

German American Business Outlook 2016

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Introductory remarks



In the fall of 2015, the **German American Chambers of Commerce** (GACCs – AHK USA), the **Representative of German Industry & Trade** (RGIT), and **Roland Berger Strategy Consultants**, for the sixth time, conducted a survey of German subsidiaries in the U.S.: the **German American Business Outlook 2016**



1,900 headquarters of German subsidiaries in the US were approached, **senior management** from various industries responded, mainly from the traditional German Mittelstand (84%)

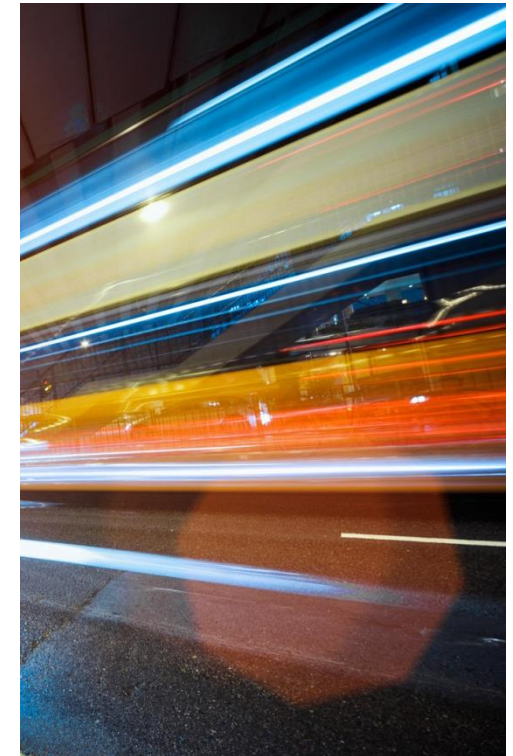


The purpose of the survey was to gauge respondents' opinions on the **current business conditions and future outlook**

The GABO survey is designed to draw insights on the current state and future expectations of German-American businesses

Survey structure

- 1 State of the Business
- 2 Focus on the U.S. Market
- 3 Future Expectations of German-American Businesses
- 4 Perspectives on the Industrial Internet of Things

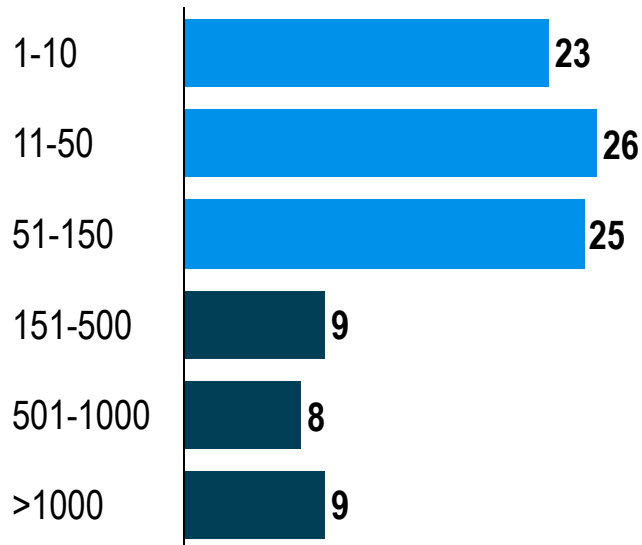


GABO has remained consistent to draw insightful trends over the years

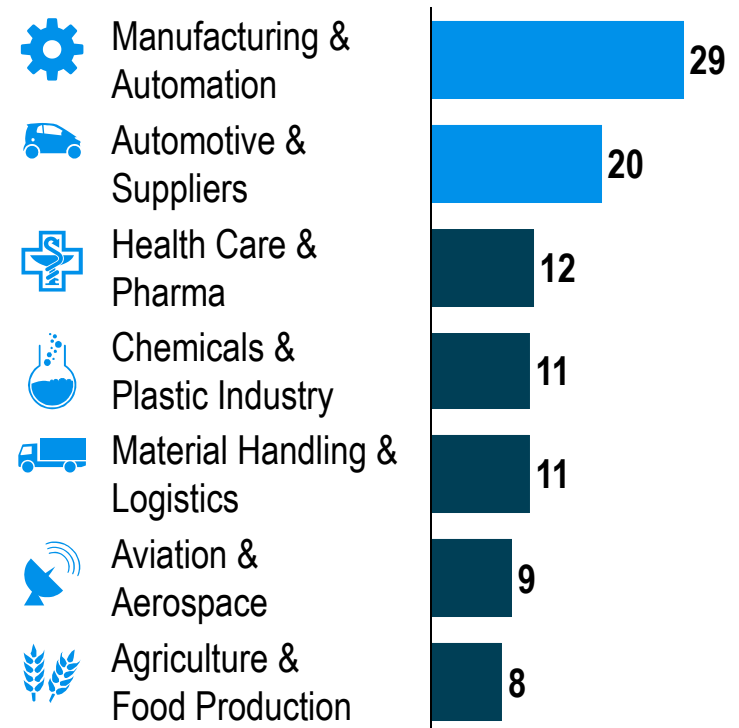
Respondents represented a comprehensive spectrum of regions and industries, primarily SMEs in Manufacturing and Automotive

