GERMAN AMERICAN BUSINESS OUTLOOK 2016
THE ANNUAL SURVEY AMONG GERMAN FIRMS IN THE U.S.
1,900 headquarters of German subsidiaries were approached for this survey in the fall of 2015. Approx. 12% of senior management responded, mostly from *Mittelstand* firms (German SMEs).
Dear Members and Friends,

The German-American business community relies on a unique mix of qualities that contributes to its reliability and prosperity. In fields like research and development, skills and workforce training, and business development and expansion, German companies are merging the traditional with the innovative, and the cautious with the courageous.

As our 2016 German American Business Outlook confirms yet again, German subsidiaries in the U.S. are eagerly looking toward the next year, expecting more growth and investment. And, worth noting, 3/4 of respondents plan on increasing their workforce in 2016, thus adding new jobs to the German-American market.

While German subsidiaries in the US are looking to grow and invest, the labor market and additional investment in training and education remain crucial issues. To facilitate a fast and sustainable development for skilled workers, the GACCs are driving forward several initiatives to combat the skills gap and implement training programs in cooperation with companies, partner organizations, and educational institutions.

We invite you to join this valuable dialogue and to work with us to continue to make the German-American business community as successful and vibrant as it is today.
Dear Members and Friends of the German American Chambers of Commerce,

The year 2015 has been an important year for the transatlantic relationship. As the economic recovery continues on both sides of the Atlantic, there still are many serious challenges that lie ahead. Whether on energy and climate change, job creation, market stability, or global security, it is clear that a strong transatlantic relationship is essential to addressing these issues effectively.

We know that cross-border trade not only links markets but also binds cultures and societies closer together. It is therefore of utmost importance that we continue to move forward on the Transatlantic Trade and Investment Partnership. This agreement has enormous potential and the capacity to generate jobs and boost economic output on both sides of the Atlantic. Moreover, it will allow us to shape the future structure of the world trade system. TTIP is an opportunity to demonstrate that free trade is possible between the world’s two largest trading blocs in a modern economic order without lowering standards to protect workers, consumers, or the environment. I am confident that together we will make some significant progress in the year ahead.

The digital economy is another area that offers huge potential for future economic growth. The digital revolution has already transformed our societies, with the Internet becoming an important platform for innovation, jobs, and growth. Digitization will continue to change the relationship between businesses and shape our manufacturing processes and factories. We must continue to hold open and vibrant discussions on this topic, as the transatlantic exchange of ideas is crucial for achieving the best outcomes. One example of an excellent platform for such exchange is the upcoming Hannover Messe 2016, the world’s biggest trade fair for industrial technology. I am thrilled that for the first time ever the U.S. will be the featured partner country at the Hannover Messe, offering an opportunity to further deepen the transatlantic relationship.

We have also made some significant progress in the area of workforce development. In June 2015, the German and U.S. governments signed a Joint Declaration of Intent to reinforce their cooperation in this field. The declaration provides a framework in which we can continue to share best practices in sustainable workforce development and provide joint support for future initiatives and measures. For all of these initiatives, I am extremely pleased that I can count on the help and support of the German American Chambers of Commerce. Your work is crucial in helping our businesses succeed in today’s competitive economy. I look forward to working with the German American Chambers of Commerce and our business communities on both sides of the Atlantic.

All the best for a successful new year,

Peter Wittig
Ambassador of Germany to the United States of America
Ladies and Gentlemen,

Despite economic challenges around the world, German companies in the U.S. expect to continue to grow, to hire, and to outperform the U.S. market.

Much like the reliable Mittelstand in Germany, German business in the U.S. is steadily growing. Based on continuous high demand, 41% more companies plan to expand their manufacturing capabilities in the U.S. than in the previous year.

With German firms ready to expand, skills remain a key topic for German-American businesses. While 75% of respondents plan to hire, the market’s current skills gap remains a challenge. This is why German companies see investments in education and better access to a skilled workforce as critical factors to make the U.S. more competitive.

