 49 indicates that slightly more dealers feel that the current market is weak compared to the number who feel that the current market is strong.

The slight increase from last quarter's 48 was not statistically significant. Year-over-year, the current market index was down two points, which was also not statistically significant.

"The overall view of the market is remarkably stable this spring relative to the beginning of the year," said Cox Automotive Chief Economist Jonathan Smoke.

Improvements in key drivers supported the slight upturn in the current market view. The customer traffic index and profit index both saw statistically significant gains from Q1. At the same time, the costs index saw a decline. Both the traffic and profit indexes are at their highest readings ever, dating back to the start of the quarterly survey in Q2 2017. The cost index is at its lowest point.

Based on the way dealers describe the market, used-vehicle sales saw gains in Q2 from Q1 but remained similar to last year.

The index on used-vehicle inventory, however, fell and was noted as declining, which was a reversal from the growth trend last quarter. That trend draws into question whether strong used-vehicle sales can continue as inventories tighten.

Expectations for the next quarter fell but remained in positive territory at 55. The decline was driven by a big drop in expectations by independent dealers. By contrast, expectations for the next 90 days was unchanged among franchise dealers.

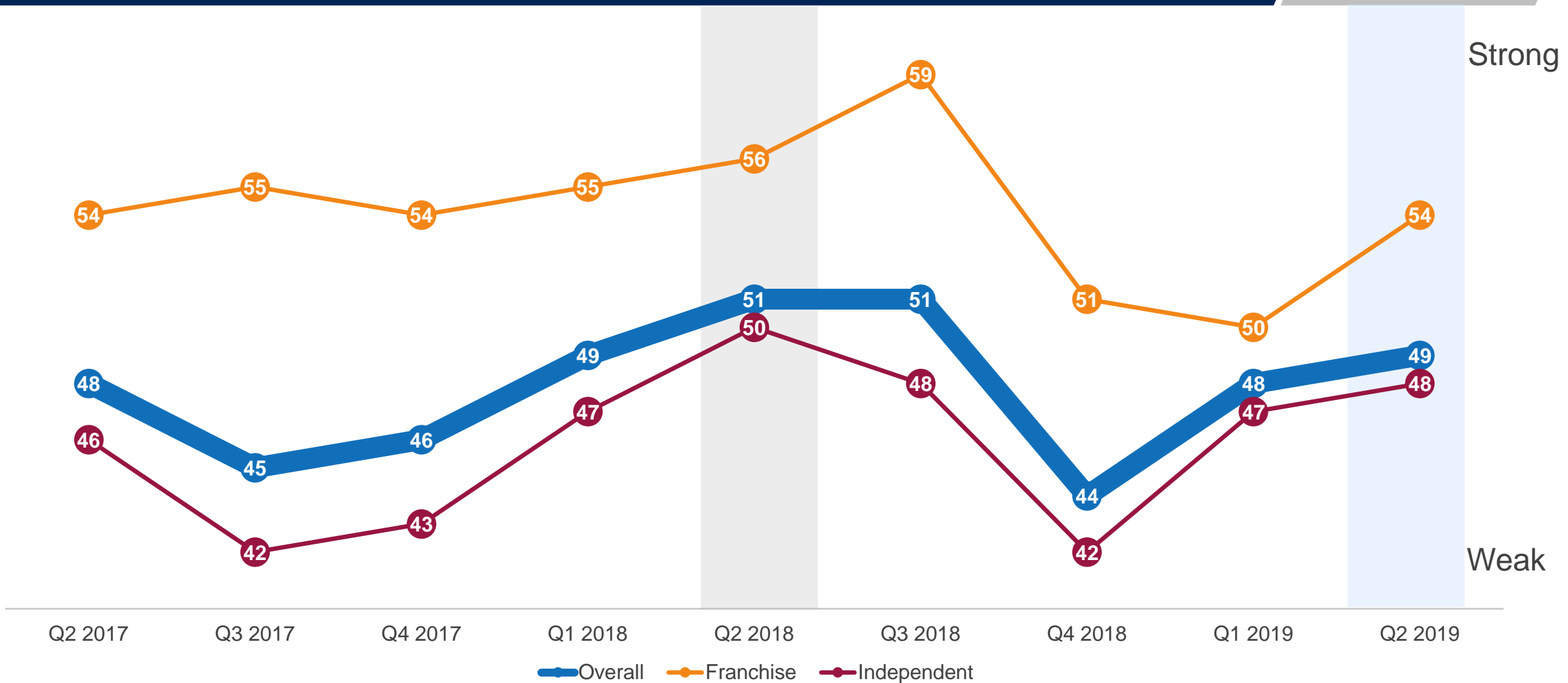
"It is encouraging to see that dealers remain optimistic," Smoke added. "But their outlook has moderated substantially from the peak in optimism we saw last year as numerous negative factors continue to dampen future expectations. The used-car market continues to be strong, but declining inventories may suggest that sales volumes could decline as the year progresses."

The top 5 factors holding back the business across all dealers remained the same in Q2 as Q1, but relative positions changed. Market Conditions remained in the top spot as the most cited negative factor. Competition remained in second place. Limited Inventory jumped up to number 3, moving ahead of Credit Availability for Consumers, now number 4, and Expenses, which dropped to fifth place.

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

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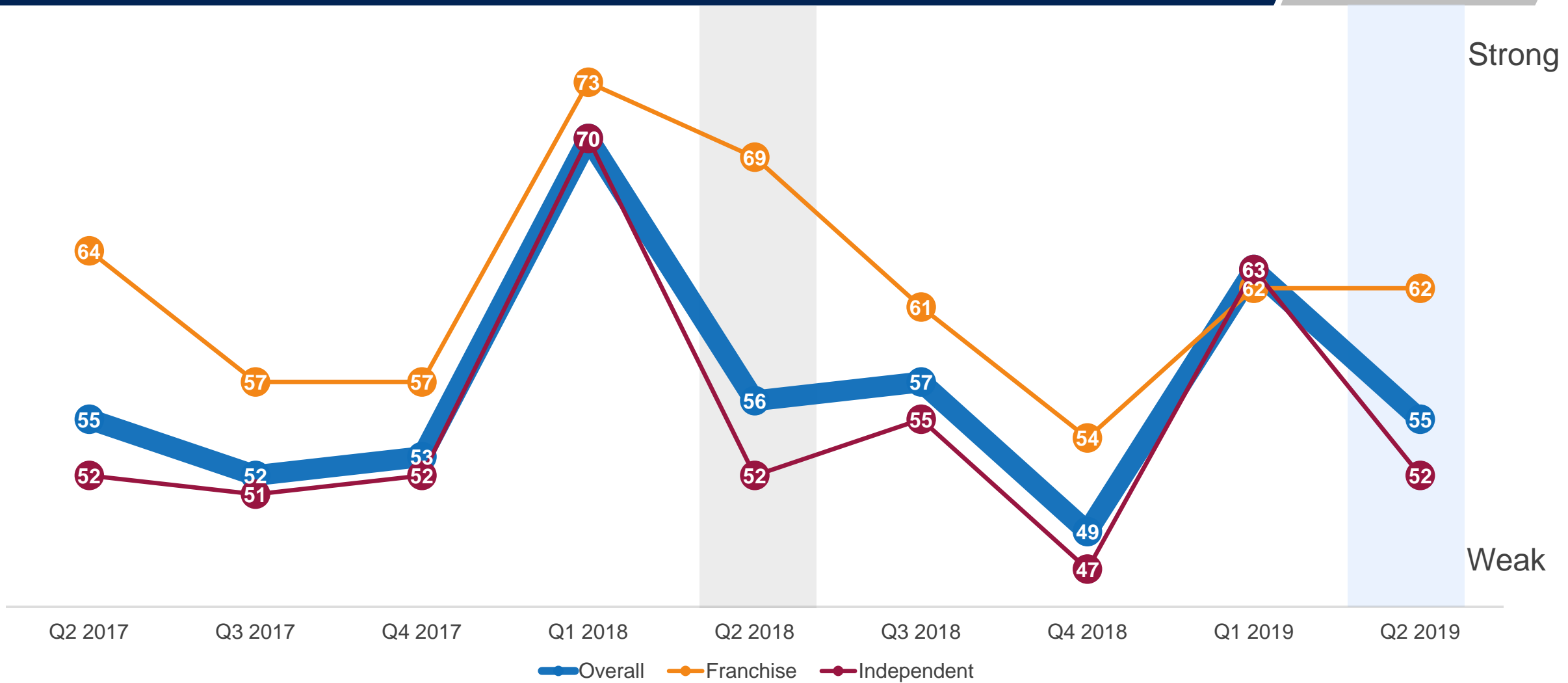


Note: Scale 1 - 100

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

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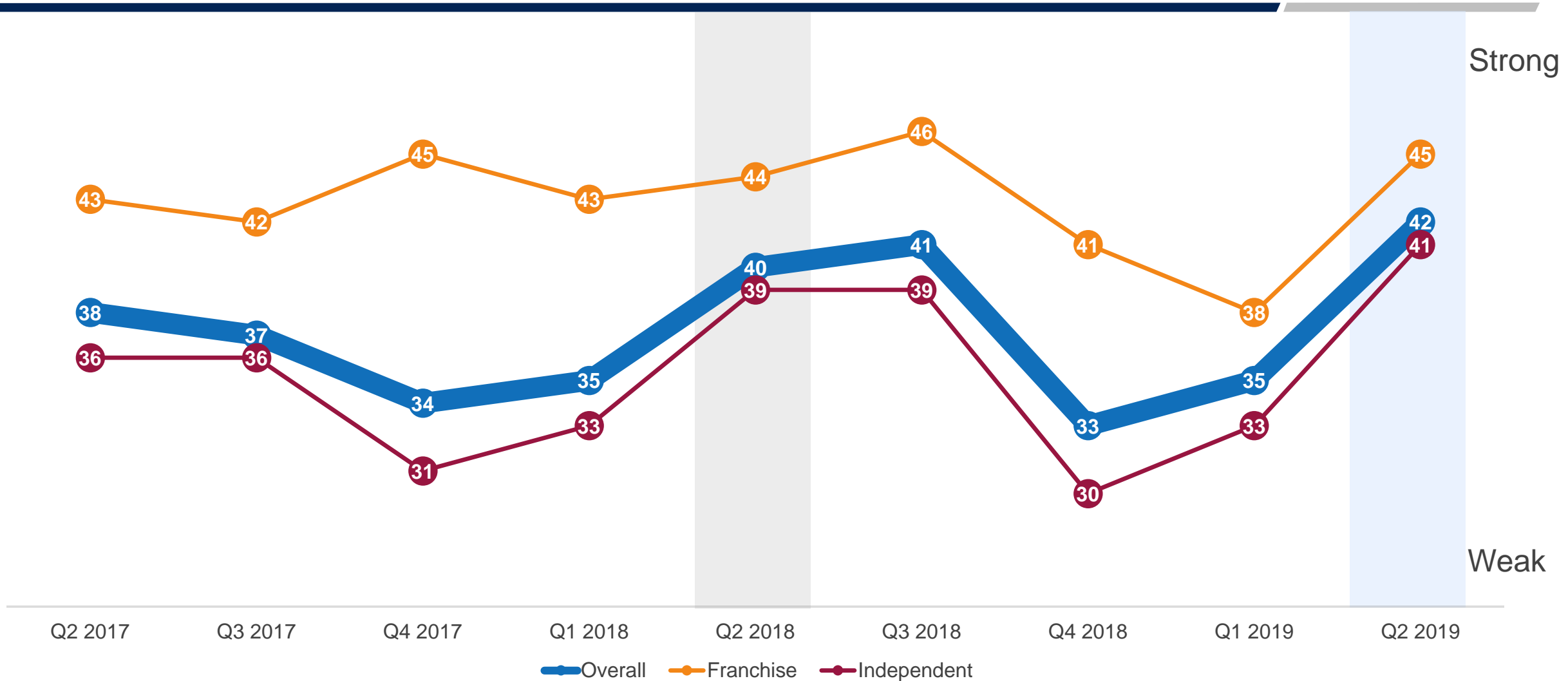
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Q3: How do you rate the customer traffic to your dealership over the past 3 months?