Study participant breakdown

By company size¹⁾ [%]



By industry²⁾ [%]



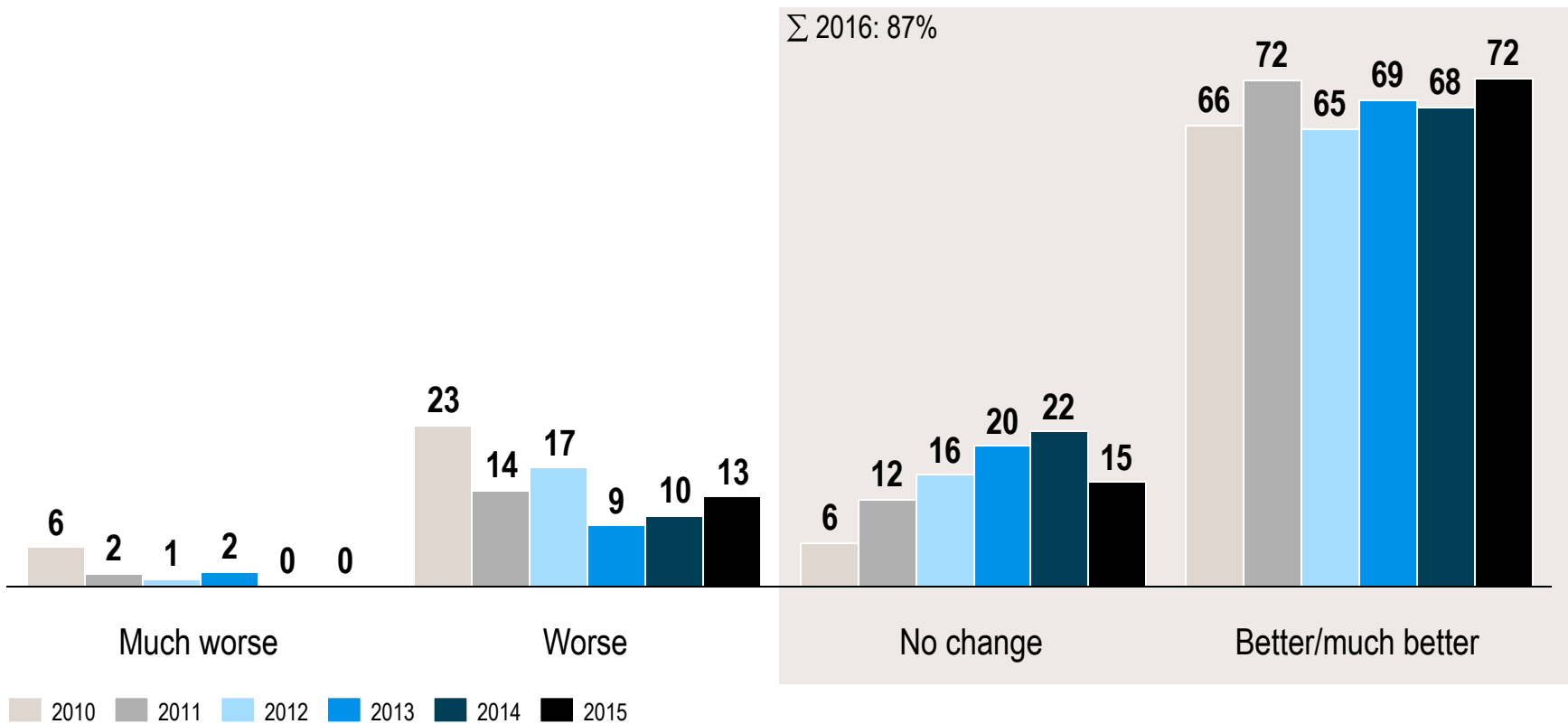
1) Based on employee count; 2) Respondents can be present in more than one industry, top 7 of 24 industries shown – results normalized to 100%

Another strong year of volume growth: 87% of companies report same or better/much better sales volumes



Sales volumes (2010-2015)

Change in sales volumes [%]

