



Economic Outlook Survey of German Industry in Pittsburgh and Southwestern Pennsylvania Executive Summary - 2011

German American Business Circle Of Pittsburgh

In Partnership with the International Business Center at the University
of Pittsburgh's Joseph M. Katz Graduate School of Business

Summary - Foreign-owned businesses comprise a large component of the economy of Pittsburgh and Southwestern Pennsylvania, with 340 companies from 30 countries and employment of 49,000. Germany is the region's largest foreign investor, with 70 companies employing some 11,000 individuals, and the fifth largest trading partner with \$500 million in exports.

Pittsburgh is a popular destination for German companies to establish North American headquarters. Since 2007, German firms have opened 14 new facilities, acquired five local firms and expanded five existing operations. A dozen of Germany's Global 500 firms maintain a presence here, led by Bayer, BASF and Lanxess. Draeger has been here since 1907, and Ardex since 1978, demonstrating the region's long-term ability to serve the needs of these companies.

Founded in 1990, the German American Business Circle of Pittsburgh is a unifying force and advocate for German industry. It actively promotes the German community and supports economic development initiatives of the Allegheny Conference and Pittsburgh Regional Alliance to raise awareness in Germany and other countries. GABC actively builds relationships with German visitors and sponsors a scholarship with the Pittsburgh Rotary Club Foundation to assist students studying in Germany.



Why Pittsburgh Is a Location of Choice - Twice named America's "Most Livable City," Pittsburgh and its spectacular landscape and low cost of living appeal to families. The region, as host of the G-20 Summit, is a global

model for economic and environmental transformation, having reinvented itself with an economy driven by advanced manufacturing, financial services, information and communications technologies. It also is a leader in healthcare and life sciences, higher education and research, and energy and environmental solutions. Pittsburgh is within 500 miles of nearly half of all U.S. and Canadian citizens, with 18 railroad systems; 1,000 motor carrier providers; 200 river terminals; the second-busiest inland port in the nation; and access to a talent pool and rich raw materials.

Survey Overview, Methods and Conclusions - To take the pulse of the economic outlook of German industry in our region, the GABC conducted an online survey of its membership in February and March 2011. Of the total, 81.8% were employed with German-owned companies, with the remaining 18.2% involved with German business in a significant way. The survey instrument was designed by academic experts within the GABC and programmed in Qualtrics. It was administered via a mass email, giving recipients access to the online survey instrument. Exactly 180 members were targeted and several reminders were sent. Of the total, 98 responses were received, yielding a 54% response rate and indicating good representation of the overall population. The survey data was then downloaded in SPSS and analyzed by faculty at the International Business Center at the University of Pittsburgh's Joseph M. Katz Graduate School of Business.



The GABC's website, www.gabcpgh.com, in English and German.

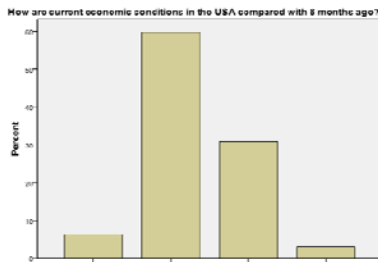
The GABC conducted a regression analysis (ANOVA) of the data in SPSS to identify the elements of concern in the minds of respondents that significantly influence and explain the levels of business optimism/pessimism as well as the expected change in firm profit levels. Analysis revealed that the two most important factors influencing business outlook and future profit performance are the state of the U.S. economy and the price of oil. Other factors also contributed to the variance analysis but not in a significant way.

