



German American
Chambers of Commerce
Deutsch-Amerikanische
Handelskammern



REPRESENTATIVE
of German Industry + Trade



German American Business Outlook 2017

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December 5, 2016

German American Business Outlook 2017

Introductory remarks

 Immediately following the 2016 US presidential election, the **German American Chambers of Commerce (GACCs – AHK USA)**, the **Representative of German Industry & Trade (RGIT)**, and **Roland Berger Strategy Consultants**, for the seventh time, conducted a survey of German subsidiaries in the U.S.: the **German American Business Outlook**

 **1,900 headquarters of German subsidiaries** in the U.S. were approached, **senior management** from various industries responded, mainly from the traditional German Mittelstand (88%)

 The purpose of the survey was to gauge respondents' opinions on the **current business conditions and future outlook** in light of the newly elected administration

Structure of results presentation

1 Survey respondent analysis

2 U.S. election and German business in the U.S.

3 State of business

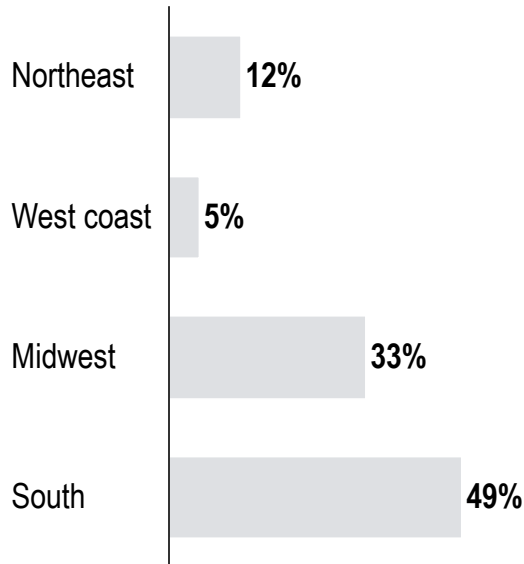
4 Future expectations



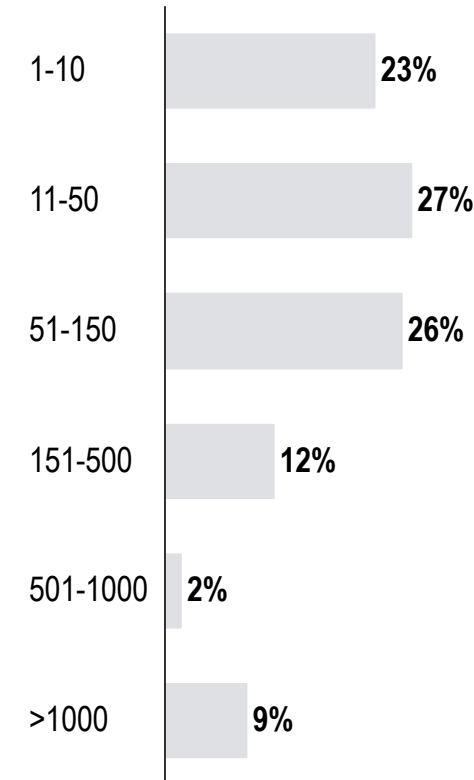
Respondents represented a comprehensive spectrum of regions and industries, primarily SMEs in Automotive and Manufacturing

Study participant breakdown

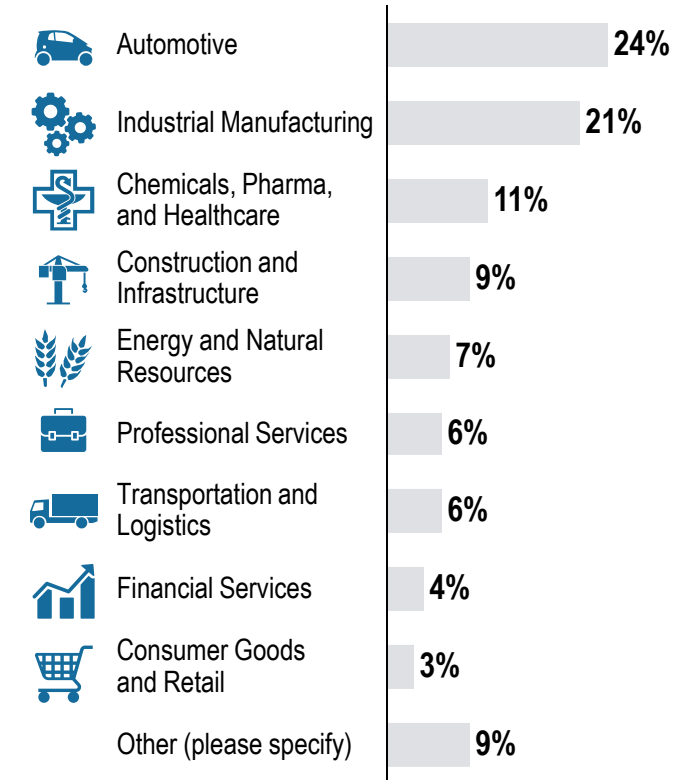
By region [%]



