



2022

German American Business Outlook

Annual Survey of German Firms in the US



German American
Chambers of Commerce
Deutsch-Amerikanische
Handelskammern



Table of Contents

3	Introduction
4	Executive Summary
6	A. Key data on performance in 2021 and the outlook for 2022
10	B. Survey Results
10	1. Business Situation and Developments
15	2. Investment Plans
19	3. Economic Challenges
22	4. Availability of Skilled Workforce
25	5. Research & Development
26	6. Post Pandemic
28	7. Supply Chain
30	8. ESG: Sustainability, Diversity, Equity & Inclusion (DEI)
32	C. Economic Relations between Germany and the US
32	1. Key Economic Figures
34	2. Investment Status
36	Profile of Surveyed Companies
38	About Us
39	Contacts

Introduction

Since 2011, the German American Business Outlook (GABO) has offered relevant insights into the current state and future expectations of German companies in the US. The Covid-19 pandemic has completely disrupted the traditional business environment, leading to various negative effects. How have companies pivoted to find solutions to these challenges? What challenges remain? One thing is certain: Germany and the United States are still closely interwoven in exchanging goods and services, as well as investments.

The results of this year's GABO reveal that despite all the challenges of the last two years, most surveyed German companies had a successful year in 2021 and look to the year ahead with optimism and confidence. This does not come by chance or as a surprise, but is the result of serious restructuring efforts as well as automation and digitalization projects that have been undertaken by the German companies in the US since the start of the pandemic. Also, the elimination of certain trade barriers and the removal of tariffs on imports and exports between the US and the EU contributed positively to the assessments of the surveyed companies. A new parliament was recently elected in Germany, and a new government and chancellor came into power. It is widely expected that this will benefit transatlantic relations and the trade and investment volumes between both countries in the future.

Despite these positive developments, new challenges that hinder a rapid recovery are popping up including severely rising inflation rates in the US and Germany, increasing cyber-attacks, and supply bottlenecks. Companies should be mindful and agile to adapt their businesses to these changing conditions.

We would like to thank the German companies who participated for sharing their thoughts for this year's German American Business Outlook (GABO), and we hope that this report helps to steer your organizations through uncertain and difficult times.

Yours sincerely,



CRISPIN TEUFEL
Chairman,
German American
Chambers of Commerce



ANDREAS GLUNZ
Managing Partner
International Business,
KPMG in Germany

Executive Summary

Rebounding growth expectations for the US businesses following the pattern of the pandemic

85% of companies realize a growth of their net sales volume in the current year 2021 vs. **42%** stating this the previous year

93% expect growing net sales also for the next year 2022

88% of companies predict increasing post-tax profits in 2022

(Figures 5, 1 and 2.)



93%
expect growth

85%
realized growth

Growing enthusiasm for investment

90% of companies expect growth of the US economy in 2022

Almost half, **43%**, expect strong growth of more than 3%

78% of companies plan to increase their investments in the US market in 2022

22% of companies intend to invest more than USD 10 million over the next three years (+5%-points against prior year)

(Figures 2 and 9.)



78%
plan to increase investment

Profitability back on track

72% of companies report rising level of profitability

88% of companies surveyed report post-tax profits (90% in the previous year)

(Figures 7 and 6.)



88%
generated profit after tax

Supply-chain issues a major challenge



54% of companies consider supply-chain issues as one of the top three challenges

71% of companies state that their supply chains have been under increased stress over the last 18 months

41% feel that the supply chain resilience of their US business is the number one topic to be improved

2 out of 5
want to improve
Supply Chain Resilience

(Figures 13, 21 and 23.)

US market remains important to German groups

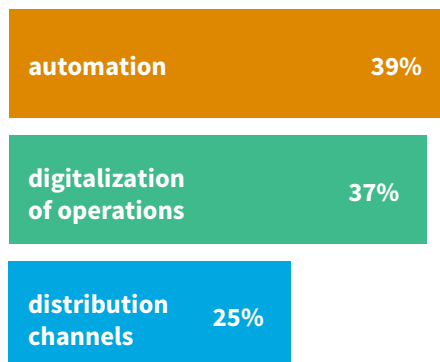
56% of companies state that their US operations contribute more than 10% to the total group net sales (58% in the previous year)

Profit-wise **28%** of companies state that their US operations contribute more than 20% to their total group post-tax profits (26% in the previous year)

(Figures 3 and 4.)

Digitalization and automation

Digitalization and automation progress but further improvements deemed necessary



Top three planned investment areas

(Figure 11.)

ESG topics are on the agenda

56% of the surveyed companies currently plan to grow their investments in sustainability programs. Energy savings and recycling projects are the sustainability programs with the highest priorities for 45% resp. 40%



(Figure 24.)

Ongoing shortage of skilled workforce could endanger growth plans

75% of companies consider the lack of skilled workers as one of their top three challenges (45% in the previous year)



50% state that they are facing great difficulties in attracting skilled workers in the US (previous year 27%)

67% plan to increase their workforce by 2022; the skills shortage could become an obstacle to the growth plans

(Figures 13, 16 and 17.)

A

Key data on performance in 2021 and the outlook for 2022

PERFORMANCE IN 2021

According to the feedback received from the respondents of this survey, the German business in the US can look back on a successful year. Most companies surveyed stated that their business performance was positive in 2021:

85% of German companies in the US report an increase in their net sales volumes in 2021 in comparison to the previous year – almost a third of participants (31%) expect very strong growth of more than 10%

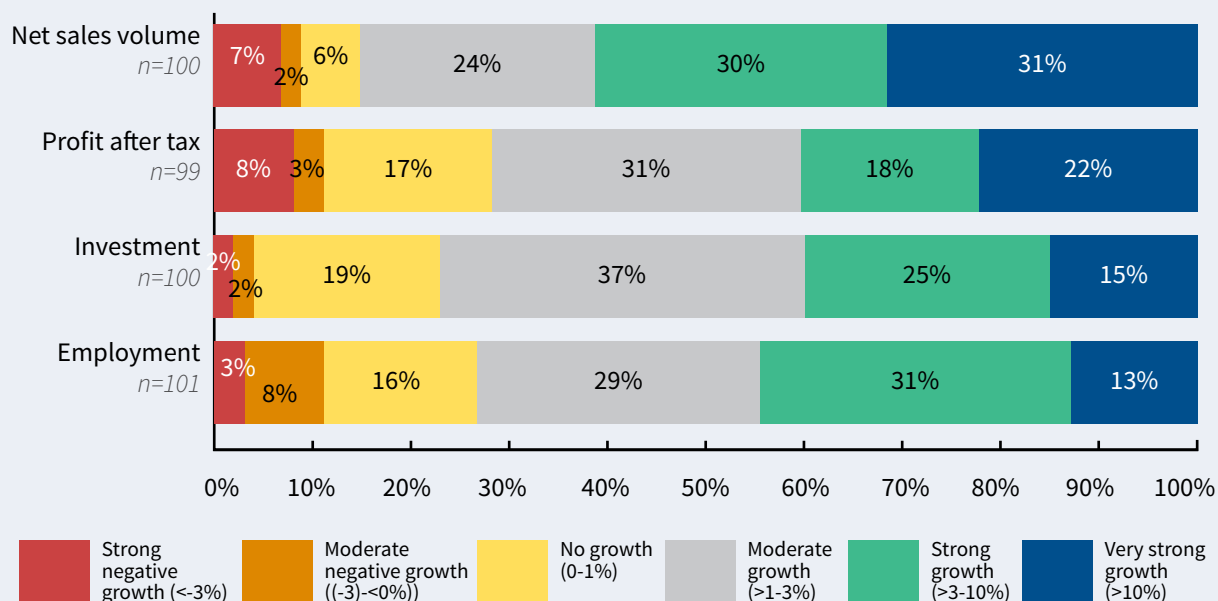
► The sector comparison highlights that manufacturing companies (like from the industrial manufacturing and automotive industry, representing 42% of all respondents) come up with a differentiated picture than other companies (like from services sectors). Only 78% of manufacturing companies stated an increase

in their net sales volumes in 2021 in comparison to the previous year (vs. 90% others). But 36% expect very strong growth of more than 10% (vs. 29% of other industries).

► The comparison of companies broken down by number of employees shows, that more smaller companies with 200 employees or less (representing 72% of all respondents) expect a very strong growth in their net sales volumes in 2021 of more than 10% than bigger companies with more than 200 employees (36% vs. 29%).

The profitability of German companies in the US is growing: 71% state that they will achieve higher profits after taxes in 2021 than in 2020, whereas just 11% expect declining profitability of their US business

Figure 1: Expected performance of participants' business in the US in 2021 (vs. 2020)



Source: GACCs and KPMG in Germany, 2021, figures in percent.

- ▶ 29% of the manufacturing companies expect an increase of their profits after taxes in 2021 of more than 10% in comparison to 2020 (vs. 18% of other industries).
- ▶ Only 7% of companies with 200 employees or less expect a decline in their profitability in 2021 (vs. 14% of other industries).

More than three out of four (77%) surveyed companies have increased their investments in 2021, and only 4% report declining investment volumes vs. 2020

- ▶ 24% of the companies from the manufacturing industries stated very strong growth of more than 10% of their investments in 2021 (vs. 9% of other industries).

- ▶ 96% of companies with more than 200 employees increased their investment volume in 2021 (vs. 72% companies with 200 employees or less).

73% of German companies in the US report their number of employees is growing in 2021, and only 11% reduce their number of employees

- ▶ The sector comparison shows that 21% of companies from manufacturing industries assume a very strong growth of their workforce in 2021 (vs. 7% of other industries).



KEY DATA FOR 2021 AND 2022

- ▶ 72% of smaller companies expect that their number of employees is growing in 2021 compared to 79% of companies with more than 200 employees.

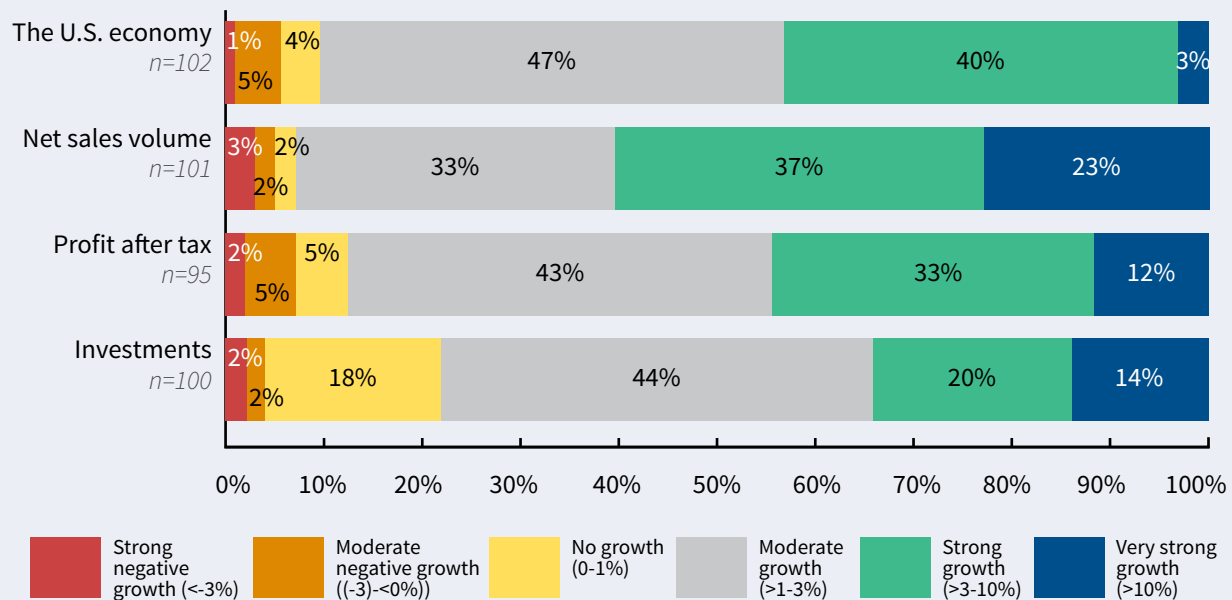
OUTLOOK IN 2022

Despite turbulent times and the ongoing uncertainty of the pandemic, the GABO shows that German companies in the US regained their confidence. Most participants are optimistic about their expectations for the overall development of the US economy and made similar predictions for their business in the US in 2022.

90% of companies surveyed expect growth of the US economy in 2022 of more than 1%, 40% expect strong growth of between 3% and 10%, and 3% of the respondents assume that the US economy will grow by even more than 10%

- ▶ 95% of the manufacturing companies expect economic growth in the US in 2022 (vs. 87% of other industries).
- ▶ All bigger companies with more than 200 employees (100%) expect moderate or strong growth of the US economy in 2022, whereas 12% of smaller companies predict no or negative growth.

Figure 2: Expectations for the overall development of the US economy and predictions for the participants' business in the US in 2022 (vs. 2021)



Source: GACCs and KPMG in Germany, 2021, figures in percent.

93% of German companies in the US expect positive growth of their net sales volume in 2022, and almost a quarter (23%) predict very strong growth of more than 10%

- ▶ 26% of the manufacturing companies predict an increase of their profits after taxes in 2022 of more than 10% in comparison to 2021 (vs. 20% of other industries).
- ▶ 29% of smaller companies with 200 employees and less expect an increase of their net sales volume in 2022 of more than 10% in comparison to 2021 (vs. 14% of companies with more than 200 employees).