Talking about growth and innovation, it is great to see that the Industrial Internet of Things is getting more attention. The main benefits German companies expect are the automation of production processes and enhanced external connectivity with customers and suppliers. Data security and the actual implementation of cyber-physical systems remain the top challenges. Companies of all sizes will need to address those issues to reap the rewards of smarter production.

As Chairman of the GACCs, I am excited for another year of positive business developments within our community, and I am proud to say that our Chamber network is actively supporting this outstanding record through our services and events.

Thank you all for contributing to our dynamic and progressive German-American business community.
KEY TAKEAWAYS

GERMAN COMPANIES GROW WITH RISING DEMAND IN THE U.S.

Change in Sales Volumes (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worse</td>
<td>23</td>
<td>14</td>
<td>17</td>
<td>9</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Much worse</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No change</td>
<td>6</td>
<td>12</td>
<td>16</td>
<td>20</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Better/Much better</td>
<td>66</td>
<td>72</td>
<td>65</td>
<td>69</td>
<td>68</td>
<td>72</td>
</tr>
</tbody>
</table>

Strategic Focus on U.S. since Last Year (%)

- Greatly reduced: 1%
- Moderately reduced: 4%
- No change: 32%
- Moderately increased: 40%
- Greatly increased: 23%

Top Reasons for Future Investment in the U.S.¹ (%)

- Proximity to customer base: 33%
- Increased consumer demand for goods/services: 27%
- Relative market stability: 22%
- Portfolio diversification: 11%
- Favorable energy costs: 7%

¹) Multiple responses allowed, normalized results to 100%
87% report same or better sales volumes. Access to the U.S. market and customers continues to attract investment. German companies expect to continue to outperform the market. 97% of German companies expect positive revenue growth for their own business in 2016.

---

**Change in Labor Costs (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Much worse</th>
<th>Worse</th>
<th>No change</th>
<th>Better</th>
<th>Much better</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2011</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

---

**Own Business Growth Outlook**

<table>
<thead>
<tr>
<th>Year</th>
<th>Contraction</th>
<th>Flat to moderate growth</th>
<th>Strong growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6</td>
<td>71</td>
<td>24</td>
</tr>
<tr>
<td>2011</td>
<td>9</td>
<td>63</td>
<td>27</td>
</tr>
<tr>
<td>2012</td>
<td>4</td>
<td>51</td>
<td>46</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>40</td>
<td>59</td>
</tr>
<tr>
<td>2014</td>
<td>2</td>
<td>53</td>
<td>45</td>
</tr>
<tr>
<td>2015</td>
<td>2</td>
<td>44</td>
<td>53</td>
</tr>
</tbody>
</table>

---

**U.S. Growth Outlook**

<table>
<thead>
<tr>
<th>Year</th>
<th>Contraction</th>
<th>Flat to moderate growth</th>
<th>Strong growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3</td>
<td>92</td>
<td>6</td>
</tr>
<tr>
<td>2011</td>
<td>5</td>
<td>90</td>
<td>6</td>
</tr>
<tr>
<td>2012</td>
<td>9</td>
<td>80</td>
<td>11</td>
</tr>
<tr>
<td>2013</td>
<td>4</td>
<td>88</td>
<td>8</td>
</tr>
<tr>
<td>2014</td>
<td>0</td>
<td>88</td>
<td>12</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>94</td>
<td>5</td>
</tr>
</tbody>
</table>

---

1) Flat is defined as +0 -1%, moderate is defined as +1-3%, while strong is defined as +>/=3%
SKILLED WORKFORCE

While 75% of companies plan to hire in 2016, almost 70% of companies report difficulties finding candidates with the right skill set, up from 65% last year. As a result, investment in education and dual training grants top the reform agenda.

