



German American Business Outlook

Annual Survey among German Firms in the U.S.

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.