Nearly nine out of ten participants (88%) assume increasing profit after taxes in 2022 – around half (45%) expect their profitability to increase by more than 3%.

- ▶ The results regarding the profit after taxes development in 2022 of companies from manufacturing and from services sectors are almost similar.
- ▶ 15% of smaller companies predict no or negative growth of their profit after taxes in 2022 (vs. 4% of companies with more than 200 employees).

78% of German companies in the US plan to increase their investments in 2022. Nearly half (44%) expect moderate growth rates of their investment of up to 3%, whereas 34% expect to increase their capital spending by even more than 3%.

- ▶ 81% of manufacturing companies plan to grow their investments in 2022. 24% even plan very strong investment budget growth of more than 10% (vs. 7% of other industries).
- ▶ 33% of smaller companies predict a strong or very strong increase of their investments in 2022 of more than 3% in comparison to 2021 (vs. 45% of companies with more than 200 employees).

B

Survey Results

1



Business Situation and Developments



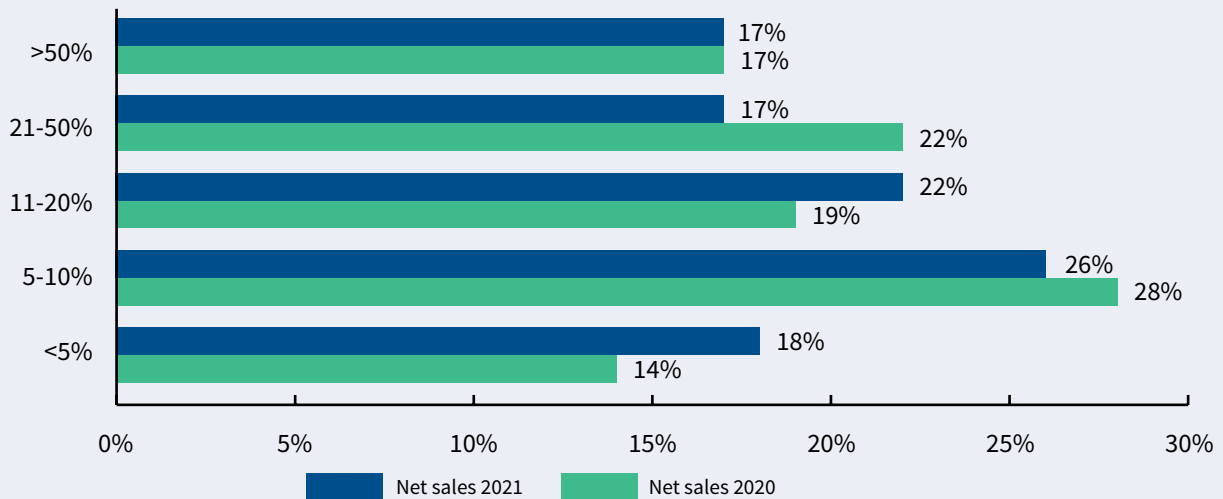
For every third company surveyed, their US operations generate more than 20% of total group sales

In 2021, a robust US economy and its capacity to recover rapidly from the crisis were the anchors of stability and drivers for growth for the surveyed German groups. US operations generate more than 20% of total group sales for 34% of the German companies surveyed (prior year: 39%). Even more significant, for 17% of companies surveyed, US operations account for more than 50% of total group net sales (previous year: 17%). On the other side, the share of German companies that are generating less than 10% of total group net sales from their US operations increased from 42% in 2020 up to 44% in 2021.

28% of respondents generate more than 20% of their group profits from their US operations

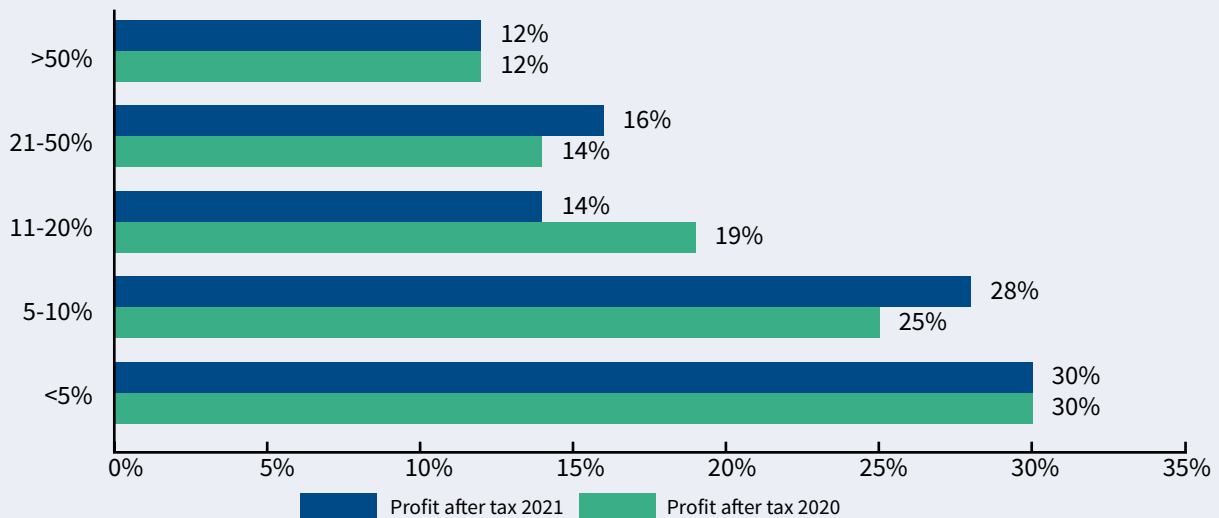
Trends in profit shares from US operations were positive and increased slightly in 2021: 28% of respondents (previous year: 26%) generate more than 20% of their total group profits after taxes; 12% of the surveyed companies state that they generate more than 50% of their group profits from their US operations (previous year: 12%). At the same time, the share of German companies who are generating a relatively small profit share from their US operations of 10% or less grew from 55% in 2020 up to 58% in 2021.

Figure 3: What is the percentage of net sales generated by your US operation for the overall group?



Source: GACCs and KPMG in Germany, 2021, figures in percent, deviations from 100 percent are due to rounding differences, 2021: n= 94, 2020: n=148.

Figure 4: What is the percentage of profit after tax generated by your US operation for the overall group?



Source: GACCs and KPMG in Germany, 2021, figures in percent, deviations from 100 percent are due to rounding differences, 2021: n= 83, 2020: n=125.

SURVEY RESULTS: BUSINESS SITUATION AND DEVELOPMENTS

85% of companies surveyed reported a positive or even very positive development in net sales volume in 2021 compared to 2020

Sales volumes hit a record high in 2021: For the first time since the GABO survey was launched in 2011, the percentage of companies with increasing sales volumes is 85% (Figure 5). Only 9% of the surveyed German companies in the US report a net sales decrease and a further 6% of respondents report no change in their sales development. In particular smaller companies with 200 employees or less are responsible for these results as 86% of them expect a positive development of their sales volumes (vs. 82% bigger companies with more than 200 employees).

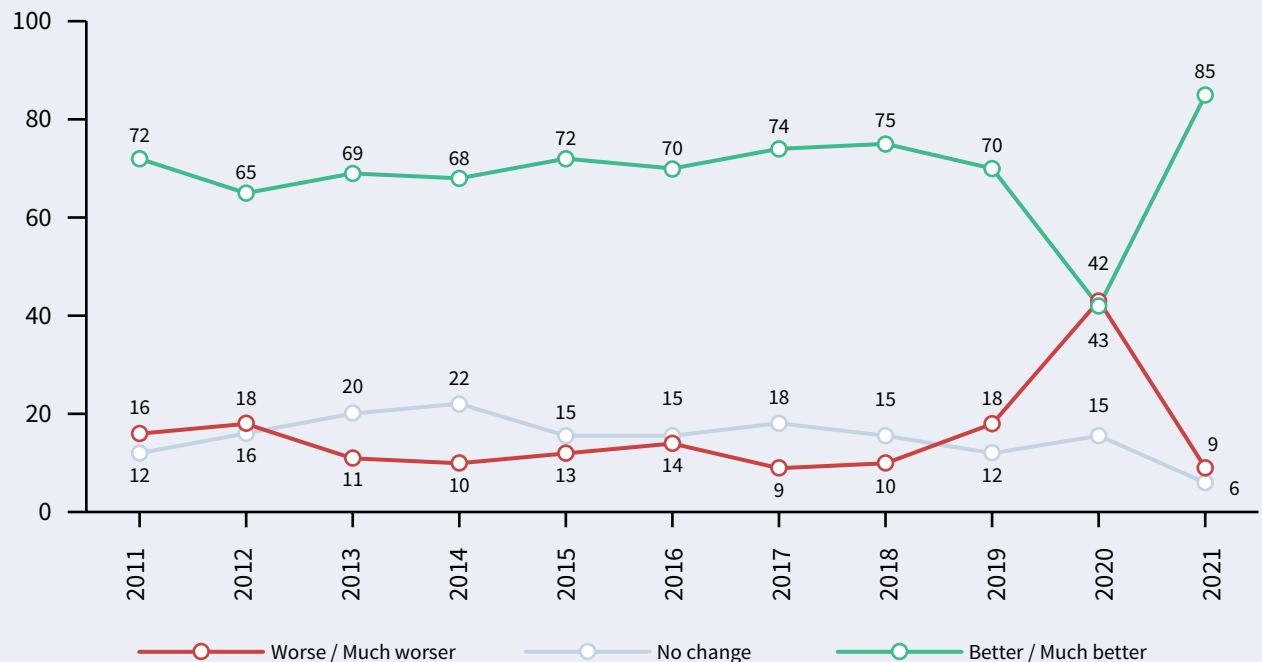
72% of the participants report a positive or very positive development in their profitability in 2021 compared to 2020 (figure 6)

The increase in sales of most companies surveyed led to greater profitability for most of them. 72% of the participants report positive or even very positive developments in their profitability in 2021 compared to 45% in 2020. Only 11% of companies are facing a decline in their profits after tax, less than a third from the previous year (35%).

88% of companies surveyed state they generate profits after taxes in 2021 (figure 7)

The levels of profitability achieved by the respondents were again noteworthy: 88% of

Figure 5: Sales volume development



Source: GACCs and KPMG in Germany, 2021, figures in percent, deviations from 100 percent are due to rounding differences, n=101.

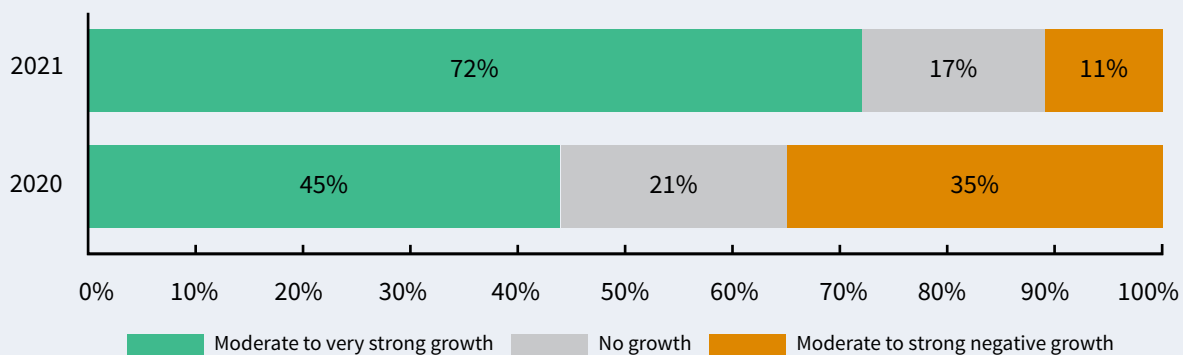
surveyed companies state they generate profits after taxes in 2021 (prior year: 90%). 29% of all surveyed companies (prior year: 23%) will achieve a very significant level of profitability of more than 10% of net sales. Many companies from this cluster are from services industries. This, in turn, left 12% of the companies surveyed reporting negative margins (prior year: 10%). Most companies with negative margins in 2021 have less than 200 employees.

43% of German subsidiaries surveyed expect strong growth for the US economy in 2022 of more than 3% (Figure 8)

The participants of the survey have much higher expectations for US economic growth in 2022 than in any year since 2012: This year, an impressive 43% of companies surveyed – triple the size of previous year (18%) - expect strong growth of more than 3% for the US economy in 2021. An economic rebound and a catch-up effect after the initial phase of the COVID-19 crisis is anticipated. All in all, 94% of German subsidiaries have positive expectations for growth in 2022. Almost unchanged is the number of companies surveyed that expect a contraction of the US economy: 6% versus 7% in the previous year.