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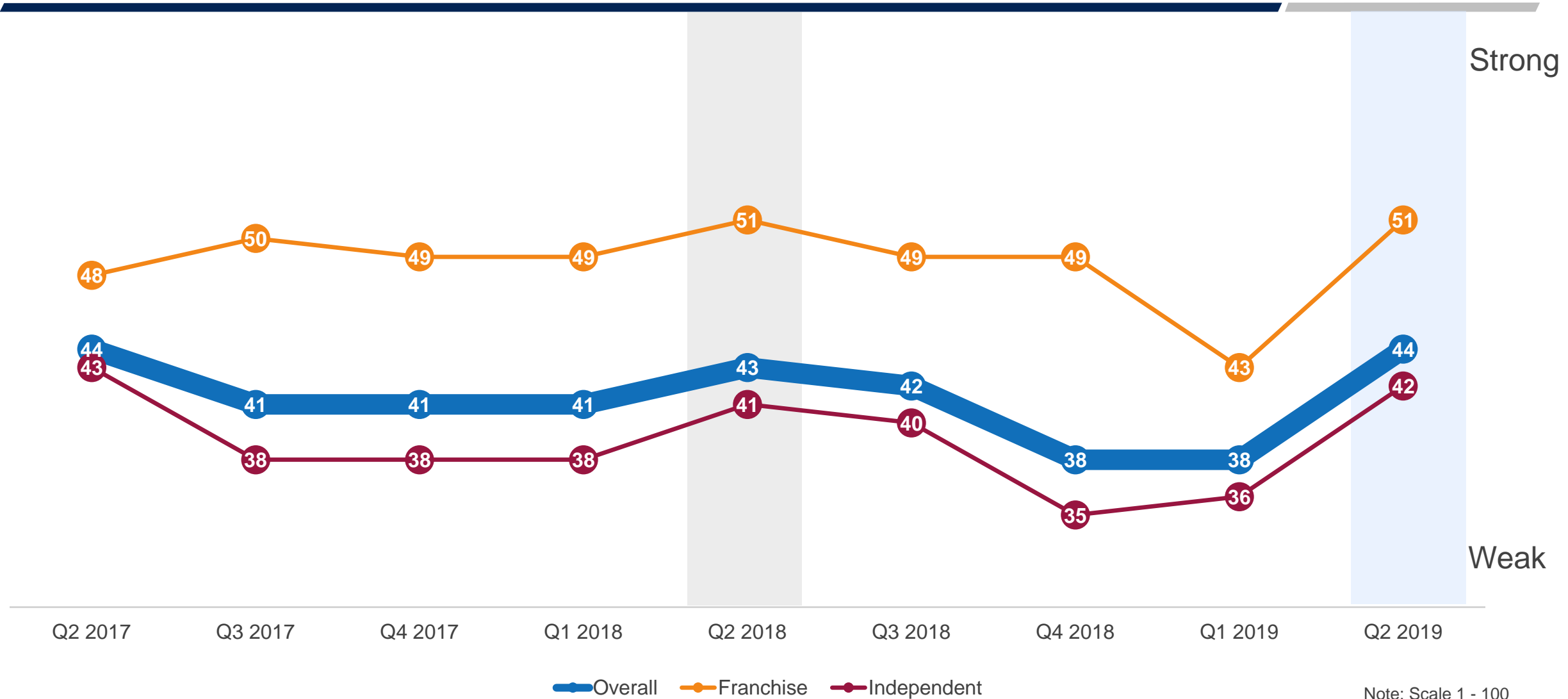


Note: Scale 1 - 100

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

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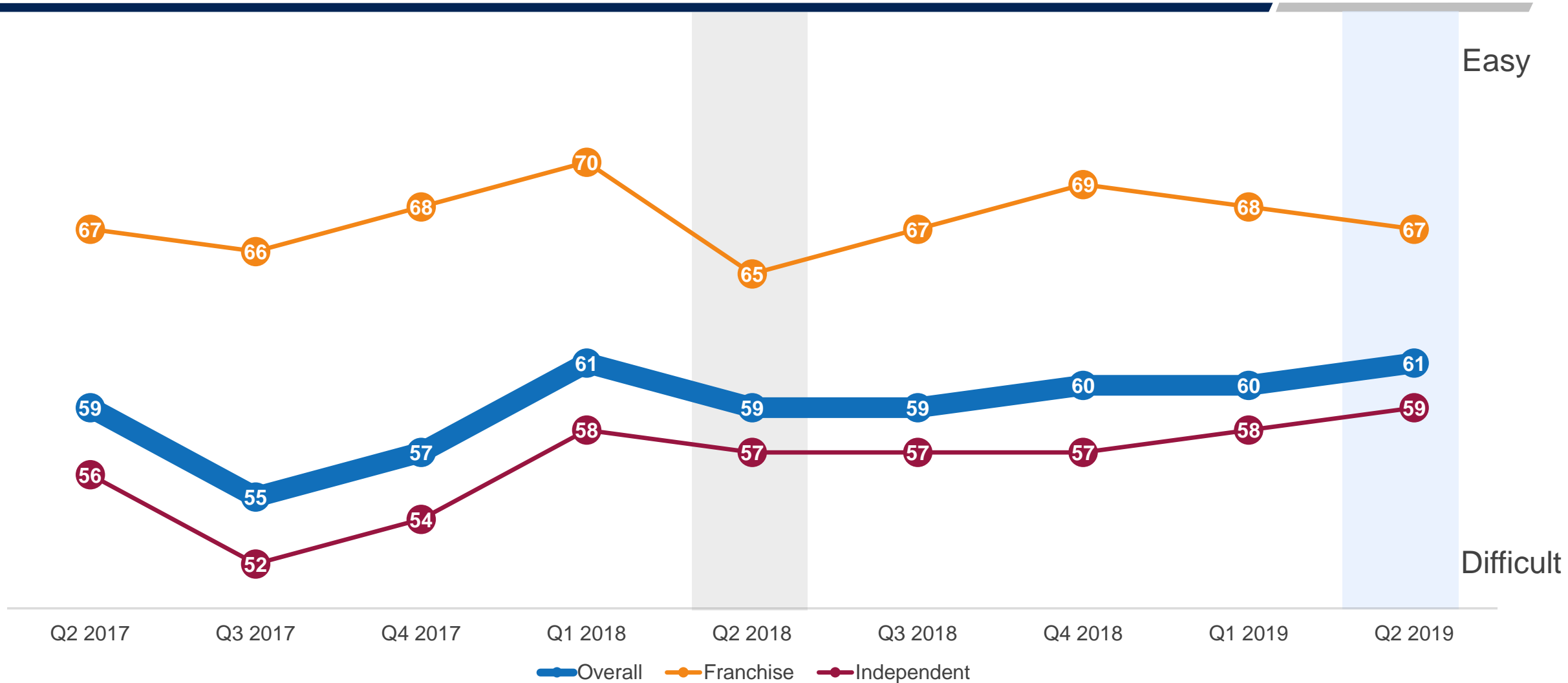


Note: Scale 1 - 100

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

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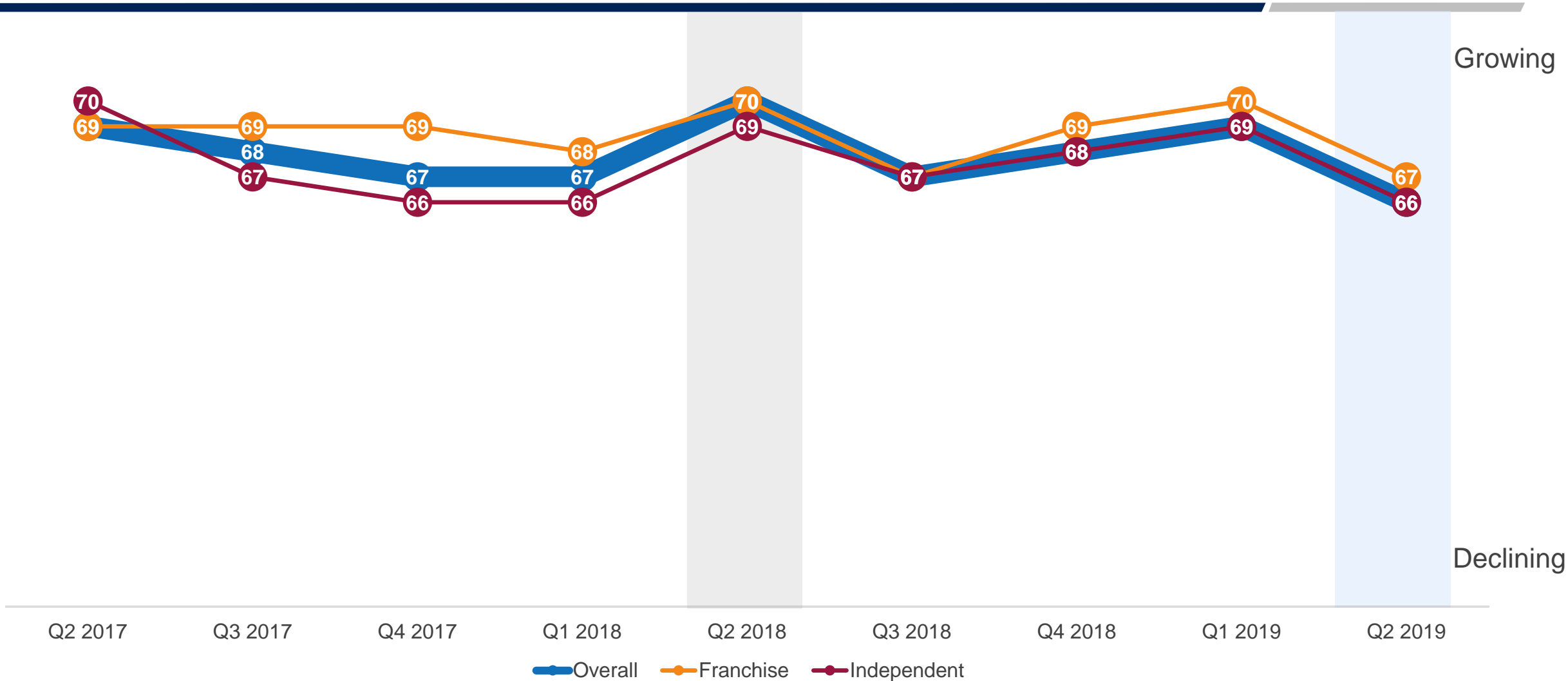


