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1. EMPLOYMENT SITUATION REPORT

Nonfarm employment increased by 559,000 in May, after an upwardly revised increase of 278,000 in April. The published unemployment rate dropped from 6.1 to 5.8 percent. Average hourly earnings increased at a stunning 7.4 percent annual rate in the past two months, indicating severe labor shortages. The labor force participation rate decreased from 61.7 to 61.6 percent in May. The number of jobs is still 7.6 million below February 2020 levels, with women representing 55 percent of these employment losses.

The leisure and hospitality industry continued to drive overall employment growth in May with 292,000 jobs gained, of which the majority was in food services and drinking places (186,000 jobs). Although in last month's report, in aggregate, the economy other than leisure and hospitality experienced a net decline in employment, in May there was a bounce back with 267,000 jobs gained, although in retail and construction jobs were lost for the second consecutive month.

This month's jobs report shows that more jobs are being added as the economy reopens. However, although jobs are gained, there are still many job openings that employers struggle to fill, most notably in leisure and hospitality and other in-person services. This appears to be difficult with so many open jobs at the same time instead of openings being spread across the year as happens during normal times. Finding qualified workers and filling open positions takes time, and rising wages help only partially to speed up this process.

Although the demand for workers is high, supply continues to be constrained due to pandemic-related circumstances such as childcare challenges, elevated unemployment benefits (which have increased bargaining power for some unemployed workers), and the fear of catching the virus. Labor force participation is still well below prepandemic rates and has not yet picked up meaningfully since the

summer. This means that labor shortages, especially in in-person services, could remain for the better part of 2021.

Since the current labor shortages are mostly temporary and a result of the rapid reopening of the economy, towards the end of 2021 we should experience a loosening of labor markets. After a pause in 2022, however, tight labor markets may return as the unemployment rate will be lower and a shrinking US working-age population means we will reach tight labor markets sooner than in previous decades.

Chart 1. Unemployment rate, seasonally adjusted, May 2019 – May 2021

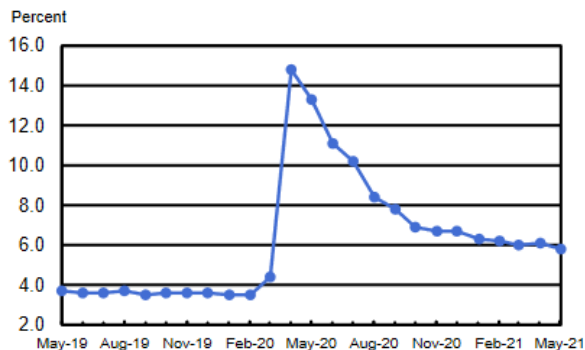
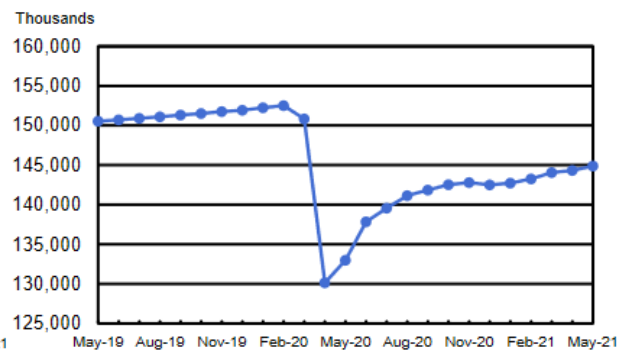


Chart 2. Nonfarm payroll employment, seasonally adjusted, May 2019 – May 2021



2. UNEMPLOYMENT CLAIMS CONTINUED TO FALL, SINKING TO NEW PANDEMIC ERA LOWS

New weekly unemployment insurance claims for the week ending May 29 declined for the fifth consecutive week, falling below 400,000 for the first time since the beginning of the pandemic. The headline seasonally adjusted number fell by 20,000 to 385,000 (and was revised marginally lower for the previous week). New jobless claims are inching toward prepandemic levels, which averaged 217,000 in the year before COVID-19 hit. The four-week moving average also fell, continuing its overall downward trajectory since early February.

While the steady drop in initial claims reflects some improvement in labor market conditions, continuing claims for regular state benefits (reported with a one-week lag) rose. The number of ongoing claims for Pandemic Emergency Unemployment Compensation (PEUC)—for those that have exhausted traditional state benefits—also rose for the second consecutive week. Overall, the total number of individuals receiving benefits under all state and pandemic-related federal programs declined but remains elevated at 15.4 million, compared to an average of 1.7 million during the year prior to the pandemic.

