

Q3 2026

State of the Industry

Resilient Demand. Rising Pressure.

Consumers Keep Buying—But Record Prices and Rising Credit Risks Loom Large

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Abstract

The automotive industry closed Q3 2026 with demand intact but visibly reshaped. Consumers are still buying vehicles—new vehicle movement rose 3.1% year over year and turn rates climbed for a third straight quarter—but they are getting there by trading down: smaller and more affordable segments, hybrids over gas and electric, and longer, more liberal financing.

This State of the Industry report examines Q3 2026 performance across new, used, and certified vehicles to understand how affordability pressure is redistributing demand and what it means for retailers and OEMs. Using sales velocity, pricing, turn rate, inventory efficiency, and credit data, the analysis highlights where demand is accelerating, where supply is piling up, and which consumer trade-offs are shaping buying behavior.

The findings show a market working harder to stay healthy. Average marketed new vehicle prices reached an all-time high of \$52,770 on September 30, up \$2,118 since Q1, with roughly half of that increase attributable to 2027 model-year changeover MSRPs that have not yet fully matured. Demand for sedans, wagons, and small SUVs is more than keeping pace with supply, while luxury, XL SUV, and heavy-duty truck inventories build. Hybrid movement is up 33% year over year as gas nears \$4.30 a gallon, but EV movement is down 40% as political winds continue to shift and OEMs adjust their planning and production accordingly.

The warning signs are equally clear. Consumer confidence sits near an all-time low at 48.1, the average new vehicle loan now runs 69.5 months, subprime originations are up 10.7% year over year to \$59B, and 60-day-plus subprime delinquencies remain elevated at 6.13% after a 32-year high in January. Because today's sales depend on consumers pushing their budgets to the limit, precision in pricing, inventory mix, and marketing support is critical to remaining profitable and mitigating risk.

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Q3 2026 Summary

The automotive market closed Q3 2026 with a clear message: consumers are still buying—but on different terms.

New vehicle movement rose 3.1% year over year and turn rate climbed for a third consecutive quarter, while used movement reached a multi-year high.

The adjustment is happening inside the purchase. Buyers are shifting toward smaller, more affordable segments—sedans, wagons, and small SUVs post the highest inventory efficiency—while luxury, XL SUV, and heavy-duty truck supply builds. With gas near \$4.30 a gallon, hybrid movement is up 33% year over year but EV movement is down 40%. The industry is meeting consumers halfway with longer loan terms and more liberal credit requirements.

But the supports are strained. Prices hit an all-time high of \$52,770, confidence is near a record low, loans average 69.5 months, and subprime volume and delinquencies are both climbing. Demand is holding—the open question is what it is costing to hold it....and how long it can be sustained.

SEGMENT ANALYSIS:

Where Demand Is Shifting

The Shift Is Happening Inside the Purchase

New vehicle movement rose 3.1% year over year and turn rate improved for a third consecutive quarter — consumers are still buying, and still buying new.

The adjustment is in what they choose. Affordable, fuel-efficient segments are turning fastest, while luxury, XL SUV, and heavy-duty truck inventory builds.

THIS SHIFT IS MOST EVIDENT IN:

- ☐ Small and mid-size sedans, wagons, and hatchbacks
- ☐ Hybrids, with movement up 33% year over year

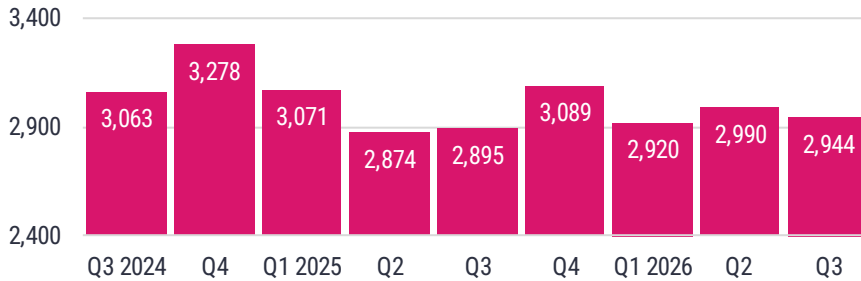
Takeaways

- ✓ Consumers are still buying — but trading down within the new vehicle market rather than leaving it
- ✓ Fuel efficiency is now a primary selection filter, directly driving increased demand for hybrids
- ✓ Precision matters most where supply is building: luxury, XL SUVs, and large trucks

New Vehicles:

Movement and turn rates remain strong in the current quarter

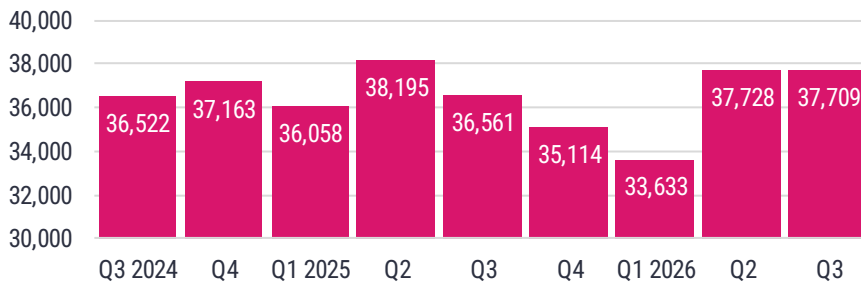
Average Inventory (000s)



Falls below
3.0MM for five
of the past six
quarters

Up 1.7%
from Q3 2025

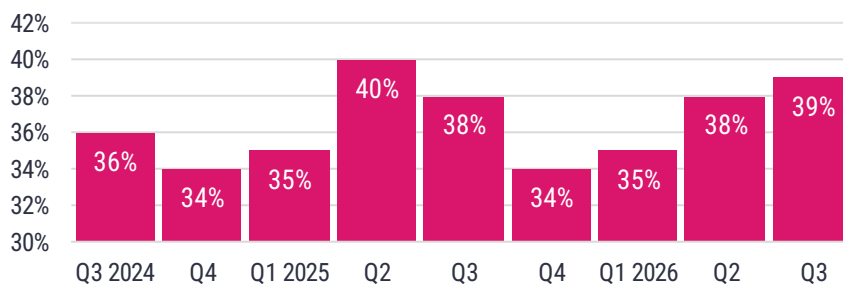
Vehicles Moved Per Day



Steady in the
current quarter
at recently
high levels

Up 3.1%
from Q3 2025

Turn Rate

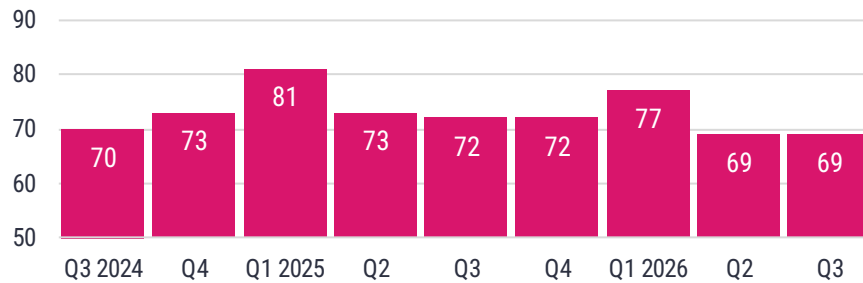


Up for the third
consecutive
quarter;
**almost at its
two-year peak**

New Vehicles:

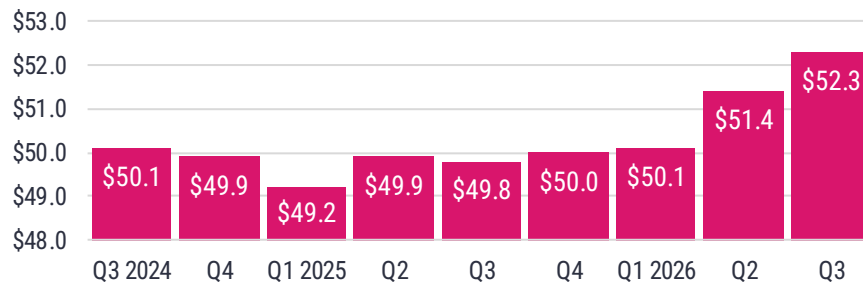
Prices rocket upward, market adjustments do not mitigate the increases

Days-to-Move



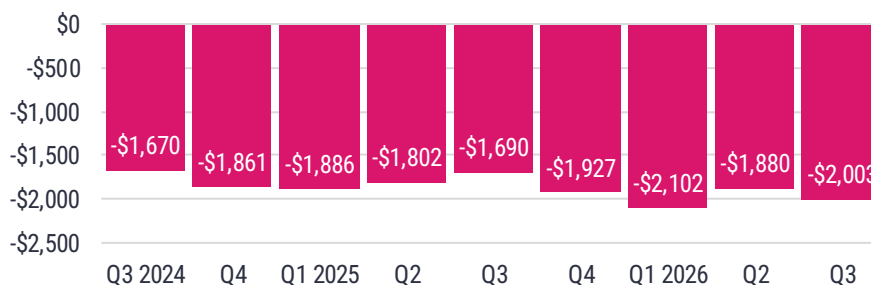
Steady QoQ, and falls below 70 days for the second quarter in a row

Average Marketed Price (\$000s)



Jumps for the second straight quarter; hits an all-time high of \$52,770 on September 30

Market Adjustment



In a relatively narrow range over the past four quarters (meaning price increases are driven by MSRP and not variable pullbacks)

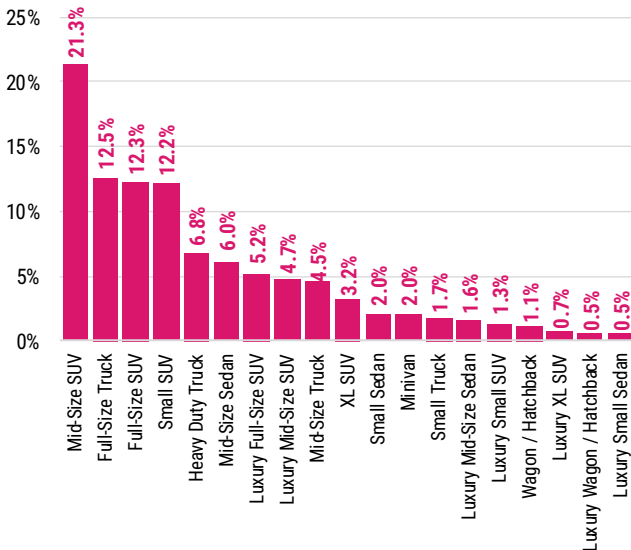
New Vehicles:

Consumers Shifting Toward Value

More affordable, fuel-friendly segments are gaining efficiency, while higher-priced segments lose momentum

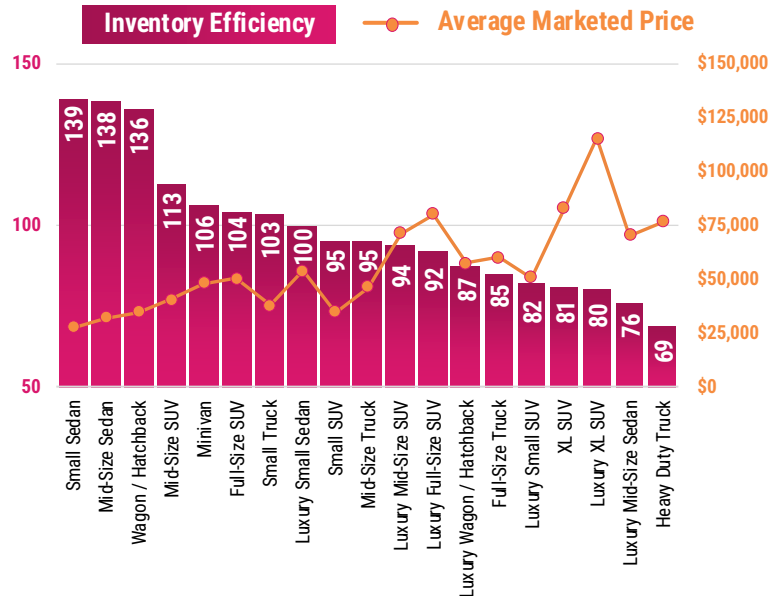
Inventory Share by Segment

New Vehicles • Q3 2026



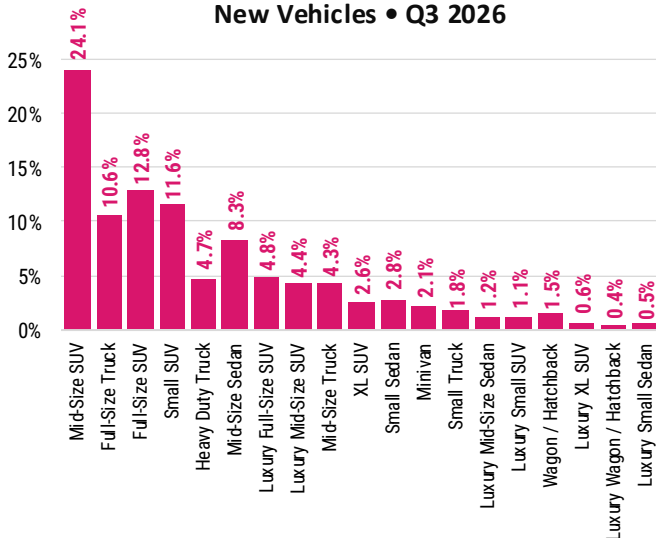
Inventory Efficiency vs. Pricing

New Vehicles • Q3 2026

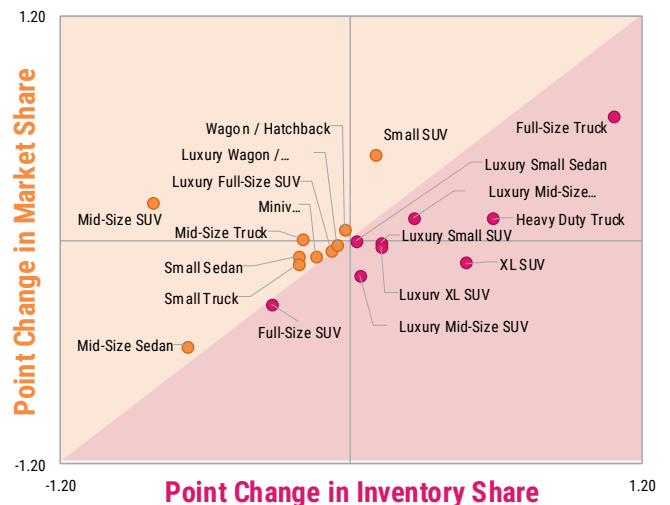


Market Share by Segment

New Vehicles • Q3 2026



Q3 2026 vs. Q2 2026



About the Inventory Efficiency Index

100 = DEMAND IS BALANCED WITH RELATIVE SUPPLY.