Note: Scale 1 - 100

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

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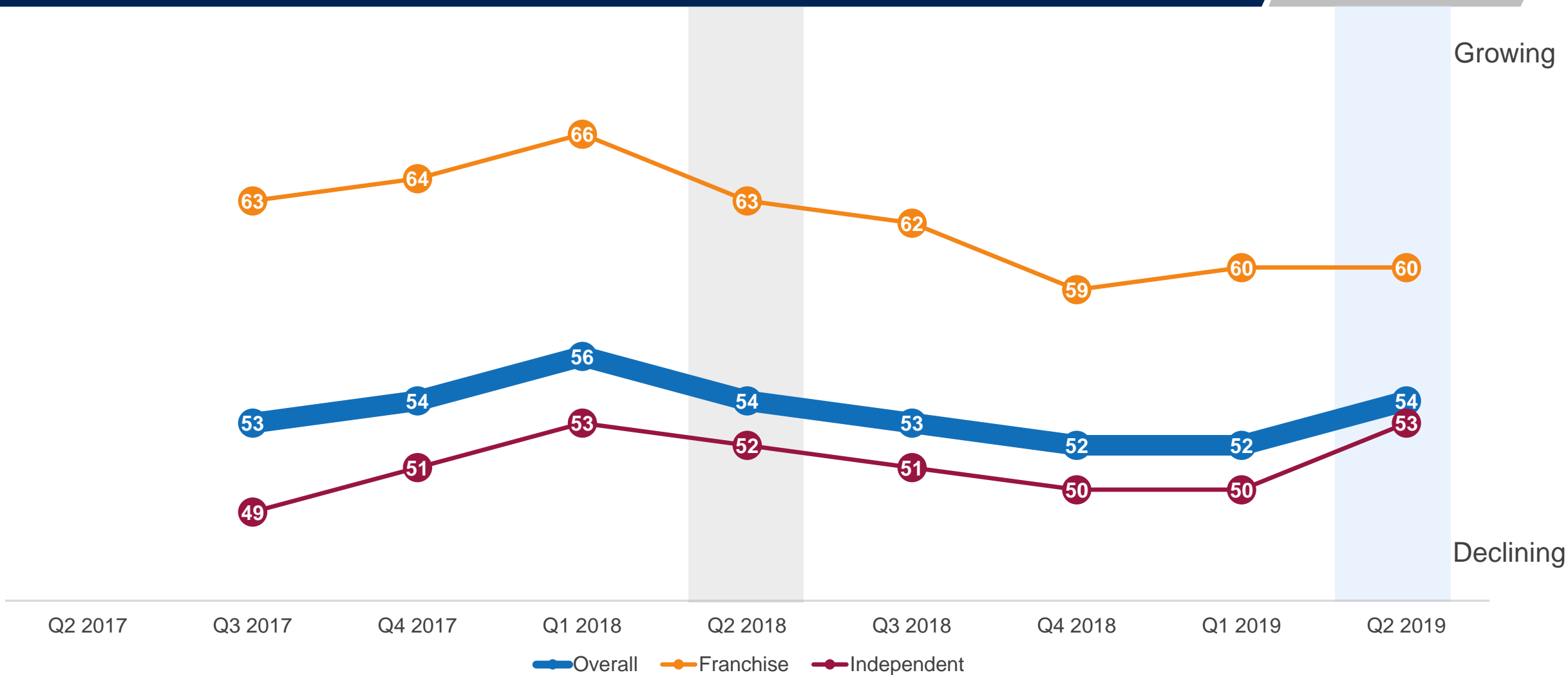


Note: Scale 1 - 100

Q7: How would you describe your dealership's current fixed capital investment levels?

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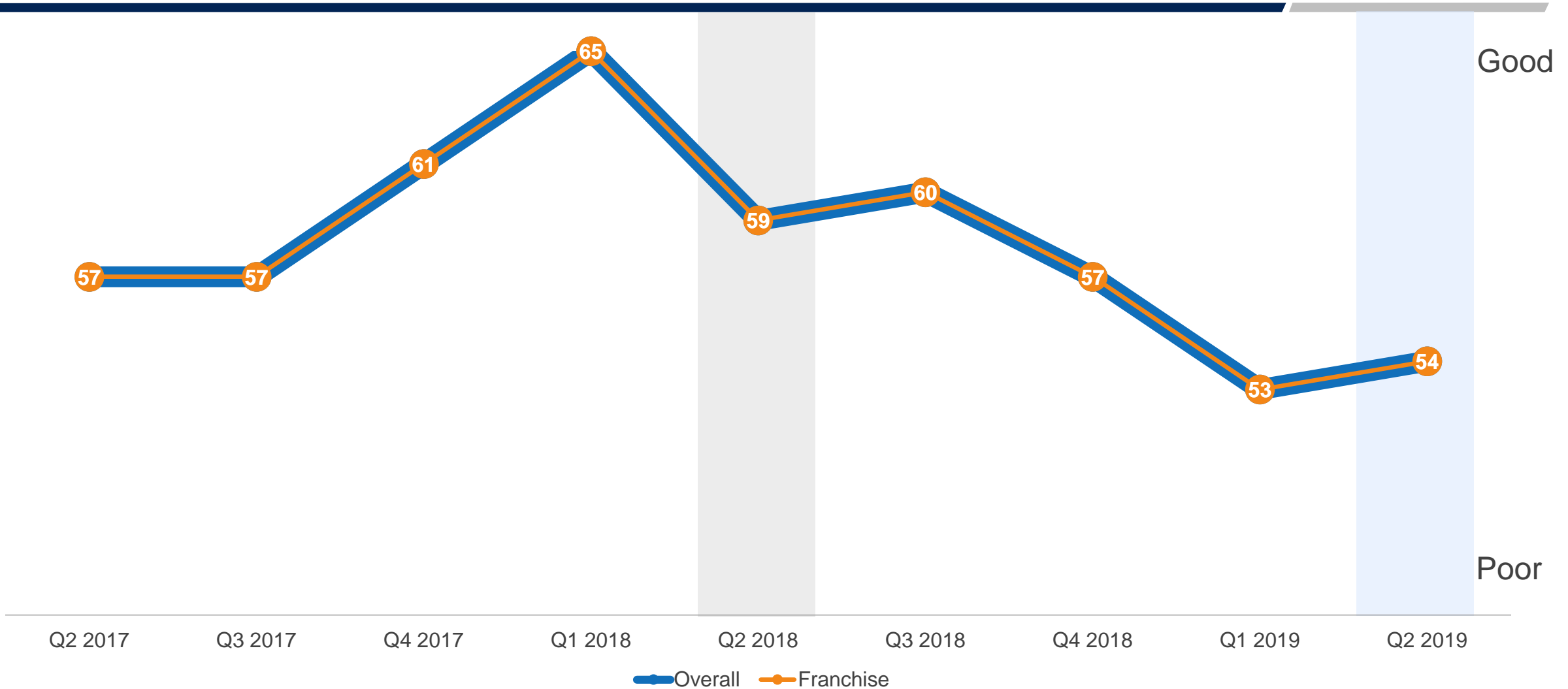


Note: Scale 1 - 100

Q8: How would you describe the current new-vehicle sales environment?

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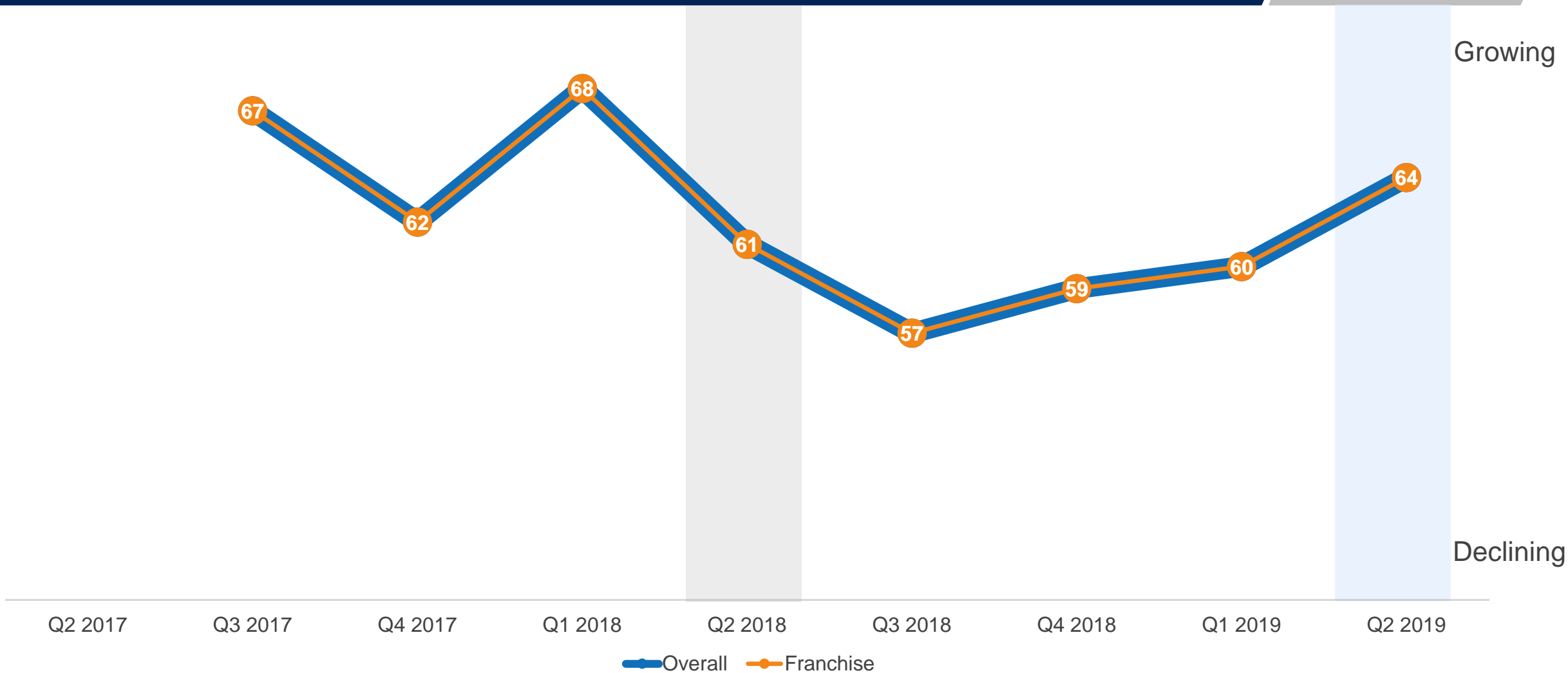