Relative importance of regulatory reforms

- National Initiatives for Education & Vocational Training: 4.1
- Simplification of Tax System: 3.9
- Investment in Research & Development: 3.8
- Investment in Infrastructure & Broadband: 3.8
- Ease of Visa Requirements: 3.4
Executive Summary

GERMAN COMPANIES CONTINUE TO GROW

97% of German companies expect positive revenue growth for their own business in 2016. New product lines and investment in R&D are the most popular initiatives.

87% of German companies reported the same or much better sales volumes in 2015, continuing their recovery from the economic slowdown.

41% more German companies plan to expand manufacturing capabilities over the prior year, indicating German companies’ confidence in long-term growth in the US.

SKILLS GAP

Skilled labor remains the key need for companies looking for growth in the U.S. market. The GACCs are driving forward several initiatives to combat the skills gap and implement training programs in cooperation with companies, partner organizations, and educational institutions.

75% of German companies plan to increase their workforce in 2016, up from 63% last year. Especially large companies hired more than expected in 2015.

69% of German companies report difficulties identifying employees with adequate skills. To combat this challenge, majority of respondents have in-house training programs.

ELECTION YEAR 2016

- German-American companies believe that public investment in education, R&D and infrastructure is most critical for long-term economic competitiveness.
- Tax reform and simplification of the tax system would further restore market confidence.
- Investment in Research & Development as well as infrastructure are critical factors for sustained economic growth.
- Companies are capitalizing on digitization/Industry 4.0 to gain a competitive advantage through enhanced automation and connectivity – Investment requirements in IT and cyber security infrastructure still present obstacles to adoption, especially for SMEs.
INDUSTRY PANEL

MODERATOR: MR. ROB COX
THOMSON REUTERS
Editor of Reuters Breakingviews

TRUMPF INC.
U.S. HEADQUARTERS: Farmington, CT
OTHER U.S. LOCATIONS: Illinois · Plymouth Township, MI · Cranbury, NJ
EMPLOYEES: U.S.: ~730, Worldwide: ~10,800

BARBARA LANG
CFO,
MAN Diesel & Turbo North America Inc.

MAN DIESEL & TURBO NORTH AMERICA INC.
U.S. HEADQUARTERS: Houston, Texas
OTHER U.S. LOCATIONS: California, Florida, Louisiana, Washington
EMPLOYEES: U.S.: ~300, Worldwide: ~14,500

DR. WALTER MAISEL
President & CEO,
KOSTAL North America

KOSTAL NORTH AMERICA
U.S. HEADQUARTERS: Troy, MI
OTHER U.S. LOCATIONS: Tuscaloosa, AL · Rochester Hills, MI
EMPLOYEES: U.S.: ~850, Worldwide: ~14,000

MARTIN RICHENHAGEN
Chairman, President & CEO,
AGCO Corp. (Chairman AHK USA)

AGCO
U.S. HEADQUARTERS: Duluth, Georgia
Global Manufacturing Locations
EMPLOYEES: Worldwide: ~17,300

Peter Hoecklin is the President & CEO of TRUMPF Inc. in Farmington, Connecticut. Since July 2014 he is responsible for all TRUMPF Inc.'s subsidiaries and business operations in North America, including manufacturing, engineering, research and development, customer service, technical training, product sales, and applications. Mr. Hoecklin joined TRUMPF in 2003 and has served the company in Germany and Asia. Mr. Hoecklin holds an MBA, a Master of Engineering and a Bachelor of Science, Applied & Engineering Physics, from Cornell University in Ithaca, New York.

Barbara Lang is the CFO of MAN Diesel & Turbo North America. Following studies in Business Administration and Economics, she started her career with Arthur Andersen in 1995 in Germany. In 1997 she joined the Freudenberg Group and held various Finance positions in Germany and France. Barbara was appointed CFO at MAN Diesel & Turbo France in 2004 and remained there until she assumed the position of CFO at MAN Diesel & Turbo NA. in March 2013 and transferred to the US.

