

2026 State of the Industry

HOW 2025 WILL SHAPE AUTOMOTIVE RETAIL IN 2026

TOP INSIGHTS FOR 2026

- ◆ Precision and discipline will define winners.
- ◆ Inventory efficiency is a leading indicator of resilience.
- ◆ Hybrids are the steady, high-velocity volume drivers in the fuel-efficient category.
- ◆ Affordability and payment-first engagement dominate consumer behavior.
- ◆ Alignment across pricing, mix, and demand signals is critical for both dealers and OEMs.

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2026 isn't about chasing growth, it's about alignment. Dealers and OEMs that match inventory, pricing, and mix to real consumer demand will protect margins even if volume stays under pressure."

RICK WAINSCHEL
VP, DATA SCIENCE & ANALYTICS



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CATALYST IQ

SMARTER DATA, FASTER TURN



2026 Outlook

Navigating a Market Defined by Precision, Discipline, and Consumer Realities

As the industry enters 2026, the landscape is shaped by persistent economic caution, evolving consumer expectations, and the need for operational discipline. Both dealers and OEMs face a market where growth is constrained not by lack of interest, but by affordability, payment sensitivity, and a narrowing tolerance for misalignment between supply and demand.

The lessons of 2025 are clear: Success in 2026 will not come from chasing volume or relying on optimism. Instead, it will require a strategic recalibration: Matching inventory, pricing, and product mix to the realities of today's consumer. The margin for error has narrowed, and even small mismatches can quickly erode profitability and brand strength.

See how these trends impact your market by contacting a Catalyst IQ expert today.

SEE TRENDS IN MY MARKET

Key Themes for 2026



Consumer Caution:

Buyers remain active but are more selective, prioritizing affordability, value, and payment flexibility. Retailers must meet consumers where they are with transparent pricing, a focus on value, and simplified purchase processes.



Inventory Discipline:

Inventory growth must be tightly aligned with true demand. Over-supplying the market or misjudging segment mix will result in slower turns, deeper incentives, and margin compression.



Segment Strategy:

Used vehicles will continue to stabilize demand, while hybrids anchor fuel-efficient volume. Certified vehicles require sharper pricing and positioning to remain competitive.



Fuel & Technology Shifts:

Hybrids are expected to drive velocity, while EVs become a more targeted, intent-driven segment. OEMs must balance near-term hybrid strategies with long-term EV investment, adapting to both U.S. and global market realities.



Inventory Efficiency:

The Inventory Efficiency Index (IEI) will be a critical diagnostic tool, helping retailers and OEMs benchmark performance, anticipate risks, and guide strategic decisions.

Actionable Guidance for Automotive Retail

For Dealers:

Lean into leasing and shorter-term commitments.

Utilize used vehicles as a margin and demand stabilizer.

Prioritize inventory that matches payment-sensitive demand.

Actively manage inventory velocity and pricing realism.

For OEMs:

Pace production and allocation to real market signals.

Support dealers with consistent, transparent incentive strategies.

Invest in both hybrid and EV platforms, balancing short-term stability with long-term relevance.

Monitor Inventory Efficiency Index to identify strengths and vulnerabilities.

Bottom Line



Precision and discipline will define winners in 2026. Success is about alignment, not expansion.



Brands and retailers that operate in sync with true demand will protect margins and navigate volatility.



The consumer is still willing to buy but only on terms that reflect their realities.

Market & Consumer Dynamics

Affordability, Value, and Caution Drive Decisions

Consumers remain active but are more selective, focusing on affordability and value. Payment-first conversations and flexible options like leasing are essential. Automotive retailers—dealers and OEMs—must respond to a cautious, price-sensitive market, where demand persists but flexibility has diminished.

Success depends on meeting buyers where they are: Clarifying pricing, simplifying the purchase process, and focusing on value.



QUICK TAKES

- ✓ Shoppers are payment-driven and comparison-heavy.
- ✓ Simplified pricing and clear value propositions convert better.
- ✓ Product planning and messaging must reflect consumer caution.

Consumer Confidence

Source: University of Michigan Index of Consumer Sentiment (3 Month Moving Average)

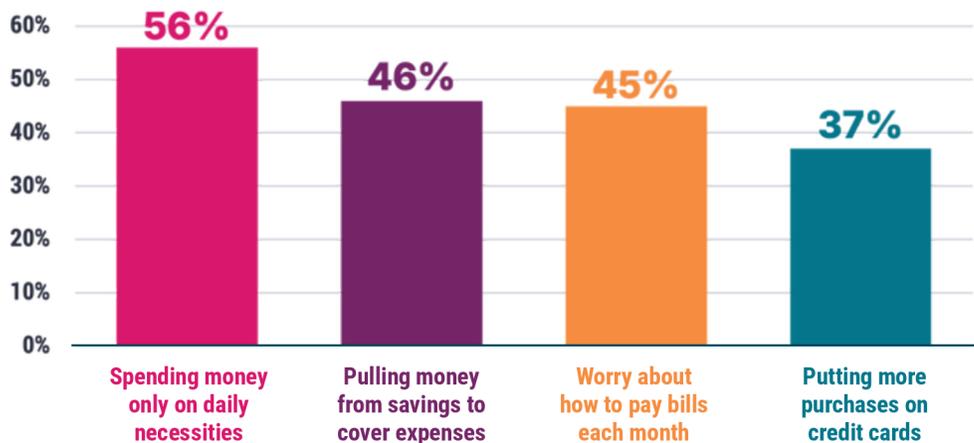


12 Month Inflation Rate vs. Wage Growth



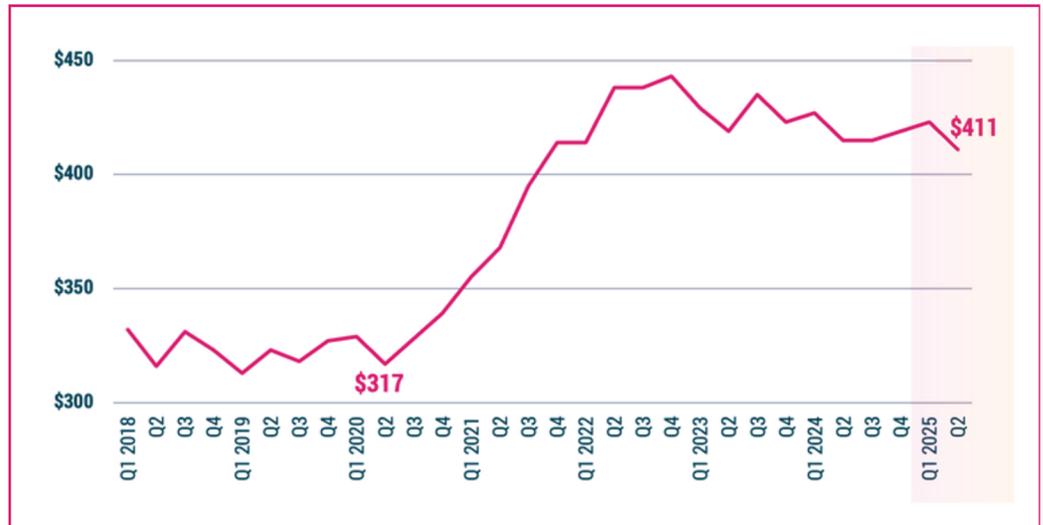
Consumer Spending Attitudes (Q4 2025)

Source: Ipsos Consumer Tracker



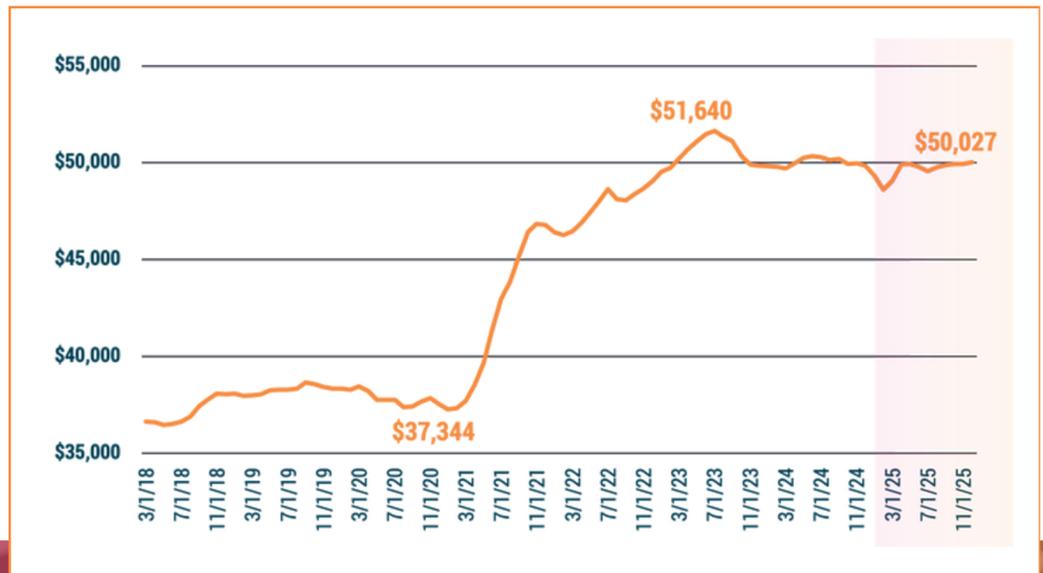
Median House Price (\$000s)

Source: U.S. Department of Housing & Urban Development



Average Marketed Price of New Vehicles

Source: Catalyst IQ



Inventory & Segment Strategy

Balancing Supply, Demand, and Product Mix

Disciplined inventory management and segment mix are critical for automotive retail. Inventory growth must be paced to true demand, with turn rate prioritized over total volume.

- ✔ New vehicles are stable but vulnerable
- ✔ Used vehicles stabilize demand
- ✔ Certified vehicles require clear pricing differentiation

Dealers and OEMs must align production, allocation, and marketing with real market signals to avoid over-reliance on incentives.

QUICK TAKES:

- ✔ Inventory mistakes will take longer to correct—and sting more.
- ✔ Mix management matters more than total units.
- ✔ Used vehicles remain the primary demand stabilizer.

SUPPORTING DATA:

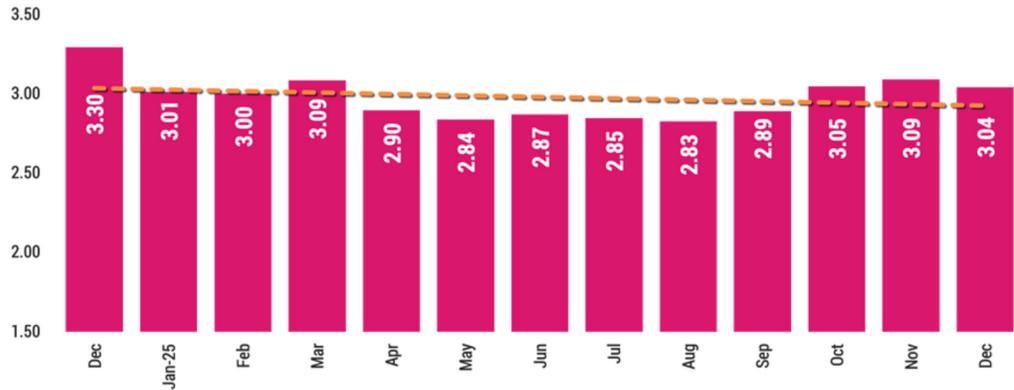
View inventory levels, turn rates, and pricing trends by segment:

NEW VEHICLES:	PAGE 10
USED VEHICLES:	PAGE 12
CERTIFIED VEHICLES:	PAGE 14

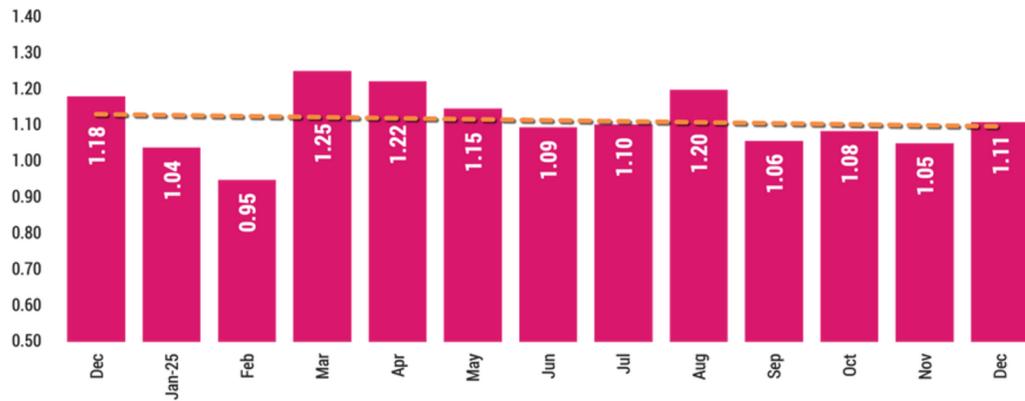
New Vehicles: Solid Overall, But Late Friction Emerges

Average Inventory began to rebound at the end of the year, but Vehicle Movement remained static, resulting in a dip in Turn Rate in the last quarter. This occurred despite a more aggressive discounting and incentive position in that time period, with Market Adjustments exceeding \$2,000.