Above 100 = getting more than fair market share given inventory position.

Below 100 = getting less than fair market share given inventory position.

Reading the Quarter-over-Quarter Scatterplot

Above the Diagonal: Market Share change is outperforming Inventory Share change — **inventory efficiency is increasing.**

Below the Diagonal: Inventory Share is outpacing Market Share — **inventory efficiency is decreasing.**

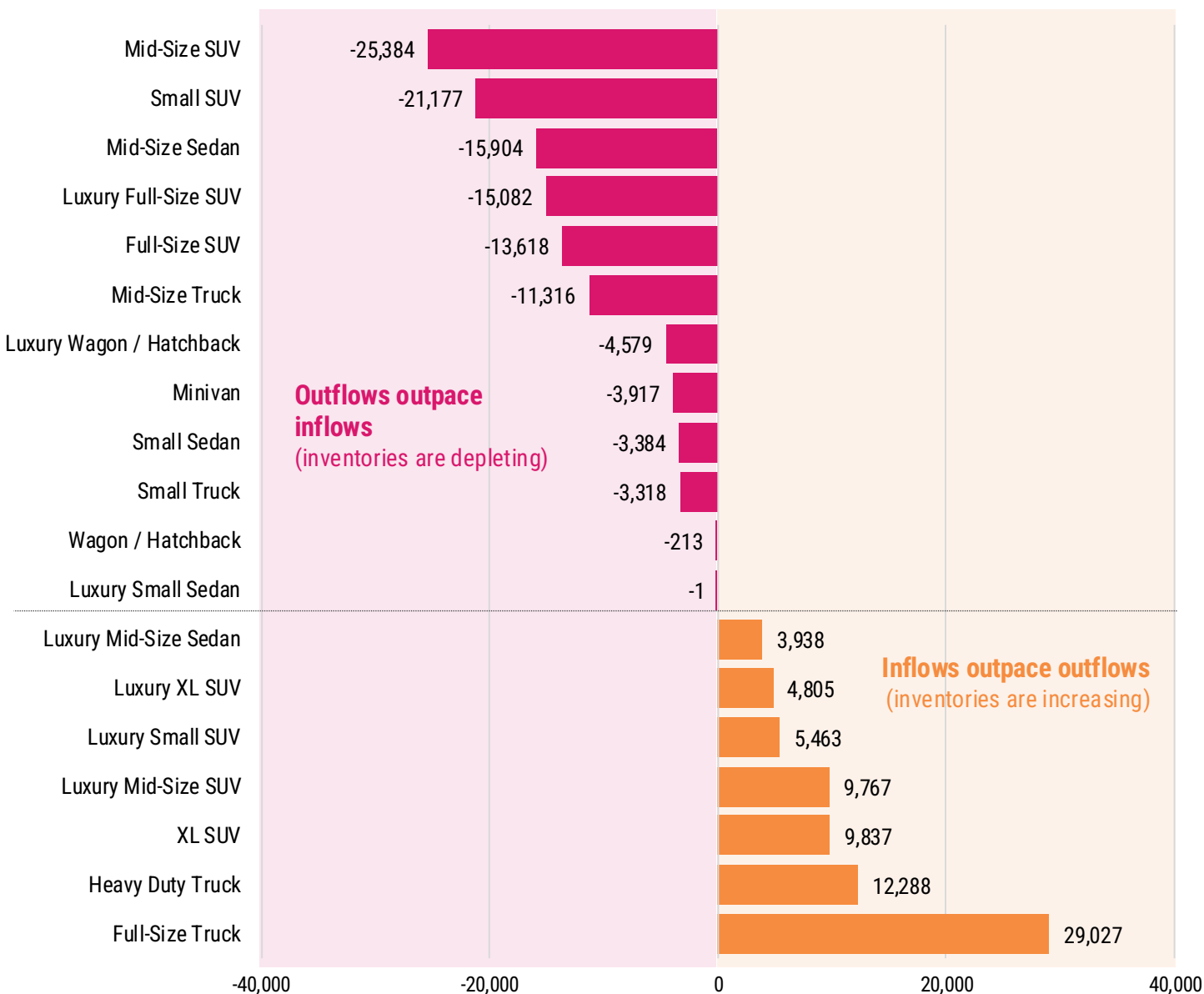
New Vehicles:

Inventory Levels Reflect Consumer Shifts

More affordable choices see supply declines while luxury vehicles, XL SUVs, and larger truck supplies pile up

Inventory Inflow vs. Outflow – Net Change

Q3 2026 VS. Q2 2026

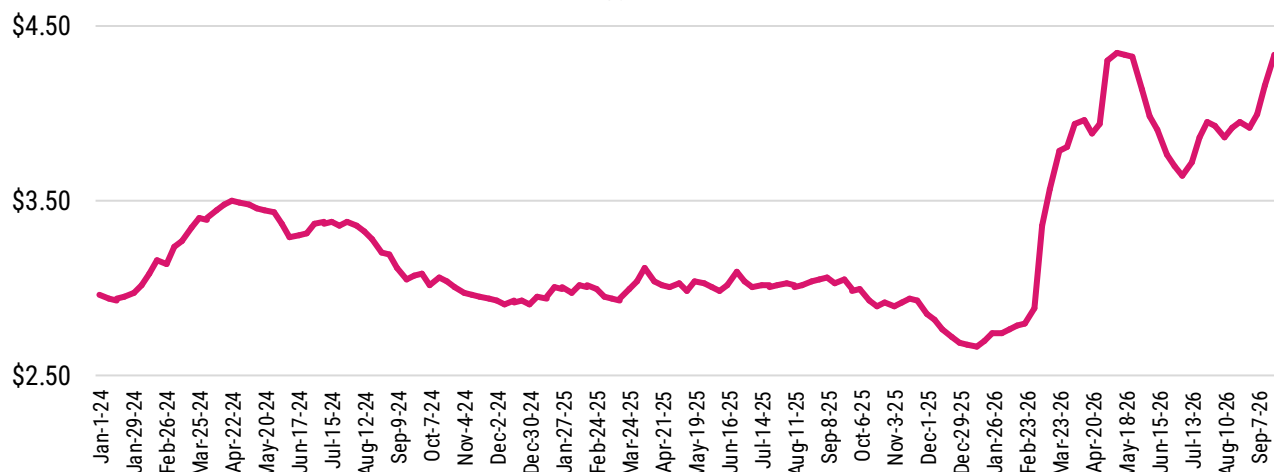


Gas Prices Soar, Hybrid Sales Follow; EVs Languish

Since the commencement of the war with Iran, gas prices have rocketed upward, increasing by more than a dollar per gallon compared to previous levels.

