Executive Summary 2014

Key Take-Away:
Confidence of German-American businesses hits 5-year high – 98% of German subsidiaries expect business growth in 2014. Firms are increasing their focus on the U.S. as they anticipate a continuous upswing for the U.S. market. Companies believe that the implementation of the Transatlantic Trade and Investment Partnership (TTIP) will further bolster growth.

Business Outlook
- 98% of respondents expect growth for their U.S. business and 95% believe the U.S. economy will expand in 2014.
- 75% of firms intend to increase their workforce in 2014, indicating a positive economic outlook.
- Despite flat sales prices in 2013, 89% reported unchanged/upward trends in sales volumes.
- German companies continue to innovate – 31% plan to introduce new product lines in 2014.
- Although costs have continued to rise, German-American firms have experienced top-line growth and have increased capital expenditure projects.

Challenges for German-American Businesses
- As a result of the ongoing budget crisis, U.S. fiscal policy remains most common cause of concern.
- Lack of skilled labor affects almost 50% of German subsidiaries. Firms believe that long-term economic value can be created through investment in education.
- Higher labor costs, particularly higher wages in manufacturing, pose a challenge to growth with 30% of respondents reporting worse conditions than in 2012.
- USD-EUR exchange rate levels had a negative impact for 33% of businesses, as compared to 11% in 2012.

Further Potential for Growth
- Addressing U.S. fiscal concerns and tax reform would further restore market confidence and improve long-term economic growth potential.
- A more structured approach to introducing German-style dual vocational training in the U.S. is desired.

Transatlantic Trade and Investment Partnership (TTIP)
- German-American firms believe TTIP will stimulate growth by alleviating structural and regulatory barriers in transatlantic trade.
- Reduced tariffs and mutual recognition of standards are the most anticipated benefits of TTIP.
- While the process is in too early a stage for businesses to prioritize it, a majority of firms expect to expand U.S. operations and/or increase hiring in the U.S. after a successful TTIP implementation.

*1,900 headquarters of German subsidiaries were approached for the survey in the fall of 2013. Approx. 10% of senior management responded, mostly from Mittelstand firms (German SME companies).