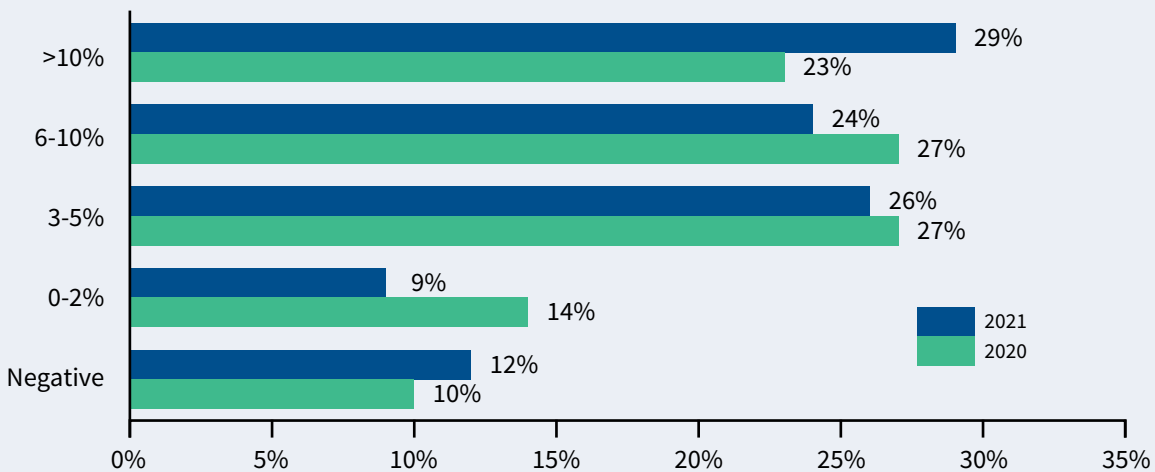


Figure 6: Change of profit after taxes 2021 vs. 2020, 2020 vs. 2019



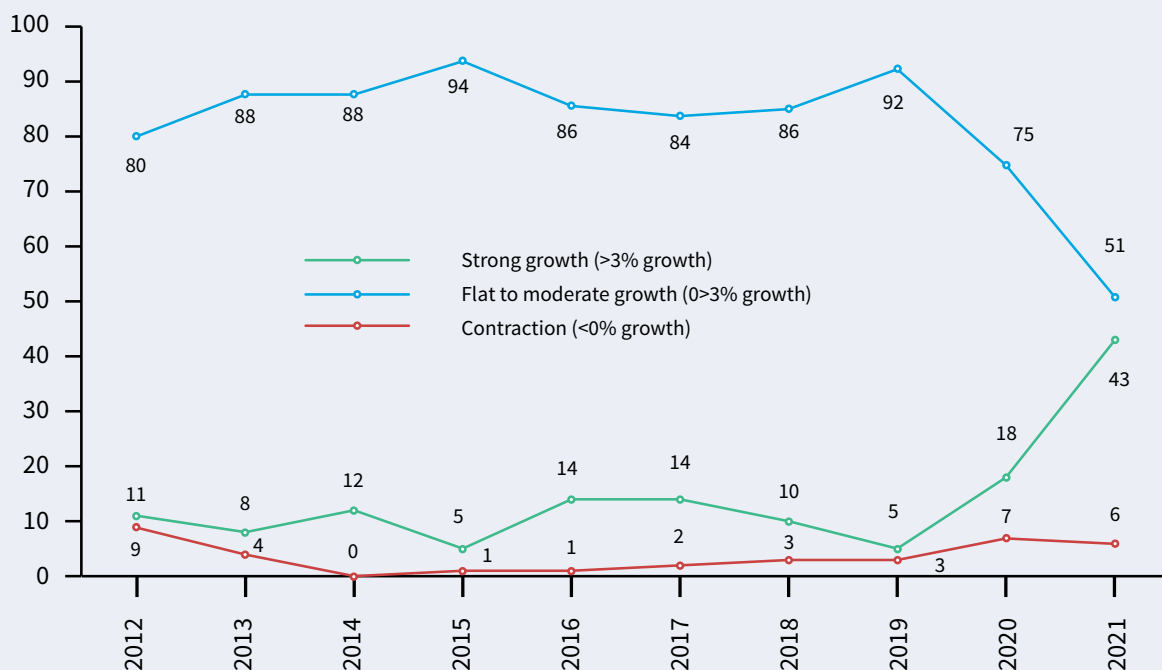
Source: GACCs and KPMG in Germany, 2021, figures in percent, deviations from 100 percent are due to rounding differences, 2020: n= 159, 2021: n= 99.

Figure 7: Level of profit after taxes in relation to net sales in the US



Source: GACCs and KPMG in Germany, 2021, figures in percent, deviations from 100 percent are due to rounding differences, 2021: n= 87, 2020: n= 124.

Figure 8: Growth expectation for the US economy for the following year



Source: GACCs and KPMG in Germany, 2021, figures in percent, deviations from 100 percent are due to rounding differences, 2021: n=102.



Investment Plans

87% of the surveyed companies are planning investments in the US market over the next three years

The increase in economic optimism among German companies in the US is reflected in their planned investment projects: Our survey shows that 87% of the respondents have plans for capital expenditure over the next three years. More than one out of five companies surveyed (22%) has plans to invest more than 10 million USD in the US market over the next three years (prior year: 17%), and the percentage share of large-scale projects is up by 5.0 percentage points. The majority of investments of more than 10 million USD is planned by companies with more than 200 employees. However, 28% of the German companies reported that they intend to invest

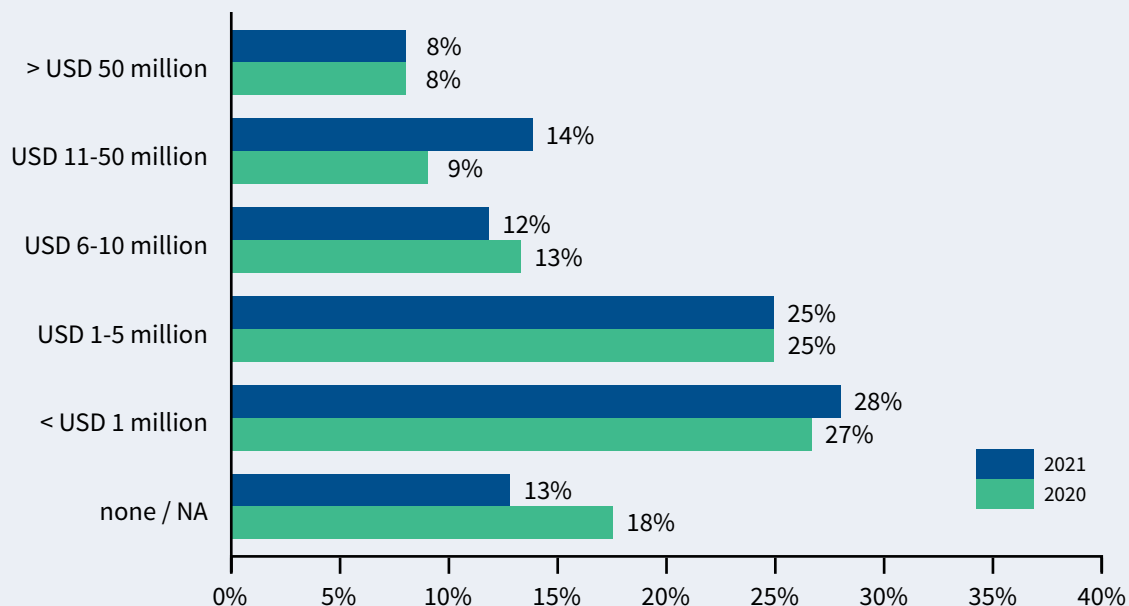
less than 1 million USD and 13% do not have any investment plans over the next three years.

This is a clear statement of confidence in and long-term commitment to the US operations of these German groups.

INVESTMENT REASONS

As in previous years, almost four out of five (79%) surveyed German companies in the US state that “market size & customer demand” are the primary reason for their US investment, while “customer proximity” lost its significance but still ranked second (48% in 2021 against 60% in 2020). 25% of companies name “relative market stability” a reason for investment, the same level as in the previous year. As in 2020, 13% of companies choose the

Figure 9: Amount of planned investments of German companies in the US over the next three years (2022 – 2024)



Source: GACCs and KPMG in Germany, 2021, figures in USD million, deviations from 100 percent are due to rounding differences, 2021: n= 102, 2020 n = 165.

SURVEY RESULTS: INVESTMENT PLANS

“excellent environment for digitization” in the US as their reason to invest in 2021. Other location factors such as workforce productivity, energy costs, R&D environment or exchange rate conditions were once again of limited relevance.

INVESTMENT AREAS

Automation and digitalization are key investment areas over the next three years

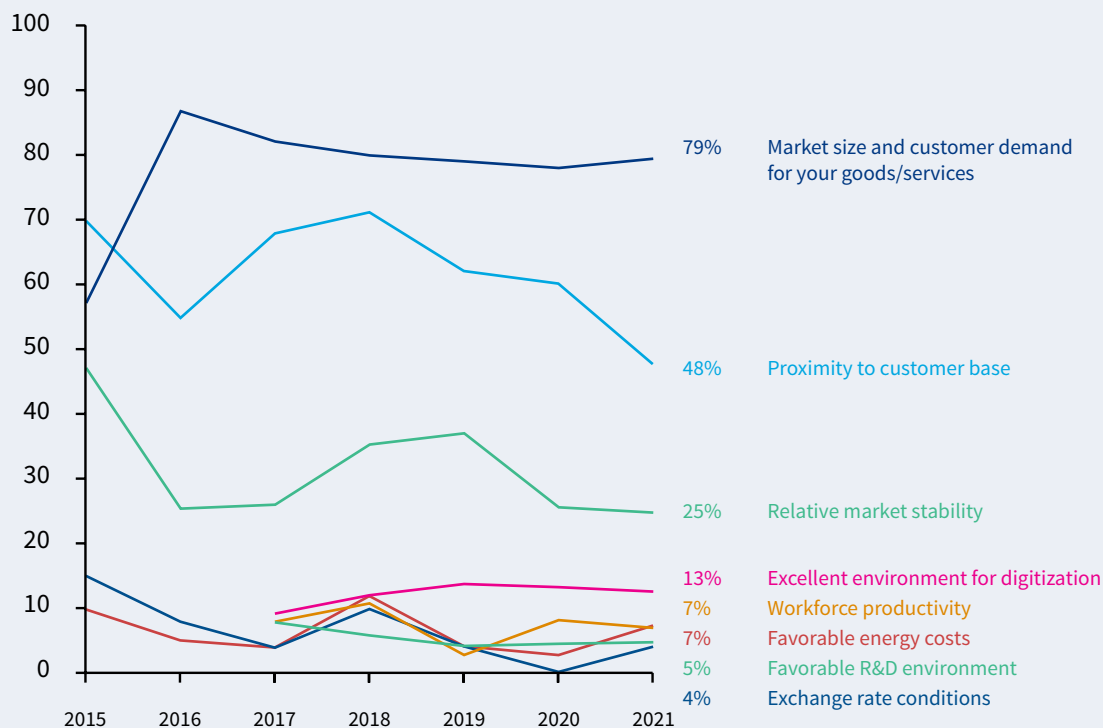
Among the top three planned investment areas for German companies in the US are “machines for automation and productivity development” (39%), “digital transformation of business operations” (37%) and “distribution channels (incl. ecommerce)” (25%), which are all directed towards improving the

existing operating model by focusing on automation and digitalization. “Mergers and acquisitions (M&A)” (15%) rank sixth place. Only 10% of respondents state that “new R&D facilities are among their top 3 investment areas over the next three years. Among “other” (11%) areas are investments in sales staff, infrastructure, energy efficiency measures or test equipment.

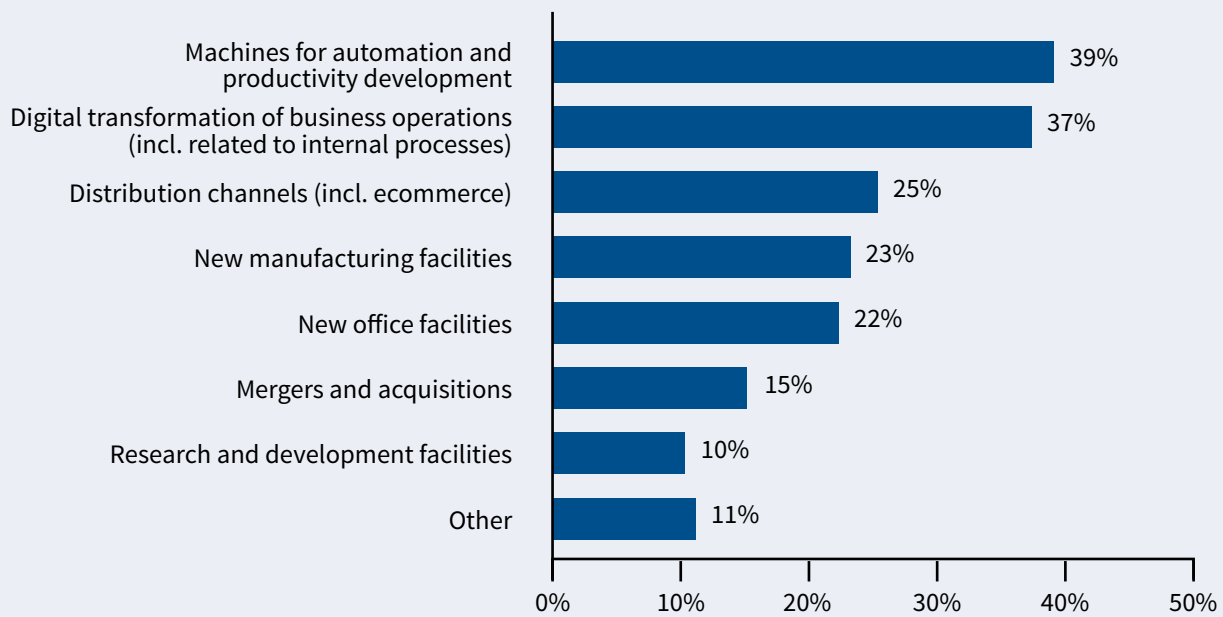
Four out of five German companies in the US are focusing on organic growth in their existing fields to achieve their goals in 2022 (Figure 12)

More German companies in the US are focusing on organic growth in their existing business fields to achieve their 2022 goals. In 2021, 78% of all

Figure 10: Top reasons for current and future investments in the US relative to other world markets



Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question, 2021: total n=195.

