



For Immediate Release

GERMAN COMPANIES IN THE US REMAIN PROFITABLE DESPITE PANDEMIC **85% post higher sales in 2021 than in previous year**

- **US market remains a key source of revenue and profit: about a third of German companies generate more than 20% of their global sales and profits in the US**
- **93% of German companies expect US sales to increase in 2022; 88% expect profits to rise**
- **87% of companies plan to invest additionally in the US market: 22% even want to invest more than USD 10 million (+5 percentage points compared to 2021)**
- **67% want to increase their number of employees in 2022**
- **Skills shortage is the No. 1 challenge for 75% of respondents and threatens growth targets for 2022**
- **Supply chain management needs improvement**

Berlin/New York, January 27, 2022 / January 28, 2022 – German companies in the US have dodged the negative consequences of the pandemic in 2021: 85% of these companies increased sales in 2021. In the previous year, only 42% managed to do so. 88% generated profits in 2021. 29% (prior year: 23%) of the respondents even achieved a return on sales of more than 10%. The profitability of the US business continues to increase.

These are the key findings of the **German American Business Outlook 2022 report** presented today. In this the annual survey conducted by **KPMG AG Wirtschaftsprüfungsgesellschaft** and the **German American Chambers of Commerce (AHK USA)**, 102 German subsidiaries were asked in a November 2021 survey about their business expectations

Measures implemented during the pandemic lead to growth

66% of respondents were successful in optimizing and restructuring their business processes during the crisis; 53% made progress in digitizing jobs, 28% in digitizing sales, and 21% in digitizing their business model. As a result of all measures, 71% of the companies surveyed were able to increase their profitability in 2021. In the previous year, which was even more strongly influenced by the COVID-19 pandemic, only 45% of German companies succeeded in doing so.

Even in times of decoupling, the US market retains its relevance for German corporations

The US is one of the most important sources of revenue and profit for German corporations: 34% of German groups generate more than a fifth of their global sales in the US; 28% more than a fifth of global profits.

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Optimistic outlook for 2022

The majority is confident about the future: 43% expect the US economy to grow by more than 3% in 2022. In the previous year, only a modest 18% believed this. Respondents are even more optimistic about their own company: 60% expect sales growth of more than 3% in 2022. Last year, only 34% had predicted this. In addition, 88% of German companies expect profits to rise.

Andreas Glunz, Divisional Board Member International Business at KPMG AG

Wirtschaftsprüfungsgesellschaft, states: "Although the economic environment is dimming due to supply bottlenecks, rising inflation and increasing decoupling of the major economic powers, German companies in the US remain 'bullish'. Everything suggests that German companies will continue to prosper strongly in the US for the foreseeable future."

Investments continue to grow

87% (prior year: 82%) of German companies plan to invest more than USD 10 million in the US market. 22% even want to invest more than USD 10 million in the next three years. This corresponds to an increase of 5 percentage points compared to the previous year.

The top 3 most frequently planned projects include the automation of production (39%), the digitization of all internal business processes (37%) and sales channels (25%).

Supply chains under pressure

71% of respondents have been exposed to a heavy strain on their supply chains or bottlenecks at their suppliers in the last 18 months. Only 8% of the companies did not experience any adverse effects.

It is no surprise that more than 54% of German companies in the US consider supply chain management to be one of the top 3 challenges.

At the same time, 41% say they need to increase the resilience of their supply chains in the US. No other topic is seen as having a greater need for improvement.

In order to mitigate supply chain risks, German companies in the US rely on local procurement (22%), diversification of suppliers (19%) and the stockpiling of critical components (16%).

"The supply chain disruptions caused by the pandemic are something companies worldwide never expected," says **Crispin Teufel, CEO of Lincare Holding, Inc. and Chairman of the German American Chambers of Commerce (AHK USA)**. "The affected companies need to develop contingency plans to keep their operations running smoothly now and in the future."

Cyber risks continue to rise

According to survey participants, the second largest need for improvement is protection against cyber risks in the US. Almost 30% believes that corresponding improvements are needed in their company.

"Cyber attacks have increased massively and now affect virtually every company. There is a direct correlation between the growing cyber threats and the progressive digitization of all internal processes and the exchange of data with third parties such as suppliers and customers. Companies cannot invest enough here," says **Andreas Glunz**.

Persistent labor shortage threatens growth prospects

75% of the German companies surveyed consider the labor shortage as one of the top 3 challenges. In the previous year, only 45% of the companies surveyed complained about this. At the same time, 50% of companies (prior year: 27%) express great difficulties in attracting skilled workers to the US market.

Given that 67% have concrete plans to increase their workforce in 2022, this staff shortage could prove to be a major obstacle to future growth. 33% of these companies has therefore already set up internal training and further education programs.

"A long-standing challenge for German subsidiaries in the US is labor shortages, especially in an increasingly mechanized world," says **AHK USA Chairman Crispin Teufel**. "The labor shortage that many industries currently have seems to exacerbate this challenge. AHK support for dual education training programs in the US is productive way to address this problem."

The need to reduce trade barriers

According to German companies, the policy area that has the greatest influence on future business success in the US is access to open markets and fair trade agreements (45%). Last year, 64% of KPMG and GACC respondents said so – clear evidence that trade relations between the US and the EU have eased in 2021.

On the wish list for the new German federal government is not to hinder or burden entrepreneurial action: Almost 59% would like German politicians to reduce trade barriers and abolish tariffs and 54% to simplify US work visas.

"Companies want frictionless free trade and as little government intervention as possible. The fact is, however, that more and more regulation is being created in the world today, the large economic blocs are drifting away with ever new regional rules and are increasingly decoupling," says **Andreas Glunz of KPMG**.

Investments in sustainability projects

Currently, 56% of German companies in the US are planning to increase their investments in sustainability programs over the next three years. Energy saving and recycling projects are the most frequently mentioned at 45% and 40% respectively.

"Investing in clean energy solutions is a clear mandate that many German companies in the US are following," says **Crispin Teufel**. "There are more and more business opportunities to develop products and services that meet these requirements – a win for the environment and the global economy."

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