By company size¹⁾ [%]



By industry²⁾ [%]

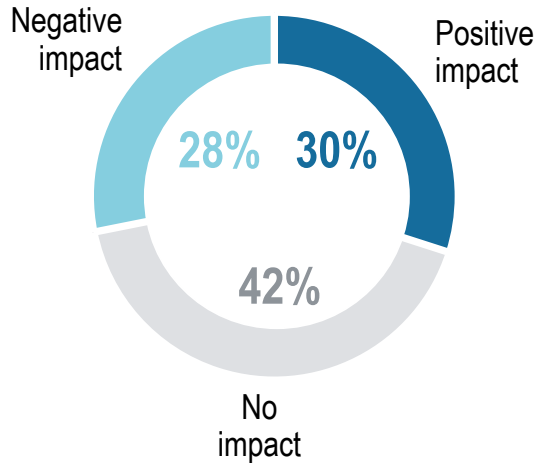


1) Based on employee count; 2) Respondents can be present in more than one industry – results normalized to 100%

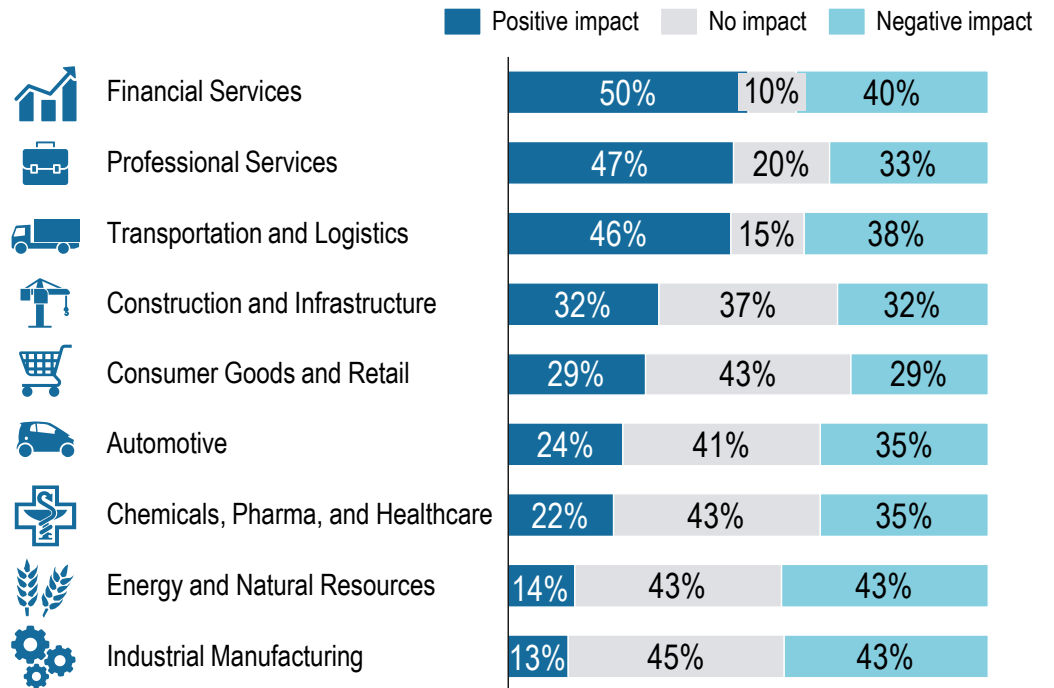
As with most elections, opinion is split on the impact of recent presidential election in the US

"Do you expect that the newly elected U.S. Administration's economic policies will benefit your U.S. business?"¹⁾

Overall [%]