Figure 11: Top three planned investment areas for the next three years (2022 – 2024)

Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question (top three selection), 2021: total n=182.



SURVEY RESULTS: INVESTMENT PLANS

respondents focused on organic growth as their main strategic action, and 80% plan to do so for 2022. “Entering into new business fields” is second with 35% planning to do so in 2022, followed by the “establishment of additional and/or new operations in other regions of the US,” which 22% intend. 32% of the surveyed companies entered new business fields in 2021 (previous year: 28%) and 18% established additional and/or new operations in other regions of the US. Almost twice as many companies than in the previous year intend to enter into new countries and/or markets: 21% versus 11%.

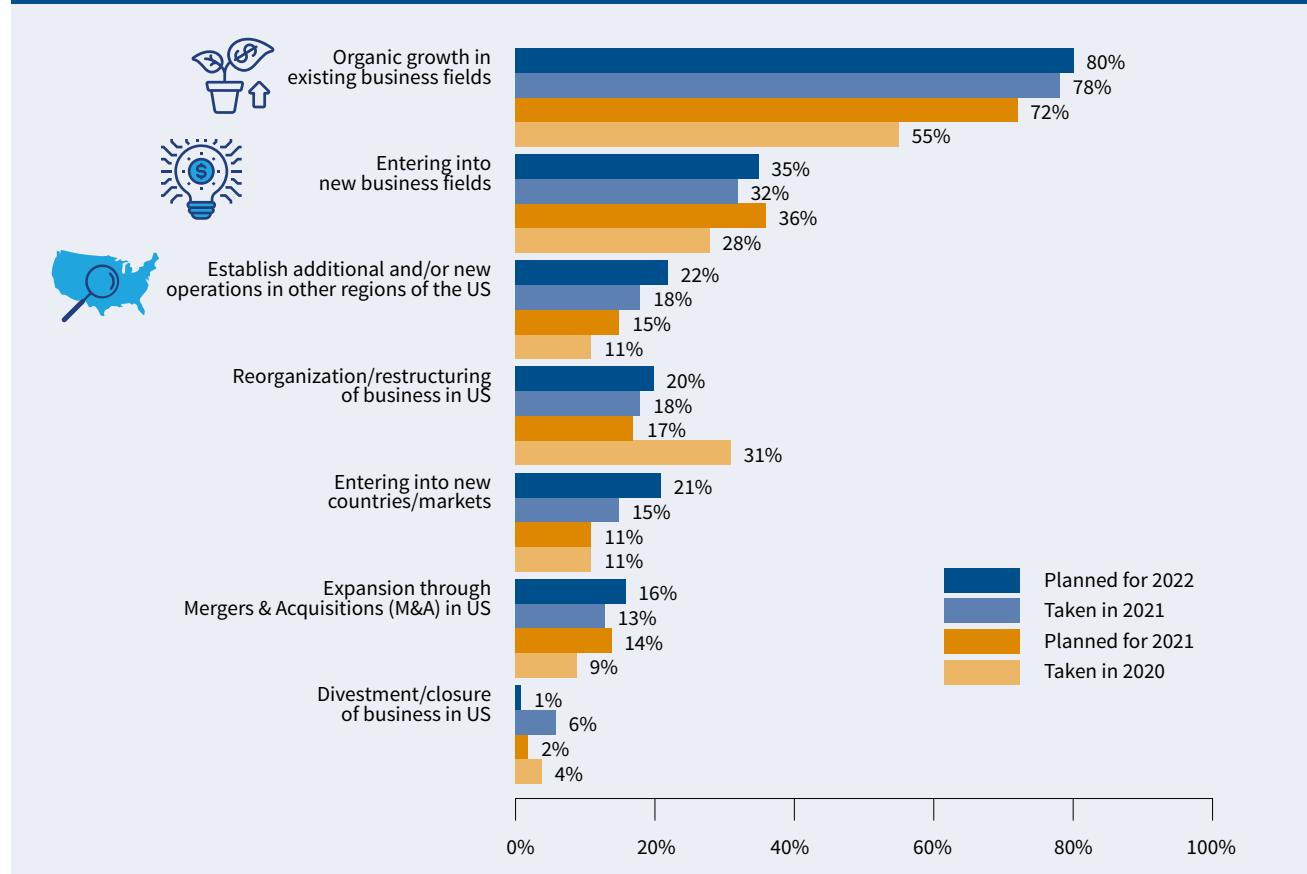
In response to the turbulent economic situation in 2021, 18% of the respondents engaged in

reorganization and restructuring measures of their US business in 2021 and 20% have such plans for 2022.

A further 6% of the surveyed companies divested or closed their business locations or segments in 2021, compared to 4% in 2020. However, only 1% have such plans for 2022. This demonstrates that the main downsizing measures after the start of the COVID-19 pandemic have now come to an end.

From the results it can be noted that German companies in the US are focusing more strongly than ever on their core competences to play an active part in shaping their markets in the future.

Figure 12: Strategic actions taken in 2021 and planned for 2022



Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question, “Taken in 2021” n=102, “Planned for 2022” n=99.

3



Economic Challenges

The availability of skilled workers is by far the biggest challenge of the surveyed companies today

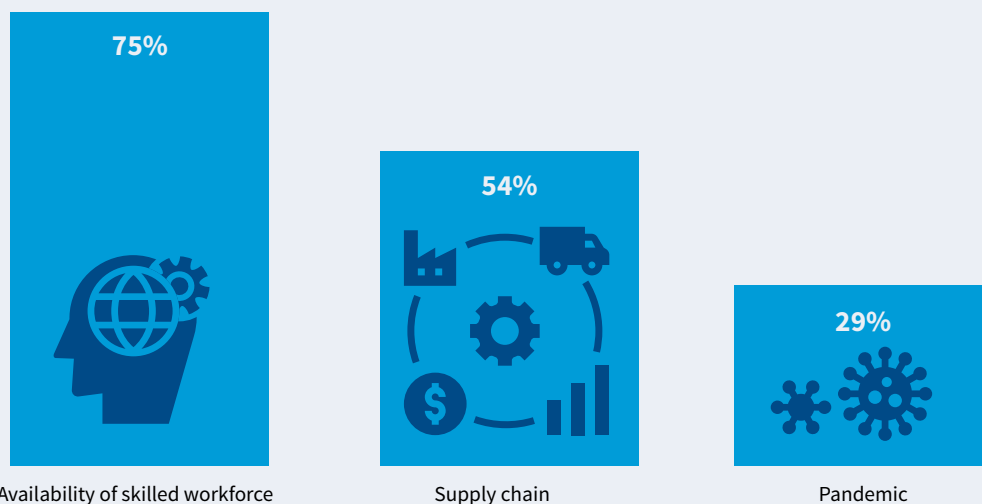
The surveyed companies report that the biggest challenge facing their businesses today is the lack of skilled workers: 75% (45% in the previous year) state, that they have severe problems in finding a sufficient number of the right staff in the US labor market. Supply-chain issues are also a major challenge, as 54% of the surveyed companies name this as a top three challenge. Volatile raw material prices, interrupted business activities and supply bottlenecks along complex value chains are closely connected with the third-rated challenge for the surveyed companies: the COVID-19 pandemic. 29% of respondents (65% in the previous year) still stress that the COVID-19 pandemic and related restrictions are a top three challenge.

For German companies in the US access to open markets and trade agreements, infrastructure investments and access to work visas for foreign specialists are the three most important policy fields to further grow their US operations

The first topic dropped in relevance as trade relations between the US and the EU eased in 2021. Also, work visas became less of a topic for German groups as travel from foreign countries into the US resumed in Q4 of 2021.

It is notable that cybersecurity and data protection issues gained significant relevance among the survey participants in 2021: 31% of German companies in the US (previous year: 17%) state that information and network security issues are of high importance for their growth goals. This means that the attention given to these topics has

Figure 13: What are the top three challenges for your business in the US today?



Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question (top three selection), 2021 n=99.

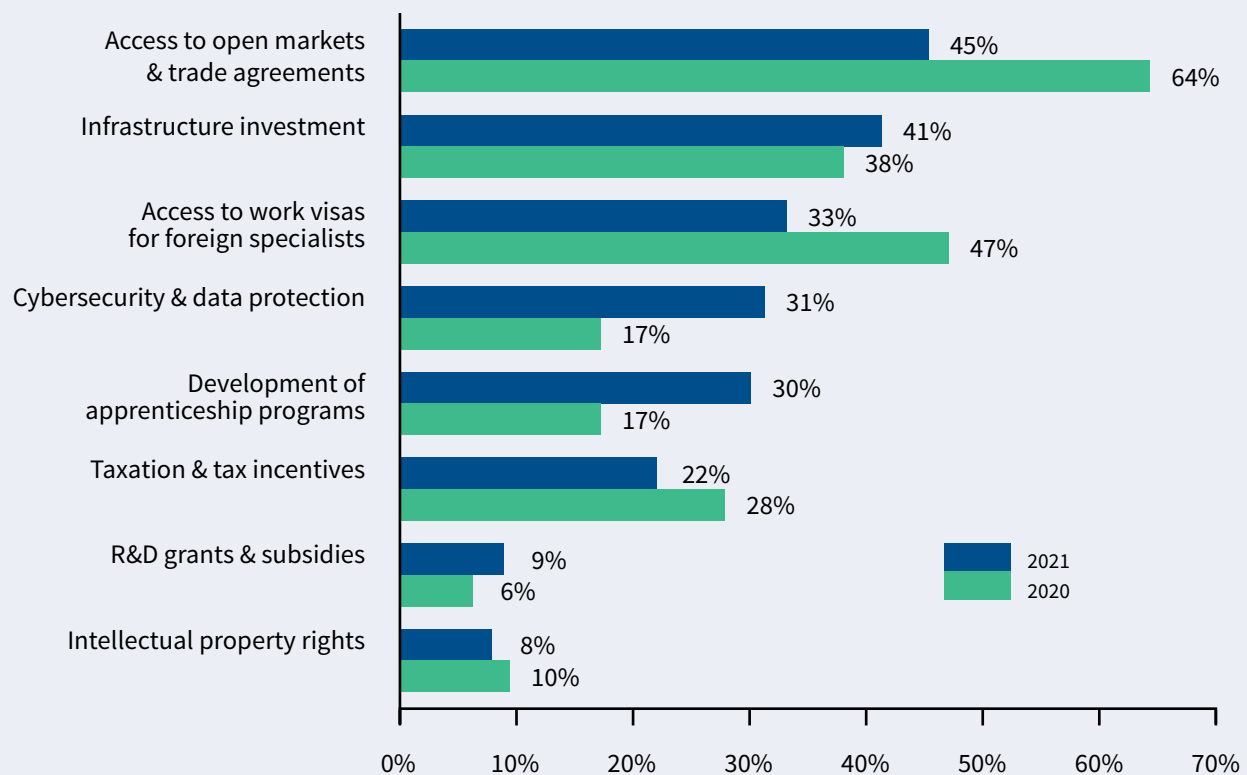
SURVEY RESULTS: ECONOMIC CHALLENGES

almost doubled within one year. The increasing use of remote work during the crisis as well as the ongoing digitalization of distribution and customer communication channels and work processes put many companies on a higher level of digitalization. A higher degree of digitalization however makes organizations more vulnerable to cyber-attacks. These can have serious consequences for companies, including data loss, production downtimes, theft of intellectual property and cyber extortion. Therefore, IT security is gaining great importance, particular for smaller companies with 200 employees or less, which voted cybersecurity

and data protection issues to their most important policy field for growing their US operations. Additionally, the relevance of apprenticeship programs as a policy field raised in importance sharply from 17% in 2020 to 30% in 2021. This once again points to the lack of skilled workers.