Note: Scale 1 - 100

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

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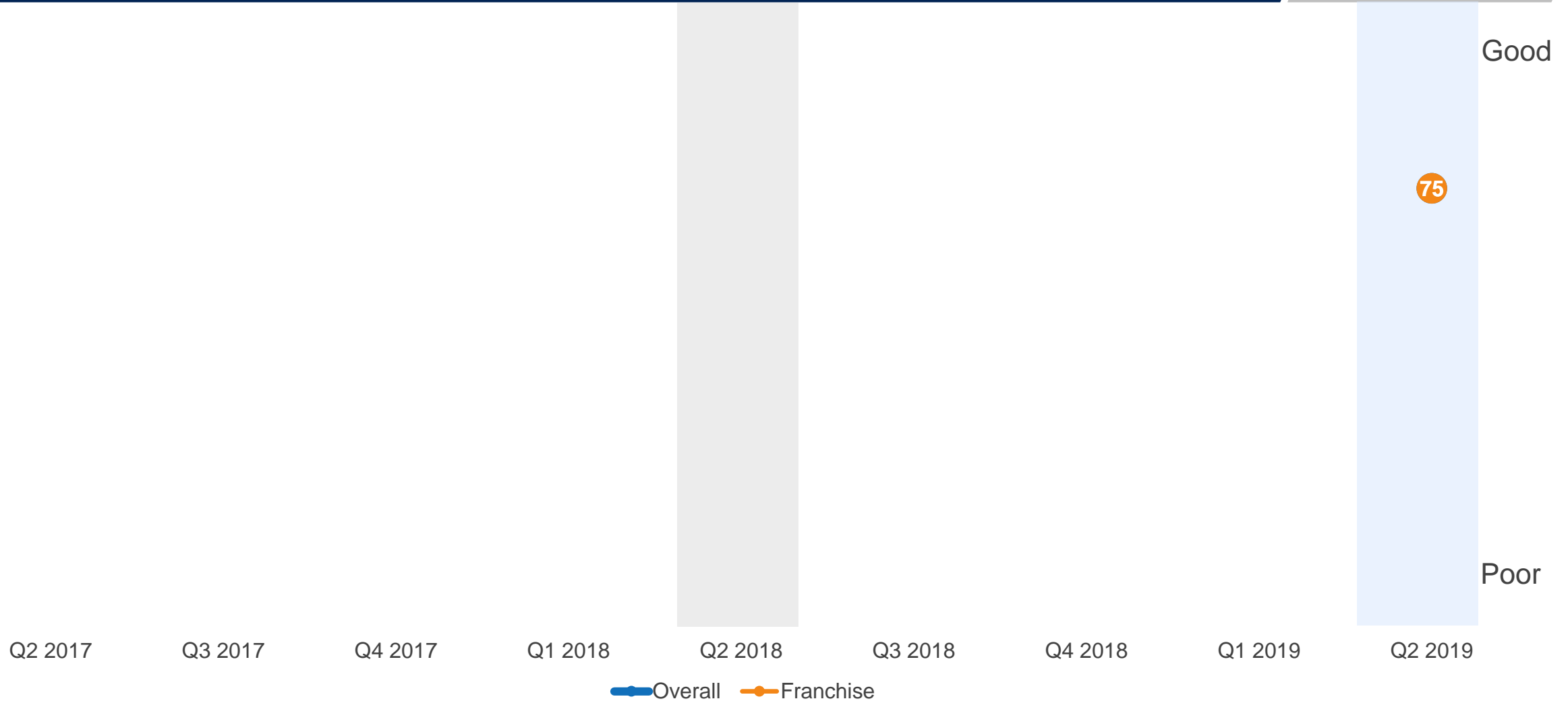


Note: Scale 1 - 100

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

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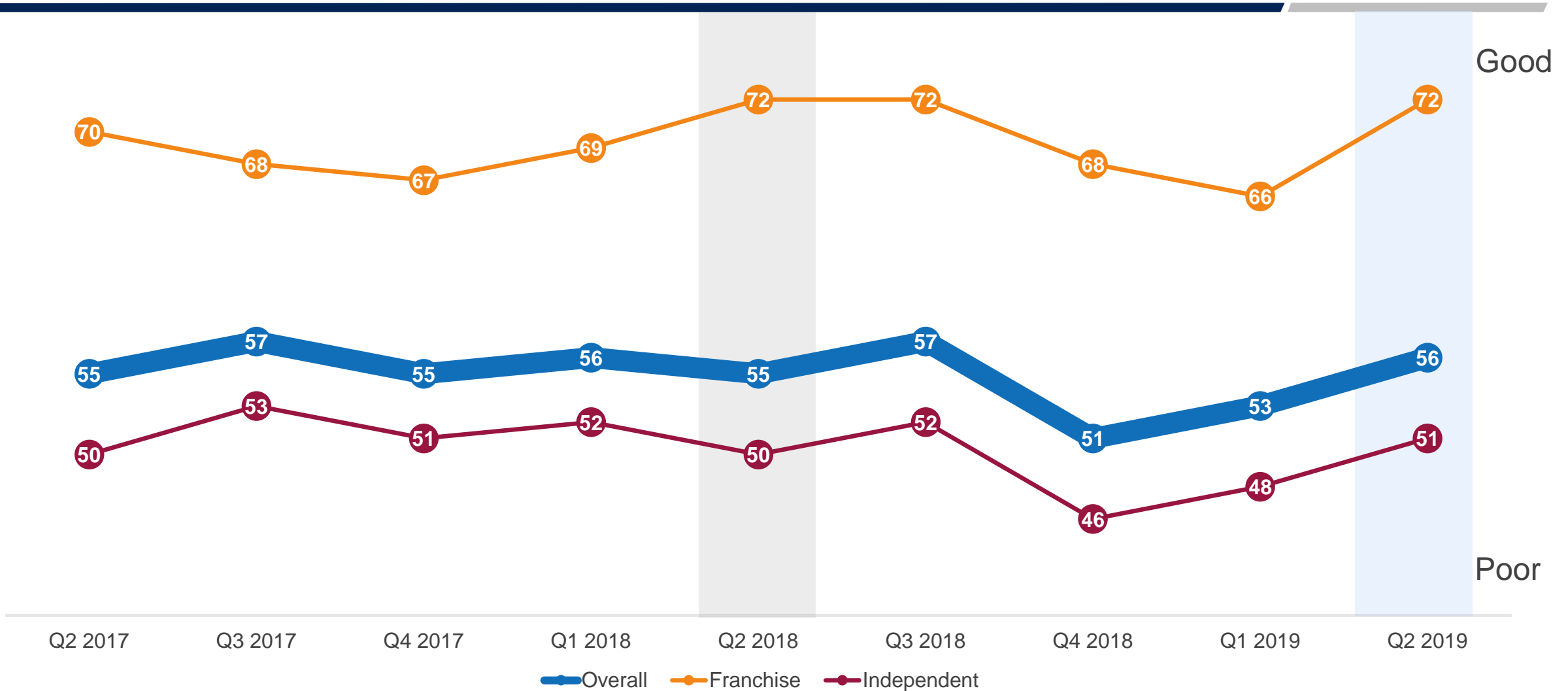


Note: Scale 1 - 100

Q10: How would you describe the current used-vehicle sales environment?

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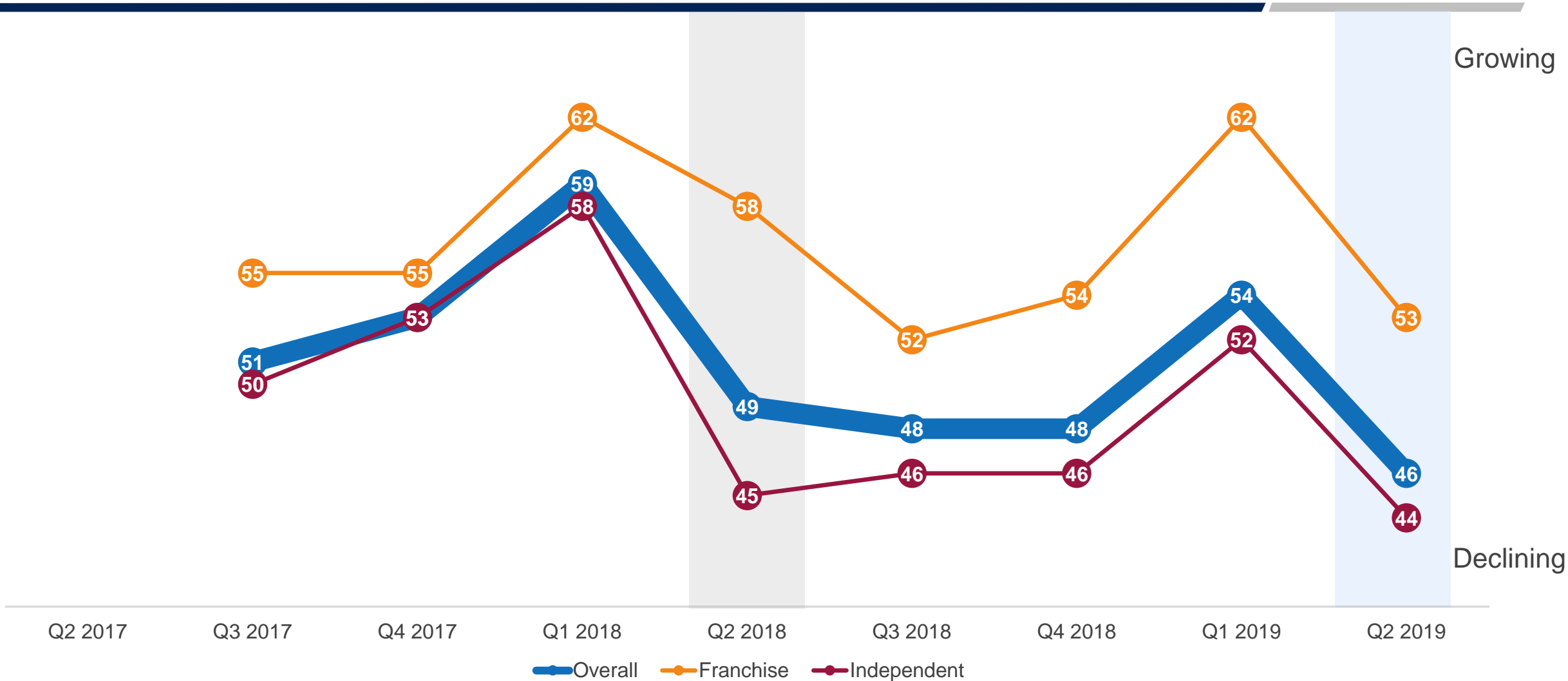


Note: Scale 1 - 100

Q11: How would you describe the current used-vehicle inventory levels?