U.S. Average Regular Gas Prices

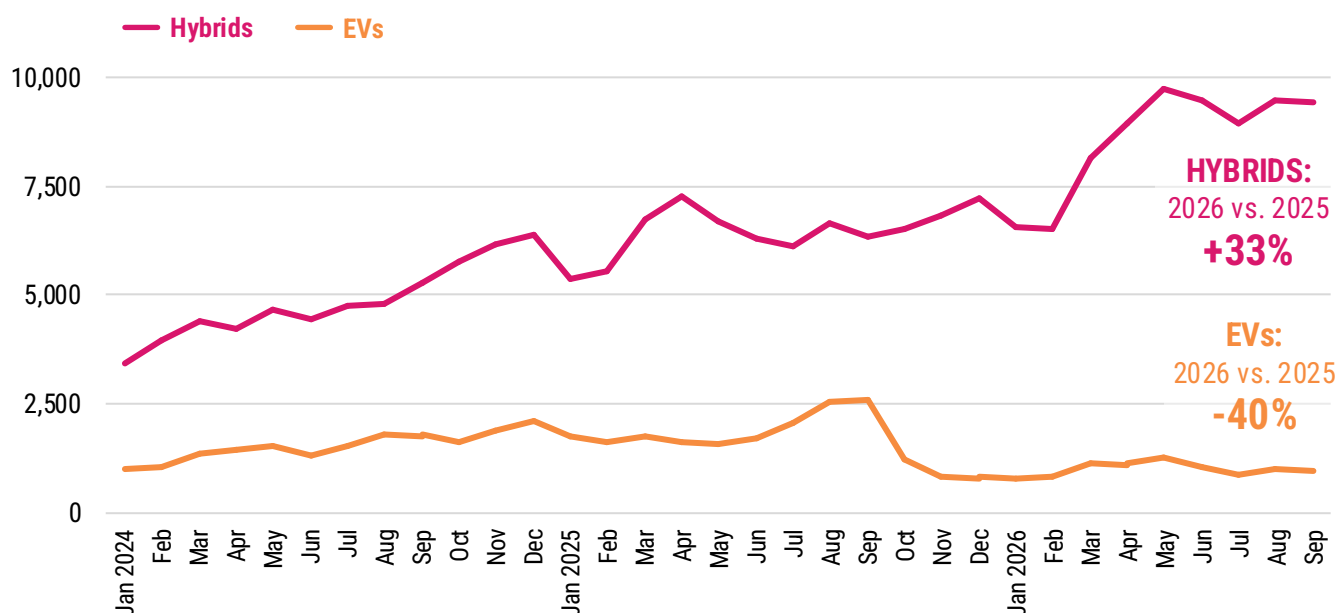
Source: U.S. Energy Information Administration



Hybrids have been the clear beneficiary, accelerating existing momentum since March; EVs, on the other hand, have declined by 40% as political winds continue to shift and OEM planning and production follow suit.

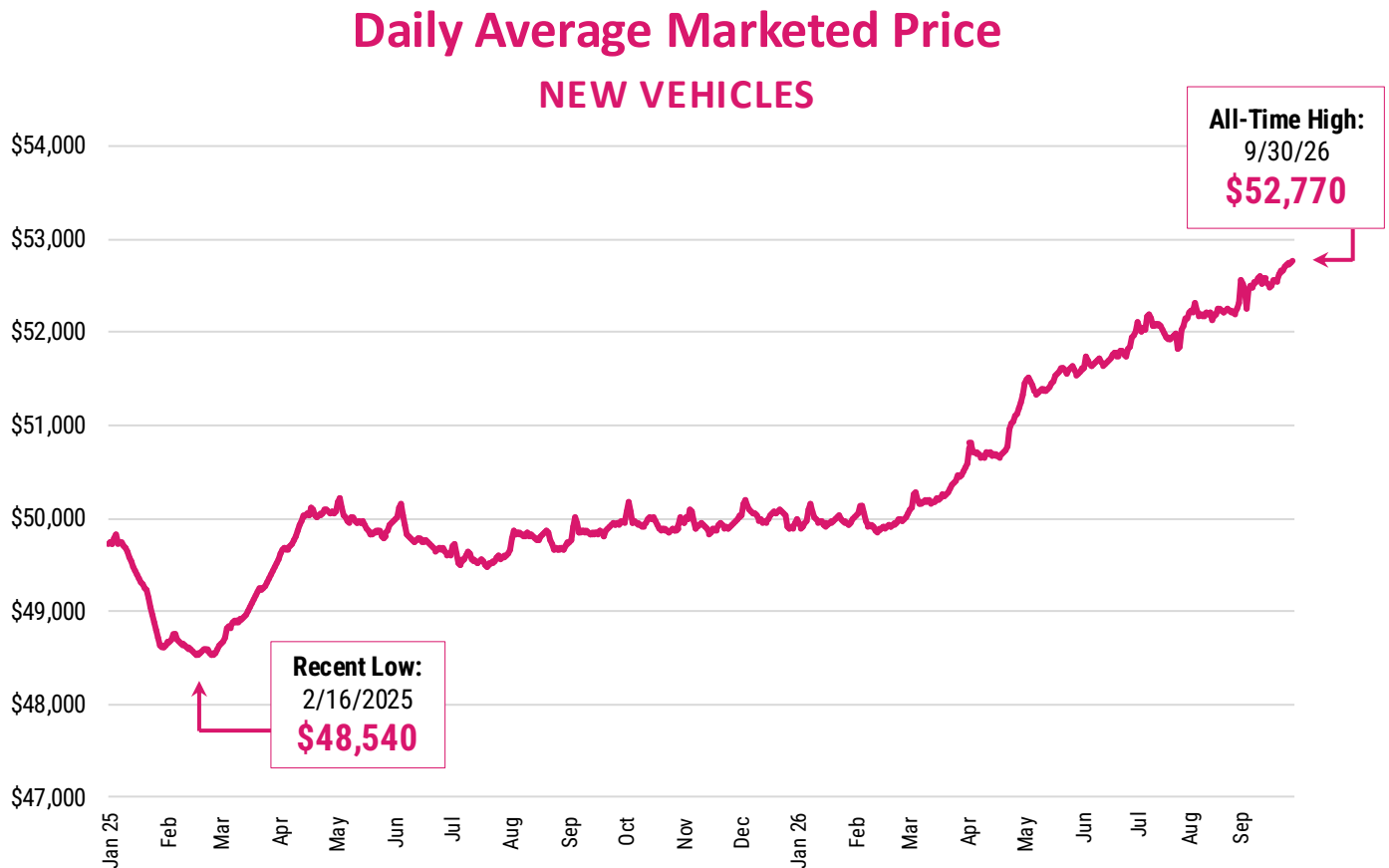
Retail Hybrid and EV Movement Per Day

Source: Catalyst IQ, MarketAI



New Vehicles:

Marketed Prices Hit an All-Time High at the End of Q3; Half of the Increase Attributable to MYCO MSRP Hikes



**Overall Average Marketed Price
Increase from Q1 to Q3 2026: +\$2,118**

The shift in
segment inventory
accounts for

+\$952

Pullback in discount or
incentive aggressiveness
accounts for

+\$99

The increase in
2027 MYCO MSRPs
accounts for

+\$1,067*

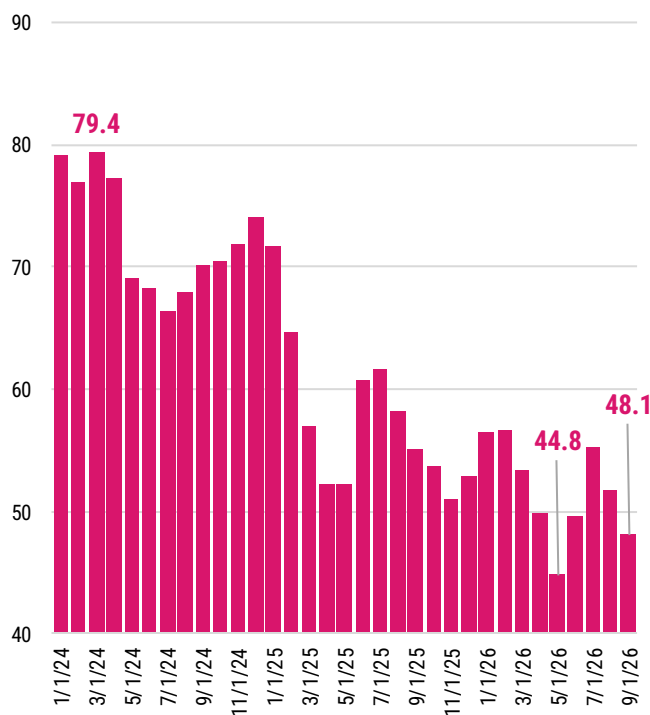
* Currently, 117 model MYCOs are classified as "mature" (inventory of 250+; with more MYCOs set to be implemented in Q4 2026 and Q1 2027, price increases will likely continue