Dr. Maisel holds dual German and US citizenship and received masters degrees in electrical engineering, mathematics and physics, as well as a Doctorate in computer science from Universities in Germany. Spending 14 years at Siemens and SiemensVDO, he held senior leadership positions in Germany and in the US, including numerous business growth, turnaround, and merger initiatives. In 2004, he was hired by Magna International to lead the strategy development, set up, and implementation for the company's electronics business. He became President and CEO of Kostal North America in 2006, by the family owned German Tier 1. Alongside numerous industry affiliations, Walter is Vice Chairman of the German American Chamber of the Midwest, Chairman and President of the Michigan Chapter and served for more than 6 years in the University of Michigan, School of Engineering's Advisor Council.

AGCO Chairman, President and CEO Martin Richenhagen was the first and for many years the only German CEO of a US Fortune 500 company. Born and raised in Cologne, he studied theology, philosophy and worked as a French teacher, before he changed fields and started a successful international business career. Since 2004 Richenhagen is the head of the Atlanta-based agricultural equipment manufacturer AGCO Corporation that sells its products under the well-known brands Challenger®, Fendt®, Massey Ferguson®, Valtra® and GSI®. Richenhagen is not only successful as an international business executive: as Chef’d Equipe of the German Dressage team at the 2008 Olympic Games in China, he won a Gold Medal. He is the industry expert on all agribusiness matters and frequently speaks at conferences, at universities and business summits.
For the third time, the German American Chambers of Commerce are presenting the GACC Award, recognizing outstanding German subsidiaries that demonstrate excellence in workforce training by fostering advanced skills and competence development, especially in young people.

At 7.0% (2015), Germany has the lowest youth unemployment rate of any industrialized nation in the world. This is largely a result of the traditional German vocational training path, chosen by 55% of all school graduates.

Opportunities to gain specialized technical skills significantly improve job prospects. High-level vocational training offers students viable leads to advanced employment positions and provides companies with a powerful tool for filling workforce needs across a spectrum of specialties and positions.

Sponsored by FESTO, the Trainee of the Year receives the GACC Award on Dec. 14, 2015, in New York as part of the presentation of the German American Business Outlook.
AWARD JURY 2015

THOMAS BALS
Dean
University of Osnabrück,
School of Educational and Cultural Studies

THOMAS A. DIPRETE
Professor of Sociology
Columbia University,
Board Director
CAPSEE (Center for Postsecondary Education and Employment)

FRIEDRICH HUBERT ESSER
President
BIBB – Federal Institute for Vocational Education and Training

NAKISHA EVANS
Director, Office of Workforce Partnerships
CUNY Continuing Education and Workforce Programs

KATHERINE S. NEWMAN
Provost & Senior Vice Chancellor
University of Massachusetts, Amherst

YORCK SIEVERS
Director AHK Vocational Education and Training
DIHK – Association of German Chambers of Industry and Commerce

RICHARD ZOLLINGER
Vice President for Learning & Workforce Development
Central Piedmont Community College, Charlotte, North Carolina
GACC AWARD – Trainee of the Year

THE WINNER: A. J. Scherman

Apprentice in the four-year Mechatronics Technician apprenticeship program at STIHL Inc.

A. J. Scherman

A. J. Scherman is currently enrolled in the four year Mechatronics Technician apprenticeship program at STIHL Inc. in Virginia Beach, VA. Only the highest caliber, most qualified candidates make it through the tough selection process at STIHL – just 4-5 applicants out of every 300 plus that apply every year are offered a spot.

At STIHL, A.J. works in various departments under the supervision of experienced journeyman Mechatronics Technicians and Engineers to help design, build, up-grade and improve STIHL’s manufacturing operations and equipment. Specifically, A.J. just completed work on designing, building and programming five new Siemens Programmable Logic Control (PLC) trainers that will be used by certified Siemens instructors to train Apprentices, Engineers, Mechatronics & Maintenance Technicians. A.J. is currently working on a project in STIHL’s Technical Training Center to upgrade and modify their Festo training simulators which are used by certified Festo instructors for training the Apprentices, Engineers, Mechatronics & Maintenance Technicians.