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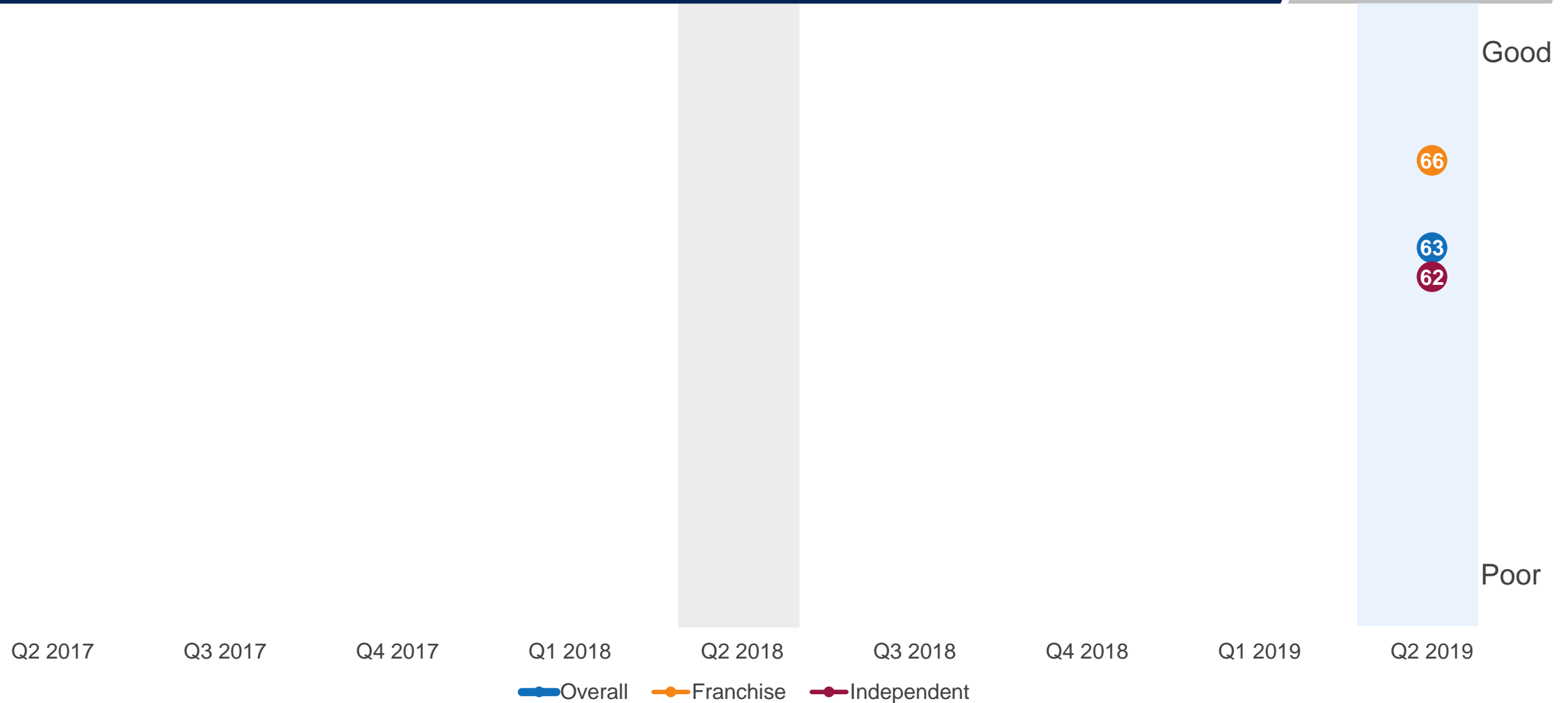


Note: Scale 1 - 100

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

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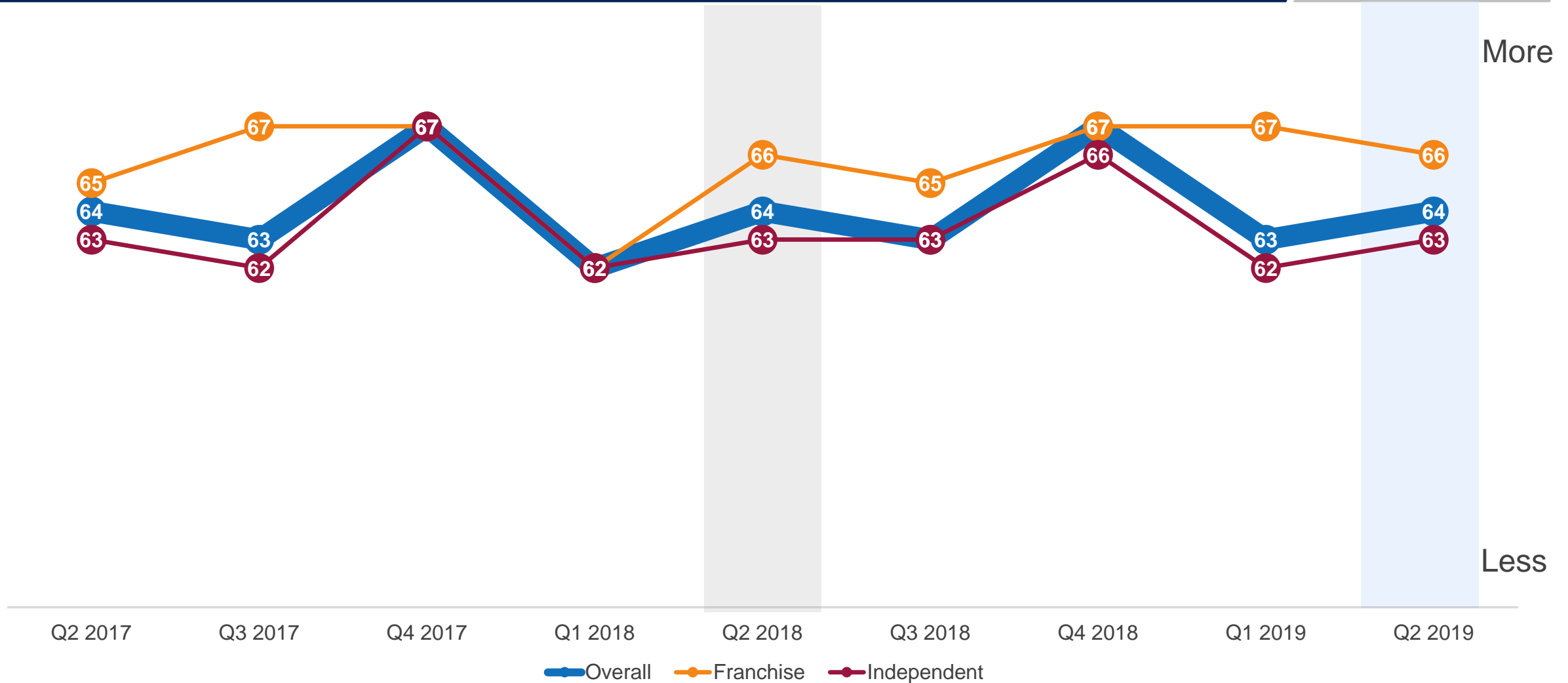


Note: Scale 1 - 100

Q12: How much pressure do you feel to lower your prices?

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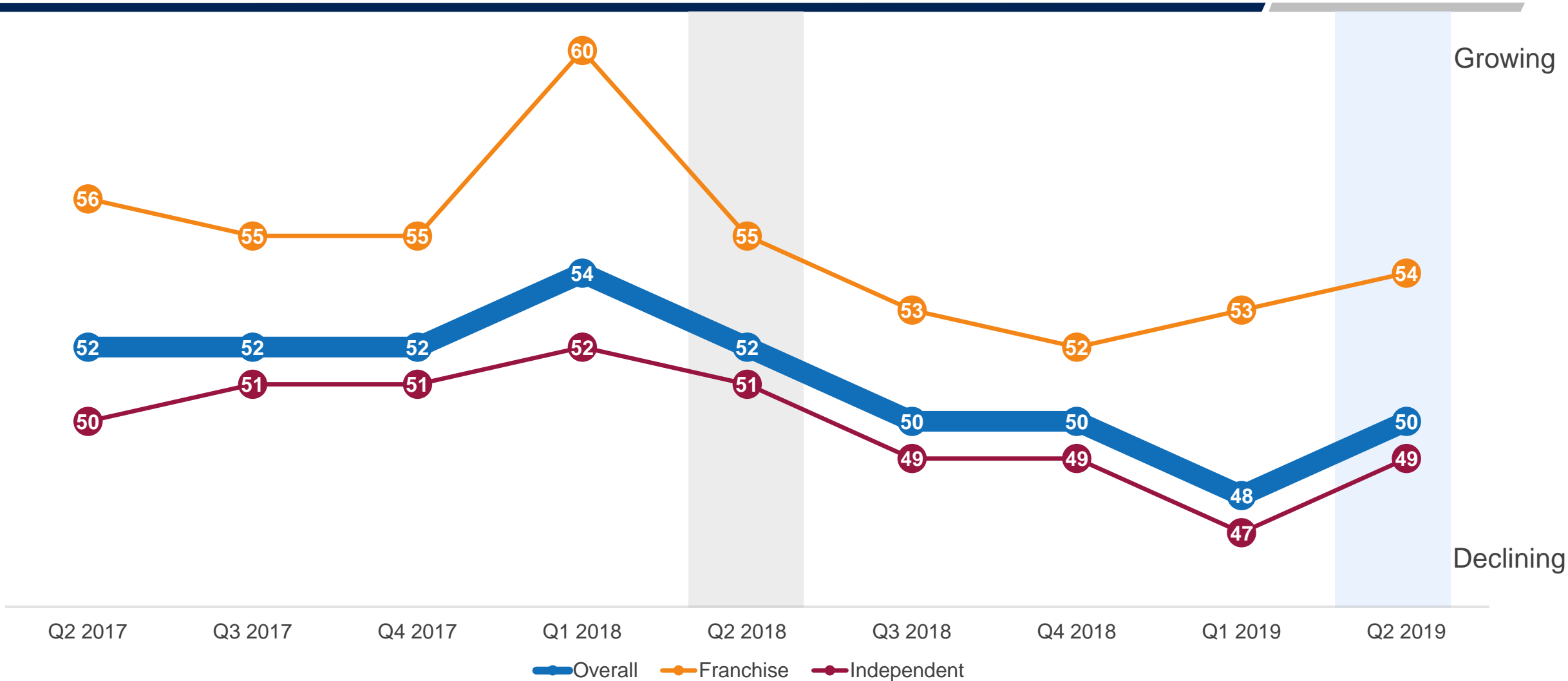


Note: Scale 1 - 100

Q13: How would you describe your dealership's current staffing levels?

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Note: Scale 1 - 100

What are the Factors Holding Back Your Business?