Highlights of the Responses:

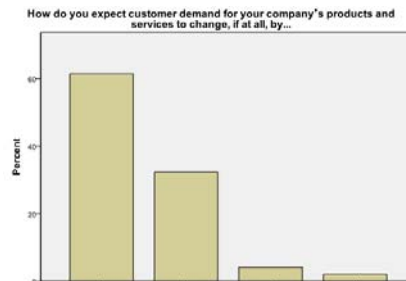
Among the highlights of the survey results are the following:

- ❑ **Optimism** - 66.0% responded that economic conditions are “moderately” or “substantially” better in comparison with six months ago.
- ❑ **Demand** - 61.5% of respondents expect that customer demand for their company’s products and services to increase by the end of 2011
- ❑ **Hiring** - 55.2% plan to increase the size of their workforce by the end of 2011.
- ❑ **Facilities** - 26.6% said they plan to add administrative, sales or production facilities in Western Pennsylvania in the next year.
- ❑ **Talent** - 31.2% are very concerned about hiring qualified talent in our region, and 31.1% are very concerned about retaining qualified talent here.
- ❑ **Marcellus Shale** - 18.5% said that Marcellus Shale would provide their company with a significant business opportunity this year or in the next five years.
- ❑ **U.S. Economy** - 65.5% are very concerned about the state of the U.S. economy.
- ❑ **U.S. Federal Debt** - 50.1% are very concerned about U.S. federal debt levels.
- ❑ **Middle East Conflict** - 47.8% very concerned about unrest and changes in the Middle East.
- ❑ **Inflation/Costs** - 51.1% are very concerned about the rise in inflation and costs.
- ❑ **Health Care** - 75.5% are very concerned about health care costs.
- ❑ **Oil Prices** - 52.2% are very concerned about the price of oil globally.

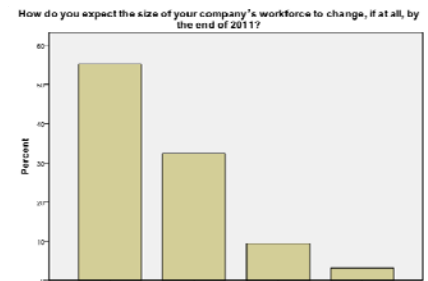
Detailed Responses to Each Question:



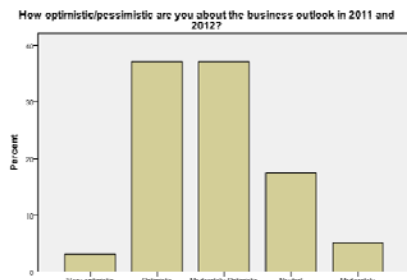
Question 1 - How are current economic conditions in the USA compared with 6 months ago? 66.0% responded that economic conditions are “moderately” or “substantially” better in comparison with six months ago (August-September 2010). Only 3.1% responded “moderately worse.”



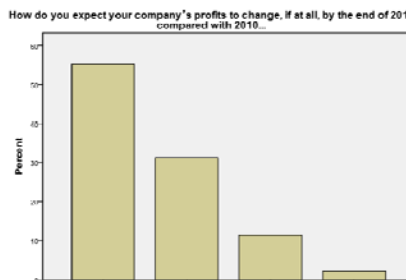
Question 3 - How do you expect customer demand for your company's products and services to change, if at all, by the end of 2011? 61.5% said that they expect that customer demand for their company's products and services would increase by the end of 2011. 32.3% said demand would stay the same, and 4.2% said it would decrease.



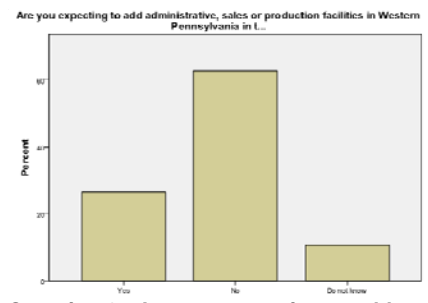
Question 5 - How do you expect the size of your company's workforce to change, if at all, by the end of 2011? 55.2% responded that the size of their workforce would increase by the end of 2011. 32.3% said the workforce size would remain the same, and 9.4% said it would decrease.