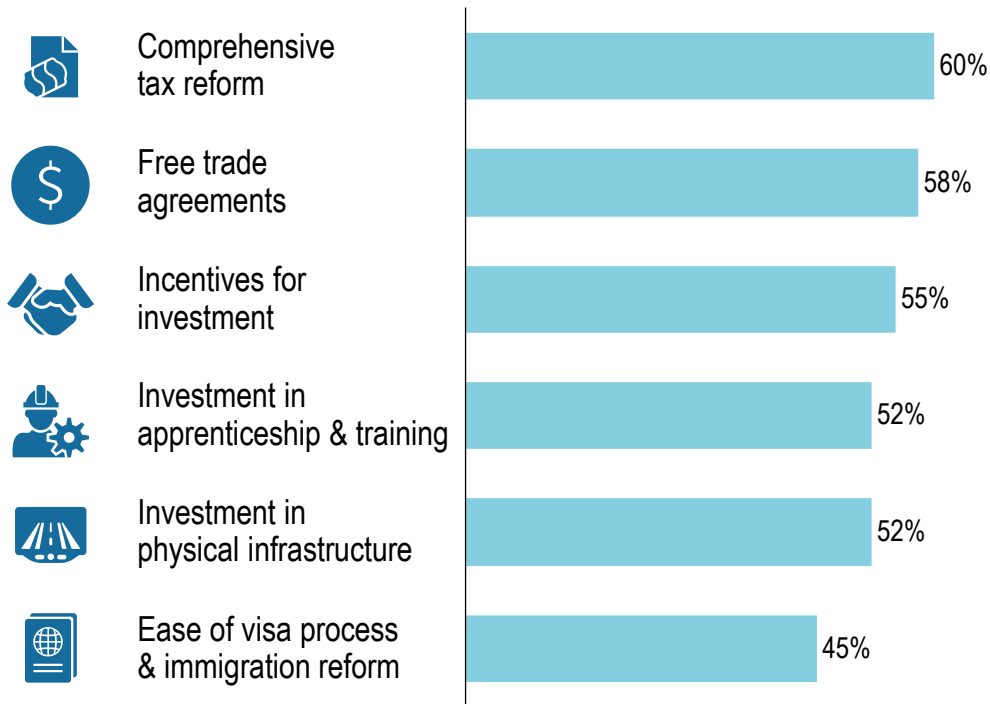
By industry²⁾ [%]



1) Only includes responses submitted after election day; 2) Numbers may not sum to 100% due to rounding

Opinion is also split regarding preferred priorities for the new Administration

"Which of the following should be prioritized by the new U.S. Congress / Administration?"¹⁾



Example "Other" responses...

“Comprehensive lobbying & campaign finance reform”

“Reduce regulation and bureaucracy”

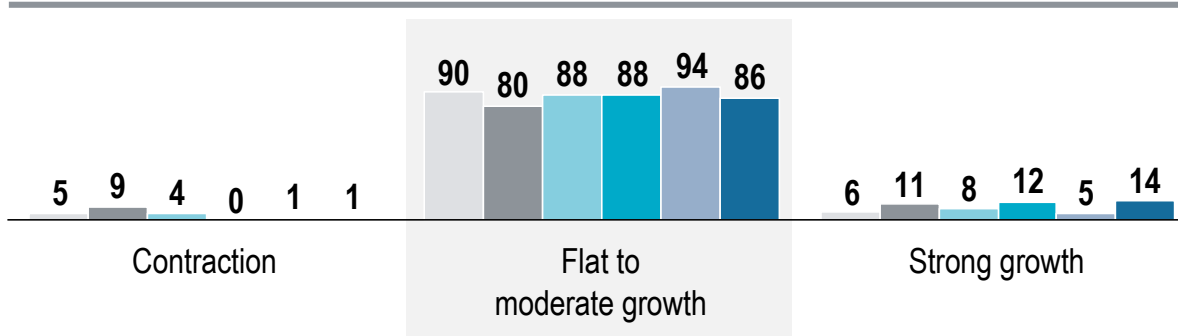
“Health care reform”

“Ports”