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OVERALL RANK

		Q2 '19	Q1 '19	Q2 '18
1	Market Conditions	40% ↓	45%	43%
2	Competition	35%	37%	28%
3	Limited Inventory	33%	29%	36%
4	Credit Availability for Consumers	31%	33%	36%
5	Expenses	29%	30%	25%
6	Interest Rates	16% ↓	22%	16%
7	Consumer Confidence	13% ↓	24%	15%
8	Consumer Transparency in Pricing	12%	14%	14%
8	Staff Turnover	12%	11%	11%
10	2018 Tax Law Changes*	8% ↑	4%	N/A
11	Regulations	7% ↓	10%	12%
11	Too Much Retail Inventory	7%	6%	7%
12	Credit Availability for Business	6%	7%	9%
13	Dealership Systems/Tools	5%	6%	7%
14	OEM Mandates/Restrictions	4%	5%	6%
14	Tariffs on Imported Vehicles and Parts	4% ↓	6%	N/A

Significant decrease vs previous quarter



Significant increase vs previous quarter



What are the Factors Holding Back Your Business?

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FRANCHISE DEALERS

		Q2 '19	Q1 '19	Q2 '18
1	Market Conditions	39%	46%	47%
2	Competition	37%	41%	36%
3	Interest Rates	26% ↓	36%	21%
4	Staff Turnover	25%	23%	22%
5	Credit Availability for Consumers	23%	20%	24%
6	Consumer Confidence	22% ↓	32%	19%
7	Expenses	21%	24%	23%
8	Limited Inventory	19%	17%	23%
9	OEM Mandates/Restrictions	17%	19%	24%
10	Consumer Transparency in Pricing	12%	13%	18%
11	Dealership Systems/Tools	7%	8%	9%
12	Too Much Retail Inventory	6%	5%	6%
12	Tariffs on Imported Vehicles and Parts	6%	8%	N/A
14	2018 Tax Law Changes*	5%	3%	N/A
15	Regulations	4%	5%	10%
16	Credit Availability for Business	1%	2%	3%

Significant decrease vs previous quarter



Significant increase vs previous quarter



What are the Factors Holding Back Your Business?

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INDEPENDENT DEALERS

		Q2 '19	Q1 '19	Q2 '18
1	Market Conditions	40%	44%	42%
2	Limited Inventory	38%	33%	41%
3	Competition	34%	36%	25%
4	Credit Availability for Consumers	33%	37%	40%
5	Expenses	31%	31%	26%
6	Interest Rates	13% ↓	17%	14%
6	Consumer Transparency in Pricing	13%	14%	13%
8	Consumer Confidence	11% ↓	21%	14%
9	2018 Tax Law Changes*	10% ↑	5%	N/A
10	Regulations	8%	11%	13%
11	Credit Availability for Business	7%	9%	11%
11	Too Much Retail Inventory	7%	7%	8%
11	Staff Turnover	7%	7%	8%
14	Dealership Systems/Tools	5%	5%	6%
15	Tariffs on Imported Vehicles and Parts	4%	6%	N/A
	OEM Mandates/Restrictions	N/A	N/A	N/A

Significant decrease vs previous quarter



Significant increase vs previous quarter



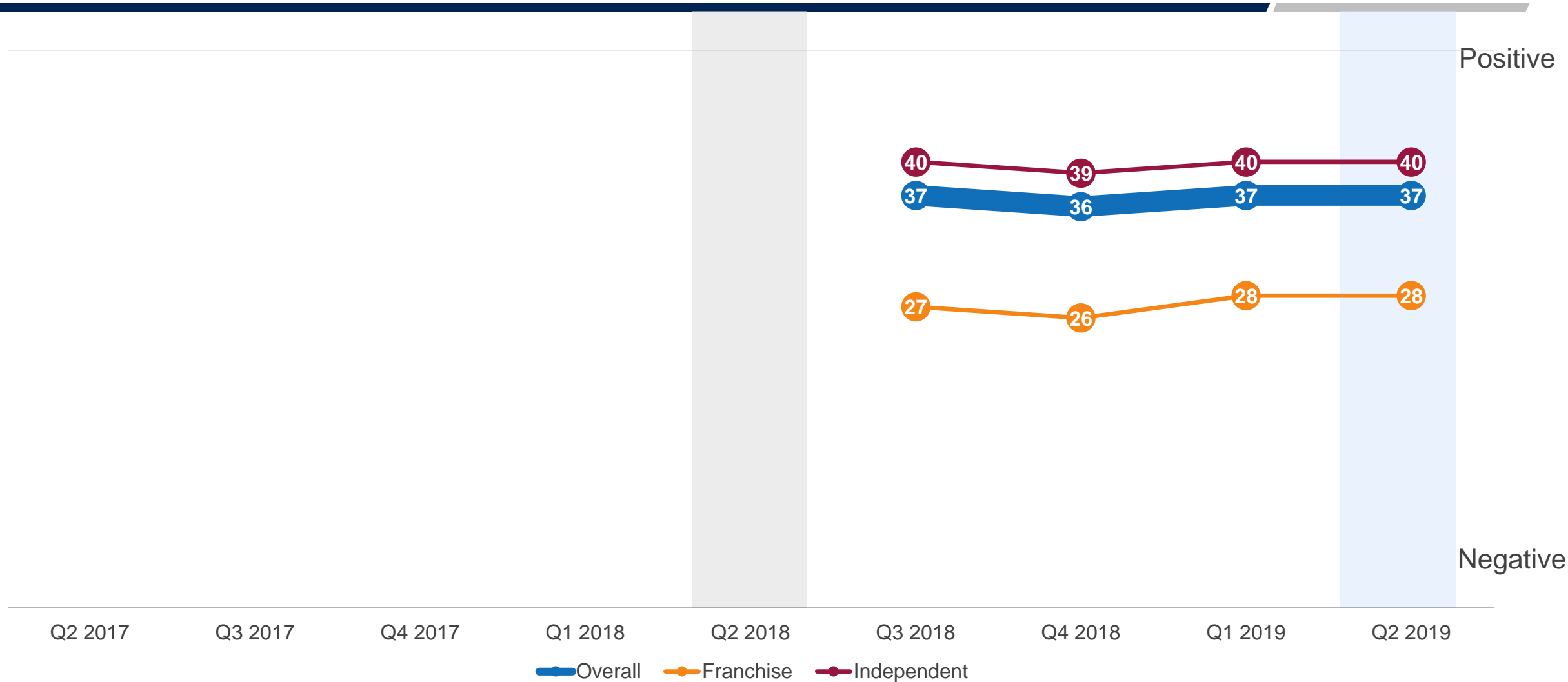
The Effect of Automotive Tariffs



Q: Will a tariff on imported vehicles have a positive or negative impact on your business

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Note: Scale 1 - 100

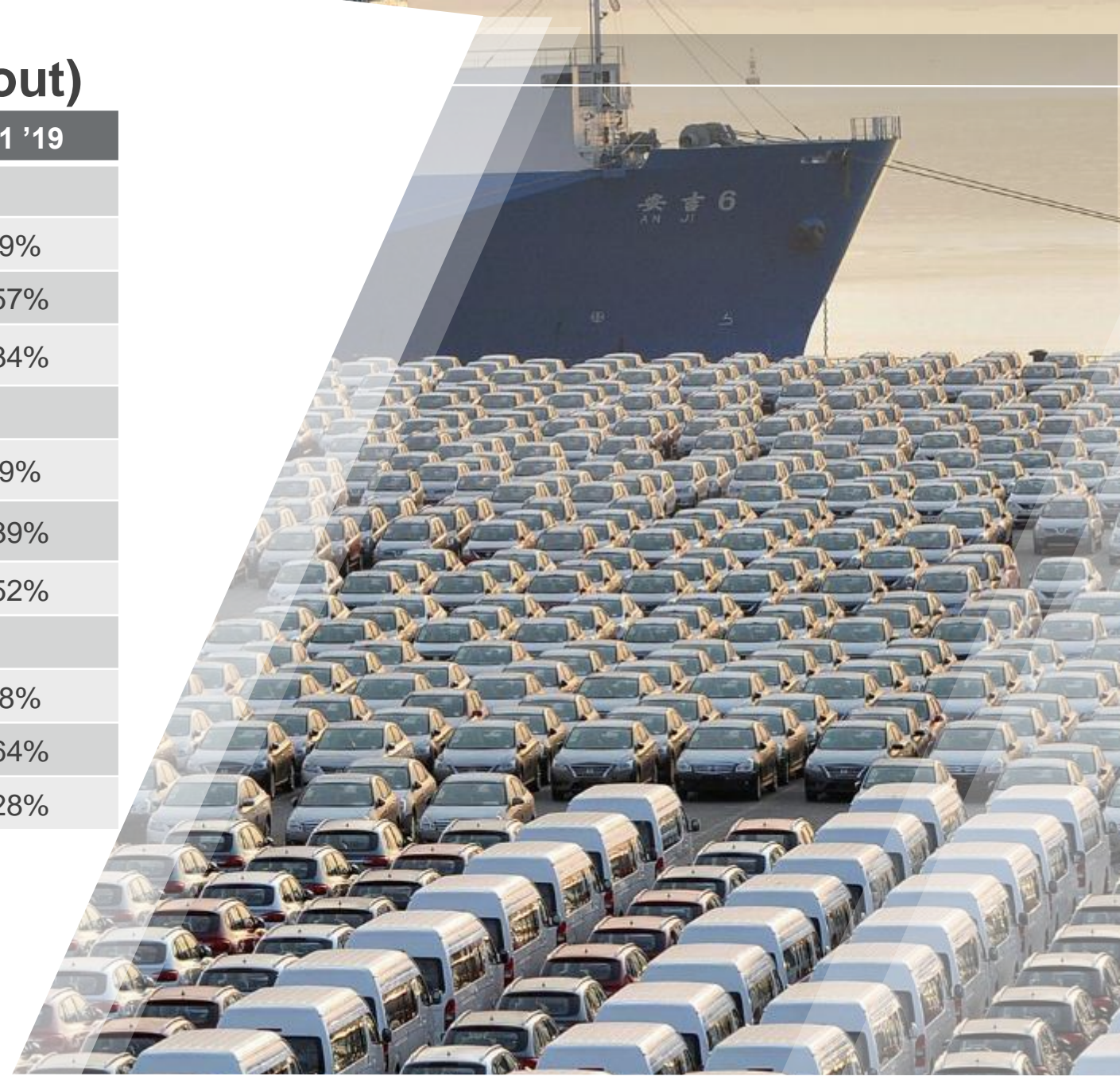
Import Tariff Impact (Full Breakout)

	Q2 '19	Q1 '19
OVERALL		
Positive Impact	9%	9%
No Impact	55%	57%
Negative Impact	36%	34%
FRANCHISE		
Positive Impact	8%	9%
No Impact	39%	39%
Negative Impact	53%	52%
INDEPENDENT		
Positive Impact	10%	8%
No Impact	60%	64%
Negative Impact	30%	28%


Q: Which of the following best describes the impact on your business' profitability next quarter if tariffs are imposed on imported vehicles and parts?





Arrows indicate significant increase vs previous quarter
 Arrows indicate significant decrease vs previous quarter



Positive Impact of Import Tariffs – Overall

	Q2 '19	Q1 '19
Increased traffic for used vehicles	57%	54%
Increased margin on all used vehicles as market adjusts	46%	40%
Will make the market stronger overall	25% 	11%
Increased domestic vehicles sales	19%	15%
Increased margin on all new vehicles as market adjusts	10%	8%
Increased margin on all vehicle repairs as market adjusts	4%	8%
Other	2%	0%

Q: What, if any, positive impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.

