



**Date:** Friday, August 28, 2020

**RE:** “**Federal Reserve Approved Shifts in Monetary Policy**” (summary of third-party economic research and perspectives to foster communication with business and economic development stakeholders during the COVID-19 crisis.)

---

### **Key Takeaways**

- **Global:** The pandemic is expected to weaken world economic resilience by nearly 20% in 2020.
- **U.S.:** Federal Reserve announced a major policy shift that could keep rates lower for longer.
- **Ohio:** \$18.5B federal funds have come to Ohio small businesses through Paycheck Protection Program.

### **Global**

The pandemic is expected to weaken [world economic resilience](#) by nearly 20% in 2020 as countries’ fiscal and monetary headroom is depleted, according to the latest annual Swiss Re Institute resilience indices. The [German economy](#) contracted by a record 9.7% in the second quarter as consumer spending, company investments and exports all collapsed at the height of the COVID-19 pandemic. The nation extended a program that has kept millions of people from losing their jobs, allocating around 10B euros (\$11.8B) to the program, adding to the 1.2T euros Germany has made available to [prop up the economy](#). [France](#) is expected to soon unveil the contents of a further stimulus of a 100B euro (\$118B) plan to boost the economy. The [World Economic Forum](#) Davos gathering has been postponed due to COVID-19 related safety concerns.

A median 73% of poll respondents say their country has done a good job of [handling the virus](#), with top marks going to Denmark and Australia, according to Pew Research Center. The U.S. and U.K. fell below the median with 46 and 47% of their responders saying the countries did well. The gap between the richest and poorest in the [Middle East and North Africa](#) - the world’s most unequal region - is widening due to COVID-19, said an Oxfam report. The pandemic is expected to push 45M Arabs and North Africans into poverty and 1.7M risk losing their jobs. [Electric vehicle](#) European sales exceeded Chinese sales in the first half of 2020 for the first time since 2015. Europe’s automotive CO2 regulations and new model launches from automakers kept the market growing despite the pandemic, while Chinese sales fell 44% in 1H.

### **U.S.**

The S&P500’s stunning summer rally points to [best August since 1986](#), as the stock market has held up on a combination of optimism on a treatment/vaccine, along with massive Fed stimulus. The [Federal Reserve](#) announced a major policy shift Thursday, saying that it is willing to allow inflation to run hotter than normal in order to support the labor market and broader economy. The move means the Fed will be less inclined to hike interest rates when the unemployment rate falls, so long as inflation does not creep up.

[Unemployment claims](#) fell slightly to 1M last week, signaling layoffs continue as the coronavirus hampers a smooth economic recovery. New applications for unemployment benefits remained well below the recent peak of about 7M in March but are far higher than pre-pandemic levels of about 200,000 per week. U.S. [consumer confidence](#) fell to a more than six-year low in the month of August amid concerns about labor market prospects.

Airlines continue to struggle with reduced demand with domestic passenger travel still down 67% from a year ago, and international down 87%, according to [Airlines for America’s August 26th update](#). It may take until 2024 for revenue and traffic to fully recover. [American Airlines](#) will be cutting 19,000 workers once federal aid expires in October, capping a 30% workforce reduction since the pandemic began. [Spirit Airlines](#) pilots’ union reached an agreement avoiding furloughs of around 600 jobs when the same aid expires in October. Travelers returning from a trip outside the country or their state no longer face recommendations from the [Centers for Disease Control and Prevention](#) to self-quarantine for 14 days upon return.



U.S. orders for [durable goods rose in July](#) by more than double estimates amid a continued surge in automobile demand, indicating factories will help support the economic rebound in coming months. As of August 23, a total of [445 companies have entered bankruptcy](#) in 2020. The year-to-date total continues to trend higher than comparable levels since 2010. [Hurricane Laura](#) made landfall Thursday with extreme winds and an expected “catastrophic” storm surge in parts of Texas and Louisiana. More than [15% of total US refining capacity](#) had been idled or reduced ahead of the storm, and 84% of US Gulf of Mexico crude production was shut down.