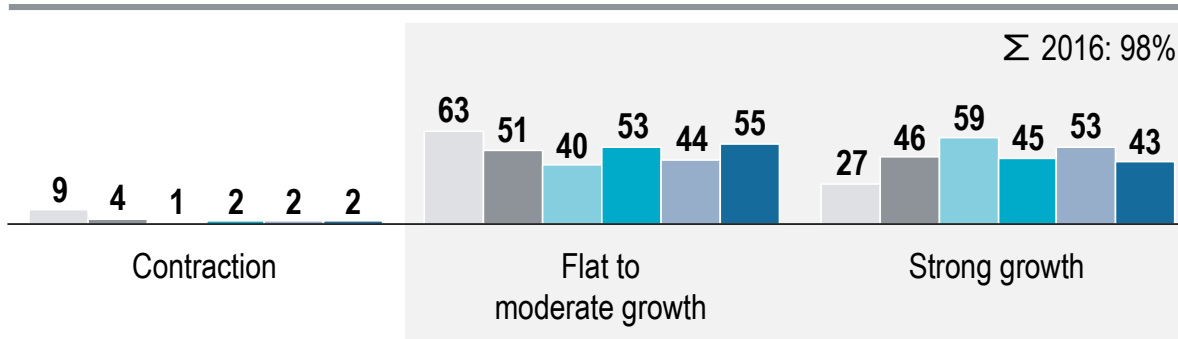
1) Share of overall votes (multiple responses allowed)

Most companies are more optimistic about their own business growth outlook than about the U.S. economy as a whole

U.S. growth outlook¹⁾ [%]



Own business growth outlook¹⁾ [%]



2011 2012 2013 2014 2015 2016

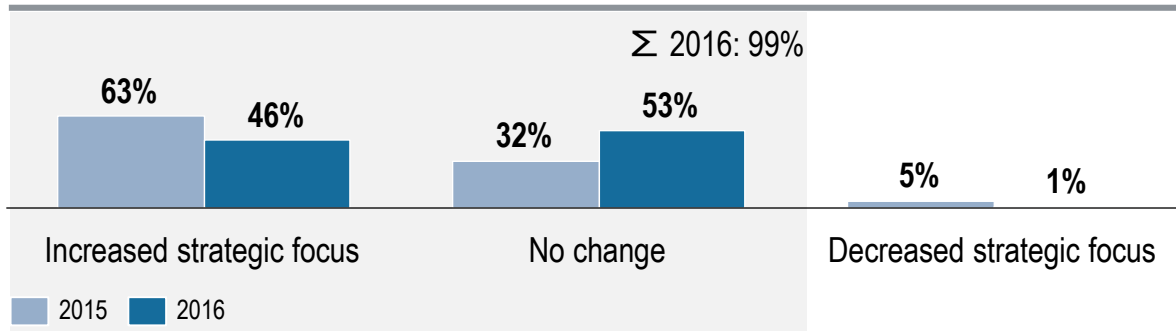
1) Flat is defined as +0-1%, moderate is defined as +1-3%, while strong is defined as +>3%; Numbers may not sum to 100% due to rounding

Insights

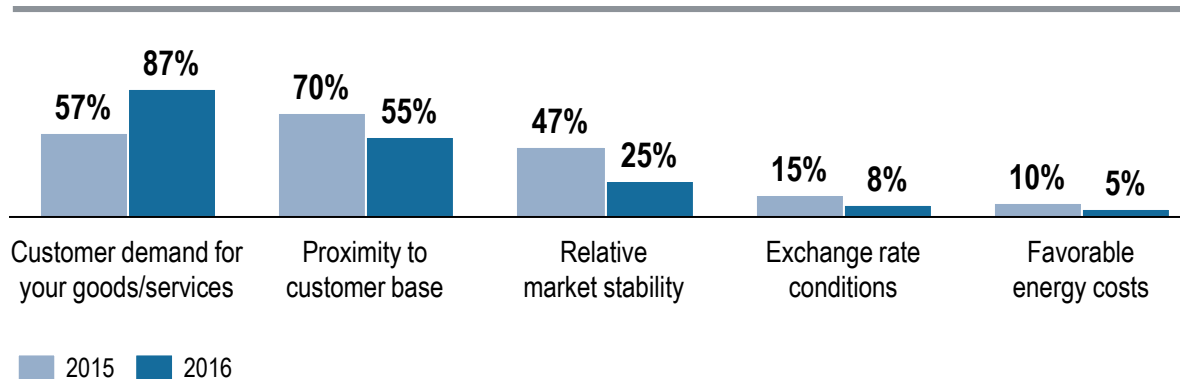
- > Companies have positive outlook for the U.S. economy
- > 14% of companies, the largest share in five years, expect strong growth of the U.S. economy in 2017

Driven by customer demand, the U.S. remains a key strategic focus for many German companies

Strategic focus on U.S. since last year [%]



Top reasons for future investment in the U.S.¹⁾ [%]