Consumer Confidence Nears an All-Time Low;

Economic Metrics are Pointing to Substantive Marketplace Risk

Consumer Confidence

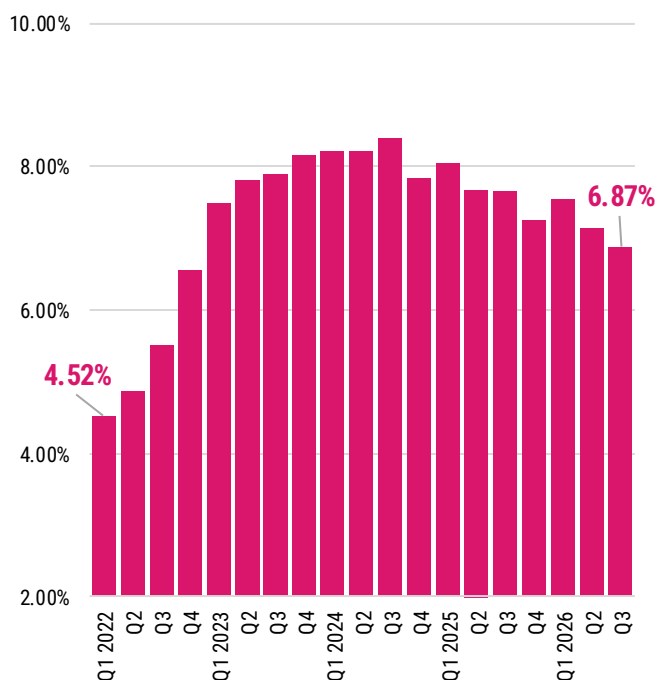
Source: University of Michigan



Interest Rate Trend

New Vehicle • 60-Month Term

Source: Federal Reserve Bank



Loans issued to subprime borrowers have increased by

+10.7% YoY

TO \$59 BILLION

Source: Equifax, July 2026

The average new vehicle loan term is now

69.5 months

as OEMs and dealers work to keep monthly payments lower

Source: Experian Automotive, August 2026

Subprime “severe” delinquencies (60+ days) hit

6.13%

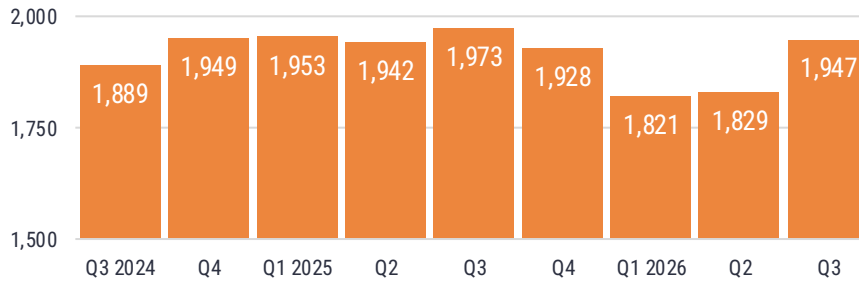
after reaching a seasonal (post-holiday) 32-year high in January 2026 (6.90%)

Source: Fitch Ratings, August 2026

Used Vehicles:

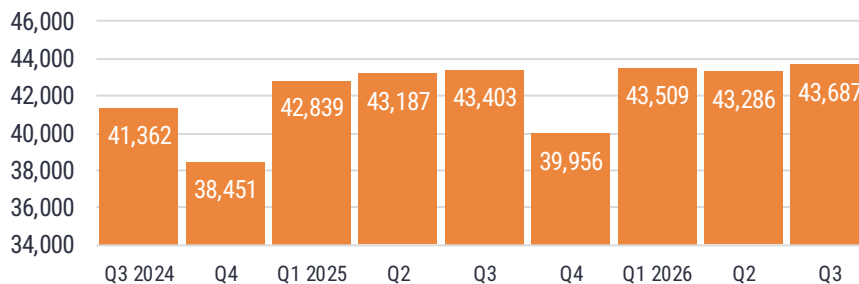
Movement heads upward to multi-year high, though turn rate drops as inventories rise

Average Inventory (000s)



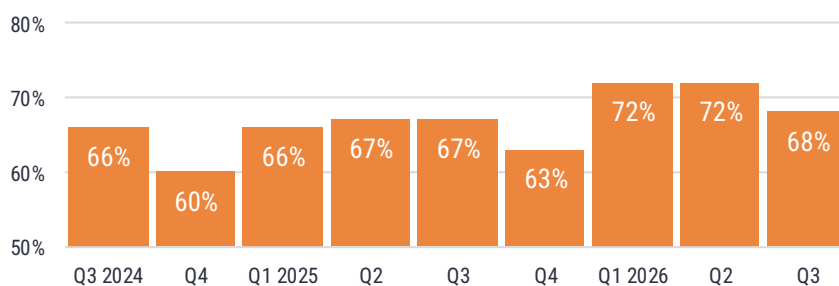
Up 6.4%
QoQ;
at levels
similar to a
year ago

Vehicles Moved Per Day



Relatively
flat over
the past
three
quarters
and vs. a
year ago

Turn Rate

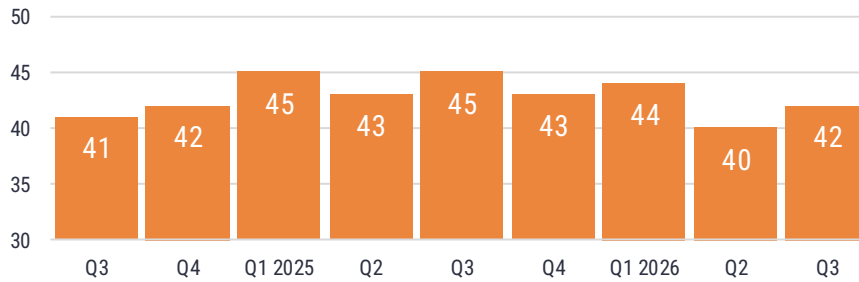


Falls
4 points
QoQ
but is 1 point
ahead as of
year ago

Used Vehicles:

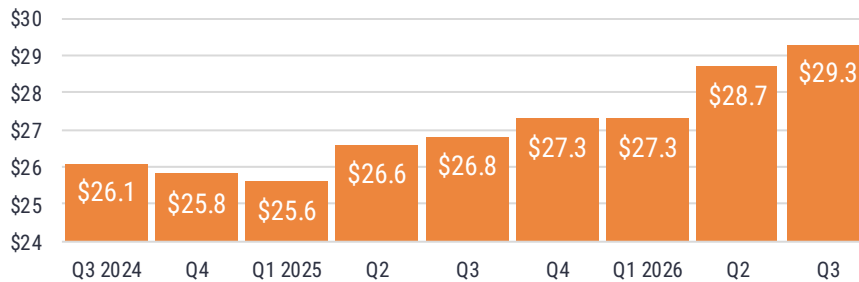
Pricing jumps, matching New vehicle trends

