

PRESS RELEASEPress Release/
Presseinformation**AmCham Business Barometer V:
40 percent of U.S. companies in Germany want
to create new jobs this year**

Berlin, 11 March 2008. **Germany is looking better than ever to U.S. companies: When it comes to future investments, they find it just as attractive as Eastern Europe – Forecast: The importance of private equity will grow**

2007 was a very successful year for U.S. companies in Germany, and the prognosis for 2008 is even more optimistic: 76 percent of companies improved revenues last year, and nearly every second company added new jobs (48%). This year, 81 percent expect further increases in sales. These are the results of the *AmCham Business Barometer V*, a survey conducted by The Boston Consulting Group (BCG) and the American Chamber of Commerce in Germany (AmCham Germany). This year, 71 leading U.S. companies with combined total revenues of over 142 billion euros in Germany and roughly 460,000 direct jobs participated. For the fifth year running, these companies based in Germany were asked to give their views on the current investment climate. There is a clear upward trend: "Today, 61 percent of U.S. companies give Germany a grade of 'good' to 'very good' as a location for investment—a huge increase over last year's 36 percent," says AmCham Germany President Fred B. Irwin.

**Germany catching up with Eastern Europe as attractive location
for investment**

International comparison underlines Germany's growing appeal. When it comes to future investments in Europe, eight to ten U.S. companies currently have a medium to strong focus on Germany (83%). Western European countries such as Great Britain (62%), Spain (53%), and France (44%) trail far behind. Even more interesting is the view of European low-cost countries: "Even though recent offshoring creates the opposite impression, Germany has caught up to Eastern Europe in this regard," remarks Dr. Christian Veith, chair of BCG's German management team. "Germany gets grades just as good as Middle and Eastern Europe's." Consequently, Germany and Eastern Europe both garner 83 percent of U.S. companies' favor for future investments. Stronger confidence in Germany is evident elsewhere, too: for many

U.S. companies with operations in Germany, outsourcing and offshoring are no longer a topic. Only 17 percent of survey respondents plan to offshore activities within Europe, and as few as 6 percent will move company units to another continent. In 2004, over a third of respondents were looking to leave Germany. "Business migration to Krakow, Bombay, and Shanghai hasn't stopped, but it has passed its peak," says Dr. Veith.

Forty-eight percent of U.S. companies created jobs in 2007

As business picks up, the job market is also recovering. Nearly every second U.S. company hired new employees in the course of the last twelve months, thereby surpassing even their own forecasts of early 2007. Originally, 40 percent anticipated hiring new workers, but ultimately 48 percent did. In 2008, too, around four out of ten surveyed companies plan to increase staff numbers (38%), while 16 percent envision cuts. Most of the new jobs will likely be in marketing and sales, but also in research and development—another area in which U.S. companies plan to invest more, according to survey results. Administrative positions are a different matter, though. Germany still beats out Great Britain and Switzerland as a preferred location for administrative centers in Europe, but 45 percent of the surveyed U.S. companies are looking to streamline exactly this aspect of their businesses.

Despite its appeal as a place to do business and invest, Germany is still seen by many of the respondents (27%) as sorely in need of labor market deregulation. The promotion of economic growth is another thing at the top of their wish list (28%). The relative importance of lower personnel costs has declined, as high wage costs are in many cases justified by accordingly higher productivity. Currently, only 16 percent view Germany's wage costs as a disadvantage; last year, 27 percent did. "Recent wage cost development has certainly made Germany more attractive, which is why it needs to stay on course with moderate wage policies," summarizes AmCham Germany President Irwin.

U.S. companies: Private equity firms much more critically viewed in Germany than elsewhere

Germany is looking like a better place for business not only to traditional U.S. companies, but also for private equity firms. Therefore, BCG and the American Chamber of Commerce surveyed U.S. companies on the importance of private equity (PE). While some politicians favor the term "locusts," 95 percent of U.S. companies judge the activities of these financial investors to be neutral to positive. 64 percent are of the opinion that criticism of private equity in Germany is stronger than elsewhere.

The business world seems to have accepted PE as the "third capital market," and expects financial investors to step up their activities in Germany. However, in this context, every second U.S. company doubts that private equity firms, in their role as catalysts, are in a position to transform individual industries long-term. While there are few proponents of stricter regulation for PE activities (20%), 80 percent of the companies surveyed would like to see more transparency in private equity—such as outlining business strategies for companies in which these firms hold stakes.

The **AmCham Business Barometer** surveys the satisfaction of U.S. companies in Germany. For the fifth year running, AmCham Germany and The Boston Consulting Group asked U.S. investors for their opinions on Germany as a business location as relative to other European countries. This year, the focus of the survey was the importance of private investment firms for Germany. Conducted for the first time in 2003, the study enables annual comparisons and the early recognition of trends. Seventy-one U.S. companies participated in 2008, representing combined total revenues of 142 billion euros and 460,000 direct jobs in Germany.

AmCham Germany is the largest bilateral business association in Europe. The companies organized in it represent approximately 130 billion euros of investment and 800,000 direct jobs. AmCham Germany sees itself as a communications bridge to investors in the United States. Its activities focus on the promotion of German-American business relations and Germany as a location for doing business.

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients in all sectors and regions to identify their highest-value opportunities, address their most critical challenges, and transform their businesses. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 66 offices in 38 countries.

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