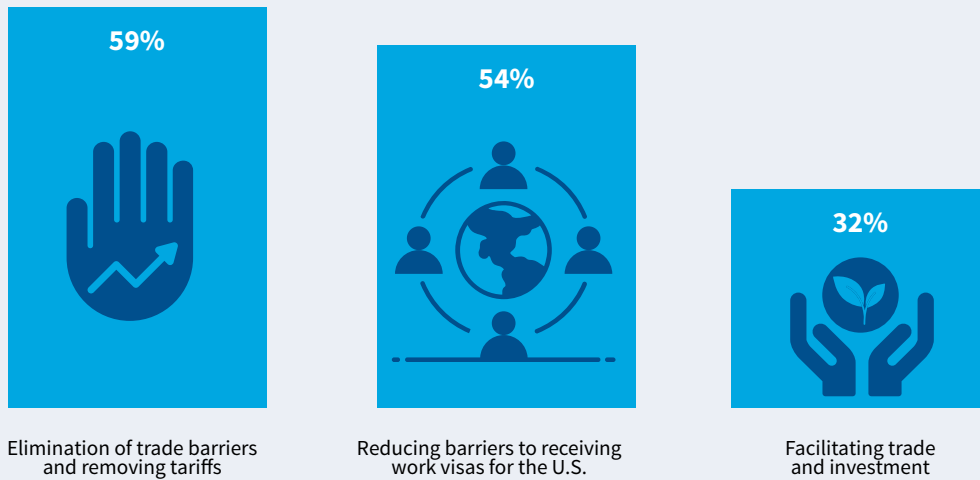
Almost three out of five surveyed companies (59%) would like the new German Federal Government to eliminate trade barriers and to remove tariffs, and more than every second participant (54%) calls on the new government to reduce barriers to receiving work visas for the US.

Figure 14: Top three policy fields with most importance for further growth of German US operations

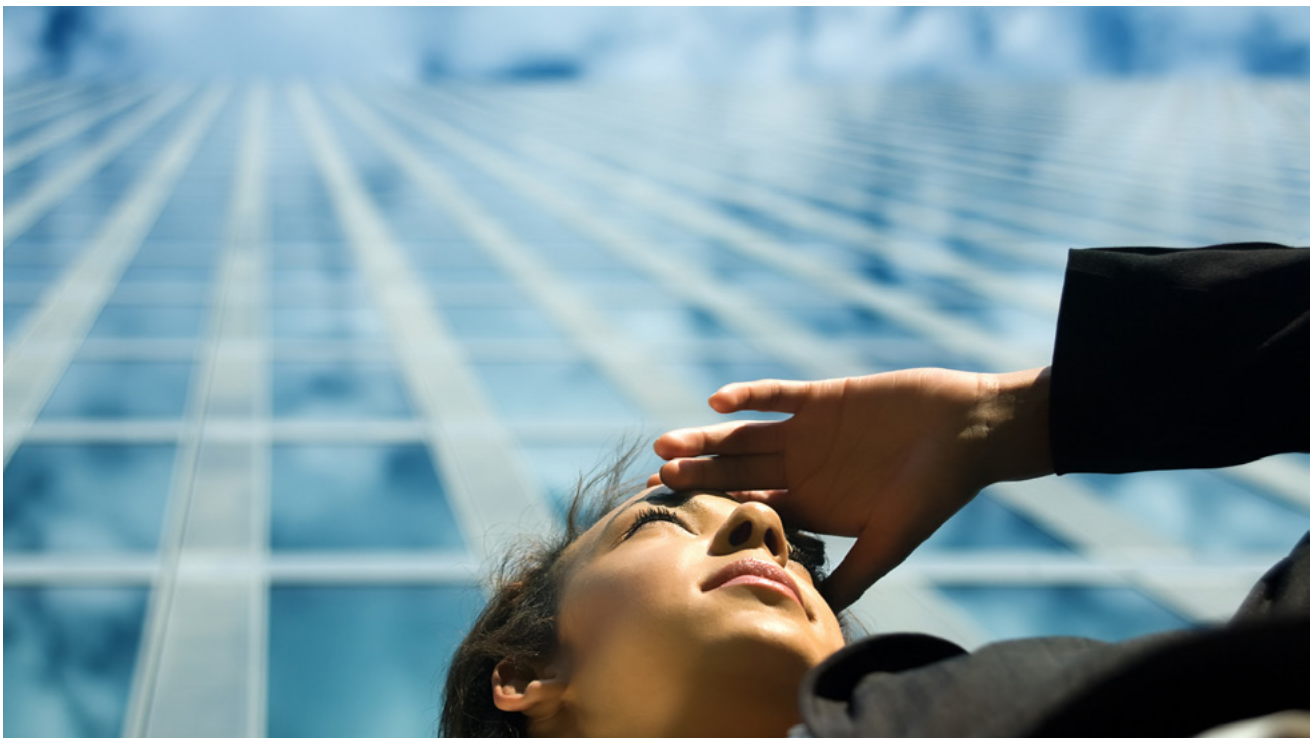


Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question (top three selection), 2021: n=99, 2020 n=163.

Figure 15: Top three topics which the new German government should prioritize and promote to support German subsidiaries in the US



Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question (top three selection), n=97.





Availability of Skilled Workforce

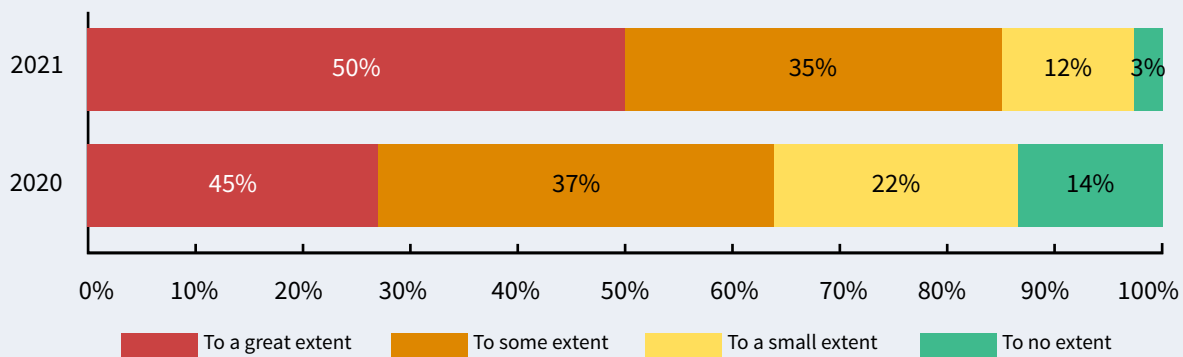
85% of German companies in the US state that they experience difficulties in attracting skilled workers to some or to a great extent

The US job market has been very volatile since spring 2020. While the unemployment rate was 3.6% in January 2020, it spiked to 14.7% in April 2020 - the highest since 1948 - and returned to 4.2% in October 2021^a. The strong rebound of the US job market does not remain without consequences for big parts of the US economy: At the end of 2021, companies throughout the US expressed that they cannot fill vacancies. German companies in the US also faced this challenge as the availability of skilled workers is the biggest economic challenge for growth (as per figure 13 above).

85% of the surveyed German companies in the US state that they experience difficulties in attracting skilled workers to some or to a great extent –up from 64% in the previous year. This applies in particular for companies from the manufacturing industries (95%) and companies with more than 200 employees (100%). The recent job market recovery accentuates the still existing skills shortage. This underscores the continued need to create pipelines of qualified employees, particularly through apprenticeship programs, an activity the US market in general is increasingly pursuing to ease this bottleneck.



a): Source: Bureau of Economic Analysis (BEA), November 2021

Figure 16: Difficulties in attracting skilled workers in the US

Source: GACCs and KPMG in Germany, 2021, figures in percent, 2021: n=99, 2020: n=142.

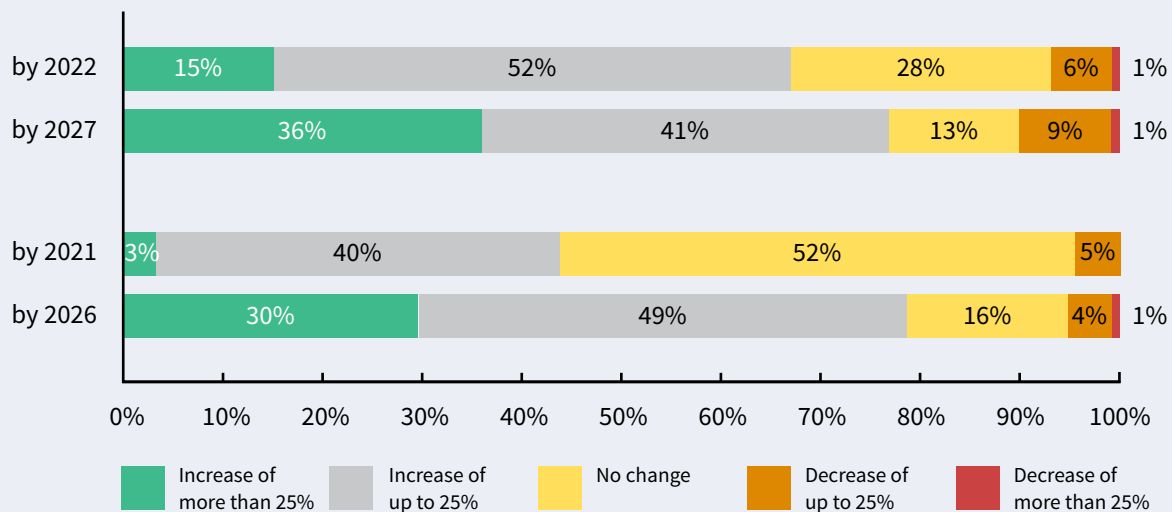
Two out of three companies plan to increase their workforce in 2022

Companies are improving automation and digitalization to increase efficiency in business processes, but the ups and downs in customer demand due to the COVID-pandemic made personnel planning difficult. As a result, at many companies the workload fluctuated significantly. It is however evident that companies intend to increase their workforce in the short term and even more in the long run: In 2022, 67% of the surveyed companies plan to increase their workforce, and 15% by more than 25%.

The companies from the manufacturing industries in particular plan to increase their workforce in 2022 (79% vs. 57% of other industries). Only 7% intend to decrease their workforce, mainly including bigger companies with more than 200 employees. By 2027, more than 3 in 4 (77%) expect an increase in their number of employees, with 36% of those expecting an increase of more than 25%. Specifically, the assessment for the next coming year increased

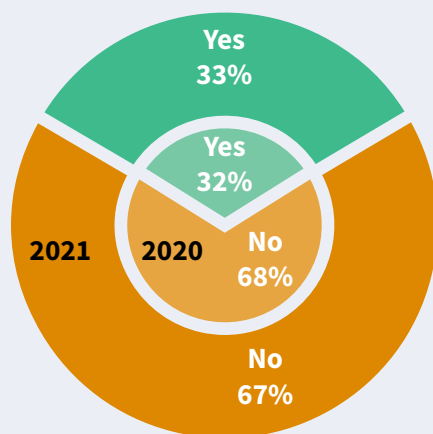


Figure 17: Change in number of employees expected in 2022 up until 2027 (in comparison to the results from the previous year, in 2021 and until 2026)



Source: GACCs and KPMG in Germany, 2021, figures in percent, n=88 for 2022, n=87 for 2027, n=149 for 2021; n=149 for 2026.

Figure 18: Does your business currently participate in / offer any dual education or apprenticeship programs in the US?



Source: GACCs and KPMG in Germany, 2021, figures in percent, 2021: n=91, 2020: n=137.

sharply when compared to the results of our prior year's survey: For the coming year 43% expected to increase their number of employees last year, and 67% expect this for 2022. This is a further sign that companies have overcome somewhat the direct impacts of the COVID-pandemic.

Apprenticeship programs provide a feasible opportunity to close the skills gap. One third of German companies in the US have taken advantage of this opportunity

As companies increasingly struggle to fill open positions, the German business community has established itself as the driver of an industry-led solution: apprenticeships. To close the skills gap, 33% of German companies surveyed in 2021 are using apprenticeship programs to create a pipeline of qualified workers, compared to 32% in 2020.



Research & Development

The share of German companies in the US that are conducting R&D decreased by 5 percentage points – from 44% in 2020 down to 39% in 2021

Education, research, and development are the driving forces behind innovation and are therefore of great importance for the competitiveness of companies. Innovation is a key topic of almost every corporate growth agenda. Nevertheless, the GABO survey results show that the number of companies conducting R&D in the US is decreasing: 39% of the surveyed German companies – 5 percentage points lower than last year – state that they conduct R&D in the US.