Days-to-Move



Up 2 days in the latest quarter, but **relatively flat** for the past two years

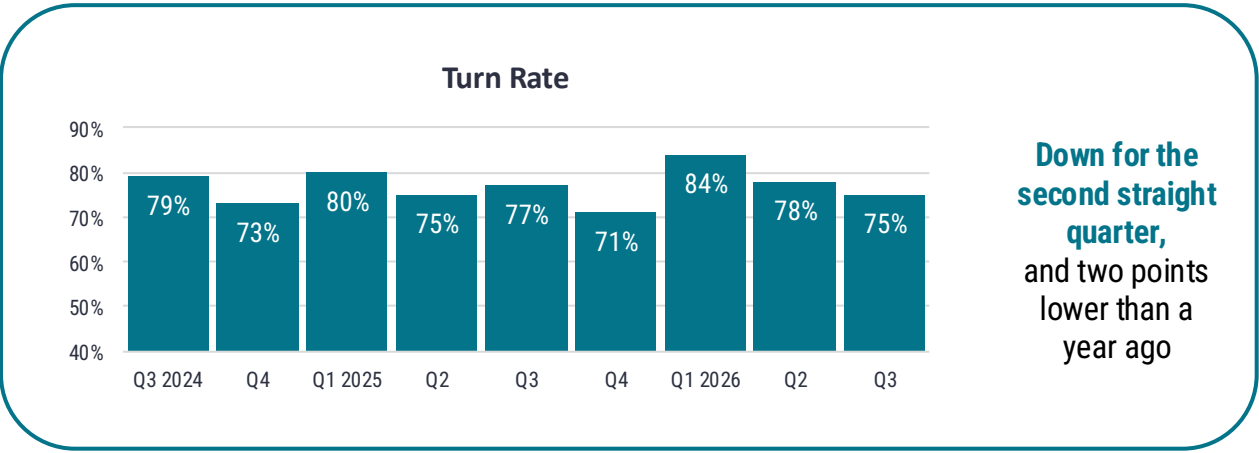
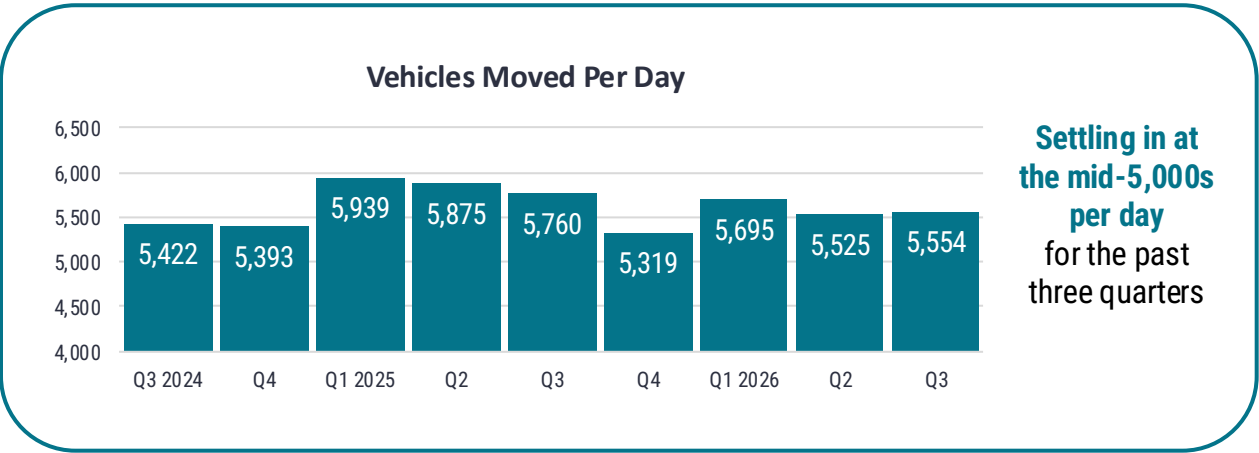
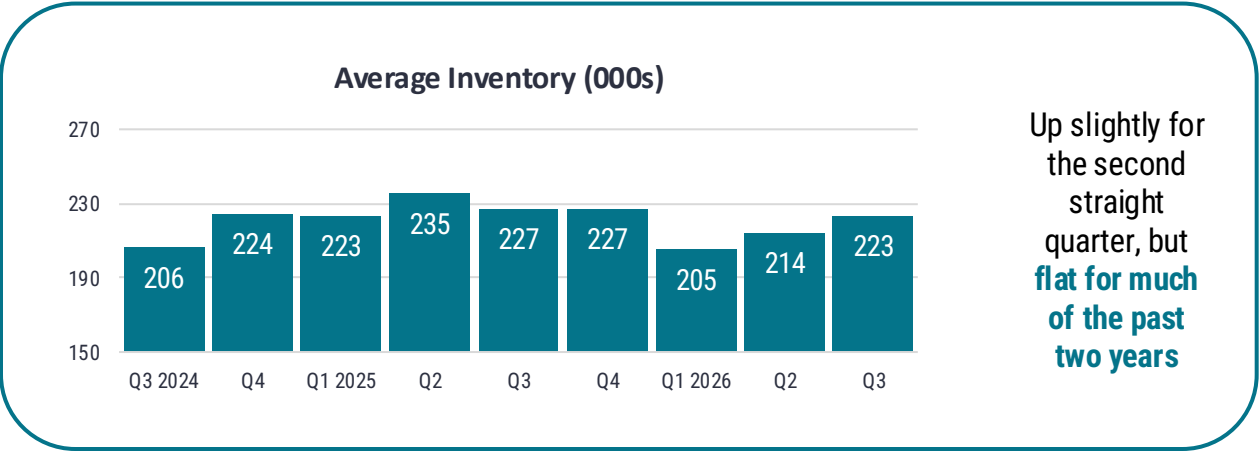
Average Marketed Price (\$000s)



