



# Economic Outlook Survey of German Industry in Pittsburgh and Southwestern Pennsylvania Executive Summary - 2012

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** – For the second consecutive year, the German American Business Circle of Pittsburgh has conducted its economic outlook survey of German industry operating in Southwestern Pennsylvania.

The survey is designed to identify the issues in the minds of CEOs and senior executives that significantly influence and explain business optimism/pessimism as well as the potential for change in firm growth and profit levels.

This year's respondents provided the following highlights:

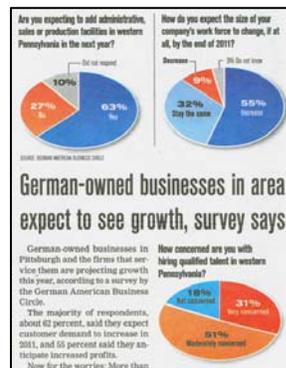
- 58.2% said that economic conditions are “moderately” or “substantially” better than six months ago
- 71.4% are moderately to very optimistic about the business outlook, which is most influenced by rising commodity costs and inflation.
- 51.6% believe their profits will increase in 2012 compared with last year, which is most influenced by Middle East unrest and changes.
- 42.9% expect the size of their workforce to increase by the end of 2012.

**Survey Overview, Methods and Conclusions** - Following last year's methodology, 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. The response rate indicated 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.

**Background** - 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.



GABC 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 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.

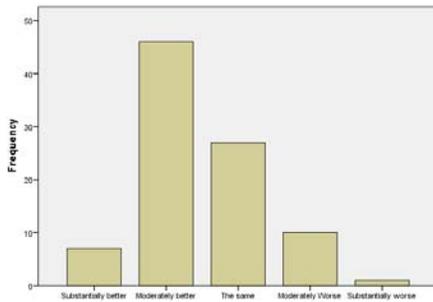


## Highlights of the Responses:

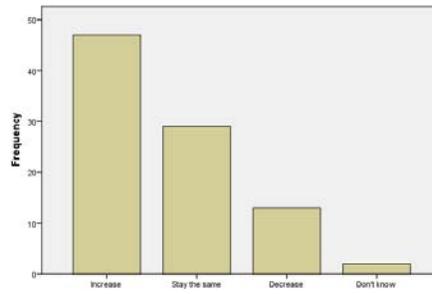
Among the highlights of the survey results are the following:

- Optimism-Past 6 Months** – 58.2% responded that economic conditions are “moderately” or “substantially” better in comparison with six months ago. This compares with 66.0% last year.
- Optimism-Looking Ahead** – 71.4% said they are moderately optimistic, optimistic or very optimistic about the business outlook, compared with 77.3% last year.
- Customer Demand** – 59.3% of respondents expect customer demand for their products and services to increase by year-end. This compares with 61.5% last year.
- Profit Changes** – 51.6% believe their profits will increase in 2012 compared with last year.
- Workforce Changes** – 42.9% of respondents expect the size of their workforce to increase by the end of 2012, compared with 55.2% last year.
- Facilities** – 25.3% said they plan to add administrative, sales or production facilities in Western Pennsylvania in the next year. This compares with 26.6% last year.
- Marcellus Shale** – 24.2% said that Marcellus Shale would provide their company with a significant business opportunity this year or in the next five years. This compares with 18.5% in 2011.
- U.S./German Cultural Differences** – 34.1% reported that understanding and resolving this issue is very important, down from 40.2% last year.
- U.S. Economy** – 58.3% are very concerned, vs. 65.5% in 2011.
- U.S. Unemployment Rate** – 35.2% are very concerned.
- U.S. Lack of Economic Growth** – 58.3% are very concerned.
- U.S. Federal Debt Levels** – 56.1% are very concerned, vs. 50.1% in 2011.
- Issues with the Euro Currency** – 49.5% are very concerned.
- State of the European Economy** – 44.0% are very concerned.
- Middle East Unrest** – 39.6% very concerned, compared with 47.8% last year.
- Inflation/Costs** – 37.3% are very concerned, compared with 51.1% last year.
- Hiring Qualified Talent** – 37.4% are very concerned, vs. 31.2% last year.
- Retaining Qualified Talent** – 41.8% are very concerned, vs. 31.1% last year.
- Local Western PA Tax Pressures** – 24.2% are very concerned.
- Health Care Cost Increases** - 49.5% are very concerned, vs. 75.5% last year.
- Ease of Doing Business Here** – 24.2% are very concerned.