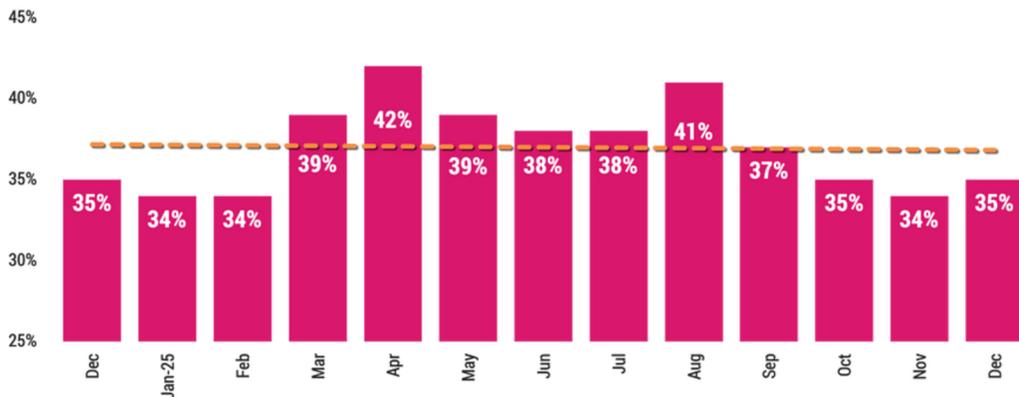
Average Inventory



Vehicle Movement

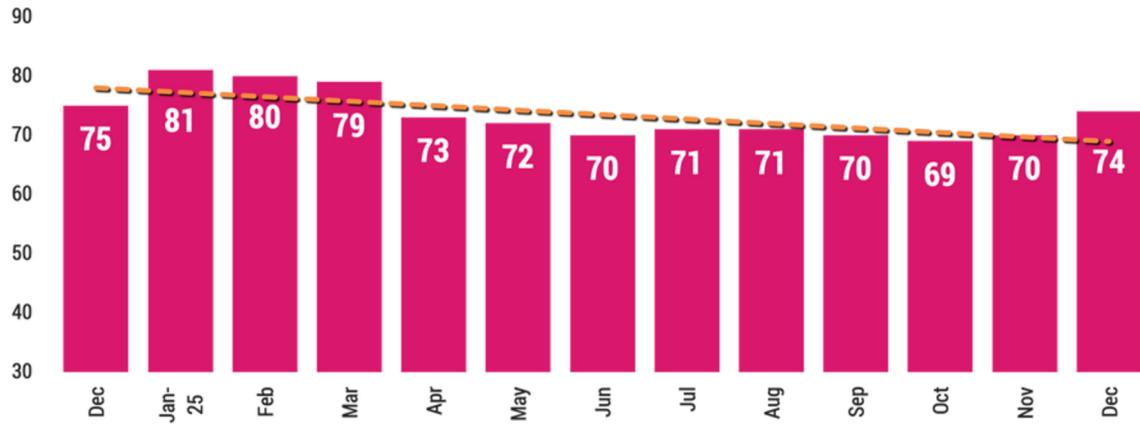


Turn Rate

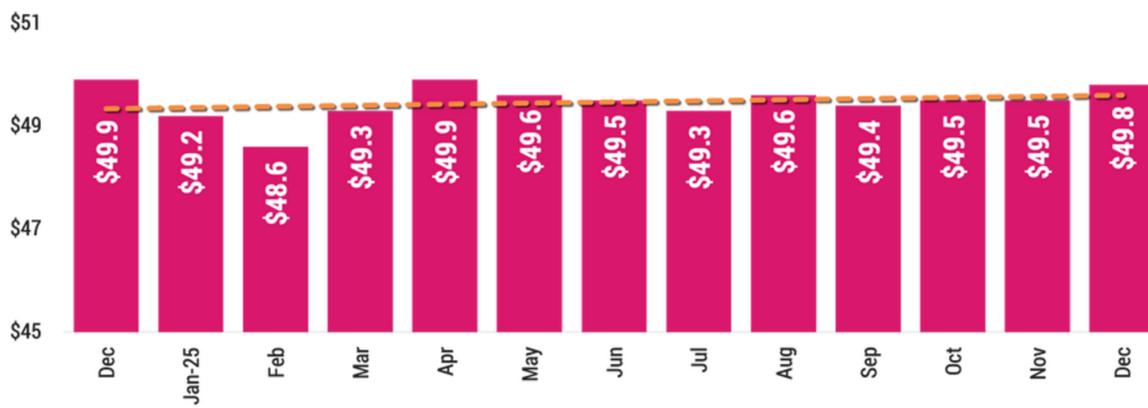


New Vehicles:

Days to Move



Average Marketed Price



Market Adjustment

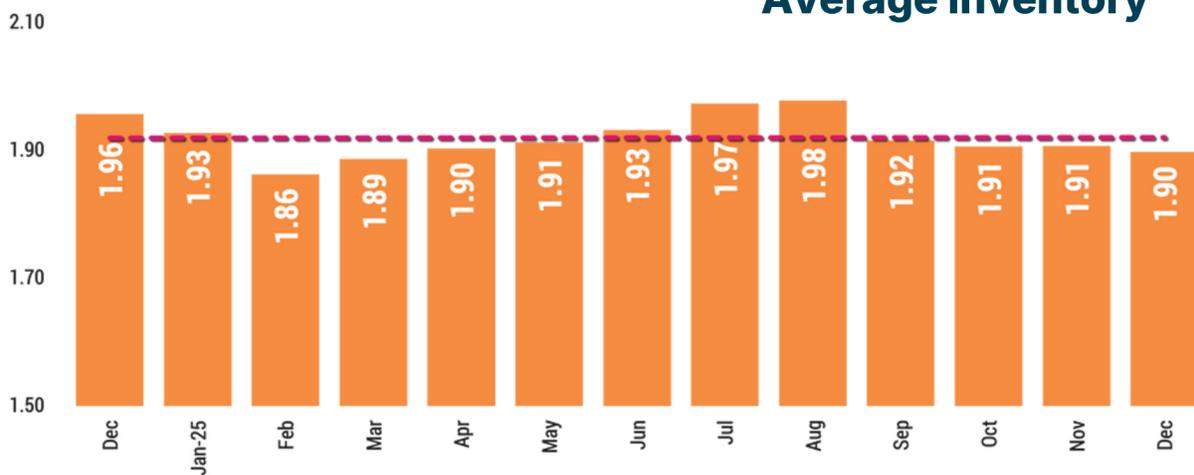


Used Vehicles: STABILITY PROVIDES OPPORTUNITY

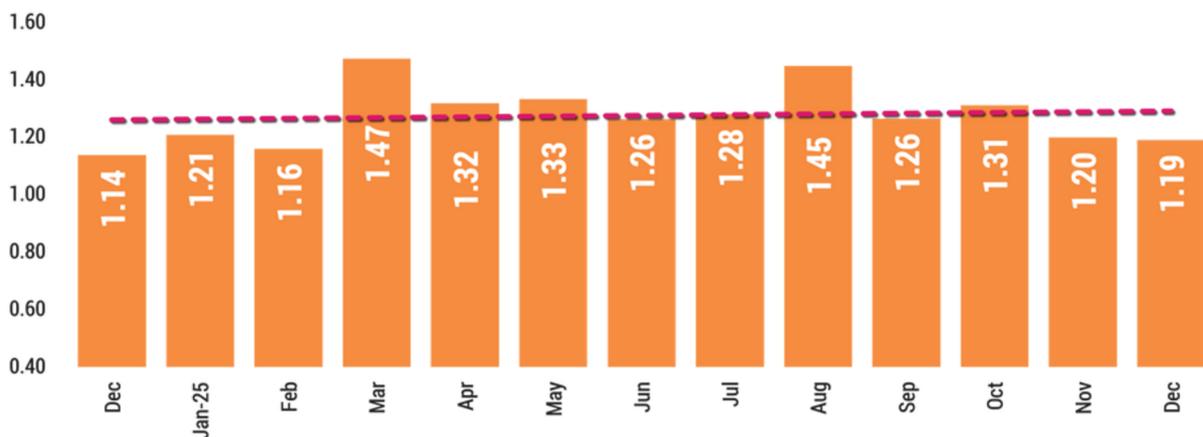
A solid showing throughout 2025 indicates the ongoing importance of this sector.

Prioritize acquisition and emphasize inventory visibility while monitoring appropriate pricing and profitability.