Jumps in tandem with new prices, **up \$2K** since the beginning of the year

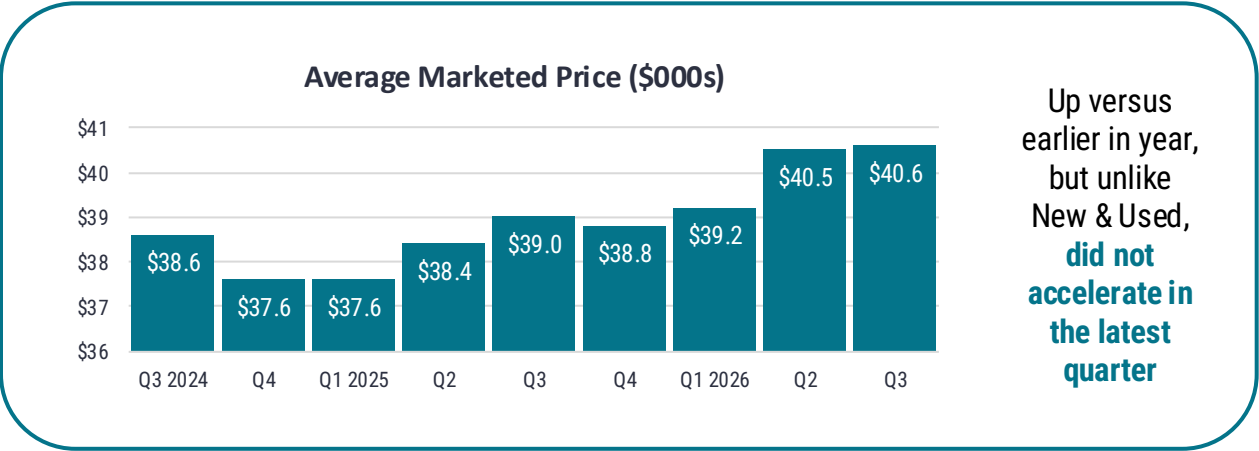
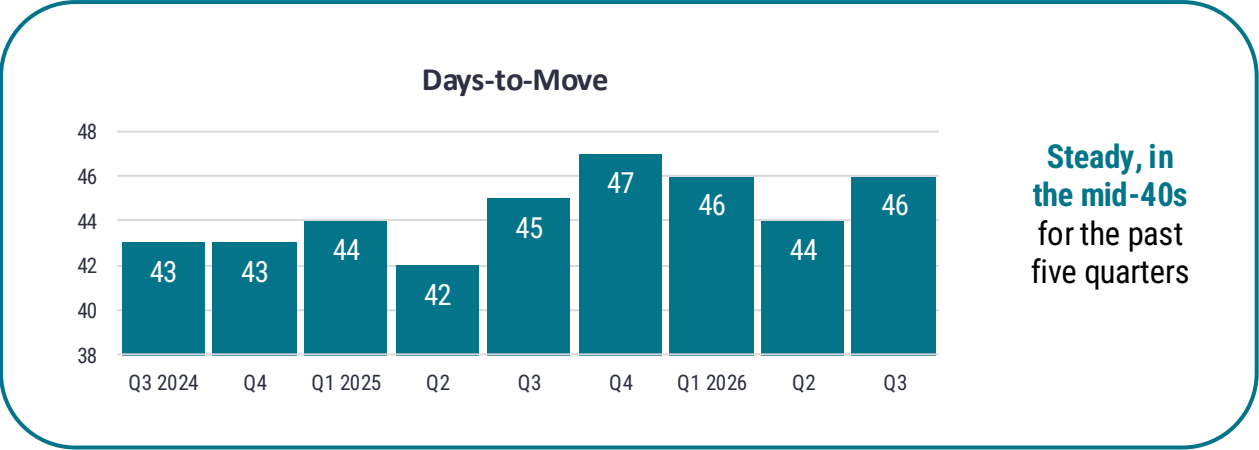
Certified Vehicles:

Movement is flat, but turn rates drop in light of increasing supply



Certified Vehicles:

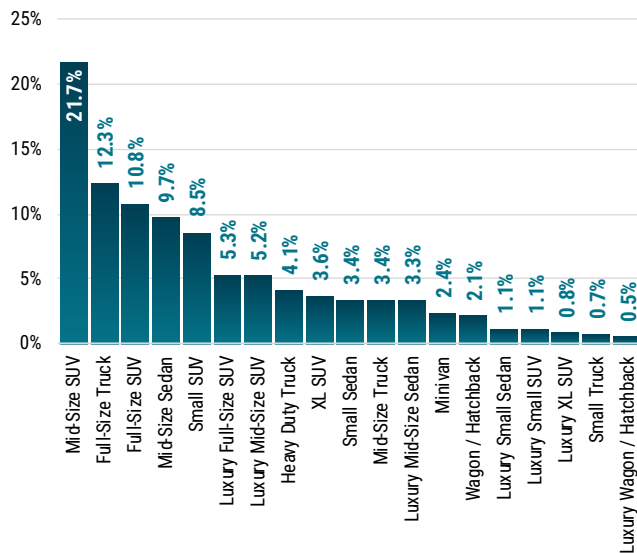
Prices are up (though not as sharply as New and Used)



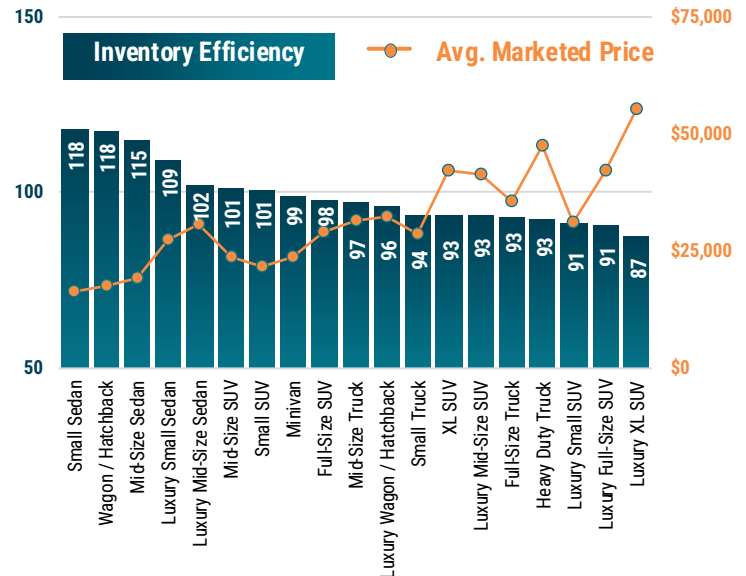
Used & Certified Vehicles: Value Extends Beyond Smaller Vehicles

Small SUVs follow the trend, while XL SUVs and Heavy-Duty Trucks are gaining market share faster than inventory

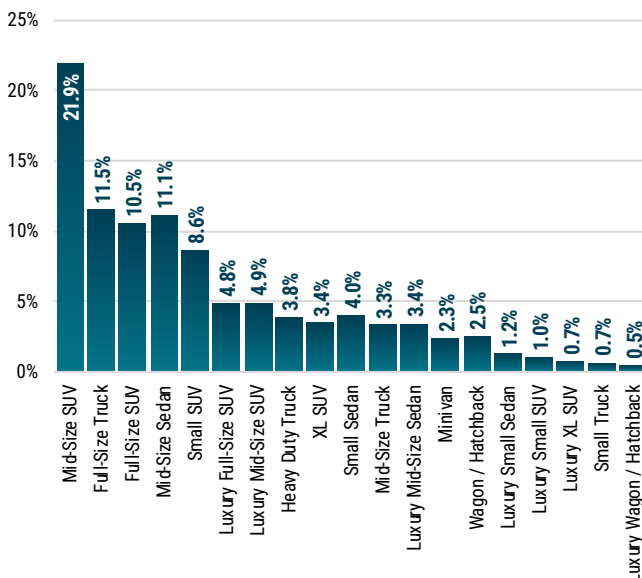
Inventory Share by Segment
Used & Certified Vehicles • Q3 2026



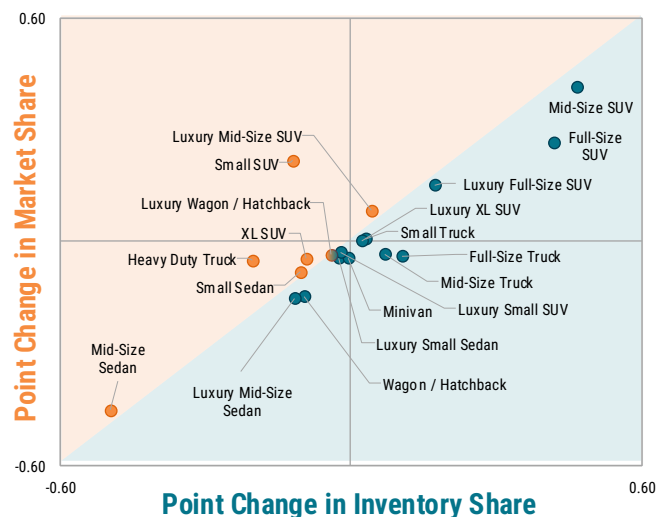
Inventory Efficiency vs. Pricing
Used & Certified Vehicles • Q3 2026



Market Share by Segment
Used & Certified Vehicles • Q3 2026



Q3 2026 vs. Q2 2026



About the Inventory Efficiency Index

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New, Used, and CPO: Actionable Guidance for Automotive Retail

Consumers are not exiting the market—they are buying differently—trading down into smaller, more efficient, more affordable vehicles while inventory builds in the segments they are leaving behind.