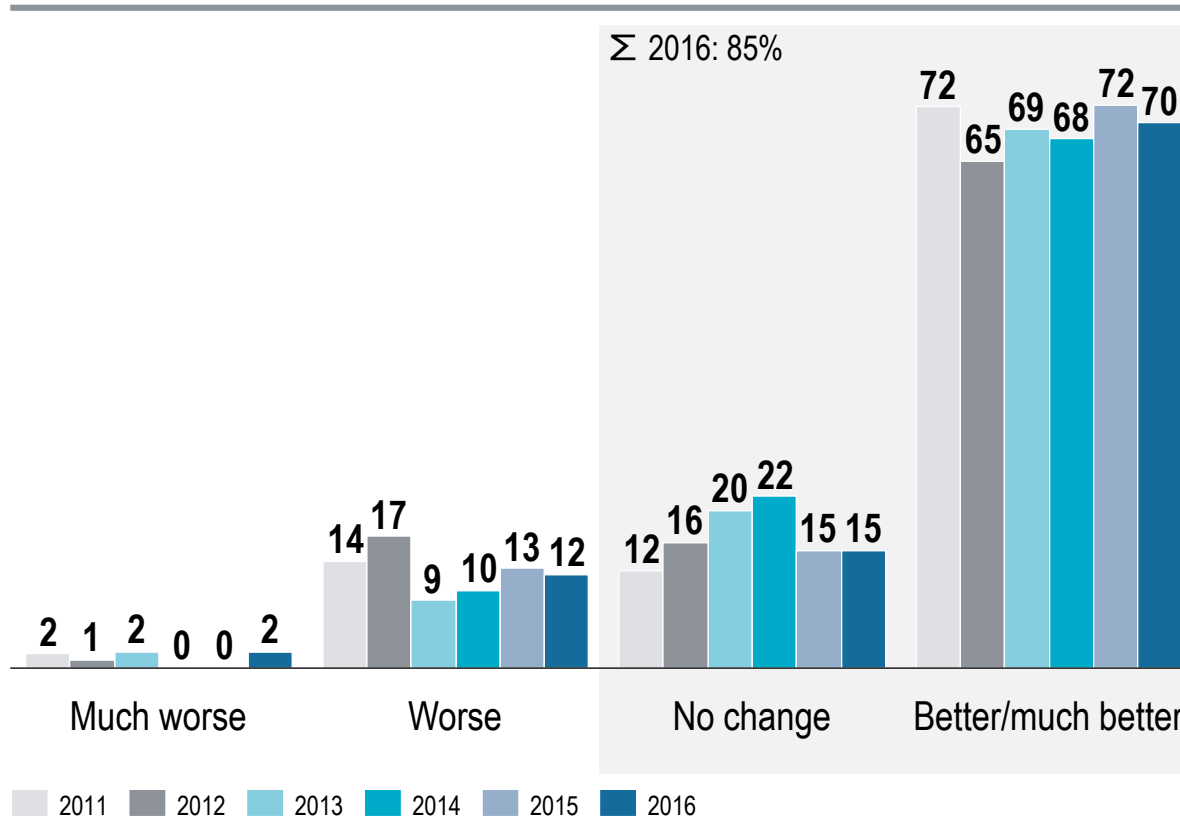
1) Multiple responses allowed

Insights

- > Only 1% of companies are decreasing their focus on the U.S.
- > Investment in the U.S. is driven by strong demand for products (87%) and the opportunity to be closer to customers (55%)

Sales volume continues to grow for majority of respondents – Sixth consecutive year of strong growth

Change in sales volumes [%]



Insights

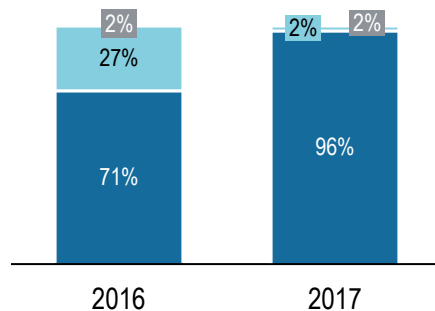
- > 85% of companies report same or better/much better sales volumes, continuing the economic recovery of past years
- > The share of companies with negative impact on sales volumes has slightly increased, 2% of companies reported much worse sales decrease