 Arrows indicate significant increase vs previous quarter
 Arrows indicate significant decrease vs previous quarter



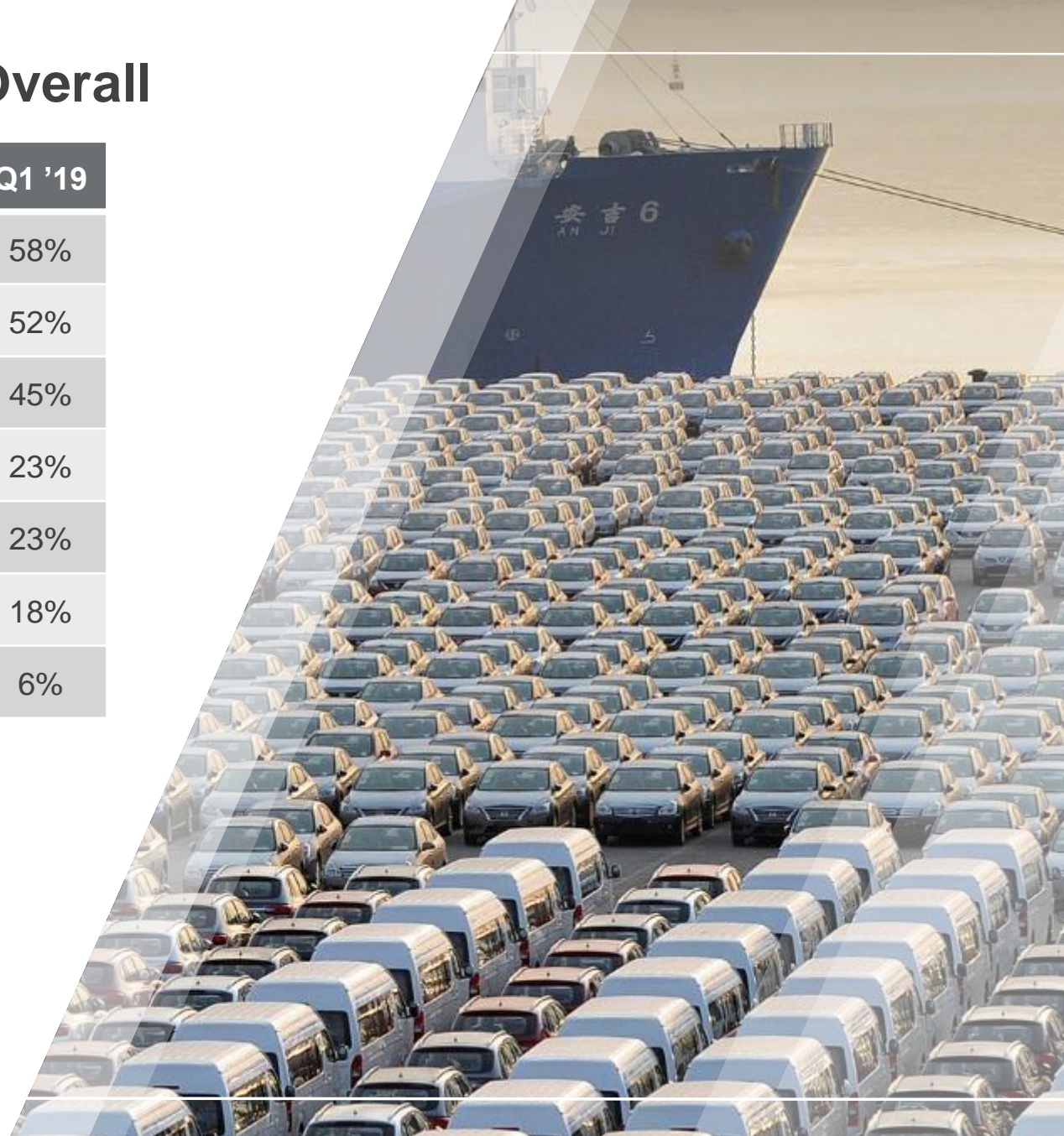
Negative Impact of Import Tariffs – Overall

	Q2 '19	Q1 '19
Higher prices on all used vehicles as market adjusts	56%	58%
Higher prices on imported vehicles	55%	52%
Higher prices on all new vehicles as market adjusts	45%	45%
Lower (or delayed) used vehicle sales	19%	23%
Lower (or delayed) new vehicle sales	23%	23%
Higher prices on domestic vehicles	24%	18%
Other	4%	6%

Q: What, if any, negative impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.





Arrows indicate significant increase vs previous quarter
Arrows indicate significant decrease vs previous quarter

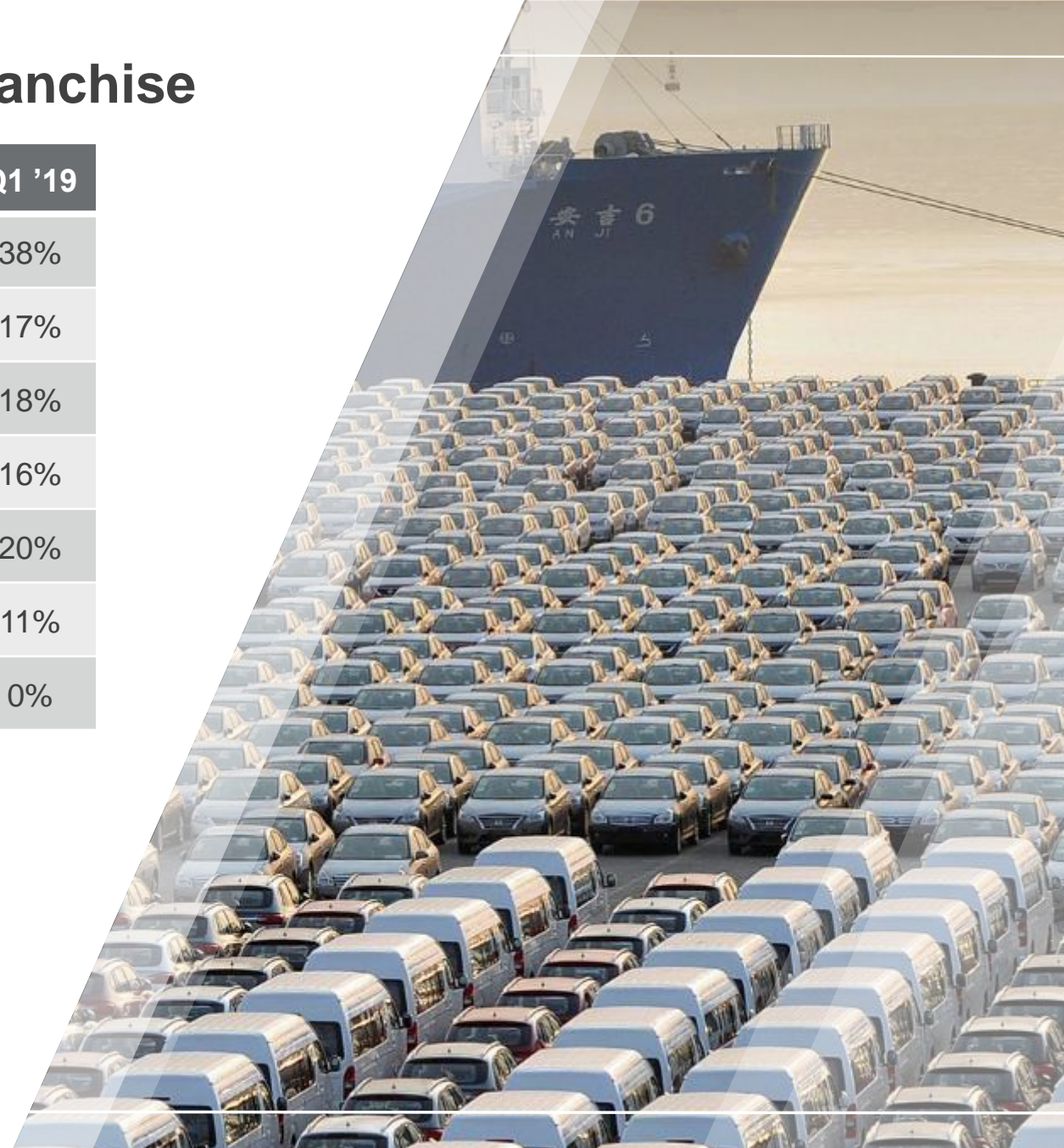


Positive Impact of Import Tariffs – Franchise

	Q2 '19	Q1 '19
Increased domestic vehicles sales	43%	38%
Increased traffic for used vehicles	35%	17%
Increased margin on all used vehicles as market adjusts	24%	18%
Will make the market stronger overall	23%	16%
Increased margin on all new vehicles as market adjusts	23%	20%
Increased margin on all vehicle repairs as market adjusts	13%	11%
Other	10%	0%

Q: What, if any, positive impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.



 Arrows indicate significant increase vs previous quarter
 Arrows indicate significant decrease vs previous quarter