3. FEDERAL RESERVE BEGINS TO UNWIND CORPORATE LENDING FACILITY

The Federal Reserve Board of Governors has [announced](#) plans to begin to wind down its Secondary Market Corporate Credit Facility (SMCCF). The SMCCF was created at the height of the impact of the pandemic on the financial markets and the economy. It purchased private securities to promote confidence in and fluid operation of the financial markets. The SMCCF ceased its purchases at the end of

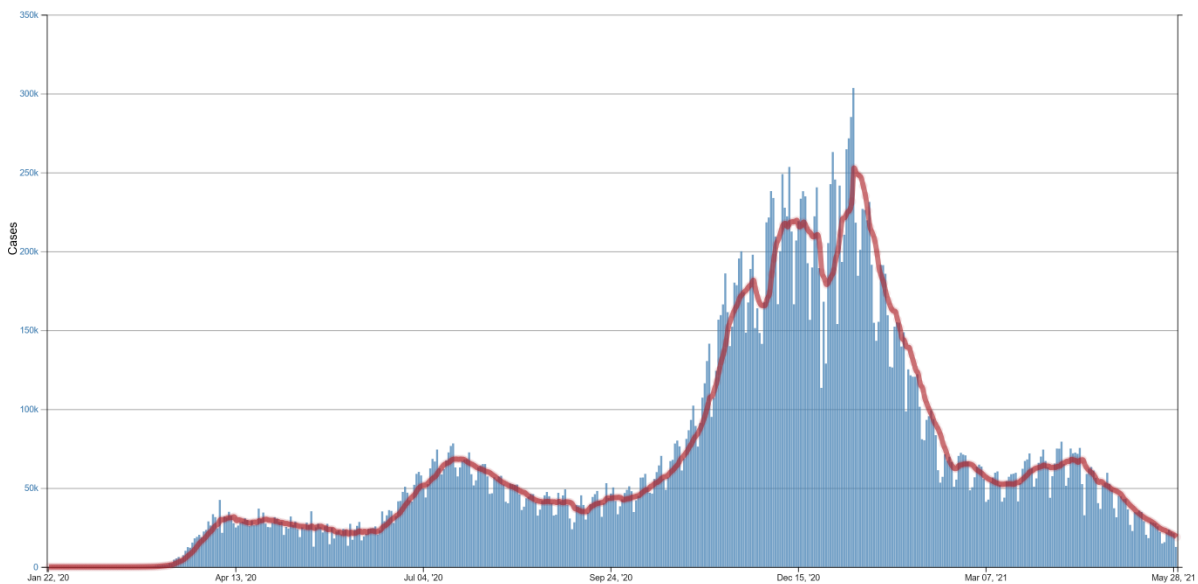
2020, but at this time it still holds more than \$5 billion of corporate bonds and \$8.5 billion of exchange-traded funds. This move is clearly a vote of confidence in the economic recovery. The Fed says that it will phase its purchases carefully to avoid disrupting the markets during the divestiture process. The Fed is still far from the beginning of its process to terminate and perhaps ultimately reverse its purchases of Treasury securities.

4. PANDEMIC NEWS

The new since the middle of April has been progress, not victory, but the progress continues. The daily new case count continues to decline, and is now well below the summer and fall-winter surges of 2020, and is “only” in the range of the March-April 2020 upswing that raised terror and shut down major segments of the economy, but now looks like relief. We can only hope that this decline continues (with more on those prospects later).

Blue bars show daily cases. The red line is the sum of cases over the last 7 days, divided by 7. Averages are used to reduce reporting differences.

Daily Trends in Number of COVID-19 Cases in the United States Reported to CDC



Similarly, the number of patients hospitalized for COVID-19 continues to decline—by almost 15 percent in the last week, and by 85 percent from the worst of the fall-winter surge. We are now down to fewer than 20,000 patients hospitalized for COVID.

Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States August 01, 2020 – May 31, 2021