Implications for Retailers

- ❑ **Stock where the turn is:** Sedans, wagons, and small/mid-size SUVs lead inventory efficiency.
- ❑ **Manage the slow end:** Full-size and heavy-duty trucks, XL SUVs, and luxury are accumulating supply.
- ❑ **Sell the trade-down:** Position smaller body styles and lower trims as deliberate value choices.
- ❑ **Keep used and CPO sharp:** Used movement is at a multi-year high, but turn rates are cooling.
- ❑ **Protect gross on fast movers:** Reserve concessions for inventory that genuinely needs help.

Implications for OEMs

- ❑ **Align allocation to the shift:** Production should follow demand into affordable and efficient segments rather than historical mix.
- ❑ **Watch large-vehicle supply:** Net inventory inflows in full-size trucks, heavy-duty, and XL SUVs signal building risk.
- ❑ **Reinforce entry price points:** Trim and packaging strategy is now the primary affordability lever.
- ❑ **Use CPO to hold the customer:** Certified programs keep trading-down buyers inside the brand.

Market and Consumer Dynamics

Record Prices, Record-Low Confidence, and Looser Credit

Affordability pressure intensified in Q3 2026. Average marketed new vehicle prices reached an all-time high of \$52,770 on September 30, up \$2,118 since Q1 — and roughly half of that traces to 2027 model-year changeover MSRPs that are not yet fully mature, so further increases are likely.

Consumer confidence sits at 48.1, near an all-time low. Financing rates have eased to 6.87% but remain historically high, and payment relief is arriving through longer terms rather than lower prices.

That relief carries a cost: Loans now average 69.5 months, subprime originations are up 10.7% to \$59B, and 60-day-plus subprime delinquencies sit at 6.13%. Volume sustained this way borrows demand from future quarters or risks putting consumers in precarious positions that make it harder for them to recover.

Takeaways

- ☐ Prices are still climbing while confidence nears a record low — the affordability gap is widening
- ☐ Payment engineering is doing the work price relief is not; longer terms keep buyers in but lock them in longer
- ☐ Credit is now a risk channel, not just an enabler — subprime volume and delinquencies threaten the next trade cycle

Market & Consumer Dynamics:

Actionable Guidance for Automotive Retail

Implications for Retailers

- ✓ **Lead with the payment, disclose the term:** Payment-first selling works, but transparency on term length protects trust and repeat business.
- ✓ **Price against the changeover:** With 2027 MYCO MSRPs still maturing, position current model-year units as a closing value window.
- ✓ **Use discounts and incentives surgically:** Market adjustments have held in a narrow range—target support at the VINs that need it, not the whole lot; ensure that consumers can find the VINs that need help selling by prominently featuring that inventory.
- ✓ **Shift mix toward attainable price points:** Entry and mid-tier trims will outperform premium-heavy inventories in this confidence environment.
- **Qualify early and honestly:** With subprime lending on the rise, it's more important than ever to match buyers with realistic financing options.

Implications for OEMs

- ✓ **Weigh MSRP increases against demand:** Half of this year's price gain is model year changeover-driven; maturing models will increase risk as prices continue to face MYCO pressure.
- ✓ **Fund affordability, not just rate:** Incentives that shorten terms are healthier than ones that stretch them.
- ✓ **Refine incentive efficiency:** Target the segments and geographies under the most pressure rather than broad national programs.
- ✓ **Protect residuals from term creep:** 69.5-month loans deepen negative equity and threaten future trade cycles.

Fuel & Technology Shifts

Gas Prices Are Redrawing Powertrain Demand

Gas prices have risen more than a dollar a gallon since the onset of the war with Iran, reaching roughly \$4.30 in Q3 2026, and consumers responded quickly. Hybrid movement is up 33% year over year and has accelerated every month since March, making hybrids the clearest beneficiary of fuel-cost pressure. EVs moved the other way, down 40% year over year, as policy shifts have driven investment, planning, and production decisions.

Takeaways

- ✓ Hybrids are the primary way consumers are absorbing fuel costs without leaving the new vehicle market.
- ✓ EV demand has contracted sharply—plan volume around hybrid momentum and position EVs where the buyer and use case clearly fit.

Fuel & Technology:

Actionable Guidance for Automotive Retail

Consumers are prioritizing practical efficiency—lower running costs without the trade-offs or price premium of full electrification.

Implications for Retailers

- ❑ **Put hybrids front and center:** Hybrid demand is up 33% year over year—merchandising and ad spend should reflect that.
- ❑ **Sell total cost of ownership:** At \$4.30 gas, fuel savings are a concrete payment offset consumers can act on.
- ❑ **Reposition EVs, don't abandon them:** With EV movement down 40%, focus on buyers with home charging and predictable commutes.
- ❑ **Match mix to local fuel prices:** Efficiency demand is strongest where pump prices are highest.

Implications for OEMs

- ❑ **Prioritize hybrid capacity:** Hybrids are the near-term demand sweet spot and are tight in the fastest-turning segments.
- ❑ **Reset EV expectations:** A 40% decline calls for realistic volume planning rather than target-driven allocation.
- ❑ **Equip dealers to sell efficiency:** Fuel-savings and total cost of ownership tools convert interest into closed deals.
- ❑ **Hedge fuel volatility in product plans:** Powertrain strategy should hold up if gas retreats as quickly as it rose.

Closing Perspective

The Q3 2026 market is best understood as a market that is still working—but working differently. Consumers have not stepped back: new vehicle movement is up 3.1% year over year, turn rates have improved for three straight quarters, and used volume sits at a multi-year high. What has changed is how consumers say "yes" to buying a car—smaller vehicles, more efficient powertrains, and longer, more liberal financing.

Those adjustments are genuine strengths. Sedans, wagons, and small SUVs are turning fastest, hybrids are up 33% year over year, and retailers who match inventory and marketing to that shift are being rewarded. Demand has not disappeared—it has moved, and it is findable.

But the conditions supporting it are stretched. Average marketed prices hit an all-time high of \$52,770, with roughly half of this year's increase coming from 2027 model-year changeovers that are not yet fully mature, so further increases are likely. Consumer confidence is near an all-time low. The average loan runs 69.5 months, subprime originations are up 10.7% to \$59B, and severe subprime delinquencies remain elevated after a 32-year high in January.

Read together, these are storm clouds that bear watching and require managed outcomes. A market that sustains volume by extending terms and widening credit is borrowing demand from future quarters and deepening negative equity in the trade cycle that follows. Near-term numbers can look healthy while the longer-term foundation weakens.

For retailers and OEMs, the imperative is to capture today's demand without compounding tomorrow's risk—aligning inventory mix, pricing, and VIN-level marketing support to where demand is genuinely moving, while holding discipline on term length, credit structure, and price increases. Those who do both will still be selling when the credit cycle turns.

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.

616-254-0640 | hello@catalystiq.com