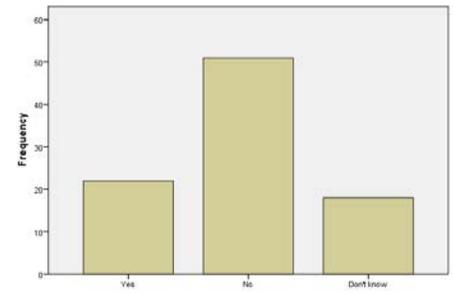
## Detailed Responses to Each Question:



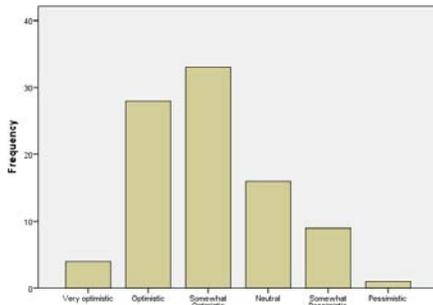
**How are current economic conditions in the USA compared with 6 months ago?** 58.2% responded that economic conditions are "moderately" or "substantially" better than in 2011, in comparison with 66.0% last year.



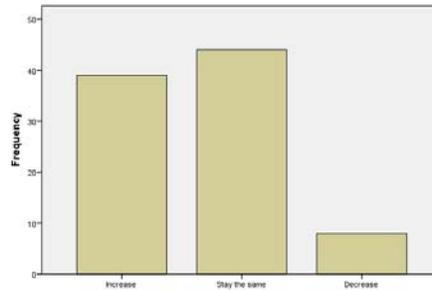
**How do you expect your company's profits to change, if at all, in 2012 compared with 2011?** 51.6% said they expect their company's profits to increase by the end of 2012, compared with 55.2% last year.



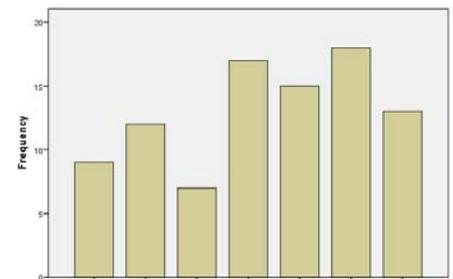
**Will Marcellus Shale provide your company with a significant business opportunity this year or the next five years?** 24.2% said it would provide their company with a significant business opportunity, up from 18.5% last year.



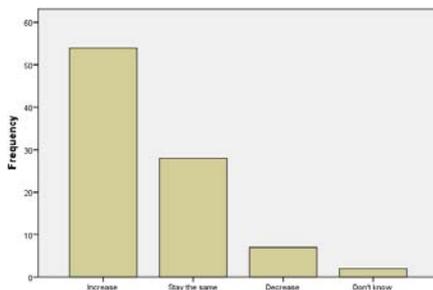
**How optimistic/pessimistic are you about the business outlook?** 71.4% said they are moderately optimistic, optimistic or very optimistic about the business outlook, in comparison with 77.3% last year.



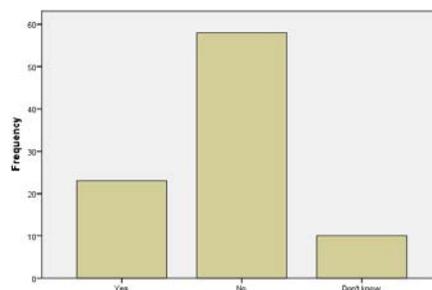
**How do you expect the size of your company's workforce to change, if at all, by the end of 2012?** 42.9% said the size of their workforce would increase by the end of 2012, compared with 55.2% last year.