A.J. Scherman

Why I chose this field:
"I have always had an interest in modifying, fixing, and rebuilding anything that I could get my hands on. When I heard about the STIHL Inc. apprentice program, I knew that it was right for me. I made the decision to join the STIHL Inc. apprenticeship program so that I would have a chance at starting a new life. I was working at an event management company and was going nowhere fast. I chose Mechatronics because of the idea that mechatronics is the future of several different vocations merged together; it offers a lot of diversity and flexibility to learn numerous skills. This field allows me to feel like I am part of making something of more permanent value. Mechatronics is the future of the manufacturing world and the gateway to where I ultimately want to end up which is being an engineer."
How my training furthers my overall professional development:

“At the beginning of my apprenticeship I was a layman; and the training that I have received starting from day one is crucial for my success and allows me to excel professionally. STIHL Inc. has some of the greatest training facilities, with state of the art technology, to help us become better in our field. However, it is not only access to excellent facilities and training classes that helps me succeed, it is the availability of a vast experience pool which I can tap into when I have questions or just want to discuss my ideas. STIHL Inc. has master tradesmen, some with over forty years of experience, that provide on the job training which gives me skills and experience that I would not gain in a classroom. The training I receive at our training center: the specialized Festo, Siemens, and Fanuc classes we receive, the thousands of hours of hands-on technical and on the job training, and our advanced college courses all give me the basis I need to be successful and advance professionally. Without these resources, there would have been no way for a novice like me to last for more than a few weeks in this fast paced highly robotized industrial environment.”

JURY STATEMENTS:

“A.J. Scherman took the initiative to start a new life by making the decision to join the STIHL apprenticeship program.”

“He works full time and attends college classes three nights a week and on Saturdays while supporting his family. He maintains a perfect 4.0 grade point average.”

“He puts a hand out and helps others behind him up the path to success by mentoring new, incoming first year apprentices.”
The German American Chambers of Commerce (GACCs/AHK USA) with their three main offices in Atlanta, Chicago and New York, as well as branches in Detroit, Houston, Philadelphia, and San Francisco, all work together under the network of the GACCs. With approximately 2,500 members and an extensive national and international business network, the GACCs offer a broad spectrum of activities and services. Other German American organizations and chapters are affiliated with the GACCs.

AHKs are closely connected to the Chambers of Industry and Commerce (IHKs) in Germany. The umbrella organization of the IHKs is the German Association of Chambers of Industry and Commerce (DIHK), which speaks for 3.6 million business enterprises in Germany and also coordinates and supports the AHKs worldwide.

The German Chamber Network (AHK) provides experience, connections, and services worldwide through 130 locations in 90 countries. The service portfolio of the AHKs is unified worldwide under the brand name DEinternational. The AHKs cooperate closely with the foreign trade and inward investment agency of the Federal Republic of Germany – Germany Trade & Invest (GTAI).

www.ahk-usa.com
The Representative of German Industry and Trade (RGIT) is the Washington, DC liaison office of the Federation of German Industries (BDI) and the Association of German Chambers of Industry and Commerce (DIHK). RGIT's mission is to foster free trade and a welcoming business environment on both sides of the Atlantic to achieve sustainable growth, jobs, and innovation for the German-American economic relations. Founded in 1988, RGIT is supported by Germany’s Federal Ministry of Economics and Technology and serves as the voice of German Industry and Trade towards U.S. politics, American business organizations, and the general public. RGIT is part of the AHK USA network and cooperates closely with Germany Trade & Invest. [www.rgit-usa.com](http://www.rgit-usa.com)
Roland Berger Strategy Consultants, founded in 1967, is one of the world’s leading strategy consultancies. With around 2,400 employees working in 50 offices in 36 countries worldwide, it successfully operates in all major international markets. Roland Berger Strategy Consultants advises major international industry and service companies as well as public institutions. Services cover all issues of strategic management – from strategy alignment and new business models, processes and organizational structures, to technology strategies.