Regardless of size, 85% of companies plan to increase their workforce in 2017

Headcount change by company size [%] ¹⁾

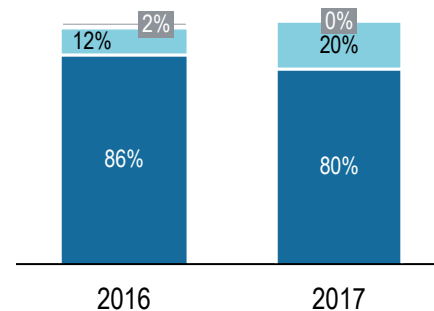
0-50

Planned



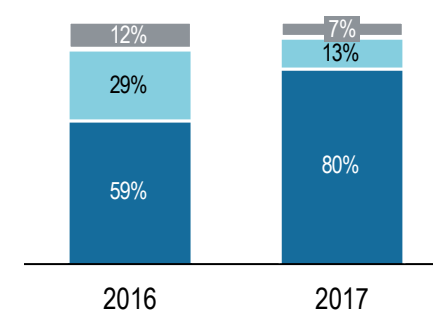
51-500

Planned



501+

Planned

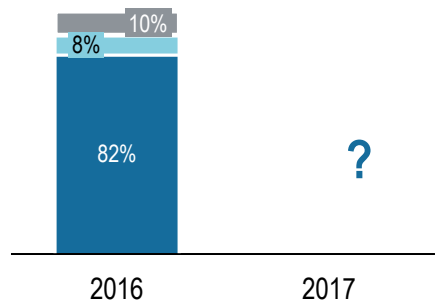


Insights

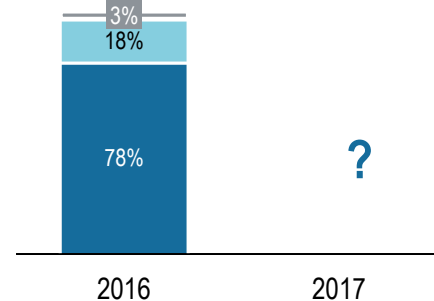
> Large companies hired more than expected in 2016, as German American companies capitalize on the strong US economy

> Small companies are the most optimistic ever when it comes to 2017 hiring plans

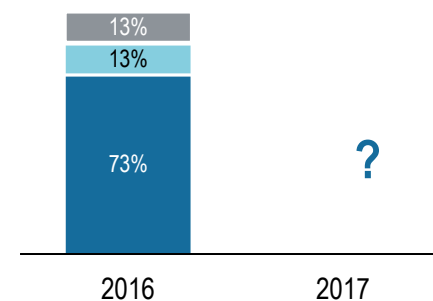
Actual



Actual



Actual



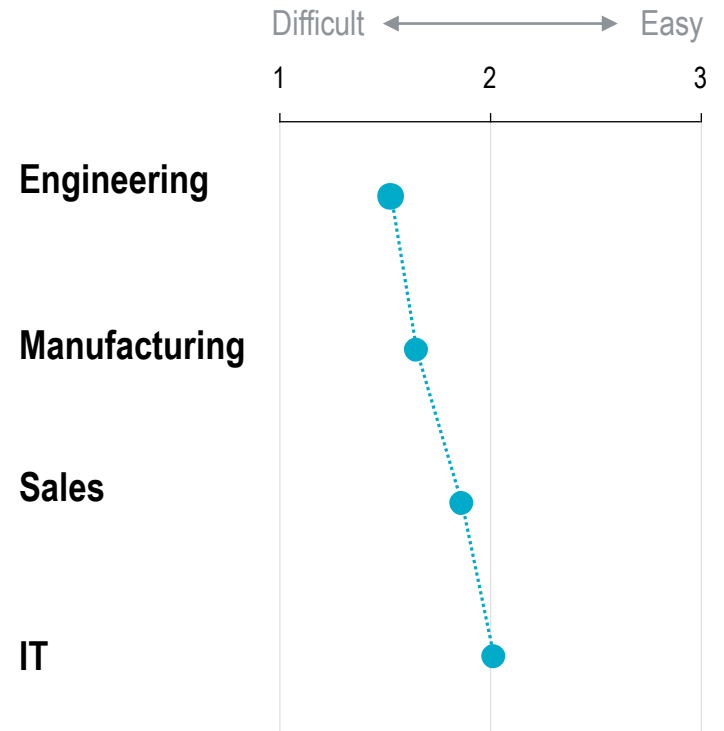
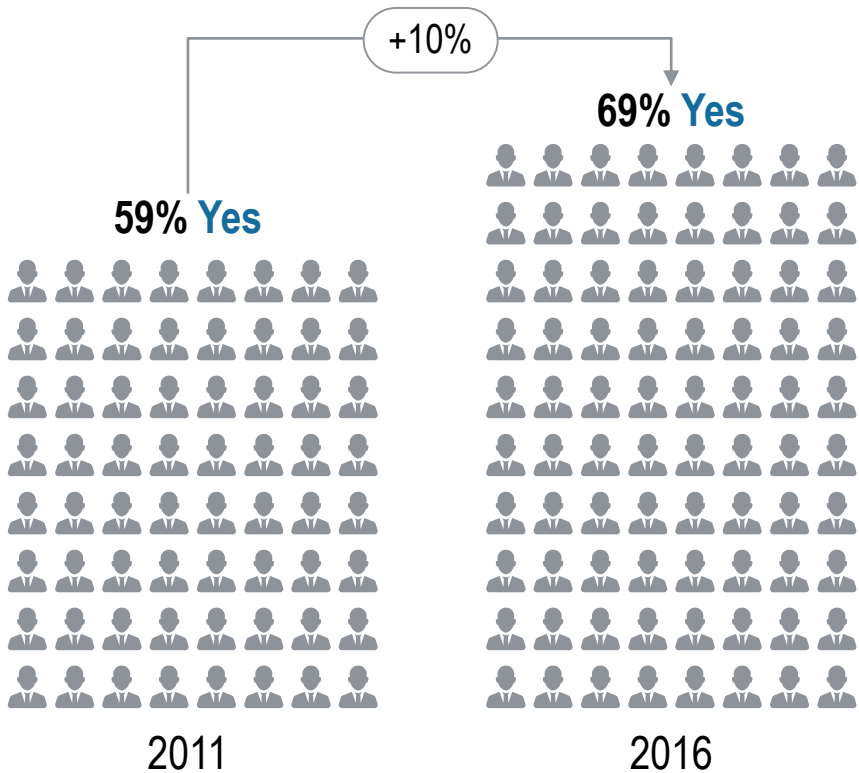
■ Reduction ■ No change ■ Increase