19,674

Current 7-Day Average

May 25, 2021 – May 31, 2021

23,005

Prior 7-Day Average

May 18, 2021 – May 24, 2021

123,865

Peak 7-Day Average

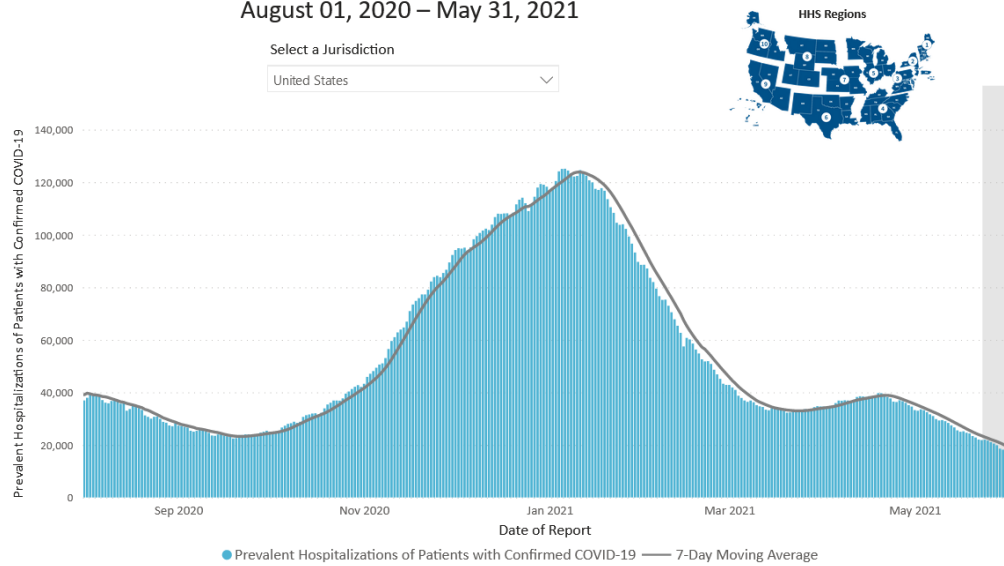
Jan 05, 2021 – Jan 11, 2021

-14.5%

Percent change from prior 7-day
avg. of May 18, 2021 – May 24, 2021

-84.1%

Percent change from peak 7-day
avg. of Jan 03, 2021 – Jan 09, 2021



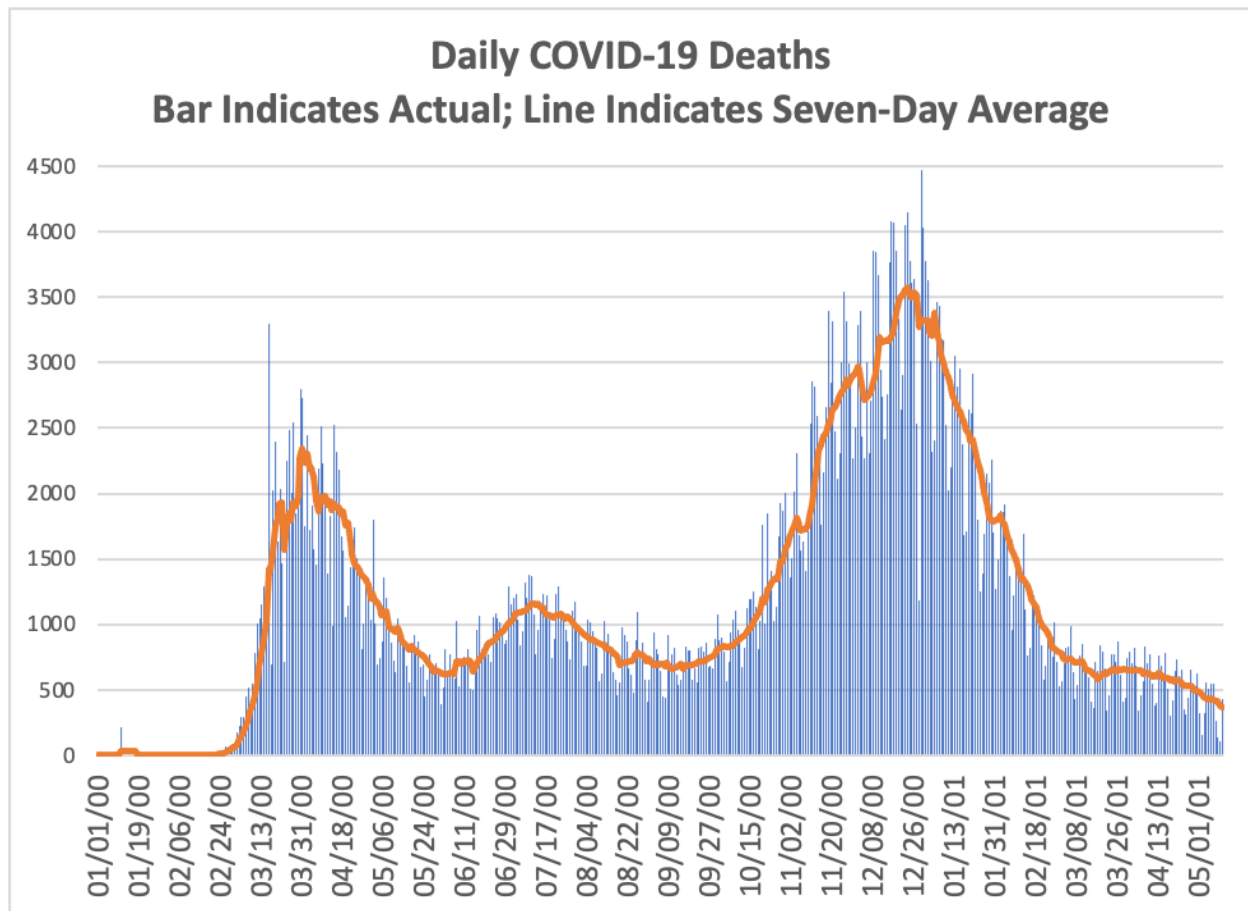
Based on reporting from all hospitals (N=5,253). Due to potential reporting delays, data reported in the most recent 7 days (as represented by the shaded bar) should be interpreted with caution.