Average Inventory

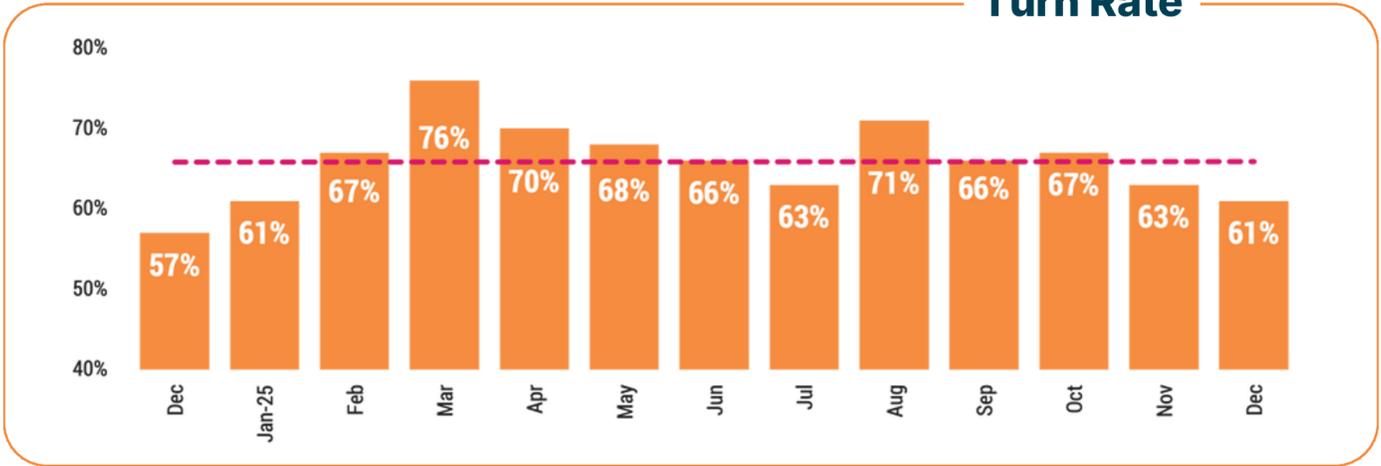


Vehicle Movement

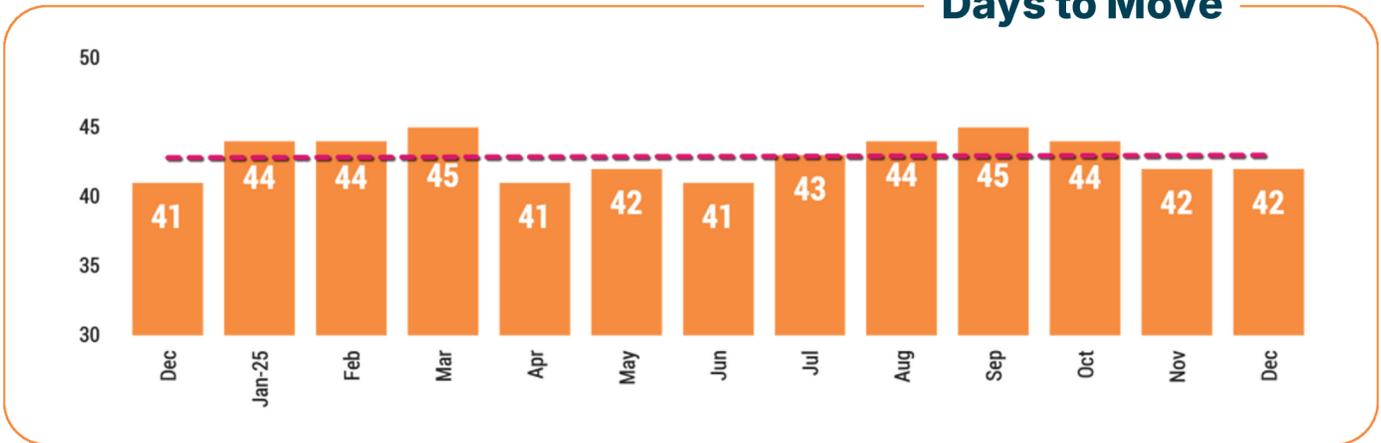


Used Vehicles:

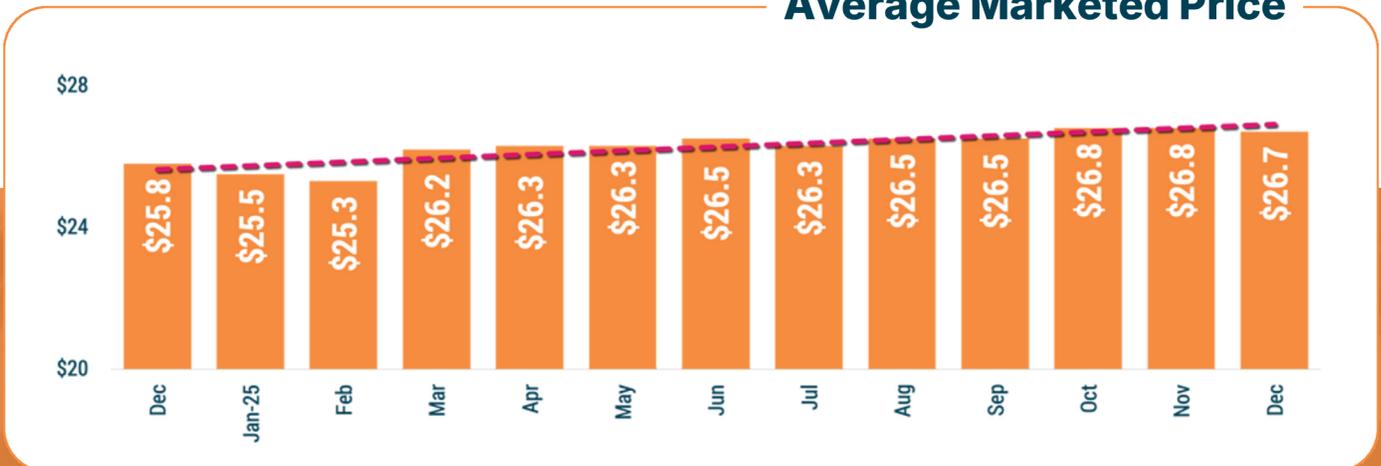
Turn Rate



Days to Move



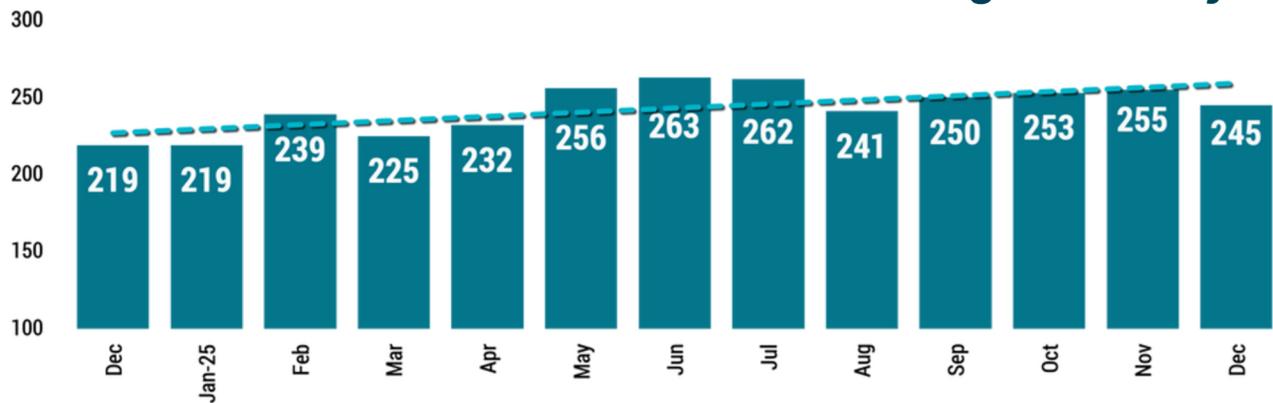
Average Marketed Price



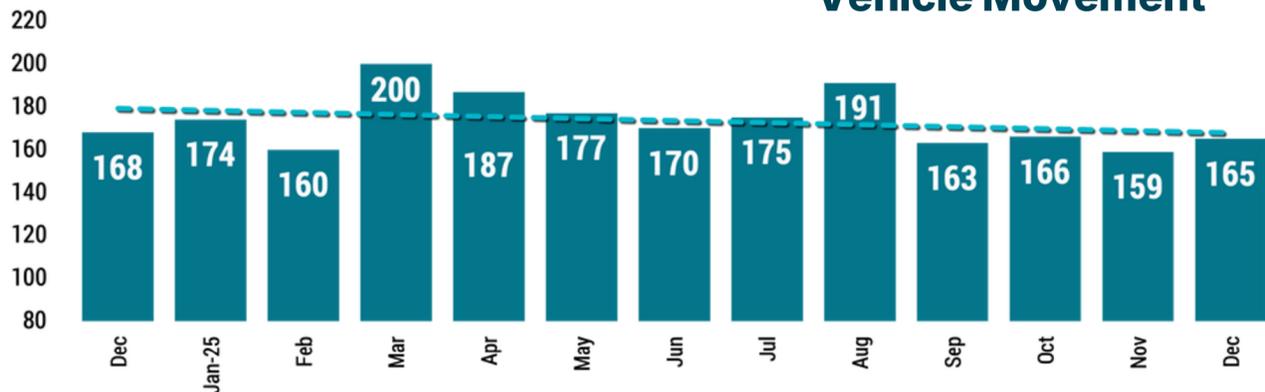
Certified Vehicles: SQUEEZED BETWEEN VALUE AND INCENTIVES

Certified are caught between aggressive new car incentives and the affordability of used options. **To stay competitive, dealers must carefully manage pricing, inventory, and messaging.**

Average Inventory

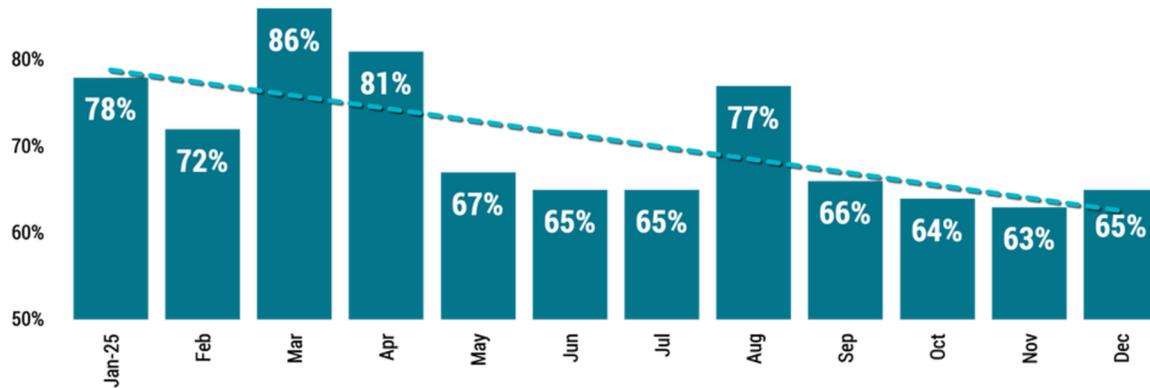


Vehicle Movement

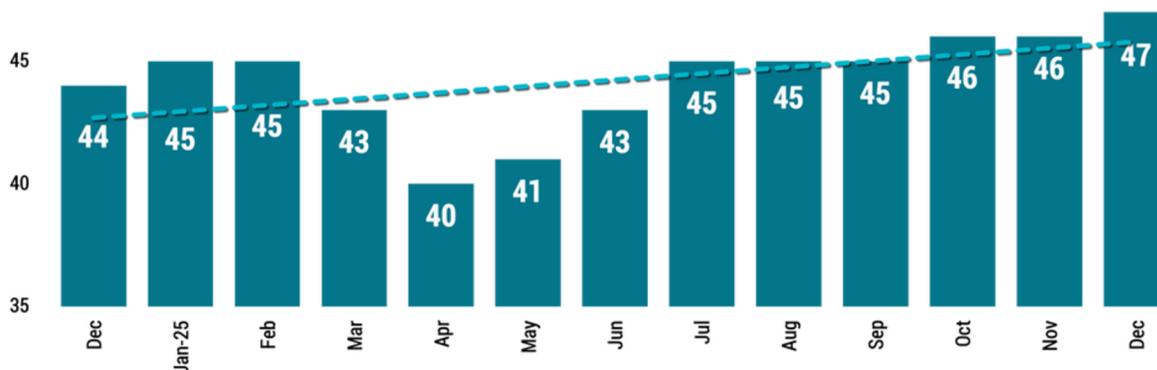


Certified Vehicles:

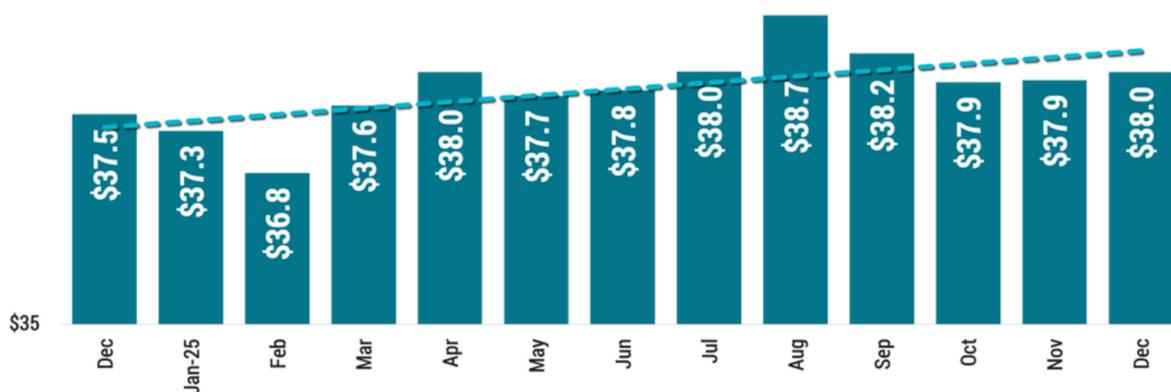
Turn Rate



Days to Move



Average Marketed Price



INVENTORY & SEGMENT STRATEGY

Section Takeaways

- ✓ Significant hikes on new vehicles due to tariffs did not materialize, but vehicle pricing for consumers is still a key issue.
- ✓ OEMs shifted to lower priced segments, which is masking cost hikes. Additionally, more aggressive model year changeover increases are making individual vehicles more expensive and contributing to recent sales friction.