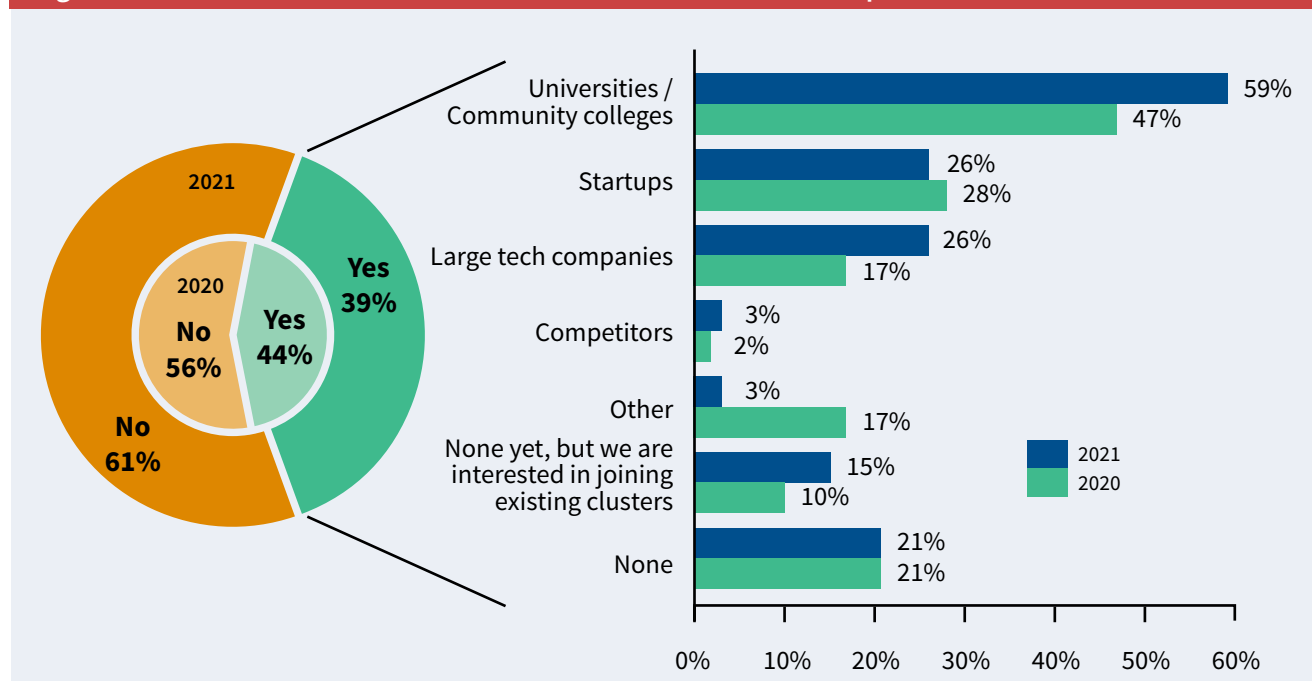
Among the companies that conduct R&D in the US, 59% collaborate with universities or community colleges, followed by startups (26%) and large tech companies (26%). It is noteworthy that collaboration with Big Tech has become more relevant in comparison to last year. Other partners

include institutes, suppliers, vendors, specialist agencies and customers. However, 36% (31% in 2020) of all companies doing R&D in the US still do not collaborate with partners at all.

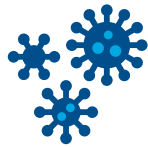
Top reasons for the companies surveyed to expand existing or localize new R&D capacities in the US is customer and market demand

The fundamental reason to expand existing or establish new R&D capacities in the US is to meet market demand and needs of customers. 76% of German companies in the US invest in additional R&D capacities to better define customer needs and therefore conduct more successful R&D. 29% of the surveyed companies state that the availability of skilled workforce and talent present a reason for an R&D capacity expansion. Other reasons like local government incentives, government requirements or general decoupling tendencies are negligible.

Figure 19: R&D activities in the US and collaboration with external parties



Source: GACCs and KPMG in Germany, 2021, figures in percent, 2021: n=88 having answered re “Conducting R&D in the US”; n=34 having answered re “Collaboration Partner”.



Changes in working patterns and the digitalization of sales & marketing are the areas with the greatest progress achieved during the pandemic

During the pandemic companies were forced to navigate a broad range of interrelated issues at the same time. 66% of the companies surveyed state that they made the greatest progress in adjusting their work model, followed by offering digital workplaces (53%). 28% of the companies report greatest progress in the digitalization of their sales and marketing activities - but only 22% in strengthening their supply chain resilience and 21% in the digitalization of their business model.

Supply chain resilience and cyber security shows most need for action (Figure 21)

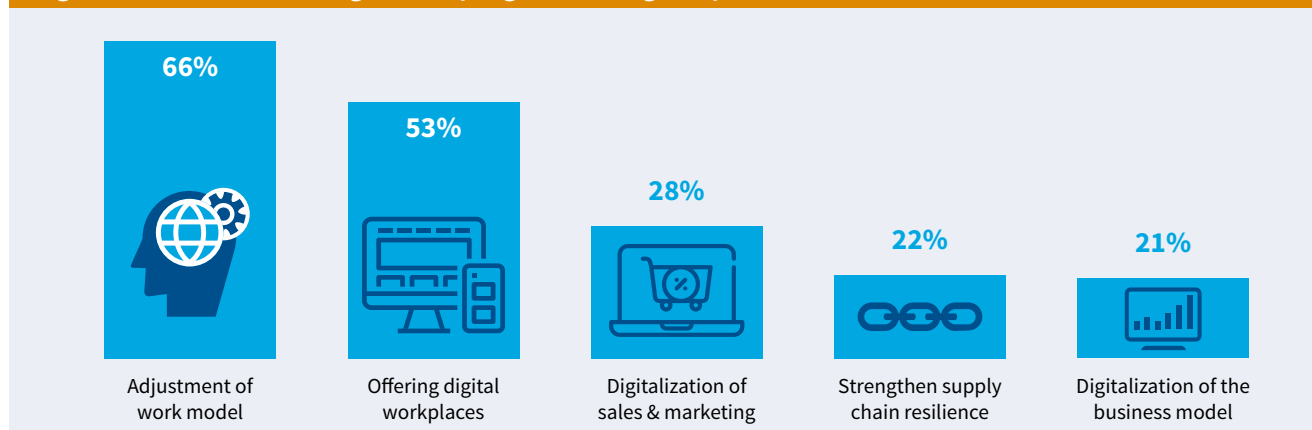
When asked which areas require most improvement, two out of five companies (41%) state that the supply chain resilience of their US business is not yet sufficient. 30% of the participants report that their company's protection against cyber security risks could be improved. Among the top five areas with the biggest room for improvement, three issues are related to digitalization topics.

Almost one in three companies surveyed has insufficient budget for all important digitalization projects (Figure 22)

The statements of the respondents about the digitalization progress of their company are predominantly positive. 56% agree or even strongly agree that their company is able to identify appropriate partners to increase their pace of digital transformation (49% each state that their company has in-depth insights into future operational scenarios as well as a coherent view on key technological trends).

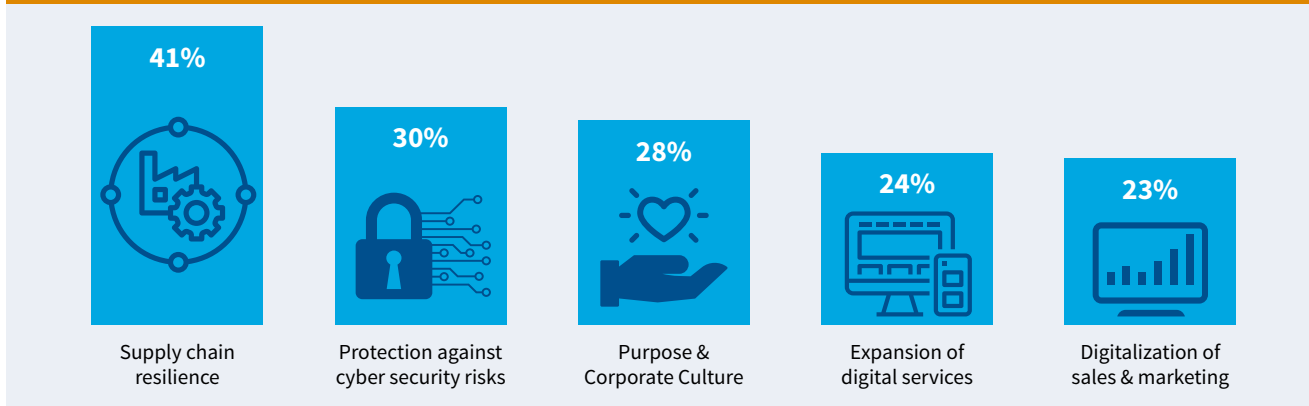
Less convinced are the respondents about having sufficient budgets for all important digitalization projects (32% disagree or even strongly disagree), having the right skills and capacities in their IT-departments (23% disagree or even strongly disagree) and having experience in scaling/ deploying pilot projects (20% disagree or even strongly disagree). 21% of the respondents rate the status of their digital transformation process ahead of their competitors, whereas 30% disagree with this statement.

Figure 20: Areas with the greatest progress during the pandemic



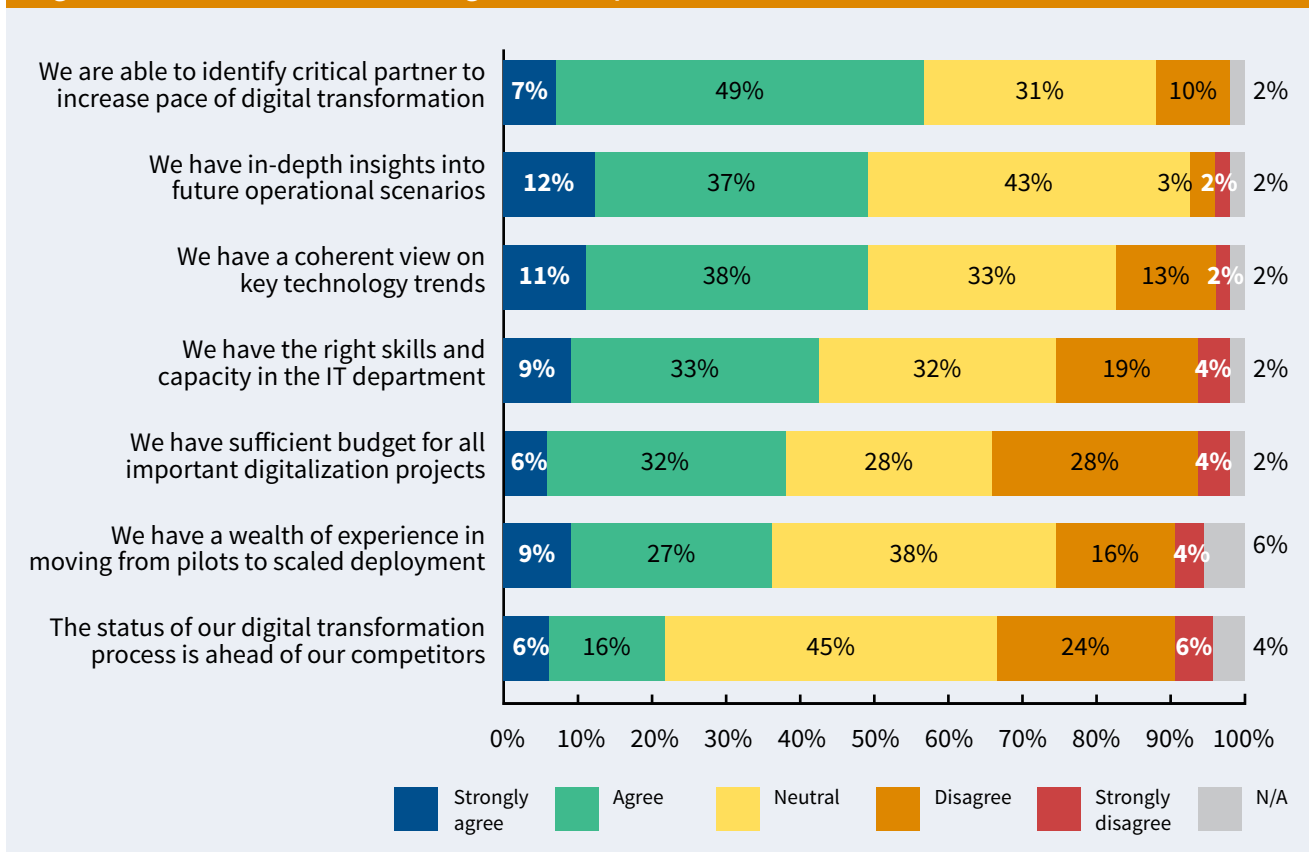
Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question (top three selection), n=90.

Figure 21: Areas with room for improvement



Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question (top three selection), n=92.

Figure 22: Statements about the digitalization process of the US business



Source: GACCs and KPMG in Germany, 2021, figures in percent, deviations from 100 percent are due to rounding differences, n=90.



Supply Chain

Almost three quarters of the surveyed German companies in the US say their supply chains have been under increasing stress over the past 18 months

The nearly total global shutdown and reboot of economies has led to distortions of complex supply chains, supply bottlenecks and massive price increases. The COVID-19 pandemic exposed weaknesses in companies' supply chains that often already existed. Many companies not only lack transparency into their value chains, their business partners, and alternative suppliers, but also operated on internal findings without taking customers' feedback into consideration.

Our survey shows that for 71% of the surveyed companies, their supply chains have been under increased stress over the last 18 months. Only 8% state that their supply chains have not been impacted during this time period. These companies may have access to a vast range of suppliers, deal with abundant available resources or their means of production have been secured by long-term contracts. Supply chain risks do not apply for such companies as well as for those who only offer services. Accordingly, 21% of the respondents' state that increased supply chain stress does not apply for them.