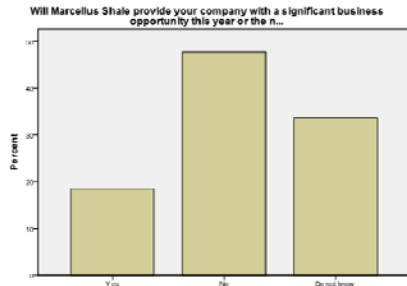
Question 2 - How optimistic/pessimistic are you about the business outlook in 2011 and 2012? 77.3% responded that they are moderately optimistic, optimistic or very optimistic about the business outlook in 2011 and 2012. Only 5.2% said they were “moderately pessimistic.”



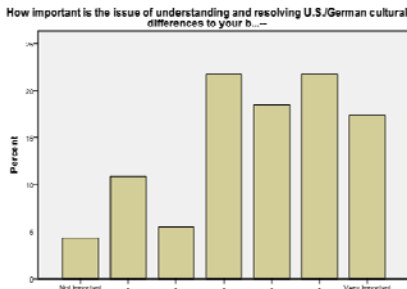
Question 4 - How do you expect your company's profits to change, if at all, by the end of 2011 compared with 2010? 55.2% responded that they expect their company's profits to increase by the end of 2011. 31.3% expected profits to remain the same, and 11.5% expected profits to decrease.



Question 6 - Are you expecting to add administrative, sales or production facilities in Western Pennsylvania in the next year? 26.6% responded that they plan to add administrative, sales or production facilities in Western Pennsylvania in the next year. 62.8% said they would not be adding such facilities during that time.

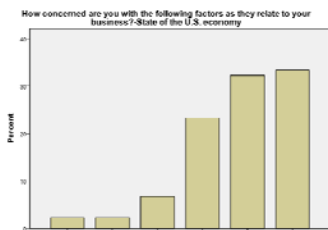


Question 7 - Will Marcellus Shale provide your company with a significant business opportunity this year or the next five years?
 18.5% said it would provide their company with a significant business opportunity this year or in the next five years. 47.8% said Marcellus Shale would not provide such an opportunity, while 33.7% said they did not know.

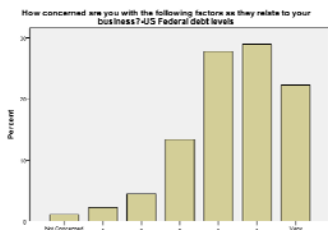


Question 8 - How important is the issue of understanding and resolving U.S./German cultural differences to your business?
 40.2% said that understanding and resolving cultural differences was "very important" in their business. 45.6% said it was "moderately important," and 15.2% it was "not important."

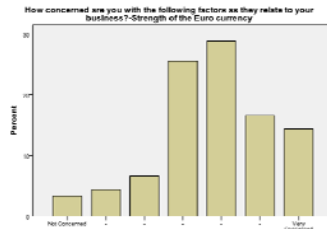
Question 9 - How concerned are you with the following factors as they relate to your business?



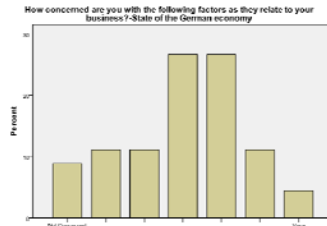
State of the U.S. economy – 65.5% very concerned, 30.0% moderately concerned, 4.4% not concerned



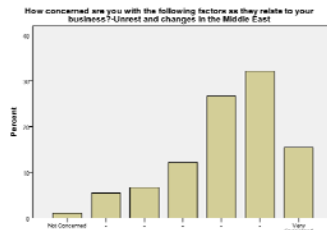
U.S. Federal debt levels – 50.1% very concerned, 45.5% moderately concerned, 3.3% not concerned



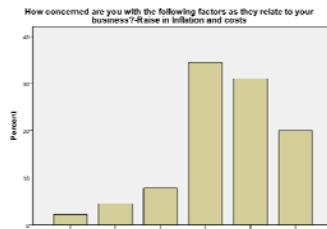
Strength of the Euro currency – 30.1% very concerned, 61.2% moderately concerned, 7.7% not concerned