Dealers that prioritize and promote inventory that needs more help to move will be crucial in navigating these pressure points.

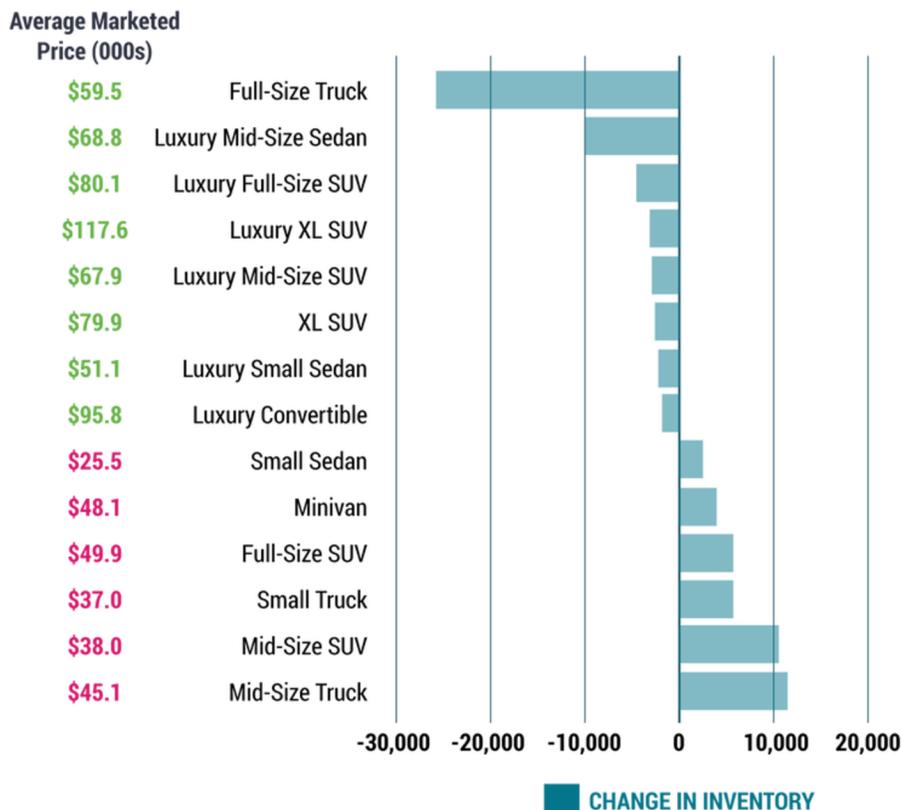


2025 Average Marketed Price (DAILY)



Average new vehicle prices did go up by **+\$403** from the first half of the year to the second but did not increase as much as expected when tariffs were first announced and enacted.

Change in Average Inventory (2H VS. 1H 2025)



Inventory mix shifts toward lower cost segments and away from full-size trucks, luxury vehicles, and XL SUVs helped keep overall price increases in check.

If the segment mix had remained at pre-tariff levels, Average Marketed Prices would have been **\$659 HIGHER** in the 2nd half of the year.

Average MSRP Change*	2024-2025 Model Year Changeover	+\$416	2025 to 2026 Model Year Changeover	+\$1,137 ↑
Average Marketed Price Change*	2024-2025 Model Year Changeover	-\$252	2025 to 2026 Model Year Changeover	+\$951 ↑

*Compares pricing of the same vehicles from one model year to the next

Fuel & Technology Shifts

Hybrids Anchor Volume, EVs Become Niche

The end of federal EV tax credits led to a brief EV surge, followed by a sharp decline. Hybrids now offer predictable demand and faster turns, while EVs require intent-based selling.

Automotive retailers must balance ICE, hybrid, and EV inventory to match evolving consumer sentiment. Prepare for increased hybrid cross-shopping and manage used EV opportunities. OEMs should develop dual-track strategies: Lean on hybrids for near-term stability, maintain EV investment for long-term relevance, and tailor messaging to current consumer realities.



QUICK TAKES

- ✓ Hybrids drive velocity; EVs require targeted strategies.
- ✓ Inventory balance across ICE, hybrid, and EV is critical.
- ✓ Used EVs introduce both opportunity and risk.

“Hybrids will anchor fuel-efficient volume and velocity while EVs become a targeted, intent-based segment. The brands that balance near-term hybrid strength with long-term EV investment will stay relevant across markets over the medium and longer-term.”

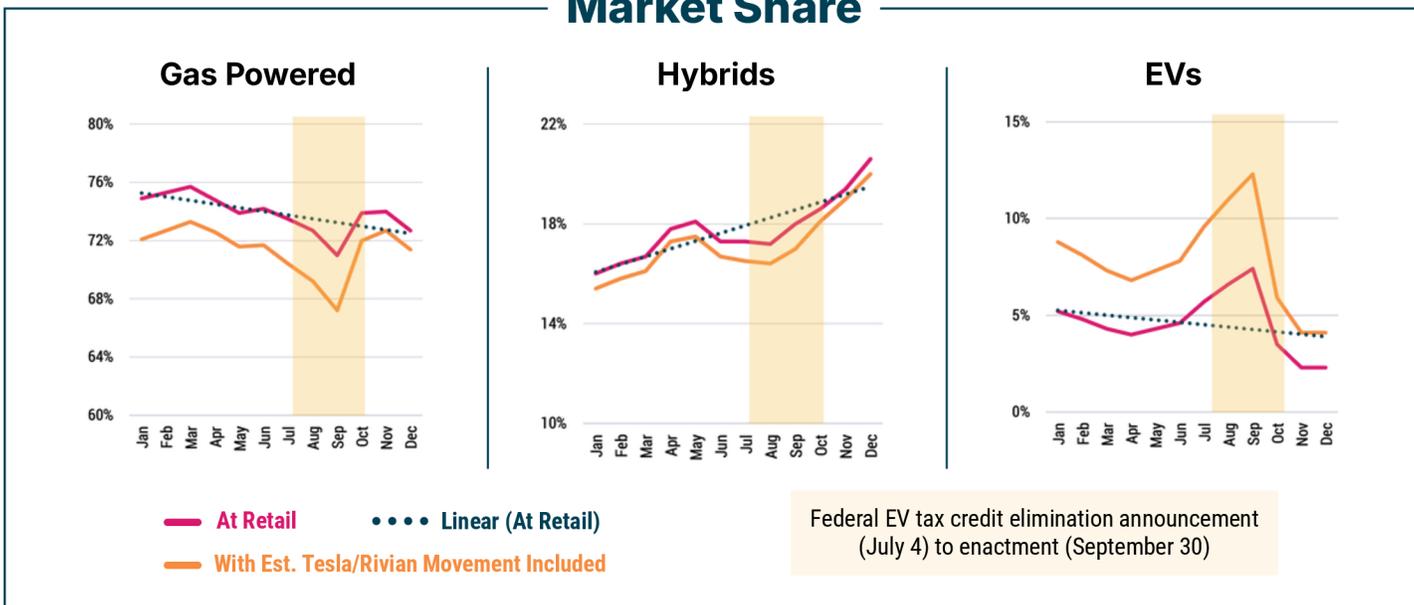
RICK WAINSCHEL • VP, DATA SCIENCE & ANALYTICS

Hybrids Thrive Even as EVs Surge Prior to Tax Credit Elimination

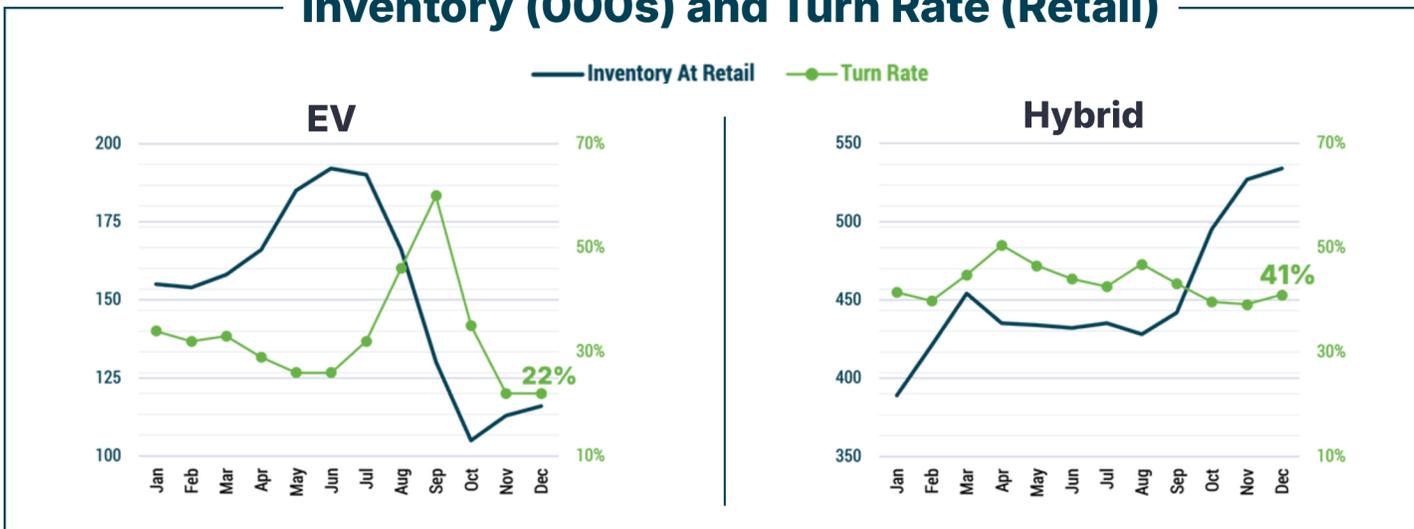
QUICK TAKES

- ✓ Gas powered took a Market Share hit when consumers rushed to buy EVs ahead of the tax credit retirement.
- ✓ Hybrid sales rose steadily in 2025; EV sales dropped after tax credits ended with Market Share falling below 5% and Turn Rates hitting a yearly low in November, even as inventories were halved from earlier in the year.
- ✓ Hybrid inventories surged in the last quarter as OEMs recalibrated their fuel-efficiency strategies.