1) Based on employee count

Companies continue to face difficulty attracting skilled labor – Engineering and manufacturing most difficult

"Do you experience difficulty in attracting skilled labor?"

"Please rate the ease of finding qualified workers in the following fields:"



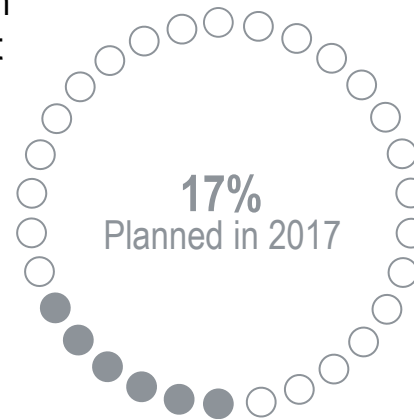
Manufacturing expansion continues to be strong, IT & Big Data investment planned by many companies for 2017

Strategic initiatives



Investment in IT & Big Data

35% of companies plan to invest in IT & big data in 2017 – A sign that SMEs understand the importance of big data



Expansion through M&A

M&A activity is planned to increase from 2016; 50% more companies than in 2016 are planning on M&A in 2017



Expansion of manufacturing capabilities

Investment in manufacturing was the strongest initiative in 2016 and expected to continue in 2017

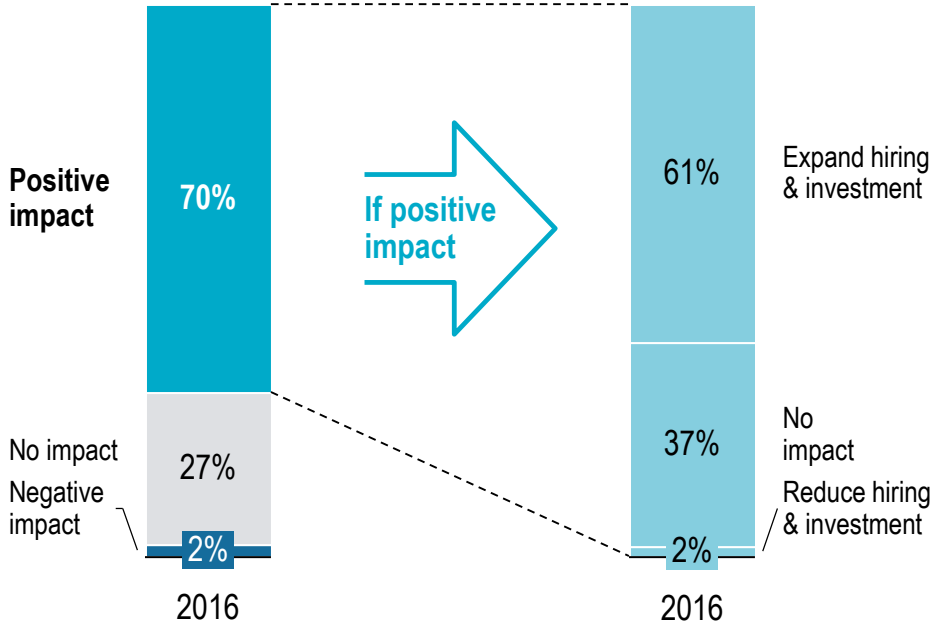
Companies expect a positive impact if tariffs are reduced between the U.S. and EU, while Brexit is unlikely to impact investment