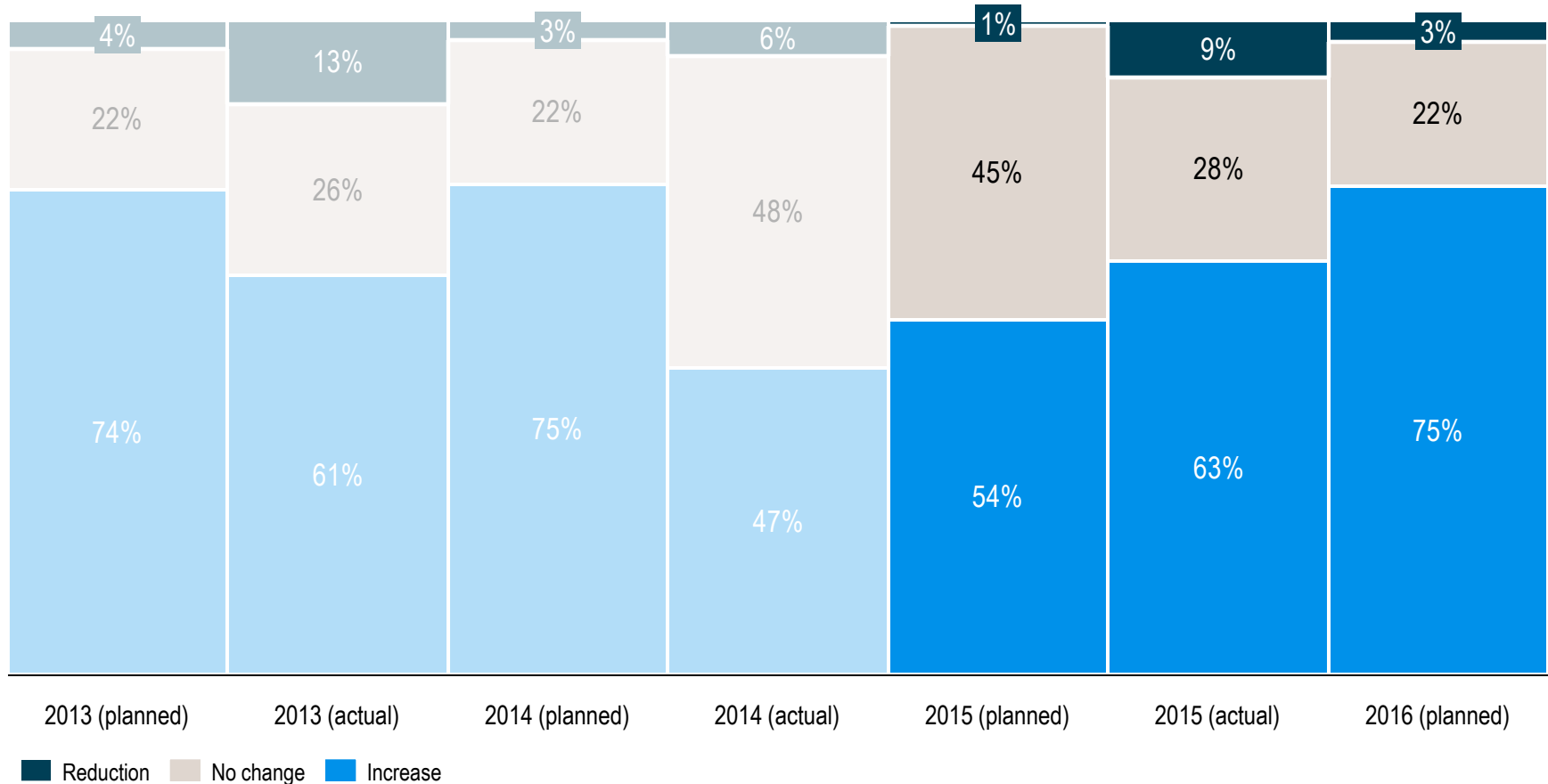


Companies hired more than planned in 2015

75% plan to increase headcount in 2016



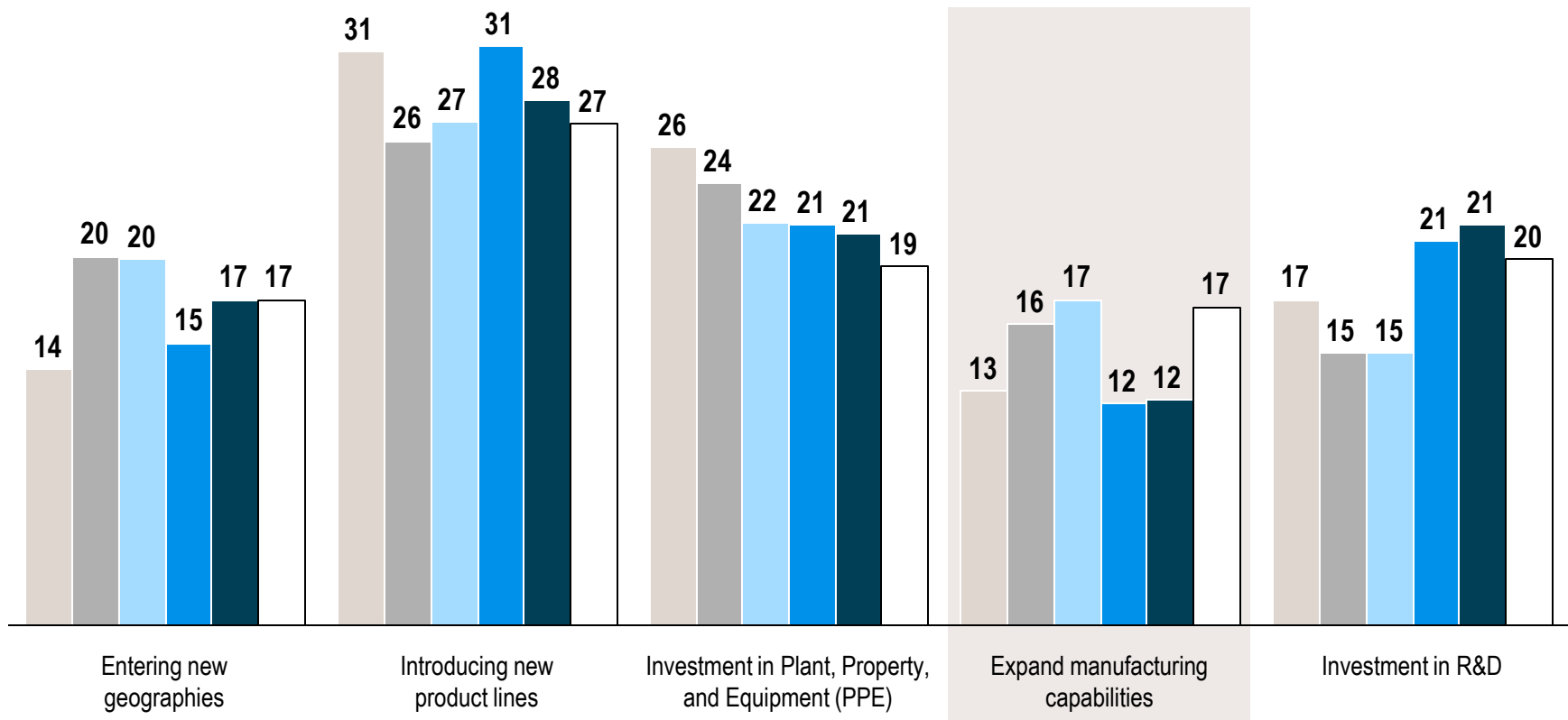
Headcount change [%]



Over 40% increase in planned expansion of manufacturing capabilities over 2015