**Ohio**

Six Ohio companies are on [Fortune Global 500 list](#), which ranks world’s largest corporations by revenue. Nearly 150,000 PPP loans from Ohio businesses were approved with a total loan amount at \$18.5B (3.5% of total funds in the U.S.), according to [U.S. Small Business Administration](#). Ohio Department of Transportation’s I-670 SmartLane project received [2020’s Best Use of Innovation and Technology award](#) in the Mid-America region.

<i>Positive Company-Specific News</i>	<i>Negative Company-Specific News</i>
<ul style="list-style-type: none"> <li>- <a href="#">Amazon</a> plans to build a fulfillment center in New Albany, according to city officials. It would create 1,000 jobs.</li> <li>- <a href="#">DHL</a> is hiring 650 for new positions for its hub at Cincinnati/ Northern Kentucky Airport as a result of the rise in shipment volumes.</li> <li>- <a href="#">J.M. Smucker Company</a> reported strong sales increases including an 11% increase in Q2 net sales to \$1.97B. EPS and net income also jumped 53%.</li> <li>- Giant Eagle announced it would be hiring <a href="#">1,350 new associates</a> throughout Northeast Ohio, and <a href="#">350 new associates</a> throughout central Ohio.</li> <li>- <a href="#">Silfex</a> will hire more than 100 workers at its manufacturing facilities in Springfield and Eaton.</li> <li>- <a href="#">Tyson Foods</a> will increase production lines and volume at its Amherst, OH facility, producing sandwiches for brands like Jimmy Dean.</li> <li>- <a href="#">Step2</a>, a toy manufacturer in Streetsboro, hiring over 100 people at its multiple locations throughout Ohio due to COVID-19 creating higher demand for its products.</li> <li>- <a href="#">Cintas Corporation</a> collaborated with Adopt A Class to donate more than 100,000 essential supplies, including face masks and hand sanitizers, to local high poverty schools.</li> <li>- <a href="#">Forward Air</a> will grow its Columbus Hub with \$40M in real estate and facilities development.</li> <li>- <a href="#">M3COM</a> of Virginia offering data solutions, networks and cloud infrastructure and platforms, will open an office in Blue Ash on Aug. 31.</li> <li>- <a href="#">Perishable Shipping Solutions</a>, a Youngstown-based e-commerce company for perishable cold and frozen food fulfillment logistics, raised \$8.7M.</li> <li>- <a href="#">Lancaster Colony’s</a> retail net sales surged 24.5% to a record \$192M on higher demand for at-home food consumption. This largely offset a 24.1% decline in food service net sales during the same period.</li> <li>- Columbus-headquartered insurance startup, Branch, has just <a href="#">launched the Branch Insurance Exchange in Ohio</a> to further reduce the cost for members.</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Abercrombie &amp; Fitch</a> reported a net sales decline of 17% in their second quarter results. Despite this, the company saw digital sales increase 56% during the period.</li> <li>- <a href="#">Bed, Bath, and Beyond</a> will slash 2,800 jobs effective immediately as it tries to shore up its finances. This comes just a month after announcing it would close 200 stores. The company employs nearly 1,000 workers in Ohio through its stores.</li> <li>- <a href="#">Greif posted</a> across the board financial declines in its fiscal third quarter 2020 including \$170m in net sales decreases from the same period in 2019.</li> <li>- <a href="#">Rex American Resources</a> saw net sales and revenue had fall 62.8% as COVID-19 severely impacted fuel demand and the economy at large.</li> <li>- Ideastream of Cleveland <a href="#">is laying off eight employees</a> and eliminating five vacant positions as cost-cutting measures in response to COVID-19.</li> </ul>

**Resources**

- Ohio Department of Health’s COVID-19 Website: [www.coronavirus.ohio.gov](http://www.coronavirus.ohio.gov)
- JobsOhio’s [resource portal](#) and information about [Open, Secure Supply Chains](#) in Ohio.

###