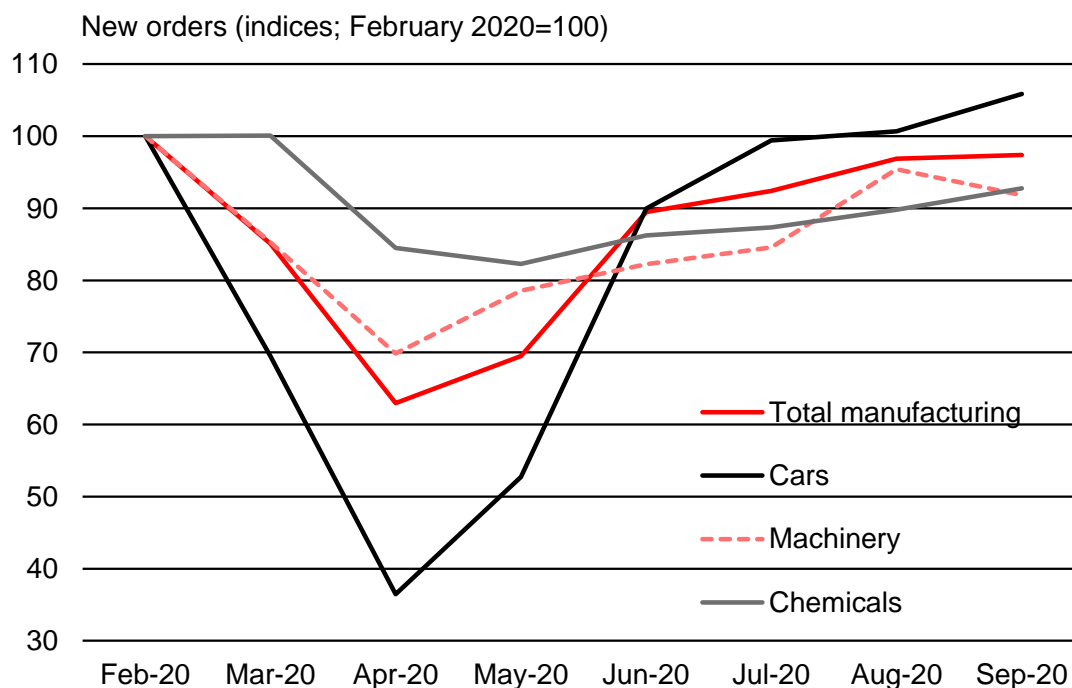


## Car sector coming to the rescue of the German economy



Source: destatis, UniCredit Research

- An unlikely candidate has come to the rescue of the German economy: the auto industry. As released this morning, new orders in the car sector rose further strongly in September and even exceeded their pre-crisis level in February by nearly 6%.
- The latest “rally” of German automakers is a big surprise after being put under pressure by structural transformation needs towards green energies and being battered by the lockdown in spring. At that time, new orders plunged by more than 60%, far more than in any other key sector such as machinery and chemicals.
- Domestic new orders in the car industry also managed to rise somewhat above their pre-crisis level, possibly supported by the temporary VAT cut. However, the key driver was demand from abroad. We suspect that the rebound in Chinese and US auto sales helped but also the purchase incentives in some European countries, such as France and Italy.
- While the latest new orders figures are the September data, they provide some hope for the German economy at the turn of the year. Assuming no massive cancellation of already collected orders, carmakers can work them off and increase their output in the next few months. This may dampen the negative impact from the recent lockdown on overall GDP.

**Dr. Andreas Rees**, Chief German Economist (UniCredit Bank, Frankfurt)  
 +49 69 2717-2074  
[andreas.rees@unicredit.de](mailto:andreas.rees@unicredit.de)

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UniCredit Research\*

Macro Research



**Erik F. Nielsen**  
Group Chief Economist  
Global Head of CIB Research  
+44 207 826-1765  
erik.nielsen@unicredit.eu



**Dr. Ingo Heimig**  
Head of Research Operations  
& Regulatory Controls  
+49 89 378-13952  
ingo.heimig@unicredit.de

Head of Macro Research



**Marco Valli**  
Head of Macro Research  
Chief European Economist  
+39 02 8862-0537  
marco.valli@unicredit.eu

European Economics Research



**Dr. Andreas Rees**  
Chief German Economist  
+49 69 2717-2074  
andreas.rees@unicredit.de



**Dr. Loredana Federico**  
Chief Italian Economist  
+39 02 8862-0534  
loredanamaría.federico@unicredit.eu



**Stefan Bruckbauer**  
Chief Austrian Economist  
+43 50505-41951  
stefan.bruckbauer@unicreditgroup.at



**Tullia Bucco**  
Economist  
+39 02 8862-0532  
tullia.bucco@unicredit.eu



**Edoardo Campanella**  
Economist  
+39 02 8862-0522  
edoardo.campanella@unicredit.eu



**Walter Pudschedl**  
Economist  
+43 50505-41957  
walter.pudschedl@unicreditgroup.at



**Chiara Silvestre**  
Economist  
chiara.silvestre@unicredit.eu



**Dr. Thomas Strobel**  
Economist  
+49 89 378-13013  
thomas.strobel@unicredit.de

International Economics Research



**Daniel Vernazza, Ph.D.**  
Chief International Economist  
+44 207 826-7805  
daniel.vernazza@unicredit.eu

EEMEA Economics Research



**Dan Bucsa**  
Chief CEE Economist  
+44 207 826-7954  
dan.bucsa@unicredit.eu



**Gökçe Çelik**  
Senior CEE Economist  
+44 207 826-6077  
gokce.celik@unicredit.eu



**Mauro Giorgio Marrano**  
Senior CEE Economist  
+43 50505-82712  
mauro.giorgiomarrano@unicredit.de



**Artem Arkhipov**  
Head, Macroeconomic Analysis  
and Research, Russia  
+7 495 258-7258  
artem.arkhipov@unicredit.ru



**Hrvoje Dolenc**  
Chief Economist, Croatia  
+385 1 6006-678  
hrvoje.dolenc@unicreditgroup.zaba.hr



**Dr. Ágnes Halász**  
Chief Economist, Head, Economics and  
Strategic Analysis, Hungary  
+36 1 301-1907  
agnes.halasz@unicreditgroup.hu



**Ľubomír Koršňák**  
Chief Economist, Slovakia  
+421 2 4950 2427  
lubomir.korsnak@unicreditgroup.sk



**Anca Maria Negrescu**  
Senior Economist, Romania  
+40 21 200-1377  
anca.negrescu@unicredit.ro



**Kristofor Pavlov**  
Chief Economist, Bulgaria  
+359 2 923-2192  
kristofor.pavlov@unicreditgroup.bg



**Pavel Sobišek**  
Chief Economist, Czech Republic  
+420 955 960-716  
pavel.sobisek@unicreditgroup.cz