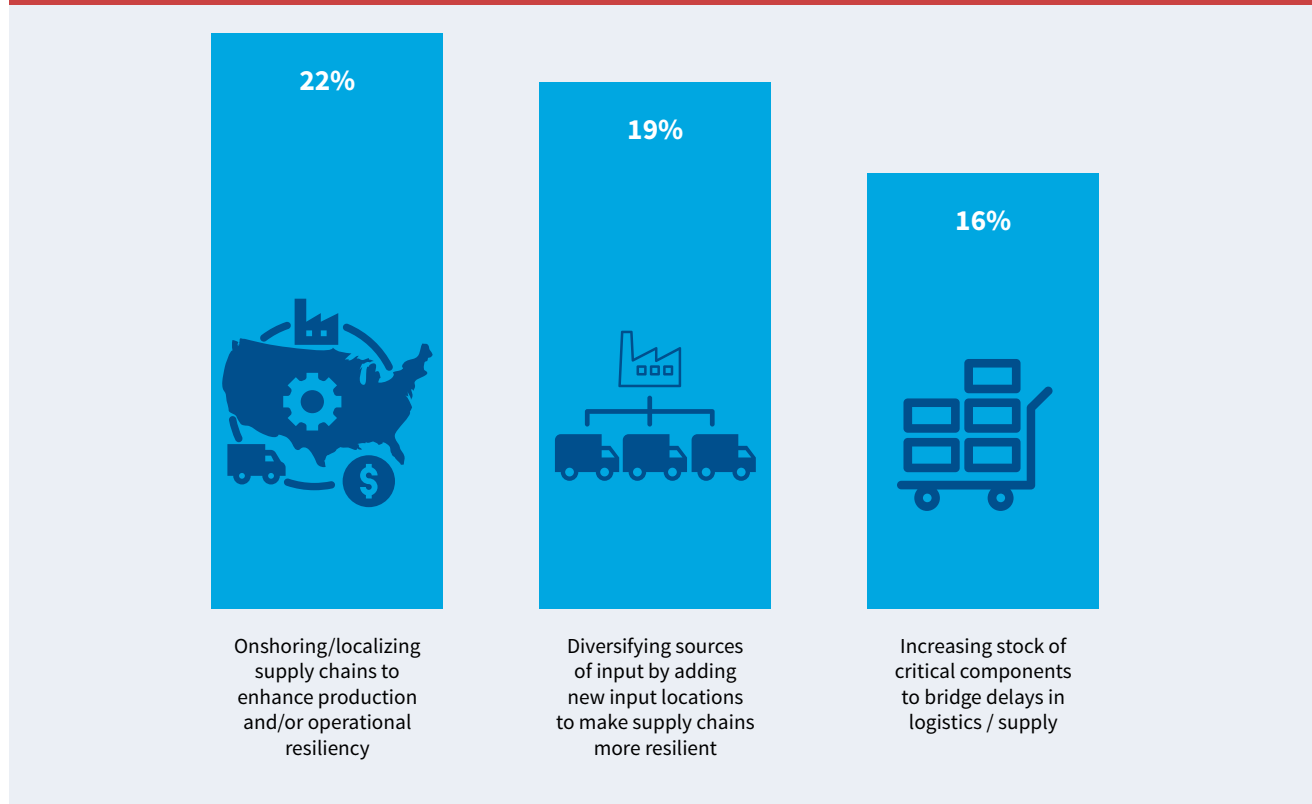
Local sourcing, diversifying suppliers and stockpiling of critical components are the top strategies for managing supply chain risks

22% of the participants state that their top strategy to manage supply chains over the next 3 years is onshoring and localizing supply chains. The next strategies to follow are diversifying input sources by adding new input locations (19%) and stockpiling critical components to bridge delays in logistics / supply.

The strategy of onshoring and localizing supply chains is most often stated by smaller companies

with 200 employees or less (32%), whereas the diversification of the supplier base is most often stated by bigger companies with more than 200 employees.

Figure 23: Top strategy for managing supply chains



Source: GACCs and KPMG in Germany, 2021, figures in percent, n=93.



ESG: Sustainability, Diversity, Equity & Inclusion (DEI)

56% of German companies in the US plan to grow their investments in sustainability programs

ESG (environmental, social, governance) comprise fields of action around climate change, the diversity of the workforce and sustainable financial strategies. Investors, customers, employees, and other stakeholders are increasingly expecting companies to make more environmentally and socially responsible decisions. Most German companies in the US are addressing these growing challenges by increasing their budgets for their sustainability programs. 56% of companies surveyed plan to grow their investments in sustainability programs within the next three years – every tenth company even plans for strong growth. Meanwhile, 30% do not intend to increase their budget for investments in sustainability programs. Only 1% plan to reduce spending on ESG programs.

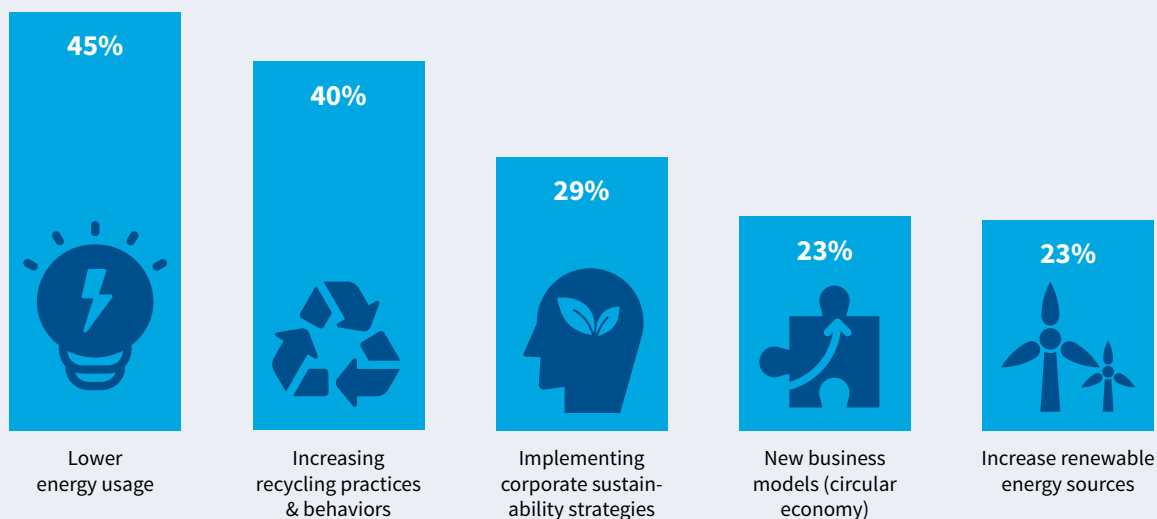
Energy saving and recycling projects are the sustainability programs with the highest priorities among the German companies in the US

Lower energy usage (45%) and increased recycling practices & behaviors (40%) are the top sustainability programs within the next three years (2022 – 2024). Around one quarter of all companies surveyed (29%) plan on implementing corporate sustainability strategies within 3 years and 23% plan on implementing new business models like the circular economy. Other intended sustainability programs include an increase in renewable energy sources (23%), a zero-waste policy (18%) and emission reduction programs (18%).

Half of the companies surveyed are currently implementing diversity, equity & inclusion (DEI) policies and/or actions

Many organizations in the US are committed to creating an inclusive environment where all employees have equal support to develop their full potential, regardless of gender identity, ethnicity, disability, sexual orientation, and socio-economic background. For many organizations

Figure 24: Most prioritized sustainability programs within the upcoming 3 years



Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question, n=78.

this commitment also means an ongoing process of change. Every second surveyed company (50%) is currently implementing diversity, equity & inclusion (DEI) policies and/or actions. The differences in how small and large companies address this issues are minor; most notably, large companies with more than 200 employees are more active in implementing DEI policies and/or actions.

Most frequent DEI measures taken in 2021 or planned for 2022 aim at HR management strategies, as well as workplace and leadership culture

The most often mentioned DEI measures taken in 2021 or planned for 2022 are initiatives to build a more diverse candidate pool and talent acquisition process. Before placing the talent pool on a broader basis, operating environments need to be adapted and leadership should provide a good example. Therefore, ranking second place on the list of DEI priorities is the adjustment of the company's workplace culture and in third place is an increase in leadership diversity.



Figure 25: Which of the following DEI measures have you already taken or are you planning to take in 2022?



Source: GACCs and KPMG in Germany, 2021, figures in percent, multiple choice question, n=74.



Economic Relations between Germany and the US

1

Key Economic Figures

+5.6%

increase in US GDP

The IMF is forecasting a sharp increase in US GDP of 5.6% and in German GDP of 2.7% for 2021. However, the German government is expecting the GDP in Germany to grow only by 2.1% in 2021 and by 4.1% in 2022.

1.9%

labor force growth

The US labor force is expected to grow by 1.9% in 2022 according to the US Congressional Budget Office, reaching almost pre-crisis levels. Unemployment is expected to decrease to 3.8% (2021: 5.5%).

69.2%

In 2020, imports from Germany into the US accounted for 5.2% of total US imports. The value of imports from Germany exceeded the value of US exports to Germany by 69.2%. The US trade deficit was 60.1 billion USD.

4.1%

US exports to Germany

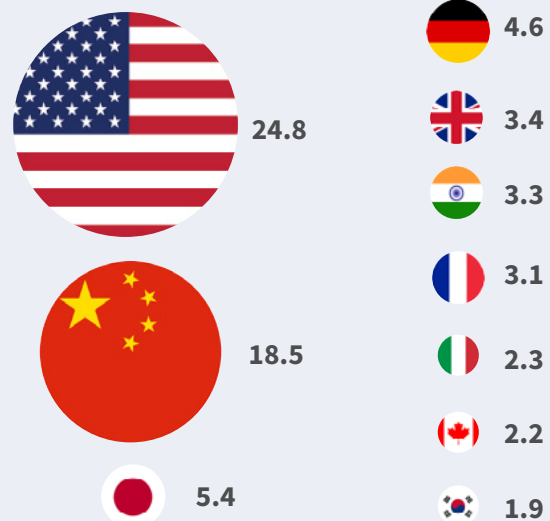
In 2020, exports from the US to Germany accounted for 4.1% of total US exports, which makes Germany the sixth most important destination for US goods & services in the world.

Noticeable recovery of the global economy

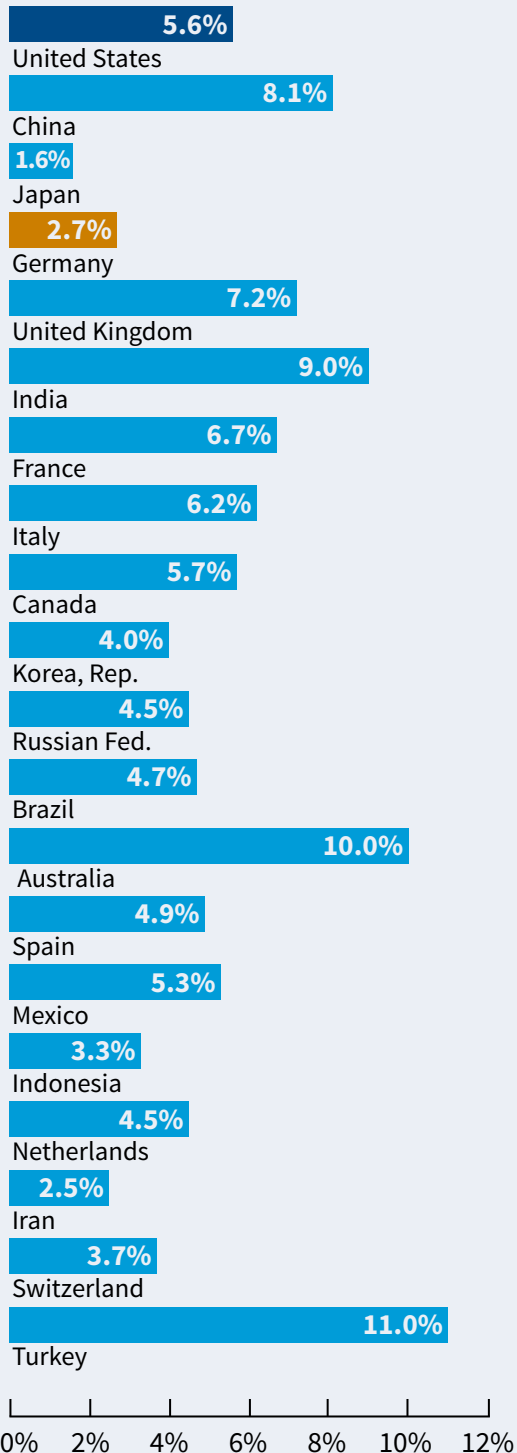
After a year of unprecedented recession, the upswing of the global economy in 2021 was strong, according to expectations; however, the growth was slower than expected due to the scarcity of intermediate goods resulting from rapidly increasing demand, significantly higher raw material prices, and interruptions in production.

The IMF forecasts that global growth will expand by 5.9% in 2021. In 2022, the IMF predicts the global economy will expand by 4.4%.

GDP estimates for 2022 (USD trillion)



GDP growth rate forecast for 2021*



US trade with Germany (2020, USD billion)

Imports of goods & services	146.9
Exports of goods & services	86.9
Imports of goods	115.1
Exports of goods	57.4

The table below shows an overview of key economic data for the US. It includes both actuals for 2020 and the US economic forecast for 2021 and 2022. This information is published by the Congressional Budget Office.

Key US economic data – historical and outlook

	2020	2021 Forecast	2022 Forecast
Growth of Real GDP (%)	-3.5	6.7	5.0
Unemployment Rate (%)	8.1	5.5	3.8
Growth of the Labor Force (%)	-1.7	0.7	1.9
Employment Cost Index (ECI), Private Wages and Salaries (Index: December 2005=100)	141.4	146.2	151.0
Growth of Productivity* (%)	2.6	2.4	1.5
Inflation - Growth of the CPI-U**	1.2	3.3	2.5

Source: Congressional Budget Office (CBO), *An Update to the Budget and Economic Outlook: 2021 to 2031*, July 2021.