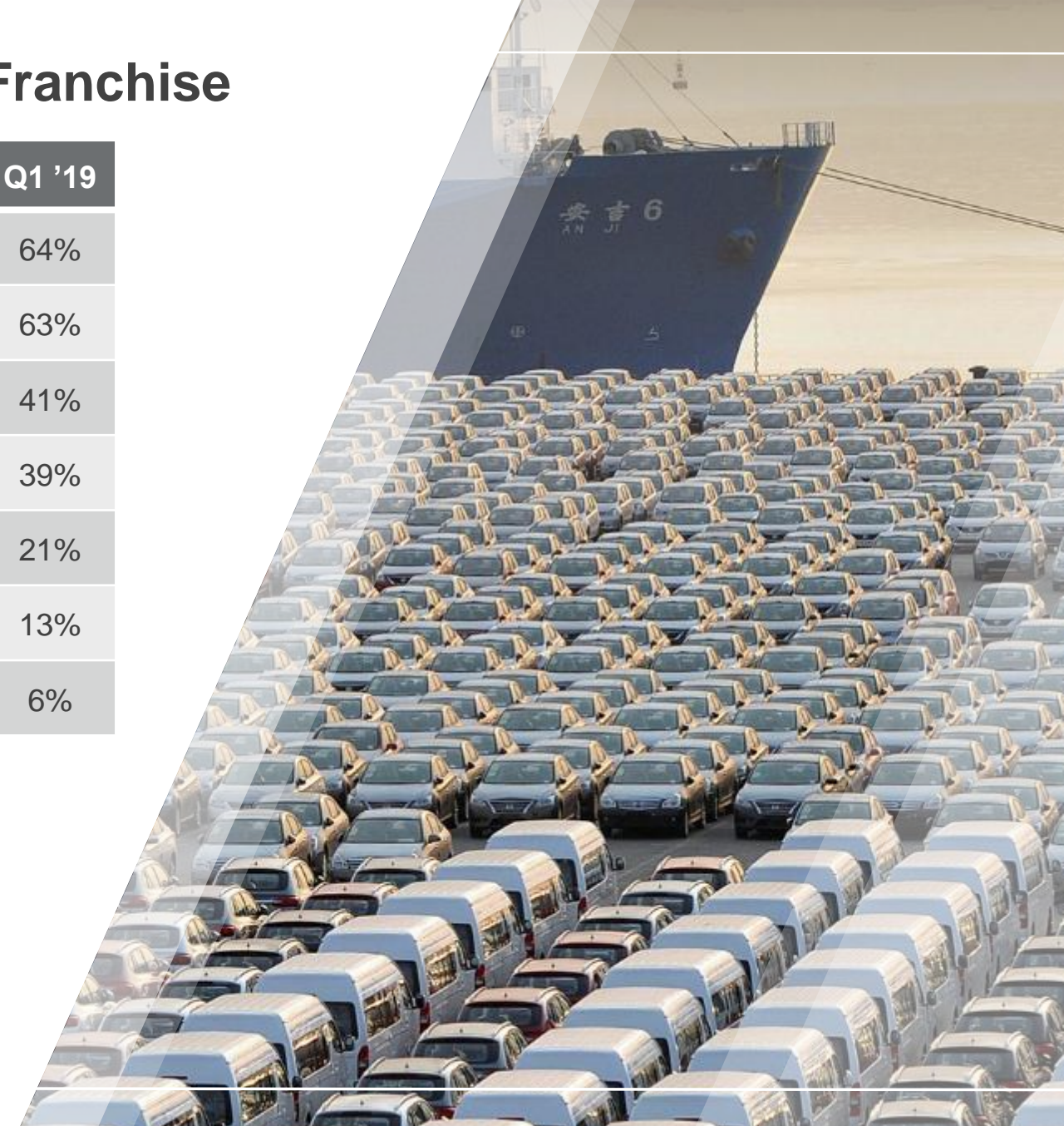


Negative Impact of Import Tariffs – Franchise

	Q2 '19	Q1 '19
Higher prices on all new vehicles as market adjusts	65%	64%
Higher prices on imported vehicles	59%	63%
Higher prices on all used vehicles as market adjusts	45%	41%
Lower (or delayed) new vehicle sales	36%	39%
Higher prices on domestic vehicles	27%	21%
Lower (or delayed) used vehicle sales	12%	13%
Other	5%	6%

Q: What, if any, negative impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.

 Arrows indicate significant increase vs previous quarter
 Arrows indicate significant decrease vs previous quarter



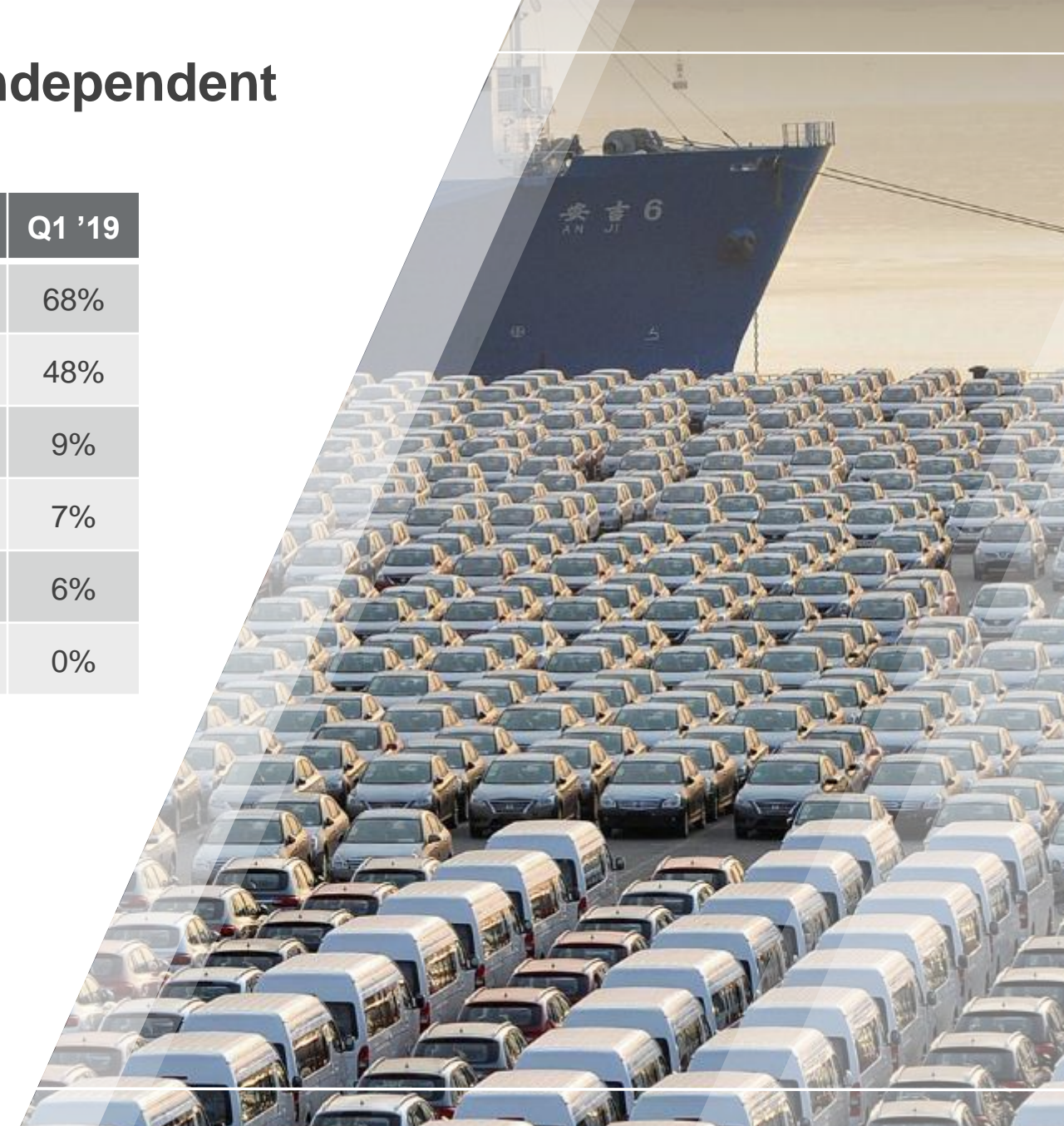
Positive Impact of Import Tariffs – Independent

	Q2 '19	Q1 '19
Increased traffic for used vehicles	63%	68%
Increased margin on all used vehicles as market adjusts	52%	48%
Will make the market stronger overall	25% 	9%
Increased domestic vehicles sales	12%	7%
Increased margin on all vehicle repairs as market adjusts	1%	6%
Other	0%	0%

Q: What, if any, positive impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.



Arrows indicate significant increase vs previous quarter
Arrows indicate significant decrease vs previous quarter



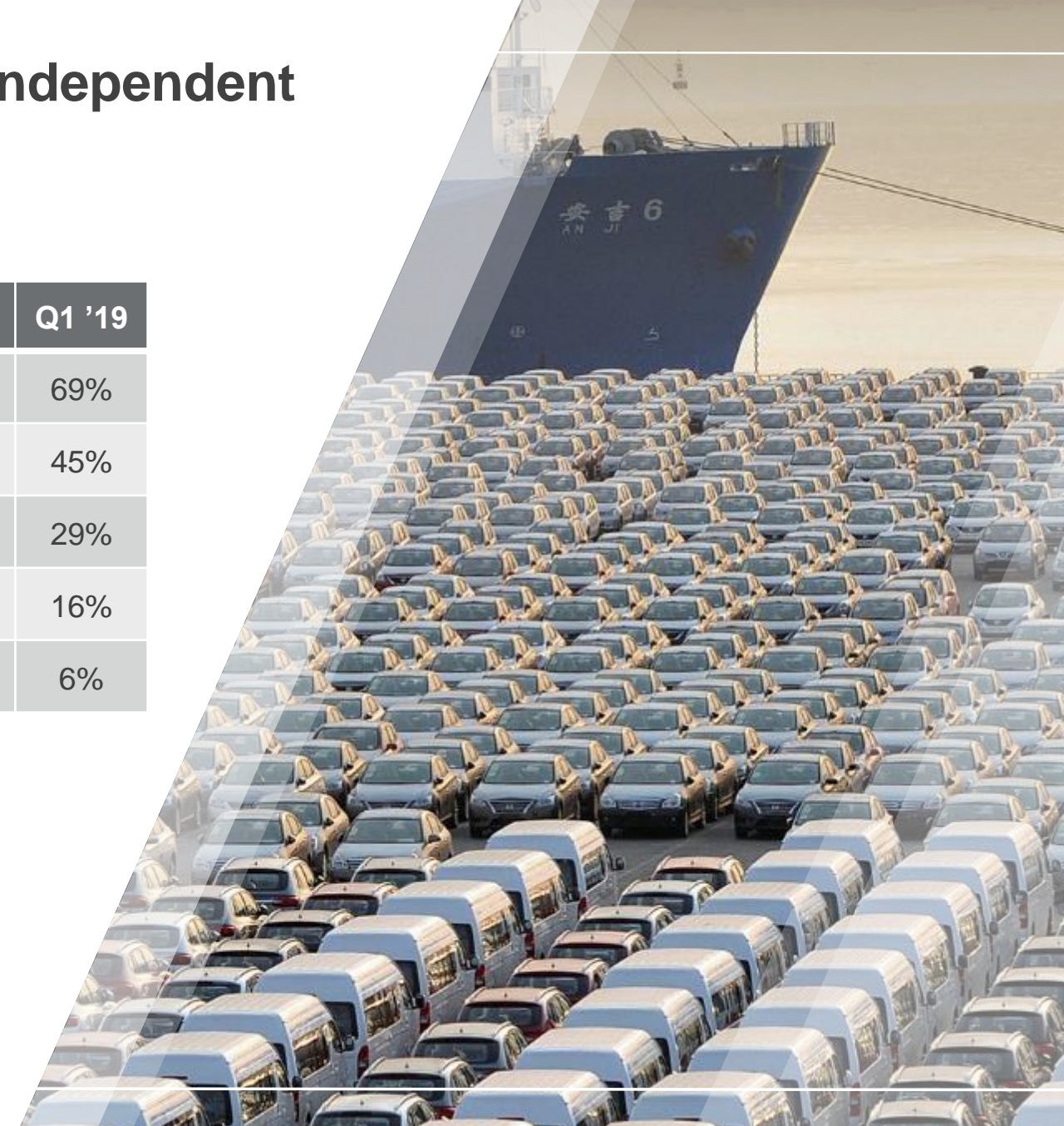
Negative Impact of Import Tariffs – Independent

	Q2 '19	Q1 '19
Higher prices on all used vehicles as market adjusts	61%	69%
Higher prices on imported vehicles	54%	45%
Lower (or delayed) used vehicle sales	23%	29%
Higher prices on domestic vehicles	22%	16%
Other	3%	6%

Q: What, if any, negative impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.



Arrows indicate significant increase vs previous quarter
Arrows indicate significant decrease vs previous quarter



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