U.S. and EU trade relations

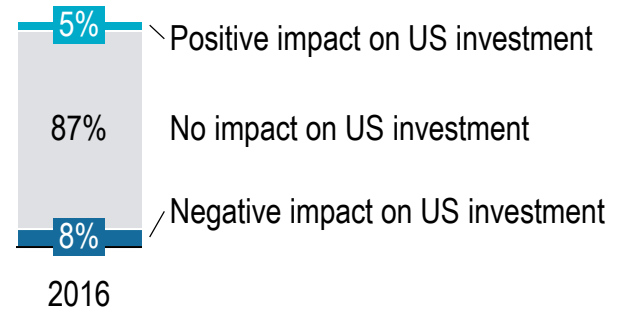
"What impact would reducing tariffs and harmonizing standards between the U.S. and EU have on your U.S. business?"



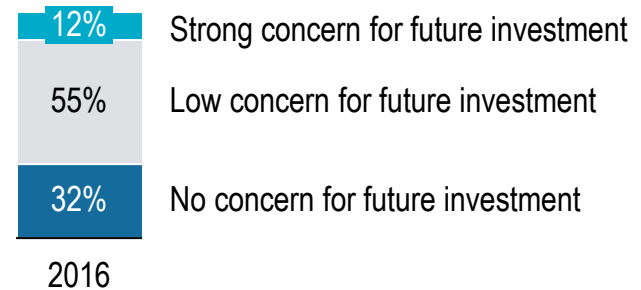
"If positive, how would this impact your employment and investment plans in the U.S.?"



Brexit impact




U.S. legal risks




German American companies continue to grow in a more uncertain business environment


Summary

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U.S. election and German business in the U.S.

As with most elections, opinion is split on the impact of recent presidential election in the U.S. – yet only 1% of companies are decreasing their strategic focus on the U.S. From the new administration, companies expect tax reform, free trade, investment in apprenticeships and infrastructure to support further investment.

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State of business

Sales volume has continued to grow for the majority of companies. Regardless of size, most companies plan to increase their workforce in 2017. Companies continue to face difficulty attracting skilled labor – Engineering and manufacturing most difficult.

- 
Future expectations

Manufacturing expansion continues to be strong, IT & Big Data investment planned by many companies for 2017. Most companies are more optimistic about their own business growth outlook than about the U.S. economy as a whole. Driven by customer demand, the U.S. remains a key strategic focus for many German companies.



With their 3 main offices in Atlanta, Chicago, and New York and branch offices in Detroit, Houston, New York, Philadelphia and San Francisco, the GACCs (AHK USA) have approximately 2,500 members from all industries. The GACCs offer a broad spectrum of activities and services for the German-American business community. Fostering bilateral trade and investment, and the provision of consulting services are among the key tasks. The GACCs, coordinated and supported by the German Association of Chambers of Industry and Commerce (DIHK), are an integral part of the network of German Chambers of Commerce Abroad with 130 offices in 90 countries around the globe.



The Representative of German Industry and Trade (RGIT) is the liaison office of the Federation of German Industries (BDI) and the Association of German Chambers of Industry and Commerce (DIHK) in Washington. RGIT represents the interests of the German business community vis-à-vis Congress, the US administration and the international organizations based in Washington, D.C. We report regularly on economically significant developments as well as legislative activities in the US and provide our partners in the United States with information on German business.



Founded in 1967, Roland Berger is one of the world's leading strategy consultancies. With 50 offices in 36 countries, the company has 2,400 employees contributing to its successful operations in all major international markets. The strategy consultancy is an independent partnership exclusively owned by about 220 Partners.



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