Strategic initiatives¹⁾ [%]



2011 Actual 2012 Actual 2013 Actual 2014 Actual 2015 Actual 2016 Planned

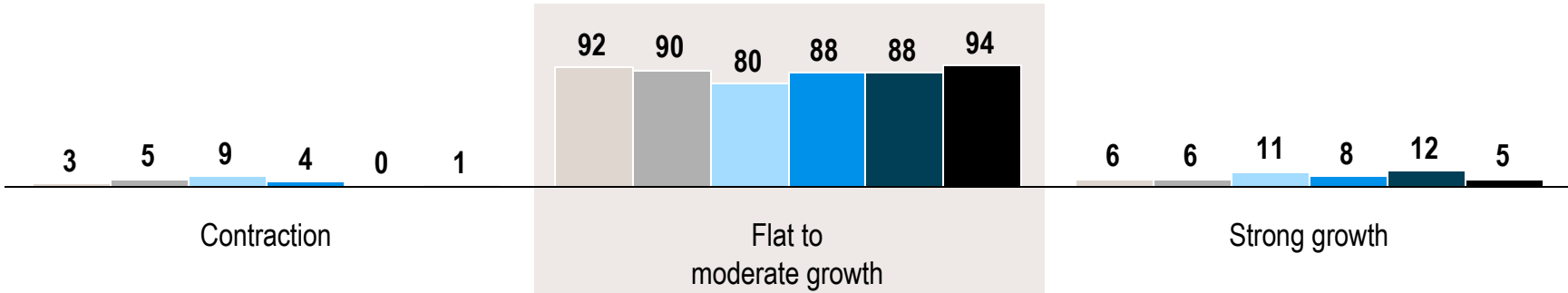
1) Multiple responses allowed, normalized results to 100%