Roland Berger is an independent partnership owned by around 220 partners. Its global Competence Centers specialize in specific industries or functional issues. Interdisciplinary teams are selected from these Competence Centers to devise tailor-made solutions. At Roland Berger, consultants develop customized, creative strategies together with their clients. The firm’s approach is based on the entrepreneurial character and individuality of its consultants – “Let’s think:act!”

At the intersection of many of our Competence Centers is Industry 4.0. Industry 4.0 is the idea of consistent digitization and linking of all productive units in an economy. This next industrial revolution lies directly ahead, and will likely prove to be a source of huge opportunities for established companies and emerging competition. Roland Berger helps its clients adapt and succeed to the changing dynamics of Industry 4.0. www.rolandberger.us

Marc Winterhoff is Senior Partner and head of the North American Automotive Practice of Roland Berger. Winterhoff studied electronic engineering and business in Darmstadt, and started his career in the software industry in the United States. He then worked for Arthur D. Little for over 11 years, focusing on the automotive industry. He joined Roland Berger in October 2011 and took over his responsibility for the North American automotive market beginning January 2012.
At BASF, we create chemistry – and have been doing so for 150 years. Our portfolio ranges from chemicals, plastics, performance products and crop protection products to oil and gas. As the world’s leading chemical company, we combine economic success with environmental protection and social responsibility. Through science and innovation, we enable our customers in nearly every industry to meet the current and future needs of society. Our products and solutions contribute to conserving resources, ensuring nutrition and improving quality of life. We have summed up this contribution in our corporate purpose: We create chemistry for a sustainable future. BASF had sales of over €74 billion in 2014 and around 113,000 employees as of the end of the year. Further information on BASF is available on the Internet at www.basf.us.

Commerzbank is a leading international commercial bank with branches and offices in more than 50 countries. With the business areas Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe, its private customers and corporate clients, as well as institutional investors, profit from a comprehensive portfolio of banking and capital market services. Founded in 1870, Commerzbank is represented at all the world’s major stock exchanges. www.commerzbank.com

The Lufthansa Group is an aviation group with global operations and a total of almost 500 subsidiaries and associated companies. It consists of five business segments, which encompass the areas of passenger transportation, airfreight and airline services: Passenger Airline Group, Logistics, MRO, Catering and IT Services. All of the business segments occupy a leading position in their sectors and in some cases are the global market leaders. www lh.com

Thomson Reuters is the world’s leading source of intelligent information for businesses and professionals. The company combines industry expertise with innovative technology to deliver critical information to leading decision makers in the financial and risk, legal, tax and accounting, intellectual property and science and media markets, powered by the world’s most trusted news organization. www.thomsonreuters.com

The independent company in its third generation of family ownership is a worldwide leader in automation and a world market leader in industrial training and development. At Festo, 16,700 employees in 176 countries pursue a common goal: the maximum productivity and competitiveness of our customers in factory and process automation. www.festo.com · www.festo-didactic.com

Award Sponsorship:

BASF CORPORATION  
100 Park Avenue  
Florham Park, NJ 07092  
Tel: (800) 526-1072

COMMERZBANK AG  
225 Liberty Street  
New York, NY 10281  
Tel: (212) 266-7200

LUFTHANSA GERMAN AIRLINES  
1640 Hempstead Turnpike  
East Meadow, NY 11554  
Tel: (516) 296-9632

THOMSON REUTERS  
3 Times Square  
New York, NY 10036  
Tel: (646) 223-4000

FESTO  
395 Moreland Road  
Hauppauge, NY 11788  
Tel: (631) 404-3133  
607 Industrial Way West  
Eatontown, NJ 07724  
Tel: (732) 938-2000