

PRESS RELEASE

XIII. AmCham Germany Business Barometer

Investment climate for 2016 more positive among US companies

Main topic digitalization of the workforce: Some jobs will be lost, but just as many new ones will be created

US companies have confidence in their strategy, but room for improvement in implementation

Berlin, April 13, 2016 – Is digitalization a job killer or not? American companies in Germany are optimistic: Digitalization will result in changes, but not in an overall loss of jobs. Even on a more general level, the investment climate among US investors in Germany has improved. For the year 2016, respondents anticipate above-average growth in sales revenue. Moreover, one-third of the surveyed companies predict that the number of employees and investments will also increase. Nonetheless, the digital transformation poses a major feat for many American companies. Although 88 percent of US firms view their work processes as well or very well positioned, there is room for improvement when it comes to supporting employees. Even the German federal government is called upon to accelerate the process surrounding the digitalization of the workforce.

These are the key findings of the XIII. AmCham Germany Business Barometer, which were released today by the American Chamber of Commerce in Germany together with Roland Berger in Berlin. The exclusive survey among American companies in Germany – including the TOP 50 largest US companies in Germany based on sales revenue – gives an overview as to how US investors view business prospects in 2016 and the digitalization of Germany's economy.

"While prospects based on sales for 2014 were dampened, the year 2015 gives grounds for optimism. Although the anticipated figures for employees and investments in 2016 is lower than in 2015, we still remain at a very high level," said Bernhard Mattes, President of the American Chamber of Commerce in Germany. "However, Germany's good reputation shouldn't distract us from the areas in which action is needed. That includes energy and labor costs as well as business taxation. Political decision-makers need to take action now and create the appropriate framework conditions. This also applies to the digitalization of the economy and the accompanying transformation of the workplace. We need to create a 'digital DNA' for companies and for Germany now," Mattes said.

American companies on a growth trajectory

The Business Barometer shows that 2015 was a good year for US investors in Germany: Approximately eight out of ten surveyed American companies increased their sales last year. Furthermore, 81 percent of respondents remain optimistic that sales will continue to increase in 2016. Thirty-five percent hope

to increase the number of employees, and 37 percent plan to invest more in Germany. In the next three to four years, nearly 50 percent of respondents want to expand their activities in Germany.

"The growth trajectory of American companies in Germany reflects the attractiveness of our country as an investment location," Klaus Fuest, Chief Economist at Roland Berger, stated. "We live in an uncertain and volatile time in which Germany is seen as an especially stable economic area to invest in."

Specifically, American companies in Germany value the high quality of the workforce (100%), the excellent supplier networks (93%), the infrastructure (86%), and the country's significant potential as a research and development location (86%).

At the same time, the managers surveyed are unhappy with the high energy and labor costs (59% and 37%, respectively). Meanwhile, only 26 percent view Germany's industrial and economic policy negatively – compared to 34 percent last year.

The digitalization of the workforce: No drastic reduction in permanent employment

The digital transformation is affecting the economy in every facet. Not only is a conversion required in mechanical processes, but also in entire fields of work. In the second part of the survey, US companies were questioned regarding how they view changes related to the digitalization of the workplace.

The good news is that more than half of US companies expect a zero-sum game: Certain jobs will be lost, but just as many new jobs will be created. The majority of US investors also see employment remaining within the companies themselves. Only a third of surveyed managers anticipate that digitalization will lead to outsourcing, since transaction costs will decrease and more tasks can be completed efficiently by external actors.

US companies see the German federal government responsible for accelerating the processes around the digitalization of the workforce

There is a great deal of confidence among American investors that Germany will come out of the digitalization of the workplace successfully. Nevertheless, nearly three-quarters of respondents feel that the German federal government needs to accelerate this transformation. One quarter even goes so far as to say that the German federal government has not recognized the repercussions of the digital transformation adequately. In order to make Germany's workforce fit for the future, initiatives such as increased support for start-ups and entrepreneurship as well as simplification of working permits for skilled foreign laborers is at the top of the US companies' wish list.

Overall, 88 percent of US companies see themselves well or very well prepared for the effects of digitalization on work processes. However, there is room for improvement at the employee level: Only 62 percent of American companies believe that they have an adequately diversified employee base, and only 60 percent feel that they are doing enough to advance the professional development of their employees.

"Germany is entering the digital age from a good starting position and has always been characterized by a pioneering spirit," Bernhard Mattes concluded. "Now it is time to merge Germany's knowhow in the Internet of Things with

America's expertise in digital services and continue to develop together. In doing so, we need to advance without certain biases and view the digital economy as an opportunity for everyone."

About AmCham Germany:

The American Chamber of Commerce in Germany (AmCham Germany) strives to enhance global economic and trade relations built on a strong foundation of American and German partnership. We actively support and promote our members' interests through our global networks in business, politics and AmChams worldwide. AmCham Germany enables cross-cultural understanding, cooperation and new investment through our commitment to transparent dialogue, unrestricted trade and a competitive and open business climate.

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About Roland Berger:

Roland Berger, founded in 1967, is the only leading global consultancy with German heritage and of European origin. With 2,400 employees working in 36 countries, we have successful operations in all major international markets. Our 50 offices are located in the key global business hubs. Our firm is owned solely by a group of 220 Partners. We share the conviction that the firm's independence provides the basis for unbiased advice to our clients.

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