German companies expect to outperform the market

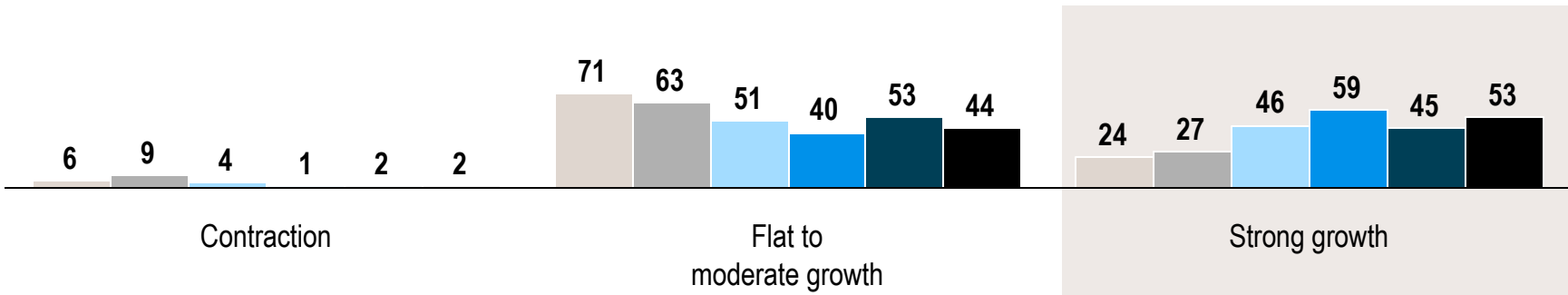


Economic outlook¹⁾

U.S. growth outlook²⁾ [%]



Own business growth outlook²⁾ [%]



2010 2011 2012 2013 2014 2015

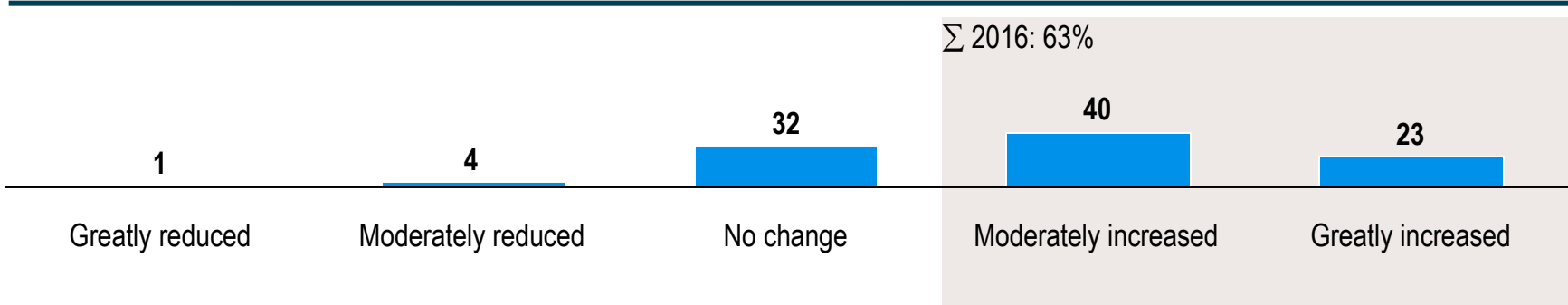
1) Numbers may not add due to rounding; 2) Flat is defined as +0-1%, moderate is defined as +1-3%, while strong is defined as +>3%
 Source: German American Business Outlook

Access to U.S. market and customers continues to attract investment

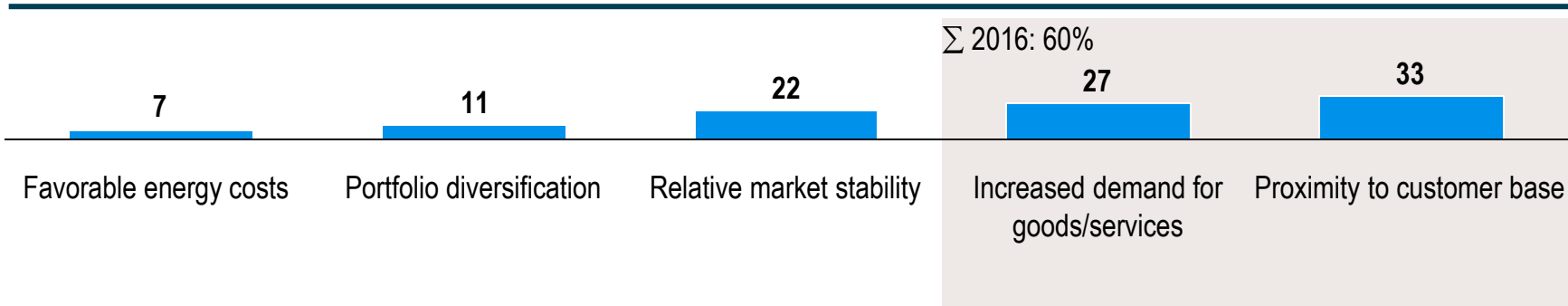


Strategic focus and future investment in the U.S.¹⁾

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



Top reasons for future investment in the U.S.²⁾ [%]