Note: *) Total factor productivity in the nonfarm business sector

**) CPI-U = consumer price index for all urban consumers

Sources: IMF; *World Economic Outlook (January 2022)*, United States Census Bureau (November 2021), foreign trade figures on a nominal basis, not seasonally adjusted.

Note: *) Forecast for the development of the GDP in selected countries in 2021, change in percent compared to 2020.

2

Investment Status

21.1%

contributions

By the end of 2019, more than 4,750 companies with German majority shareholders were located in the US and accounted for a total revenue of more than 545 billion EUR in that fiscal year.

In 2019, 15.6% of all German entities in foreign countries were located in the US and contributed 21.1% to the consolidated global revenue of the German groups.

15.4%

total R&D

Majority-owned US affiliates (MOUSA) with German owners employed 10.8% of total MOUSA workers and accounted for 15.4% of total R&D performed by MOUSA in 2019.

12.2%

foreign investment

German FDI accounts for 12.2% of all foreign direct investment in the US, making Germany America's third largest source of FDI in 2020.

Most of the FDI goes into the manufacturing industry and small and medium-sized enterprises.

21 M&As

> USD 5m

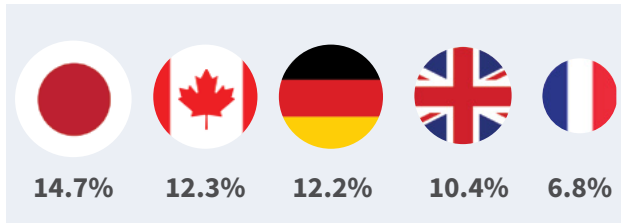
Over the last five years (2016-2021), there were on average 20.8 acquisitions of US firms by German companies with a volume of at least 5 million USD.

The average aggregated yearly deal volume of German acquisition over this period is 16.8 bn USD.



Sources: Bureau of Economic Analysis (BEA) (2021), Deutsche Bundesbank (German Central Bank) 2021, fDi Markets (2021), ThomsonOne (2021)

Largest sources of Foreign Direct Investments (FDI) in the US 2020, (% of total)



German FDI value increase 2020, billion USD



Greenfield investments as important forward-looking indicator

In the long-term view since 2003, the capex of German companies through greenfield investments in the US have nearly doubled over the 2003 – 2019 period. Considering the COVID-19 recession, the number of new projects and capex in 2020 declined, whereby the number of jobs created remained relatively stable.

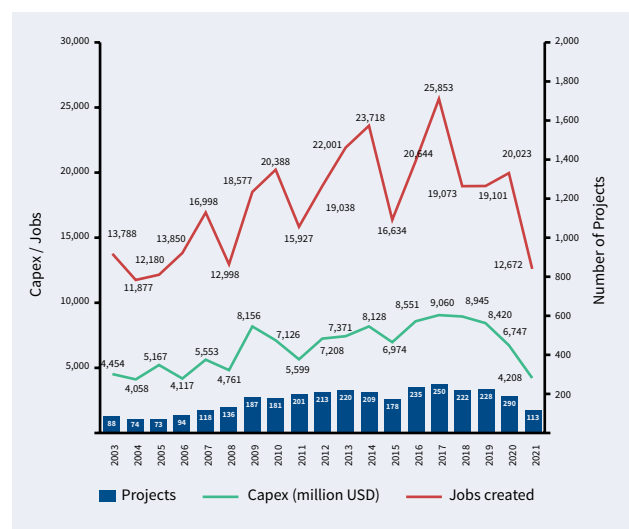
In 2021 the number of greenfield projects and capex are expected to stagnate at the 2020 level, but the net job creation may decrease rapidly by a doubledigit percentage. It appears that long project lead times, adjusted spending plans and companies' greater caution in making investments result in the worst year for German greenfield investments in the US since the past decade.

In 2021 the number of greenfield projects and capex are expected to stagnate at the 2020 level. The investment projects planned by German companies in the US and the strong recovery of the US economy suggest that German greenfield investments will also rise again in 2022.

Greenfield investments in the US by German companies, 2020



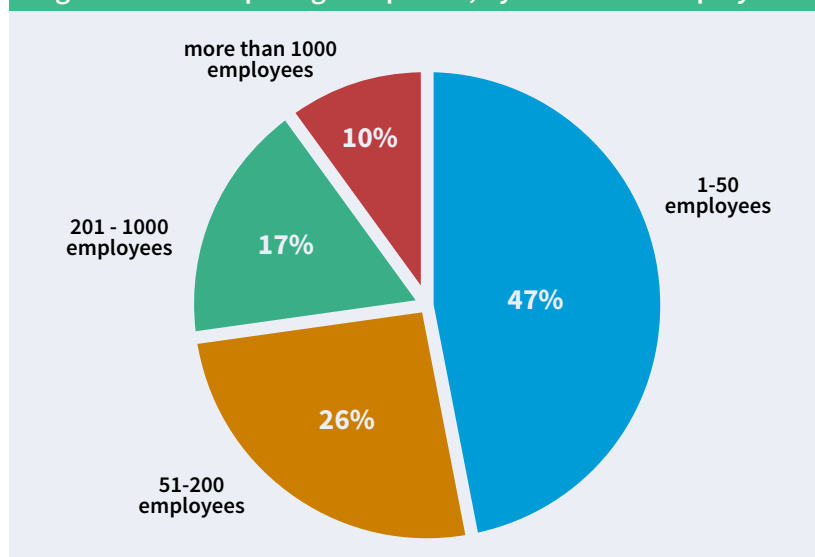
2003 – 2021 Greenfield investments in the US by German companies



Methodology of Survey and Profile of Surveyed Companies

The German American Chambers of Commerce (GACCs) and KPMG in Germany approached German subsidiaries in the US. The survey was conducted between November 1, 2021 and November 21, 2021, with a total of 102 companies taking part. Some companies did not answer all sections of the questionnaire. We used the maximum statistically viable database and have individually named the underlying database (n) used with respect to each concept. The survey focuses on the economic outlook of German companies in the US, as well as on the challenges they face and the chances to grow their business.

Figure 26: Participating companies, by number of employees



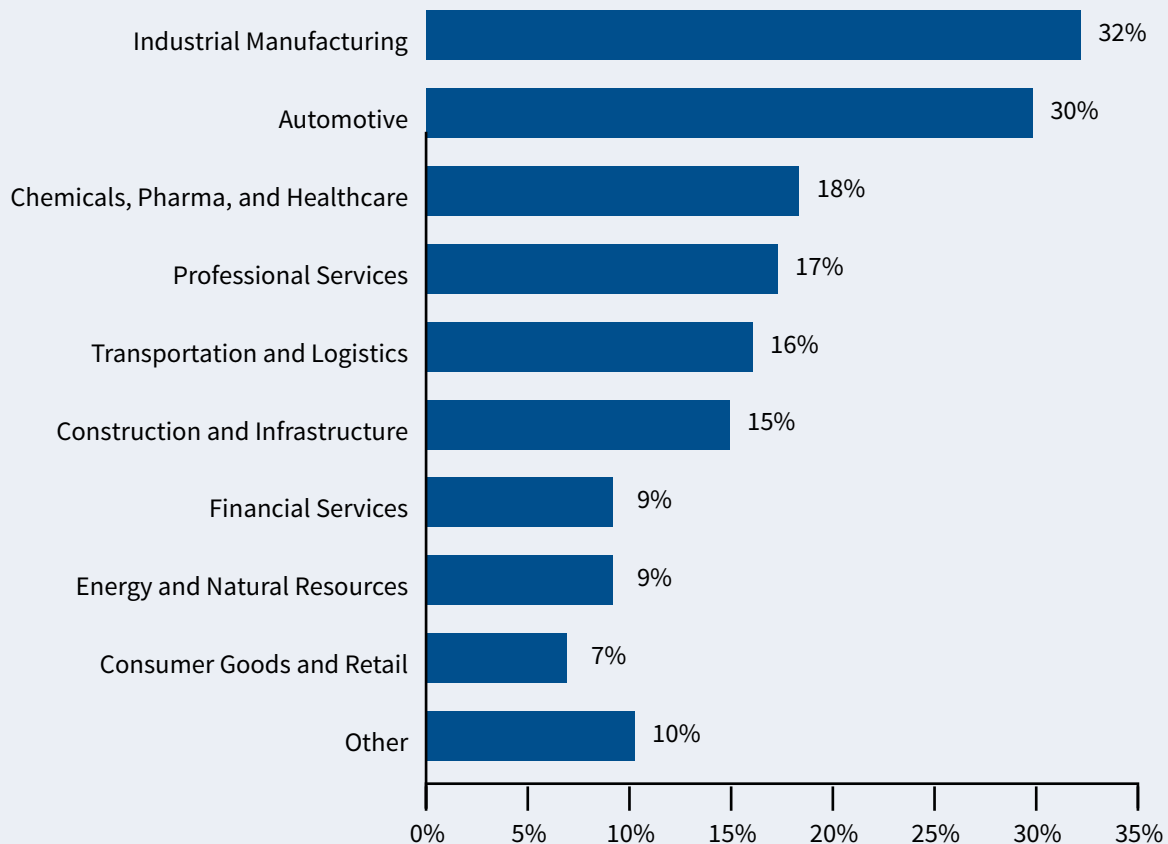
Source: GACCs and KPMG in Germany, 2021, figures in percent, deviations from 100 percent are due to rounding differences, n=86.



The German American Business Outlook (GABO) benchmarks the success and satisfaction of German companies in the US. While the survey's focus changes from year to year, a number of core questions have remained constant. This allows a set of long-term comparative data to be analyzed, thereby providing a unique view and understanding of the economic success of German subsidiaries in the United States.

49% of the responding companies who were providing the details have their US headquarters based in four of the 50 United States. Illinois, Michigan, Georgia and New York are the preferred HQ locations. The majority of the surveyed German companies are based on the East Coast or near the Great Lakes in the Midwest. Among all US states, Illinois, California, Michigan and Minnesota are the top four locations by state for production facilities of the German companies surveyed.

Figure 27: Participating companies, by sector



Source: GACCs and KPMG in Germany, 2021, multiple choice question, figures in percent, n=87.

About Us



German American
Chambers of Commerce
Deutsch-Amerikanische
Handelskammern

German American Chambers of Commerce (GACCs)

The German American Chambers of Commerce (GACCs) are member organizations for German companies in the US and other firms active in German-American business. Main offices are located in Atlanta, Chicago and New York, alongside their branches in Detroit and Houston and delegations in San Francisco and Washington.

The GACCs combined are comprised of almost 2,000 members. The organization's role is that of an impartial promoter of commerce between Germany and the US. The GACC has distinguished itself as an innovative and relevant service provider, as well as a reliable partner for German-American business inquiries and market studies. Comprised of a highly qualified team of professionals, the GACC supports companies by facilitating the following: market entry & business development; legal services; intern visas; recruitment, apprenticeship programs; startup guidance and a full array of business networking events.

This year marks the 75th anniversary of the GACC's establishment in New York City, the first GACC location in the US.

www.ahk-usa.com



KPMG in Germany

KPMG is an organization of independent member firms with around 227,000 employees in 146 countries and territories. KPMG in Germany is one of the leading auditing and consulting firms and employs around 12,500 people in 26 locations. Our services include Audit, Tax, Consulting and Deal Advisory. The Legal services are provided by KPMG Law Rechtsanwaltsgesellschaft mbH.

KPMG in Germany has established Country Practices for all relevant business corridors between Germany and foreign countries respectively regions. All Country Practices consist of multi-disciplinary country experts who are familiar with the particularities and regulatory environment of these markets, who work regularly in these countries and are involved in the corridor-related issues of the German and the respective international companies on a day-to-day basis. For investors from the United States into Germany, as well as from Germany into the United States, KPMG's German and US firms have established US German Corridor practices to help companies navigate the complex challenges and risks of expansion and cross-border investments to, and from, Germany and the US. KPMG's value-add is not only in the technical knowledge of the local environment, but in the focus on and understanding of the specific needs and expectations.

For more information visit:

www.kpmg.de/us-german-corridor



German American
Chambers of Commerce
Deutsch-Amerikanische
Handelskammern

GACC MIDWEST

Mark Tomkins

President & CEO

T +1 312 494-2172

tomkins@gaccmidwest.org

www.gaccmidwest.org

GACC NEW YORK

Dietmar Rieg

President & CEO

T +1 212 974-8848

drieg@gaccny.com

www.gaccny.com

GACC SOUTH

Matthias Hoffmann

President & CEO

+1 (404) 586-6800

mhoffmann@gaccsouth.com

www.gaccsouth.com

GACC WEST

Sven Thorsten Potthoff

CEO

+1 (415) 248-1241

spotthoff@gaccwest.com

www.gaccwest.com



KPMG IN GERMANY

Andreas Glunz

Managing Partner International Business

T +49 211 475-7127

aglunz@kpmg.com

Warren Marine

Partner, Head of Country Practice USA

T +49 711 9060-41300

warrenmarine@kpmg.com