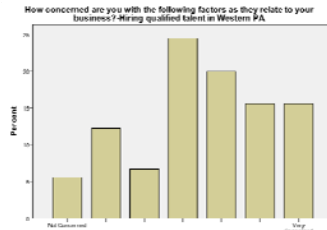
State of the German economy – 25.5% very concerned, 64.5% moderately concerned, 20.0% not concerned



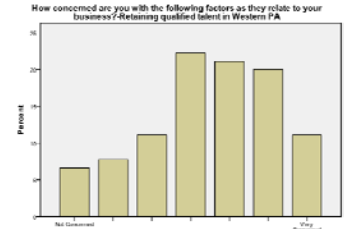
Unrest and changes in the Middle East – 47.8% very concerned, 45.6% moderately concerned, 6.7% not concerned



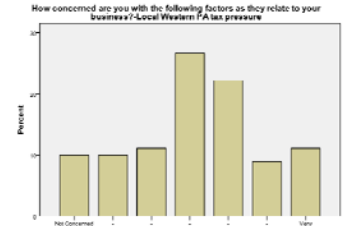
Rise in inflation and costs – 51.1% very concerned, 52.2% moderately concerned, 6.6% not concerned.



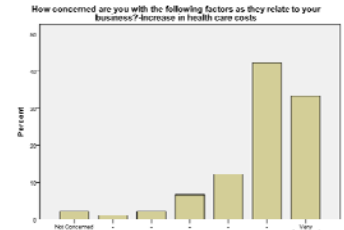
Hiring qualified talent in Western Pennsylvania – 31.2% very concerned, 51.1% moderately concerned, 17.8% not concerned.



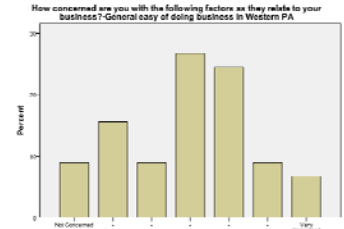
Retaining qualified talent in Western Pennsylvania – 31.1% very concerned, 54.4% moderately concerned, 14.5% not concerned.



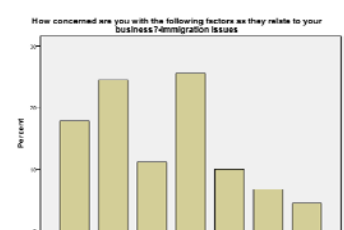
Local Western Pennsylvania tax pressure – 20.0% very concerned, 60.0% moderately concerned, 20.0% not concerned.



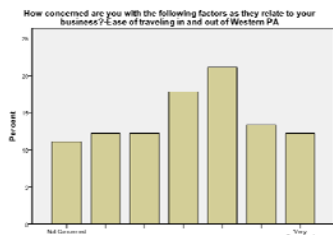
Increase in health care costs – 75.5% very concerned, 21.1% moderately concerned, 3.3% not concerned.



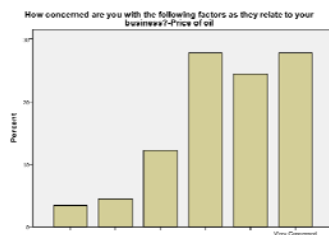
General ease of doing business in Western Pennsylvania – 15.6% very concerned, 60.0% moderately concerned, 24.5% not concerned.



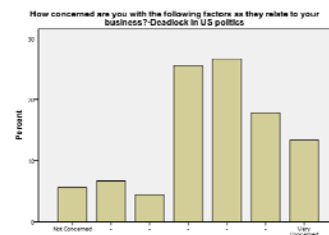
Immigration issues – 11.1% very concerned, 46.7% somewhat concerned, 42.2% not concerned.



Ease of travel in and out of Western Pennsylvania – 25.5% very concerned, 51.1% somewhat concerned, 23.3% not concerned.



Price of oil – 52.2% very concerned, 40.0% somewhat concerned, 7.7% not concerned.



Deadlock in U.S. politics – 22.1% very concerned, 56.7% somewhat concerned, 12.3% not concerned.



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