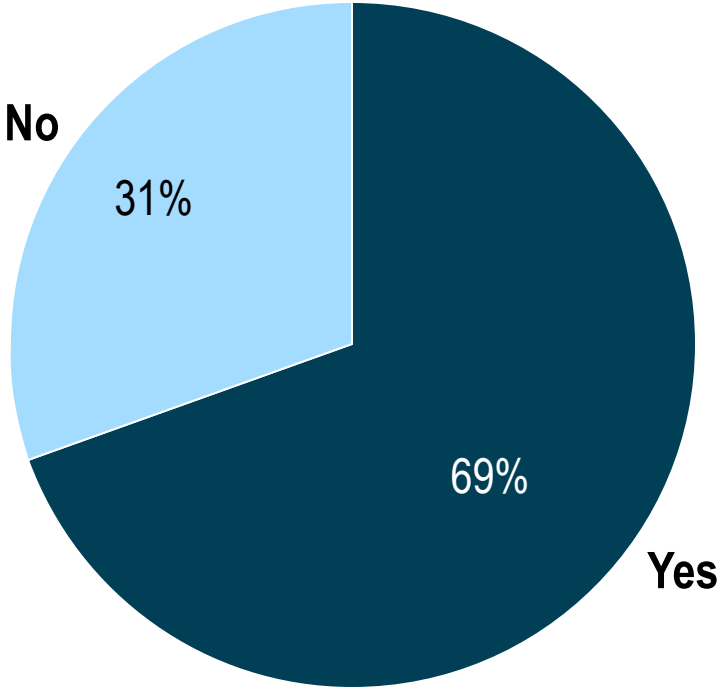
1) Numbers may not add due to rounding; 2) Multiple responses allowed, normalized results to 100%

69% confirm difficult access to skilled labor



Labor accessibility

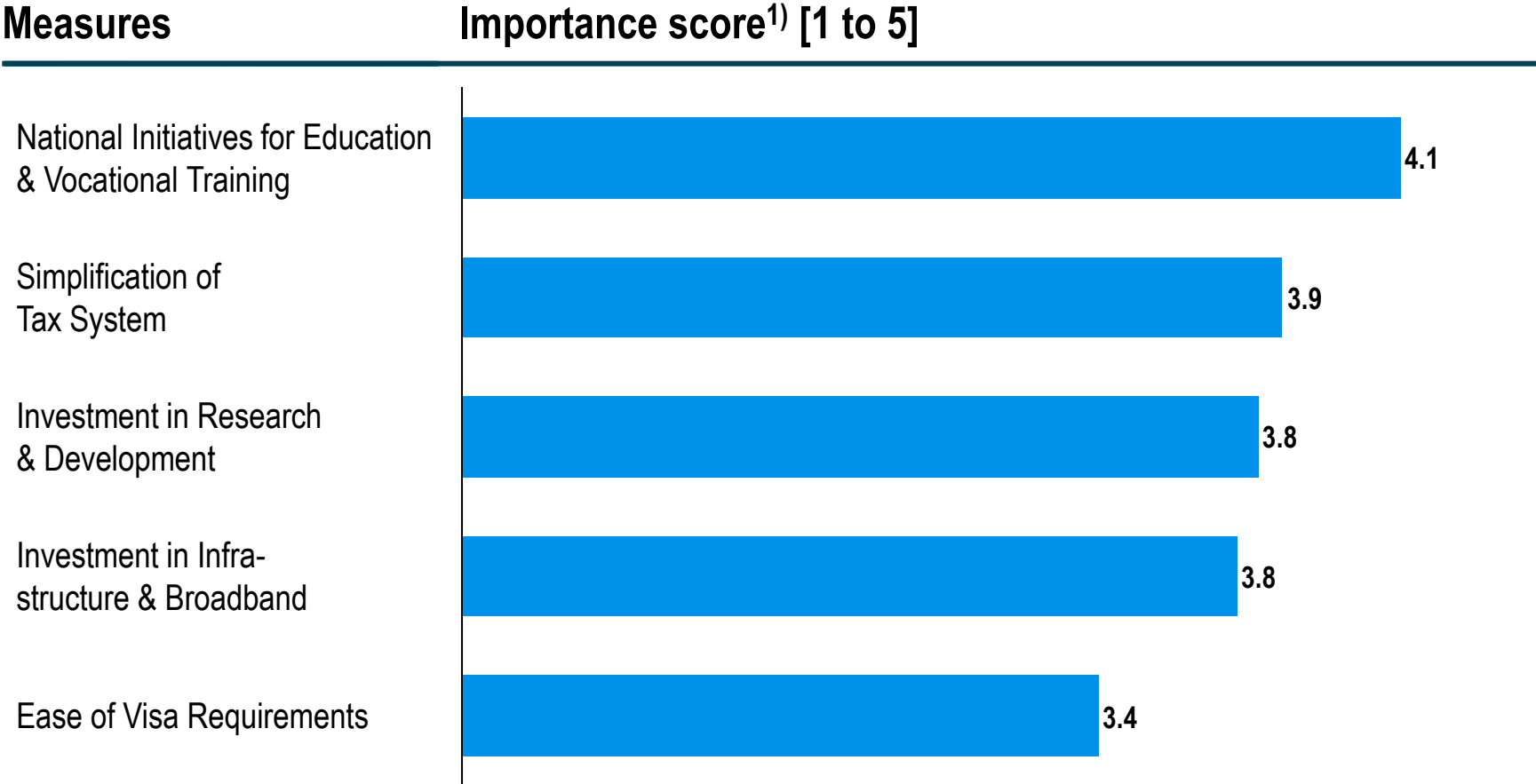
Difficulty finding candidates w/ right level of education and/or training [%]