Market Share



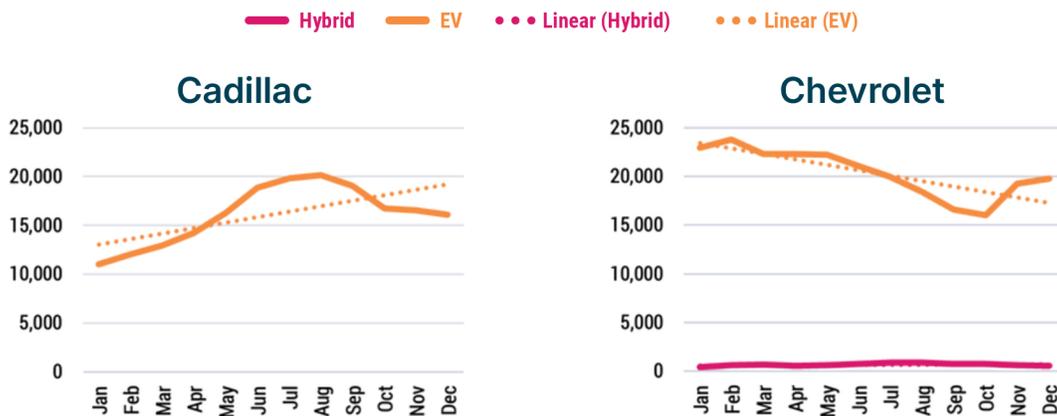
Inventory (000s) and Turn Rate (Retail)



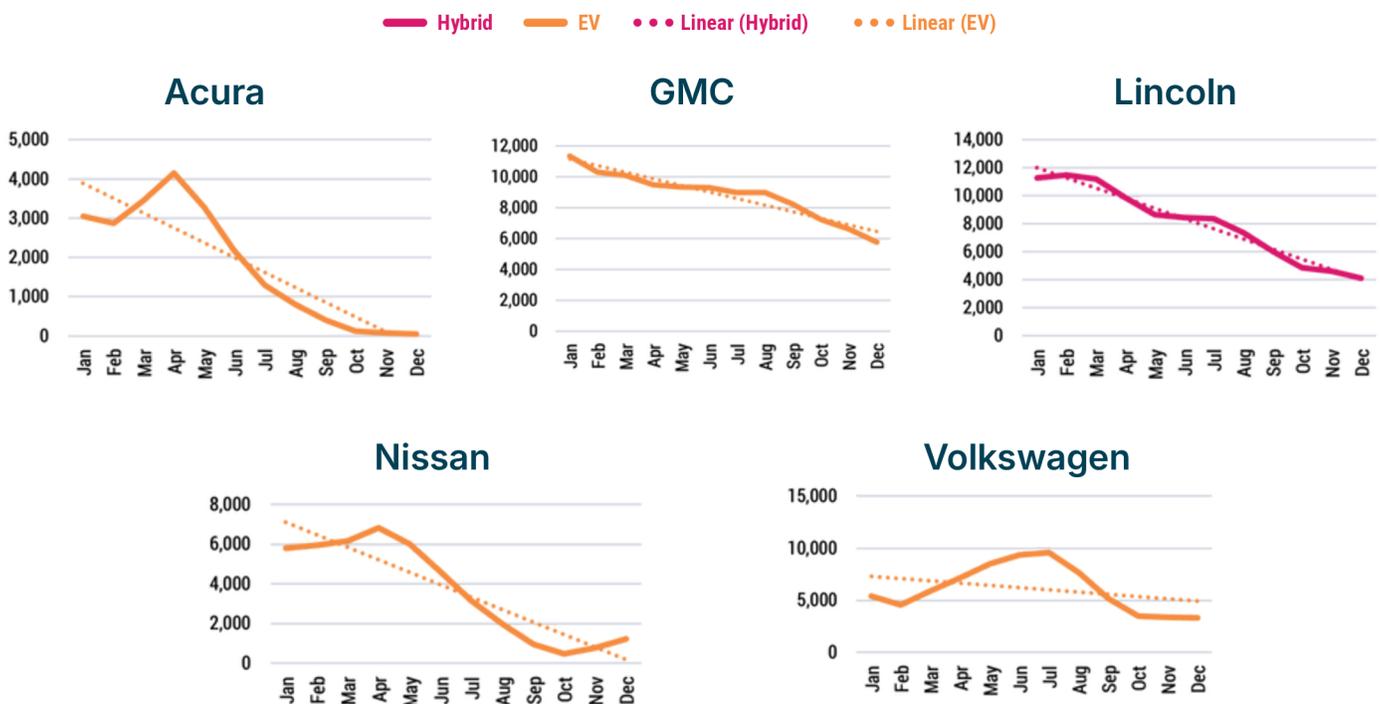
Average Inventory:

Makes Have Pursued Alternative Strategies Since the Elimination of the EV Tax Credit

Continuing Presence with EVs



Decline in EV or Hybrid Inventory

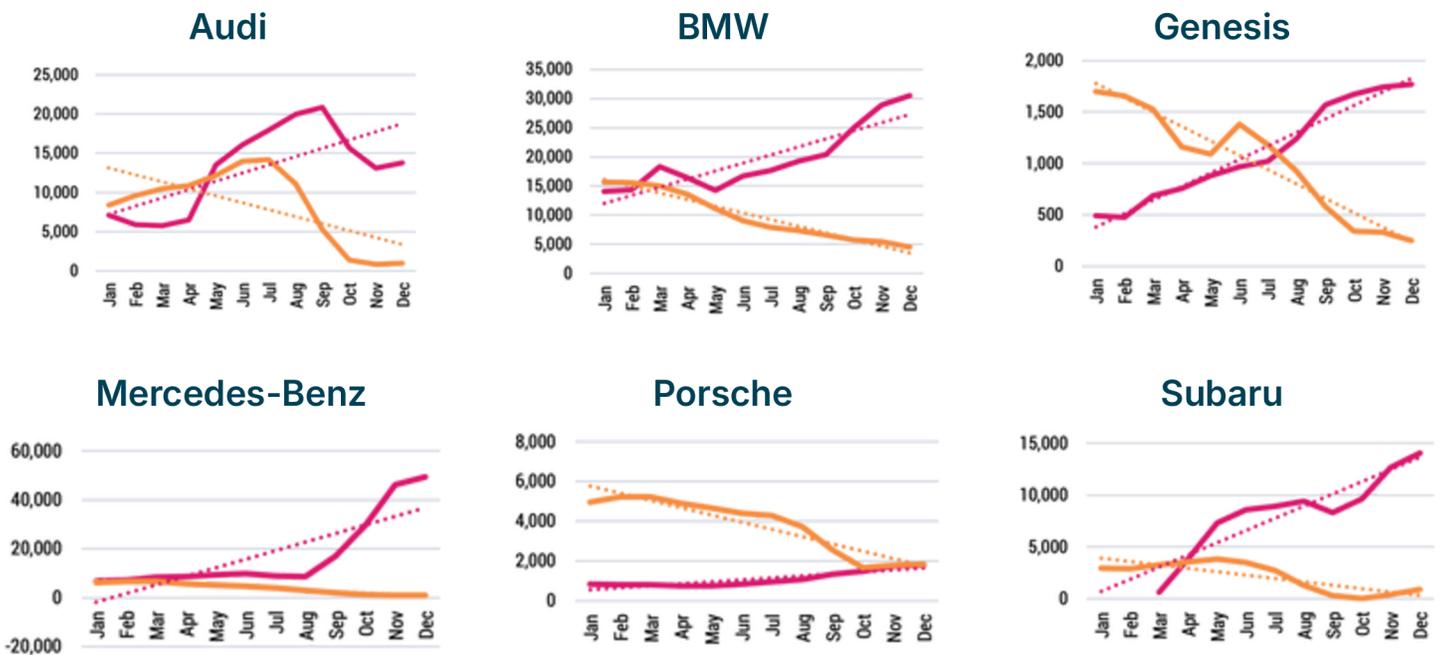


Average Inventory:

Makes Have Pursued Alternative Strategies Since the Elimination of the EV Tax Credit

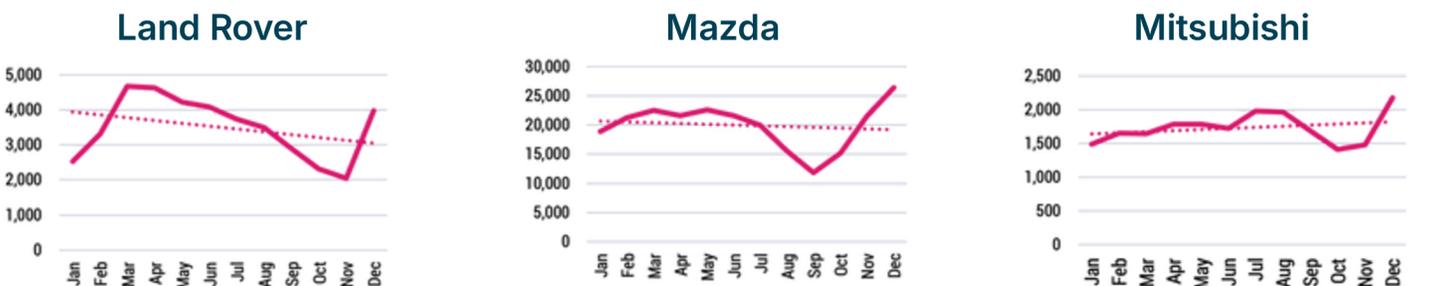
Shifted (or Shifting) Emphasis From EVs to Hybrids

Hybrid EV Linear (Hybrid) Linear (EV)



End-of-Year Increase for Hybrids, No EVs

Hybrid EV Linear (Hybrid) Linear (EV)

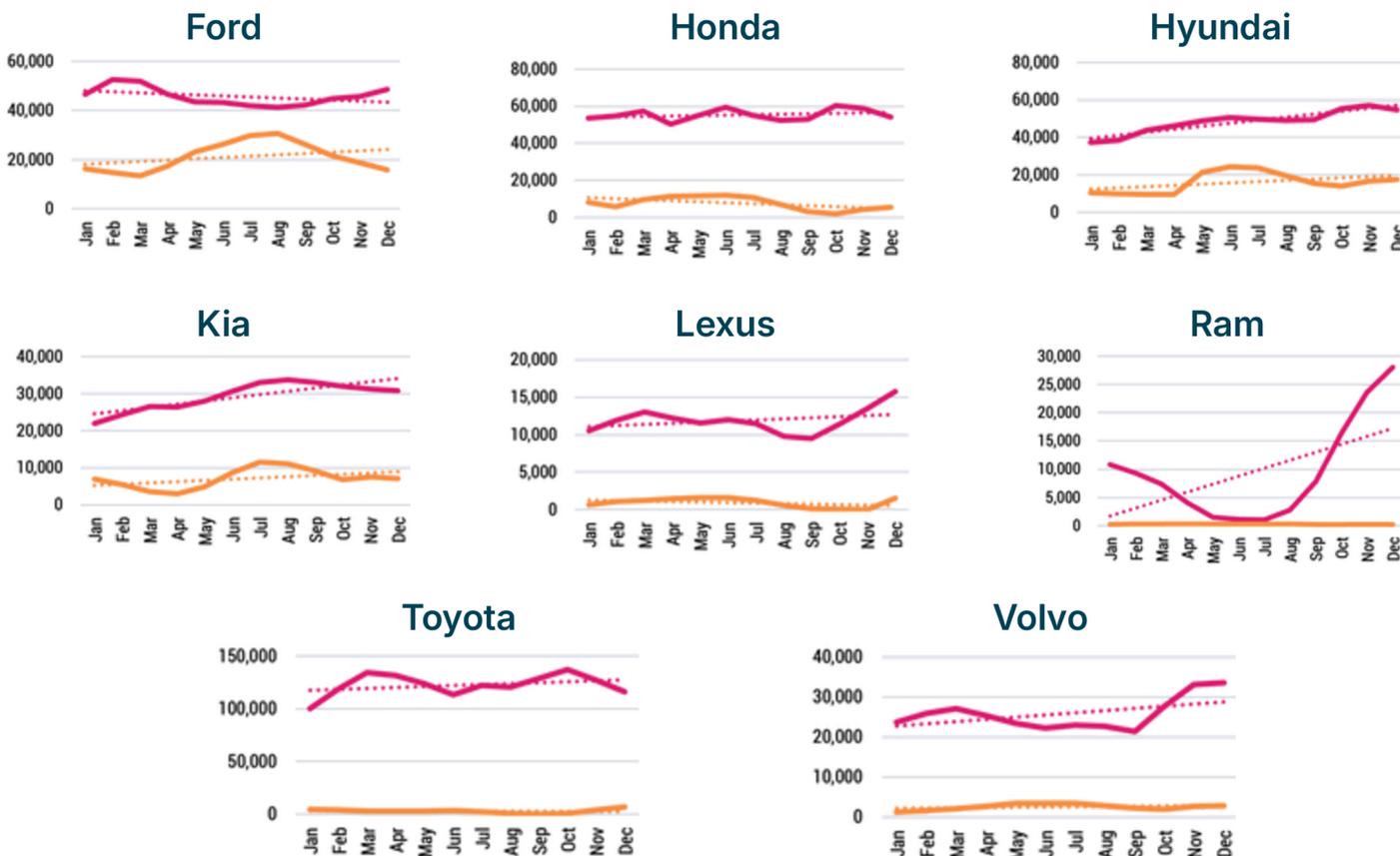


Average Inventory:

Makes Have Pursued Alternative Strategies Since the Elimination of the EV Tax Credit

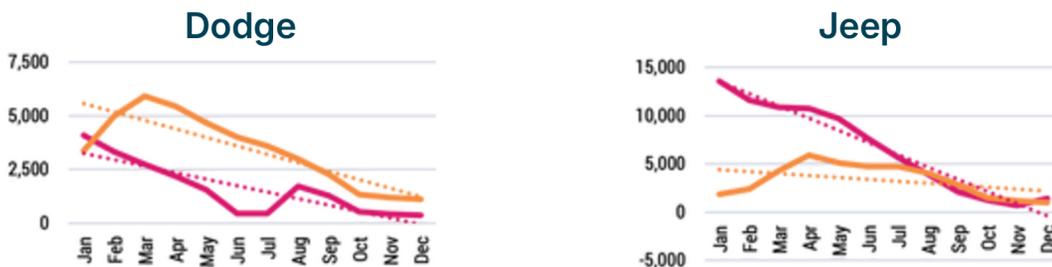
Continued Focus on Hybrids, Smaller EV Presence

Hybrid EV Linear (Hybrid) Linear (EV)



Decline in Hybrids and EVs

Hybrid EV Linear (Hybrid) Linear (EV)



Inventory Efficiency & Competitive Advantage

Aligning Supply with Real Demand

Inventory efficiency—matching supply to demand—is a key competitive advantage for automotive retail. **High efficiency** means faster turns and less discounting; **low efficiency** increases risk and incentive pressure.



EFFICIENCY

The Catalyst IQ Inventory Efficiency Index (IEI) provides a clear measure of market alignment for both dealers and OEMs.

QUICK TAKES:

- ✓ Inventory efficiency informs risk tolerance and marketing strategy.
- ✓ Brands out of balance face quicker margin compression.
- ✓ High Inventory Efficiency Index (IEI) scores signal strong demand and operational discipline.



Inventory efficiency is one of the clearest indicators of whether a brand is operating in sync with true demand. High efficiency protects margins and reduces incentive pressure, while low efficiency accelerates risk and exposes where supply is outpacing real market pull.

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Inventory Efficiency Index Insights // Non-Luxury Makes



2025 Non-Luxury Inventory Share: **11.13%**

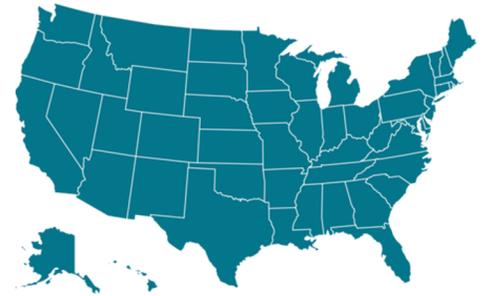
2025 Non-Luxury Market Share: **17.28%**

Inventory Efficiency Index: **155**

Inventory Efficiency Index Trend: TOYOTA



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

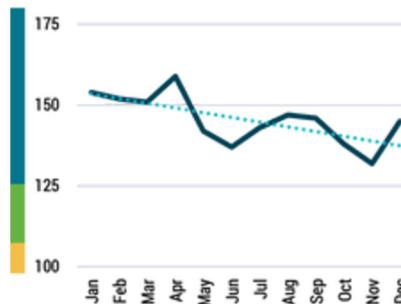


2025 Non-Luxury Inventory Share: **7.38%**

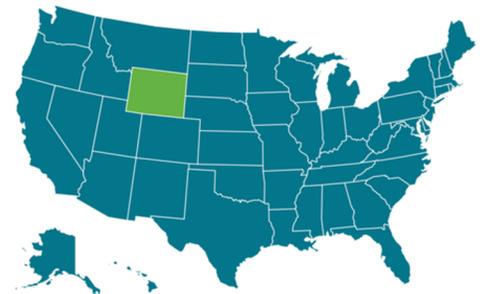
2025 Non-Luxury Market Share: **10.76%**

Inventory Efficiency Index: **146**

Inventory Efficiency Index Trend: HONDA



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

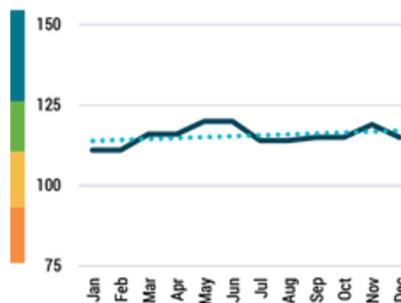


2025 Non-Luxury Inventory Share: **11.54%**

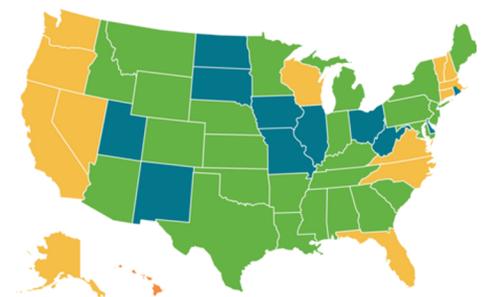
2025 Non-Luxury Market Share: **13.37%**