**How important is the issue of understanding and resolving U.S./German cultural differences to your business?** 34.1% said that understanding and resolving cultural differences was "very important" in their business, a change from 40.2% last year.

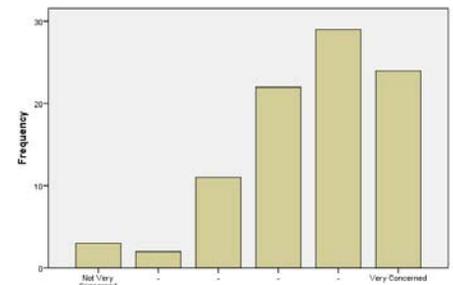


**How do you expect customer demand for your company's products and services to change, if at all, by the end of 2012?** 59.3% said they expect customer demand for their company's products and services to increase by the end of the year, in comparison with 61.5% last year.

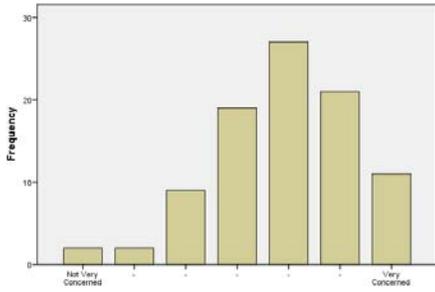


**Are you expecting to add administrative, sales or production facilities in Western Pennsylvania in the next year?** 25.3% said they plan to add administrative, sales or production facilities in the region in the next year, compared with 26.6% last year.

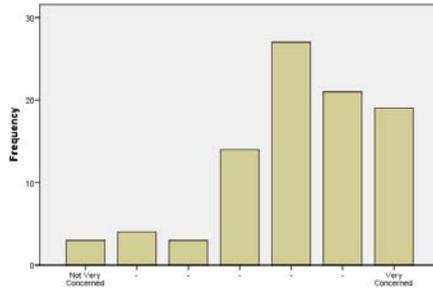
**How concerned are you with the following as relate to your business?**



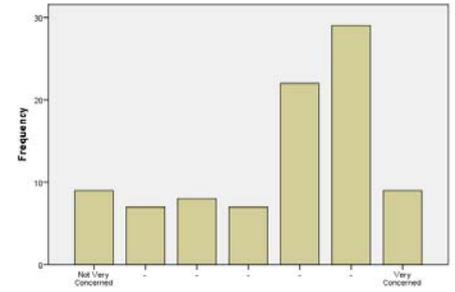
**State of the U.S. economy** – 58.3% very concerned, vs. 65.5% last year.



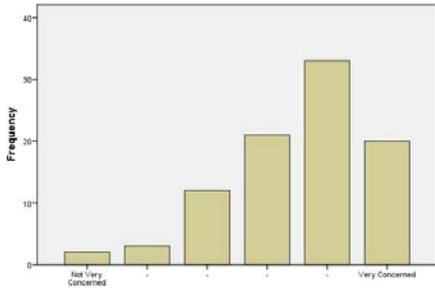
**U.S. unemployment rate** – 35.2% very concerned, down from 50.1% last year.



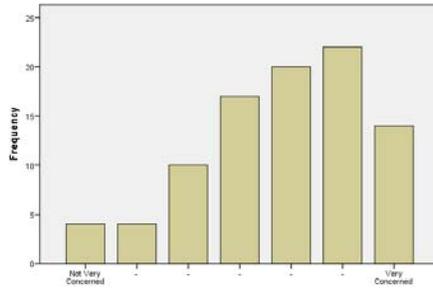
**State of the European economy** – 44.0% very concerned, vs. 25.5% last year.