Education and tax reform critical for sustained economic growth



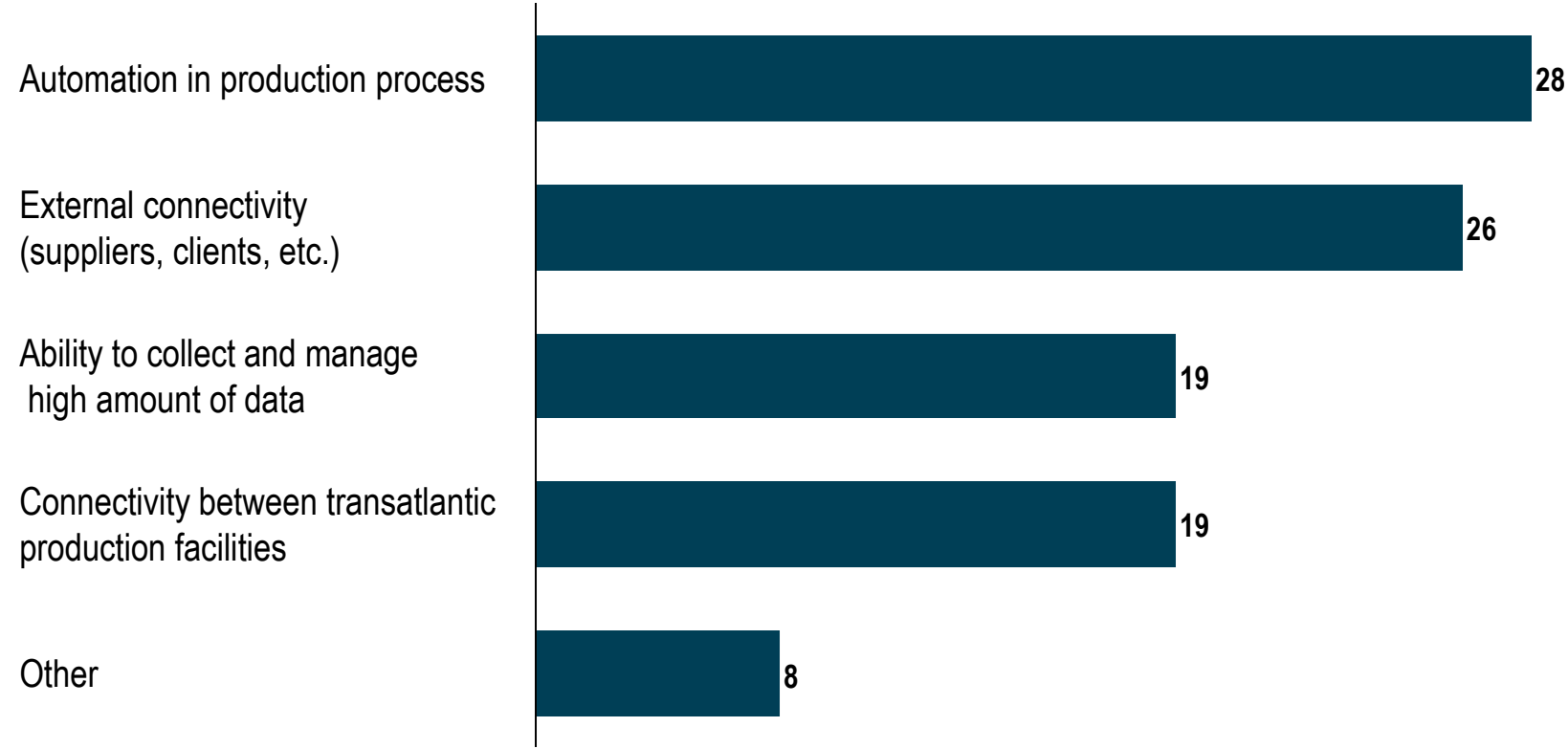
Relative importance of regulatory reforms