Inventory Efficiency Index: **116**

Inventory Efficiency Index Trend: Chevrolet



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

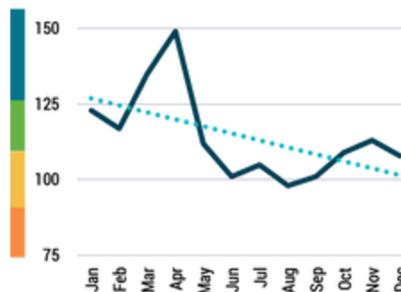


2025 Non-Luxury Inventory Share: **4.42%**

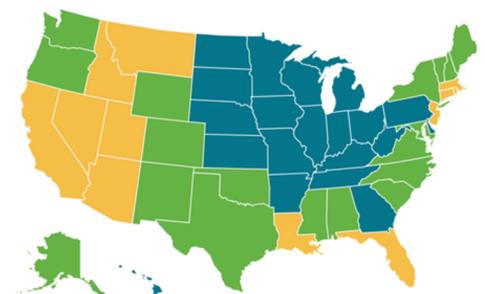
2025 Non-Luxury Market Share: **5.03%**

Inventory Efficiency Index: **114**

Inventory Efficiency Index Trend: Subaru



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



Inventory Efficiency Index Insights // Non-Luxury Makes

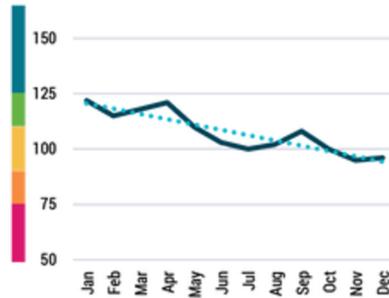


2025 Non-Luxury Inventory Share: **6.16%**

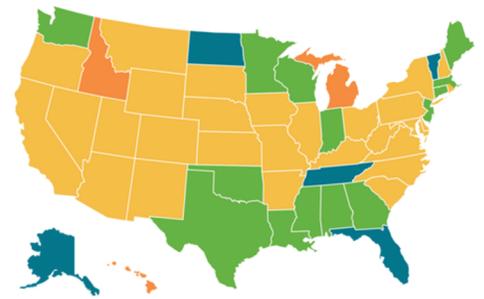
2025 Non-Luxury Market Share: **6.58%**

Inventory Efficiency Index: **107**

Inventory Efficiency Index Trend: Kia



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

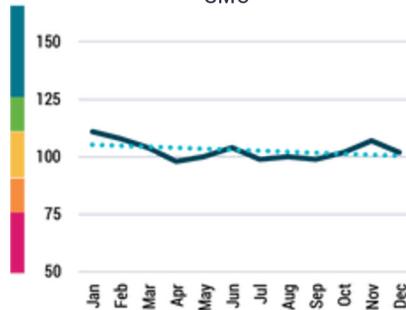


2025 Non-Luxury Inventory Share: **5.04%**

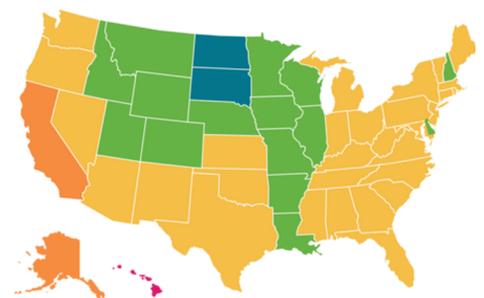
2025 Non-Luxury Market Share: **5.17%**

Inventory Efficiency Index: **103**

Inventory Efficiency Index Trend: GMC



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



2025 Non-Luxury Inventory Share: **1.74%**

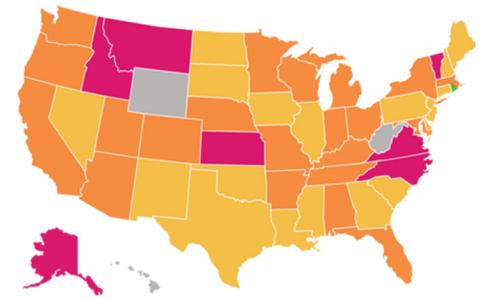
2025 Non-Luxury Market Share: **1.51%**

Inventory Efficiency Index: **87**

Inventory Efficiency Index Trend: Buick



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



2025 Non-Luxury Inventory Share: **2.93%**

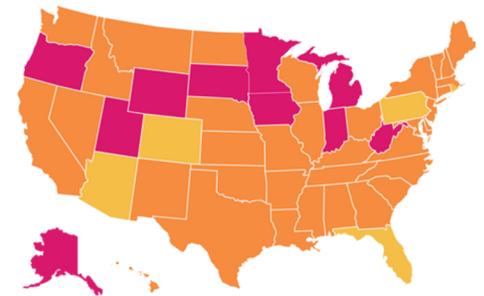
2025 Non-Luxury Market Share: **2.41%**

Inventory Efficiency Index: **82**

Inventory Efficiency Index Trend: VW



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



Inventory Efficiency Index Insights // Non-Luxury Makes

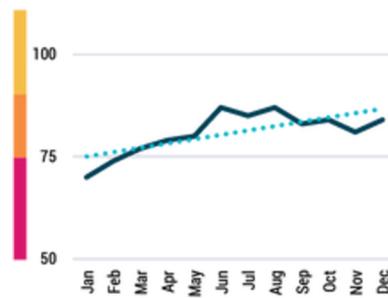


2025 Non-Luxury Inventory Share: **6.88%**

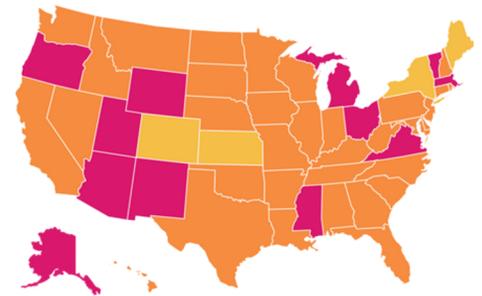
2025 Non-Luxury Market Share: **5.56%**

Inventory Efficiency Index: **81**

Inventory Efficiency Index Trend: Nissan



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



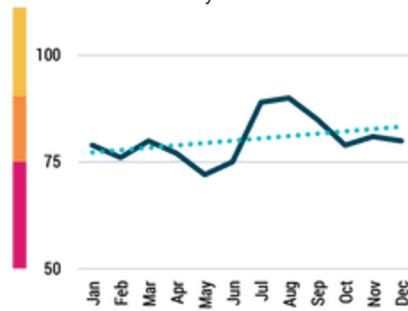
HYUNDAI

2025 Non-Luxury Inventory Share: **8.45%**

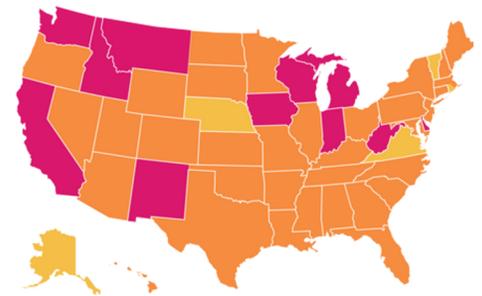
2025 Non-Luxury Market Share: **6.77%**

Inventory Efficiency Index: **80**

Inventory Efficiency Index Trend: Hyundai



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

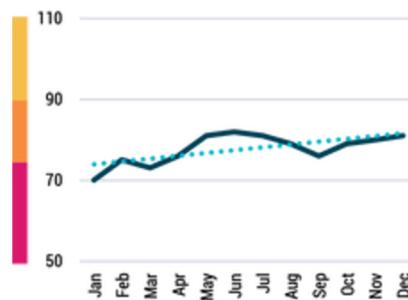


2025 Non-Luxury Inventory Share: **18.13%**

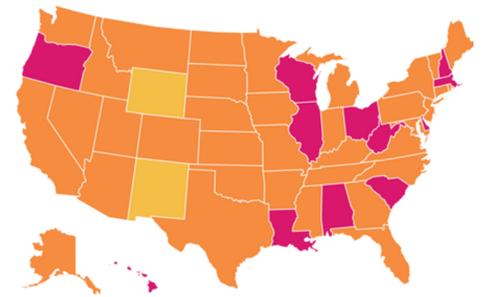
2025 Non-Luxury Market Share: **14.08%**

