



German American
Chambers of Commerce
Deutsch-Amerikanische
Handelskammern

GERMAN COMPANIES IN THE US PROFIT FROM ROBUST MARKET SIZE AND CONTINUED CUSTOMER DEMAND

93% plan to grow their company's US investments in the next three years

- **German companies view the US as an attractive environment for future investment; 22% plan to invest more than \$10 million by 2025**
- **64% of German companies in the US predict growth of the US economy in 2023**
- **85% expect their net sales to grow; 30% expect strong to very strong growth; only 5% expect a decline in their net sales in 2023**
- **Skilled workforce remains #1 challenge for German companies; inflation is another top concern**

Atlanta, GA, February 8, 2023 – German companies view the US as an attractive investment location due to market size and customer demand, proximity to their customer base, and market stability. Government incentives and lower energy costs, however, did not prove to be significant drivers for increased US investment.

What are your group's top 3 reasons for investing in the US relative to other global markets?



Source: GACCs, 2023, figures in percent, multiple answers possible, N=194

The German American Chambers of Commerce (AHK USA) present the key findings of the **2023 German American Business Outlook (GABO)**, surveying 201 German subsidiaries in the US about their 2023 business prospects. The results were presented in Atlanta, GA on February 8, with regional events following the launch event. This year's respondents come from a diverse profile, representing

industries including automotive (41%), industrial manufacturing (37%), financial and professional services (25%) and more.

85% of the German companies surveyed expect their net sales to grow, and 30% expect strong to very strong growth in 2023. Particularly, industrial manufacturing and transportation and logistics sectors are the growth drivers among the respective industries surveyed.

93% plan to grow their company's US investments in the next three years, and 72% plan to grow their company's investments in the US in 2023. The automotive industry and transportation and logistics sectors lead the way as the industries with the highest investment growth this year. 22% plan to invest more than 10 million USD by the end of 2025. Investment plans over the next three years show construction and infrastructure and industrial manufacturing as leading industries with the highest investments.

Digital transformation leads as top area of investment

Among the top investment areas within the next three years, digital transformation dominated, with machinery and new office facilities following closely behind. Last year's 2022 GABO results indicated that cybersecurity (30%) was the second largest need for improvement among German companies. However, this year, cybersecurity as an area of investment fell to sixth on the list: only 22% plan to invest in cyber within the next three years.

Availability of skilled workers continues to be the #1 challenge for German companies

Building a sustainable workforce pipeline remains the number one challenge for German subsidiaries in the US for the second year in a row. Last year, 75% of respondents reported that skill shortages were their number one challenge. This year, 78% say they experience difficulties attracting skilled workers in the US.

However, German companies still plan to grow their workforce significantly. Over half (53%) of the surveyed companies plan to grow their workforce in 2023, and 82% plan to do the same by 2027. Despite recent news of mass layoffs across multiple industries, only 5% of German companies predict their workforce will decrease in 2023.

Looking at individual industries, industrial manufacturing and transportation/logistics expect the highest increase in employees in 2023. Among all industries, German companies in the US plan to significantly increase their employees by 2027.

Workforce culture adjustments account for DEI

Diversity, Equity, and Inclusion (DEI) are being considered in new workforce culture adjustments for 2023. 41% of respondents expressed that they have already developed DEI strategies for their company and 20% plan to make culture changes in 2023. 63% of German companies have focused on

diversifying their talent and recruiting pool. Leadership diversification in particular is a main focus within DEI: 40% have already committed to increasing efforts in this area and 22% plan to in 2023.

Inflation emerges as a new challenge

The annual inflation rate in the US slowed for a sixth straight month in December 2022 to 6.5% - the lowest it has been since October 2021. Compared to last year's GABO results, inflation overtook supply chain as the second biggest challenge for German companies in 2023, while supply chain ranks third. 51% of respondents hope that the US government brings inflation under control in the next congressional session and/or upcoming election cycle.

Outlooks vary across US regions

German companies with operations in the Midwest have the highest expectations for increasing their workforce in 2023. The Midwest was also the most optimistic with profit after tax expectations.

Companies in the Southeast plan to grow their workforce the most by 2027 and, along with the Northeast, expect major sales volume growth in 2023. The Southeast is less optimistic than their regional counterparts when it comes to expectations for US economic growth in the future, while the West and Midwest are most optimistic. Companies in the Northeast expect to invest the most in the next three years.

German companies call for US government support

In the next congressional sessions and election cycles, German companies in the US would like the US government to address concerns such as bringing inflation under control, reducing bureaucracy/regulations, and addressing immigration hurdles. Furthermore, the US administration should prioritize free trade agreements with Europe.

German companies also want to see the US government prioritize support for apprenticeship programs to address the skilled workforce gap. The intersection of workforce development and apprenticeship programs is clear: "Workforce education is [the] biggest challenge," said one respondent.

Over 5,600 German companies continue to invest in the US market, accounting for roughly \$637 billion in investment (Representative of German Industry and Trade, September 2022). Crispin Teufel, Chairman of the German American Chambers of Commerce, says, "I am proud to highlight the strong economic partnership between our two countries. Our commitment to innovation, growth and mutually beneficial trade agreements has proven to be a recipe for success. Together, Germany and the United States continue to drive economic progress and competitiveness on a global scale. Let us continue to cultivate this partnership and transatlantic prosperity in the coming months and years."

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