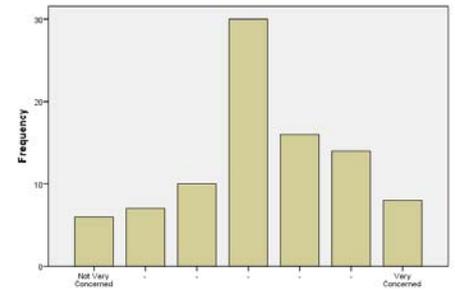
**Retaining qualified talent in Western Pennsylvania** – 41.8% very concerned, vs. 31.1% last year.



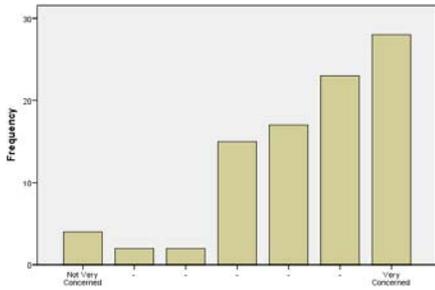
**U.S. lack of economic growth** – 58.3% very concerned, vs. 30.1% last year.



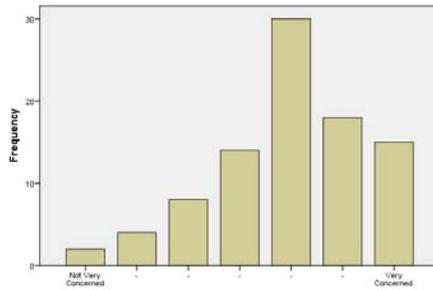
**Unrest and changes in the Middle East** – 39.6% very concerned, vs. 47.8% last year.



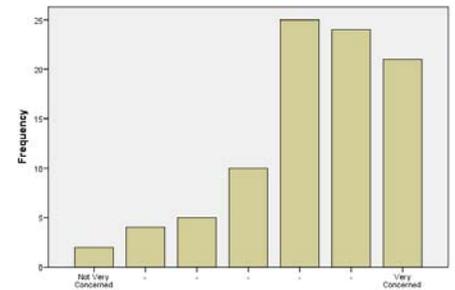
**Local tax pressure** – 24.2% very concerned, vs. 20.0% last year.



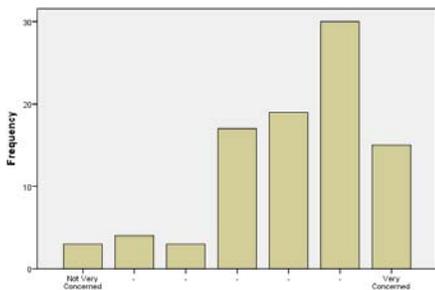
**U.S. federal debt levels** – 56.1% very concerned, vs. 30.1% last year.



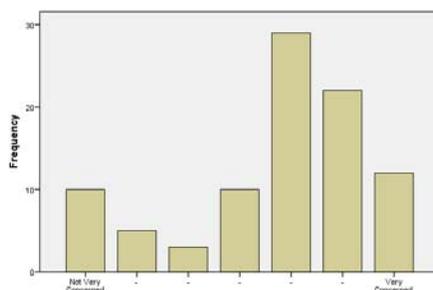
**Rise in inflation and commodity prices** – 37.3% very concerned, vs. 51.1% last year.



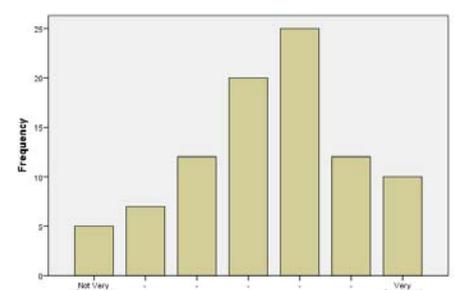
**Increase in health care costs** – 49.5% very concerned, vs. 75.5% last year.



**Issues with Euro currency** – 49.5% very concerned, vs. 30.1% last year.



**Hiring qualified talent in Western Pennsylvania** – 37.4% very concerned, vs. 31.2% last year.



**General ease of doing business in Western Pennsylvania** – 24.2% very concerned, vs. 15.6% last year.



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