Inventory Efficiency Index: **78**

Inventory Efficiency Index Trend: Ford



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

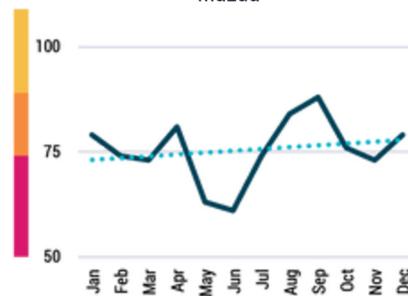


2025 Non-Luxury Inventory Share: **4.01%**

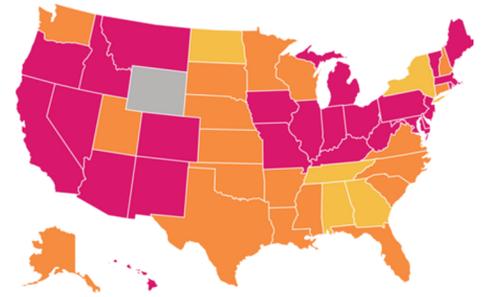
2025 Non-Luxury Market Share: **3.02%**

Inventory Efficiency Index: **75**

Inventory Efficiency Index Trend: Mazda



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



Inventory Efficiency Index Insights // Non-Luxury Makes

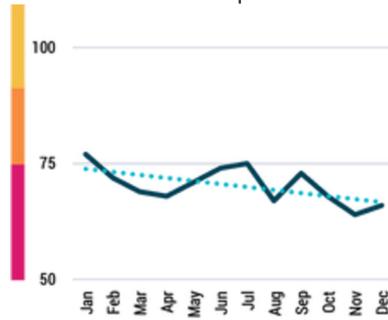


2025 Non-Luxury Inventory Share: **5.72%**

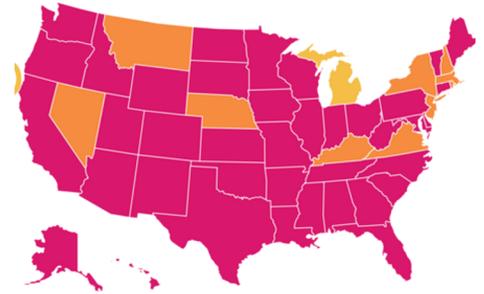
2025 Non-Luxury Market Share: **4.01%**

Inventory Efficiency Index: **70**

Inventory Efficiency Index Trend: Jeep



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



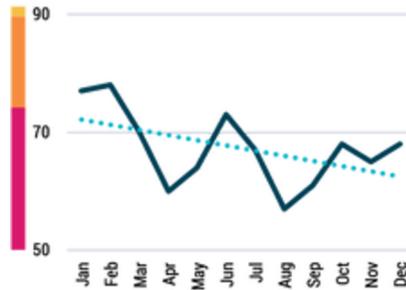
RAM

2025 Non-Luxury Inventory Share: **4.32%**

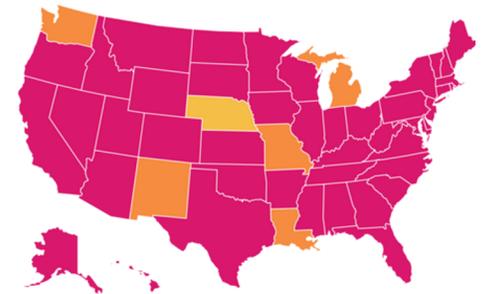
2025 Non-Luxury Market Share: **2.88%**

Inventory Efficiency Index: **67**

Inventory Efficiency Index Trend: Ram



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



Inventory Efficiency Index Insights // Luxury Makes



2025 Luxury Inventory Share: **8.76%**

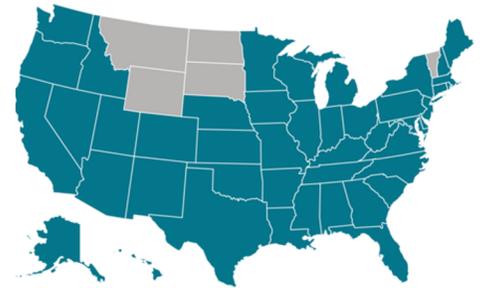
2025 Luxury Market Share: **18.91%**

Inventory Efficiency Index: **216**

Inventory Efficiency Index Trend: Lexus



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

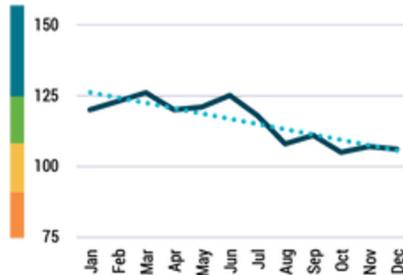


2025 Luxury Inventory Share: **14.67%**

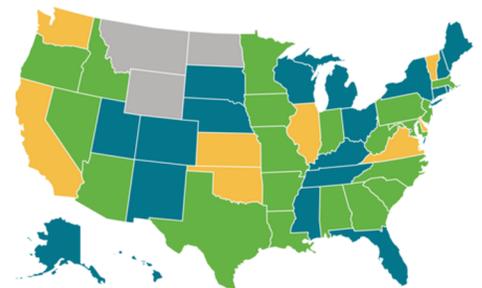
2025 Luxury Market Share: **16.83%**

Inventory Efficiency Index: **115**

Inventory Efficiency Index Trend: BMW



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



2025 Luxury Inventory Share: **6.35%**

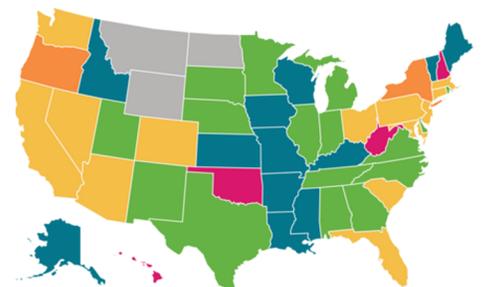
2025 Luxury Market Share: **6.51%**

Inventory Efficiency Index: **103**

Inventory Efficiency Index Trend: Acura



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



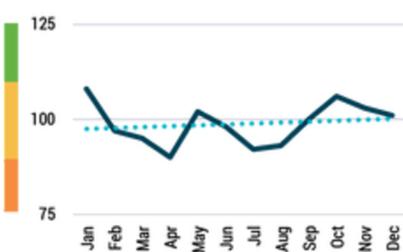
Cadillac

2025 Luxury Inventory Share: **9.25%**

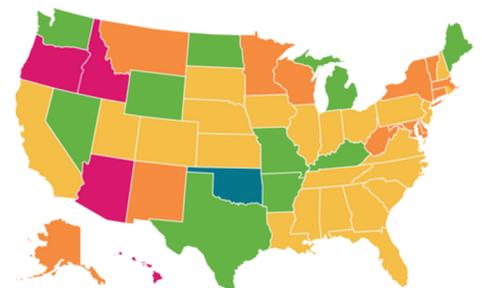
2025 Luxury Market Share: **9.10%**

Inventory Efficiency Index: **98**

Inventory Efficiency Index Trend: Cadillac



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



Inventory Efficiency Index Insights // Luxury Makes



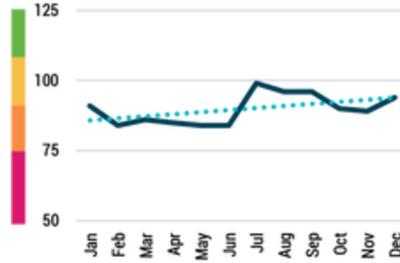
Mercedes-Benz

2025 Luxury Inventory Share: **15.86%**

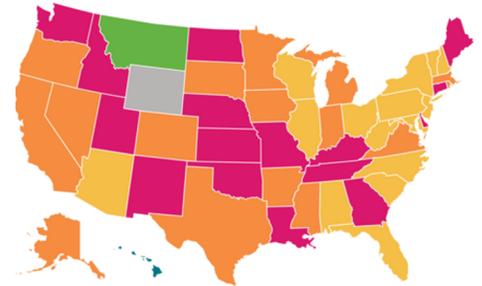
2025 Luxury Market Share: **14.17%**

Inventory Efficiency Index: **89**

Inventory Efficiency Index Trend: Mercedes Benz



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

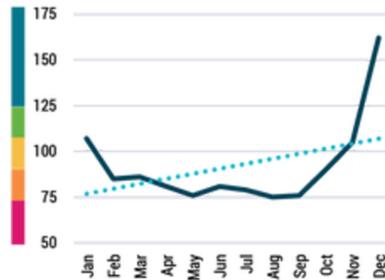


2025 Luxury Inventory Share: **4.97%**

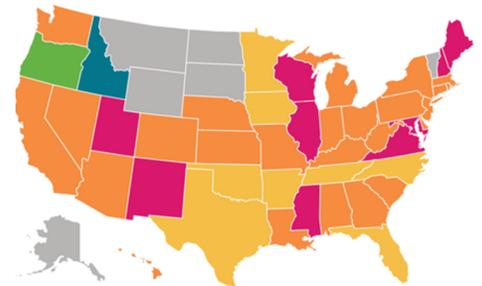
2025 Luxury Market Share: **4.40%**

Inventory Efficiency Index: **89**

Inventory Efficiency Index Trend: Land Rover



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



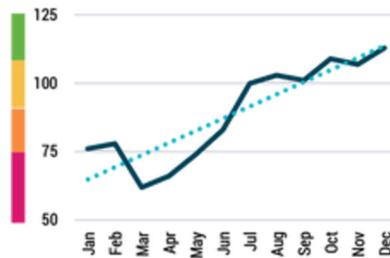
INFINITI

2025 Luxury Inventory Share: **3.01%**

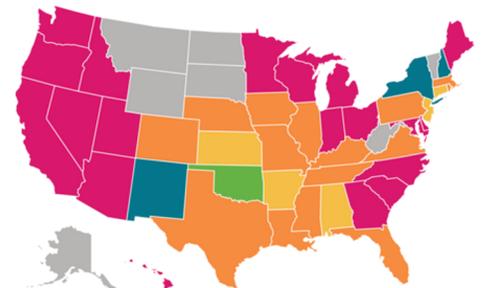
2025 Luxury Market Share: **2.58%**

Inventory Efficiency Index: **86**

Inventory Efficiency Index Trend: Infiniti



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



2025 Luxury Inventory Share: **3.40%**

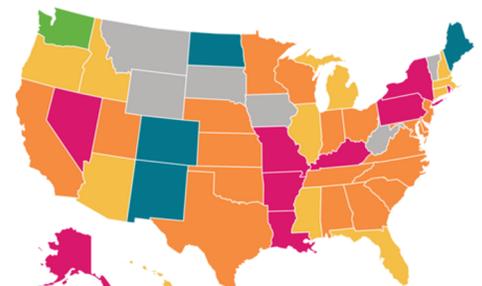
2025 Luxury Market Share: **2.93%**

Inventory Efficiency Index: **86**

Inventory Efficiency Index Trend: Porsche



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



Inventory Efficiency Index Insights // Luxury Makes

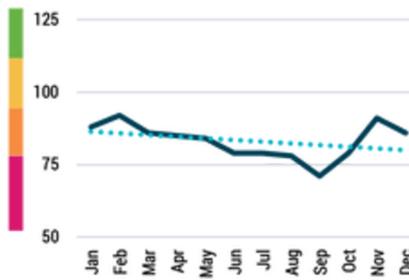


2025 Luxury Inventory Share: **4.68%**

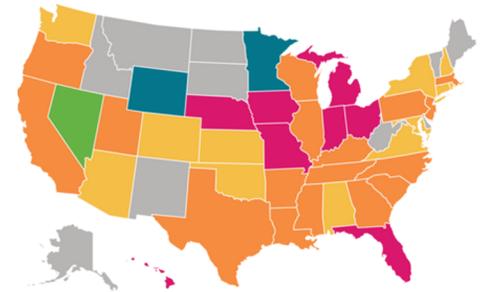
2025 Luxury Market Share: **3.89%**

Inventory Efficiency Index: **83**

Inventory Efficiency Index Trend: Genesis



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

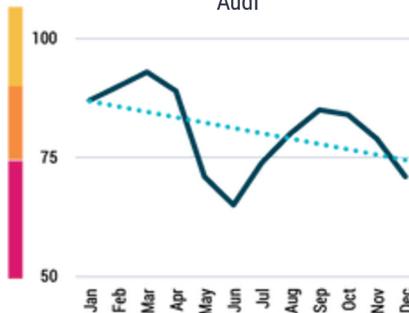


2025 Luxury Inventory Share: **10.82%**

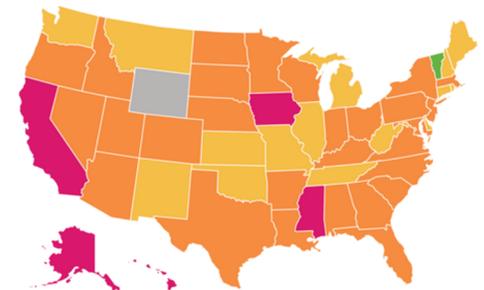
2025 Luxury Market Share: **8.69%**

Inventory Efficiency Index: **80**

Inventory Efficiency Index Trend: Audi



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

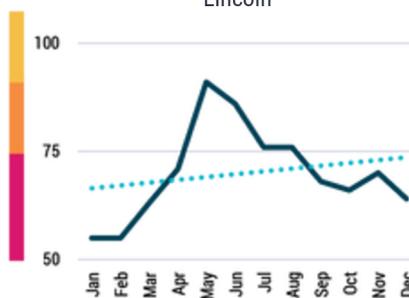


2025 Luxury Inventory Share: **8.09%**

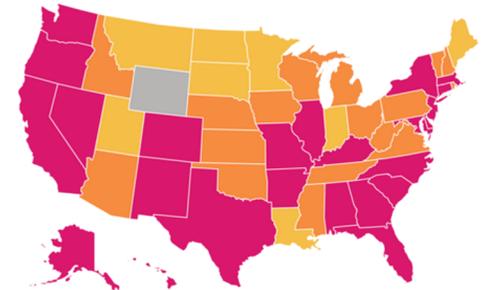
2025 Luxury Market Share: **5.58%**

Inventory Efficiency Index: **69**

Inventory Efficiency Index Trend: Lincoln



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower

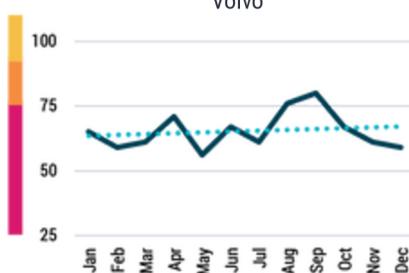


2025 Luxury Inventory Share: **7.59%**

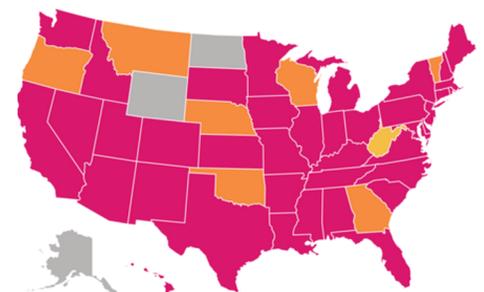
2025 Luxury Market Share: **4.93%**

Inventory Efficiency Index: **65**

Inventory Efficiency Index Trend: Volvo



125 or higher 110 - 124 90 - 109 75 - 89 74 or lower



Strategic Takeaways for Automotive Retail

Discipline Over Expansion

2026 will reward discipline and precision over expansion. Automotive retailers must align product, pricing, and supply with consumer realities. Success will depend on operational discipline, realistic pricing, and strategic mix management.

Lean into leasing and payment-first conversations, use hybrids and used vehicles as stabilizers, and pace production to real demand signals.



Price realistically and adjust early.



Use hybrids and used vehicles as stabilizers.



Discipline becomes a competitive advantage.

Final Outlook

A Market Defined by Precision and Discipline

The automotive market in 2025 was shaped by recalibration, not collapse or resurgence. Inventory efficiency and strategic alignment will be key indicators of resilience in 2026.

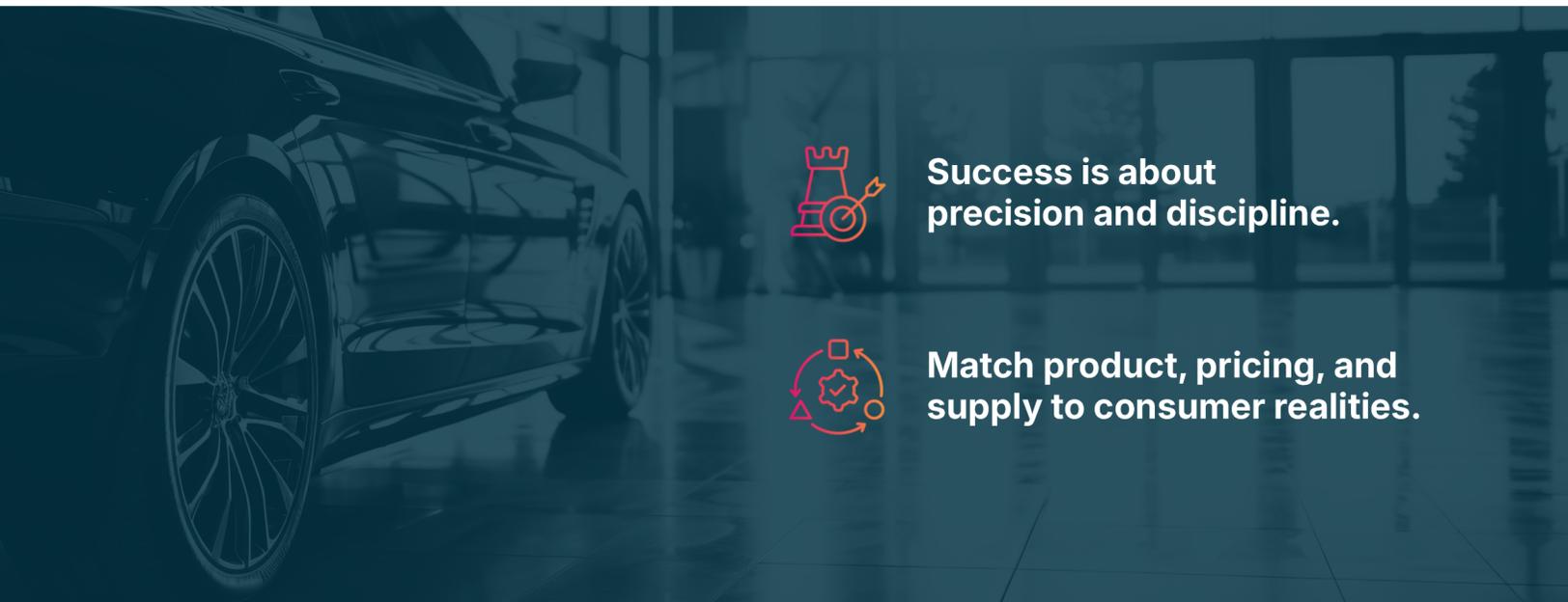
Success means matching product, pricing, and supply to consumer realities, with strategic discipline protecting margins and brand health.



Precision and discipline will define winners in 2026. The margin for error has narrowed, and brands operating in sync with true demand will navigate volatility while those out of balance face faster and more painful consequences.

RICK WAINSCHEL

VP, DATA SCIENCE & ANALYTICS



Success is about precision and discipline.



Match product, pricing, and supply to consumer realities.

2026 STATE OF THE INDUSTRY

ABOUT THIS REPORT

This report provides a wide-angle view of the automotive industry in 2025, connecting macroeconomic trends, industry dynamics, consumer sentiment, and market performance to show how the year unfolded and what it means for decisions in 2026.

2025 brought significant challenges—from policy shifts and economic pressures to changing consumer behavior—requiring deliberate, strategic responses. While dealers, OEMs, and partners managed these factors daily, the broader interplay across market segments, makes, and regions is often harder to see.

By combining the economic backdrop with detailed insights across new, used, and certified inventory; gas, hybrid, and EV propulsion; and make- and region-level trends, the report helps industry leaders put the year in context, recognize key patterns, and move forward with greater clarity.

About Us

Catalyst IQ is redefining automotive marketing intelligence.

Powered by MarketAI®, Catalyst IQ delivers real-time, actionable insights that help dealers see the market as it shifts, understand their position, and activate strategies to move inventory and grow their business.

MarketAI is designed to support decision-making when precision matters.

MarketAI turns real-time market data into actionable strategies and dynamic ad execution. By surfacing early indicators of inventory risk, demand strength, and pricing pressure, MarketAI provides clarity, speed, and control for every marketing decision so you can outperform the market and drive measurable results.

WHY CHOOSE CATALYST IQ?

- ✦ **Unmatched Coverage:** For over 10 years, MarketAI has been tracking nearly 20,000 franchise dealers and 99% of independent dealers across the US, giving you the most complete, up-to-date view of the market.
- ✦ **Actionable, Accurate Data:** Built on years of accumulated data, our AI and machine learning models deliver higher accuracy, smarter predictions, and measurable performance gains.
- ✦ **Accelerated Sales:** MarketAI pinpoints vehicles that need help selling and activates VIN-level ads across every major channel, accelerating sales by prioritizing and scoring inventory relative to market dynamics.
- ✦ **Competitive Advantage:** Instantly compare your inventory to competitors down to the trim level using MarketAI's predictive analytics and inventory mix visualization.

Ready to see MarketAI in action?

Contact Catalyst IQ today to discover how you can turn data into action, accelerate sales, and build your competitive edge.

BOOK YOUR DEMO NOW

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