1) 1 = least important, 5 = most important

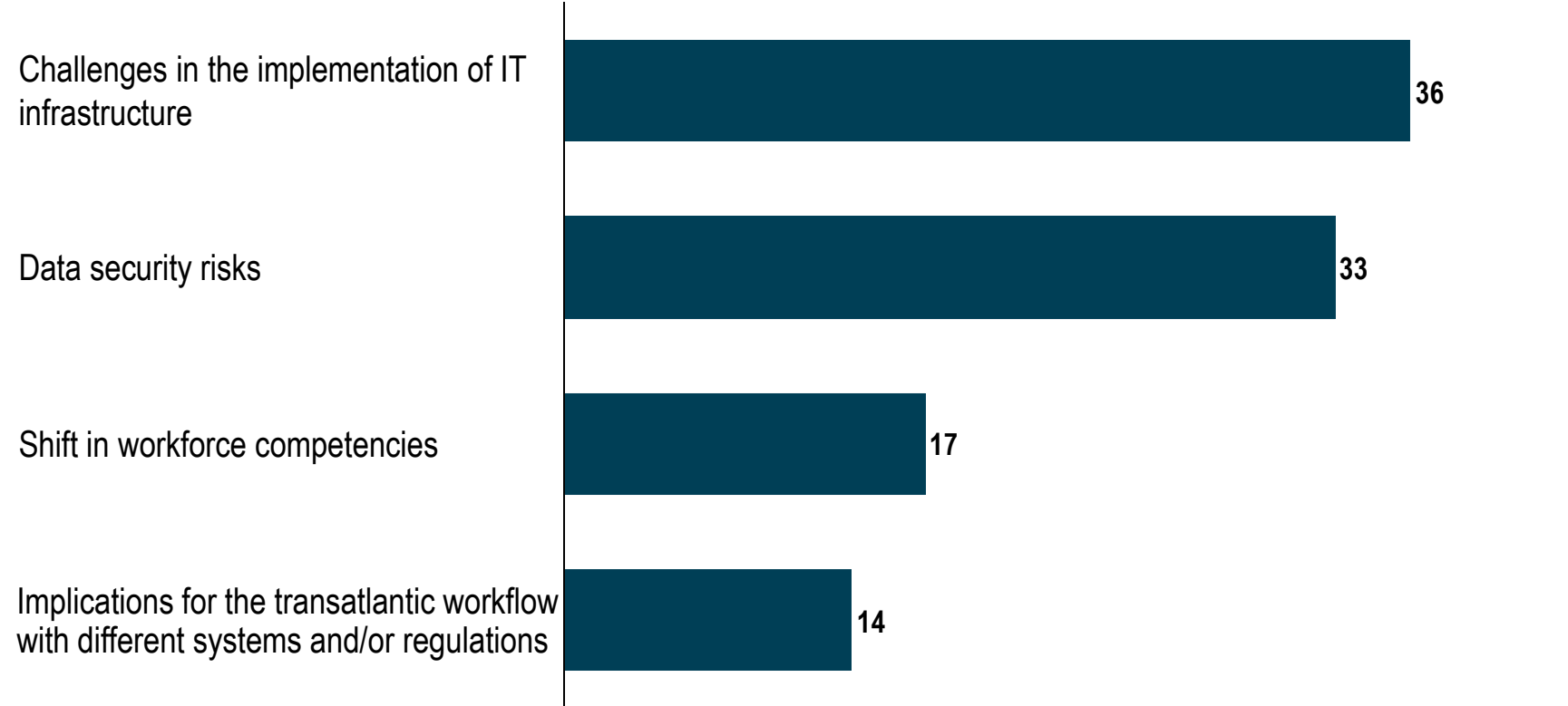
Industrial Internet of Things: Opportunities in enhanced automation and external connectivity

Opportunities associated with Industry 4.0 [%]



Industrial Internet of Things: Concerns regarding data security and the implementation of IT infrastructure

Challenges associated with Industry 4.0 [%]



German-American companies continue to grow and invest in 2016



Summary

- ### 1 State of Business

German-American businesses confirm strong growth prospects – labor costs continue to worsen or remain the same but many firms still hired more than expected in 2015 to capitalize on the strong U.S. economy

- ### 2 Focus on U.S. Market

Firms are optimistic about growth prospects and plan to increase U.S. investment, largely driven by a positive outlook on the U.S. economy and continued demand

- ### 3 Future Expectations of German-American businesses

75% of companies plan to keep hiring in 2016, but access to candidates with the right skill set continues to be an issue.
42% more companies plan to invest in their manufacturing capabilities over the prior year

- ### 4 Perspectives on the Industrial Internet of Things

Companies are capitalizing on digitization 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

Participating organizations:



German American
Chambers of Commerce
Deutsch-Amerikanische
Handelskammern

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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