Small shifts in historic data may occur due to changes in the CMS Provider of Services file, which is used to identify the cohort of included hospitals. Data since December 1, 2020 have had error correction methodology applied. Data prior to this date may have anomalies that are still being resolved.

Last Updated: Jun 2, 2021

Unified Hospital Dataset, White House COVID-19 Team, Data Strategy and Execution Workgroup

The number of deaths is also declining, and by notable measures. On April 1, the daily death count dropped below 700, for the first time since last October. On May 6, the daily count dropped below 600. On May 20, it dropped below 500. And on just May 31, it dropped below 400. At 363 on June 1, the daily death count was at its lowest since March 29, 2020. (The CDC website is misbehaving, so this chart is generated the old-fashioned way, and is a bit less elegant.)



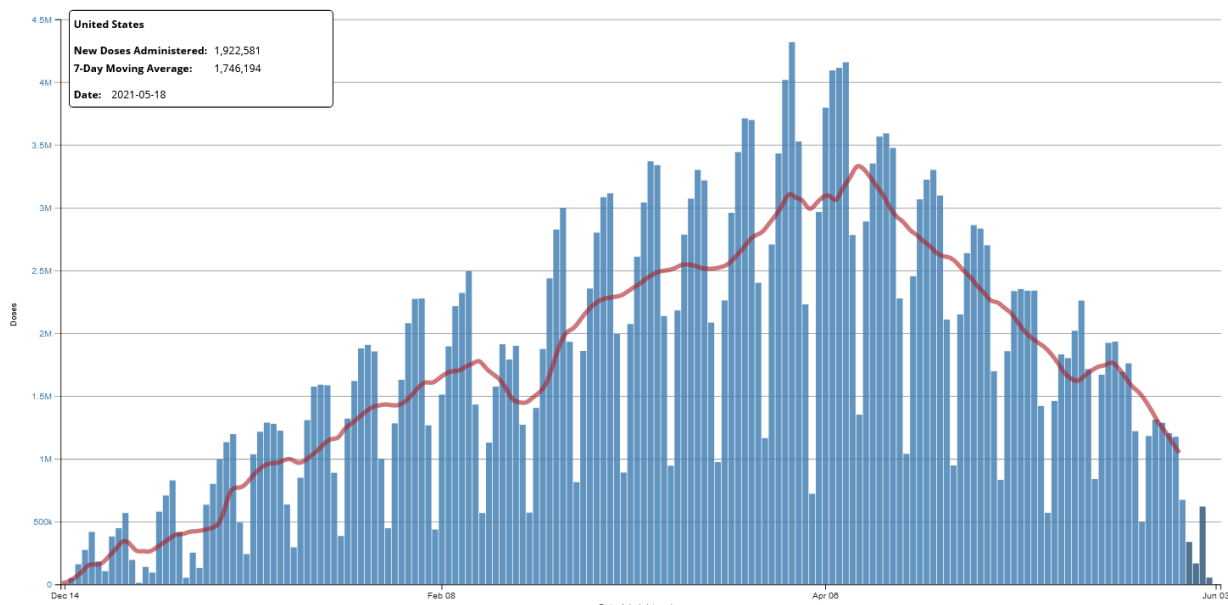
5. VACCINE NEWS

Unfortunately, despite the comparatively large remaining unvaccinated population, the daily trend of injections continues to decline. The United States continues to creep up on the goal of more than 70 percent of the population having at least one shot by the July 4 holiday, but surveys indicate that the approximately 20 percent of the population that resists vaccination strongly remains an irreducible minimum. In response, the President and several state governors have put forward [novel incentives](#) to induce the hesitant to contribute to community immunity. This is important because all immunity is local, and even as the national average of inoculations rises, there are pockets of the country where immunity is less and the potential for renewed infection and the development of more-dangerous variants remains. Note, for example, the higher level of rural resistance to vaccination in the chart below.

Bars shown in the darker blue shade represent the most recent five days of reporting where the number of vaccine administrations might be impacted the most due to delays in reporting. All reported numbers might change over time as historical data are reported to the CDC.

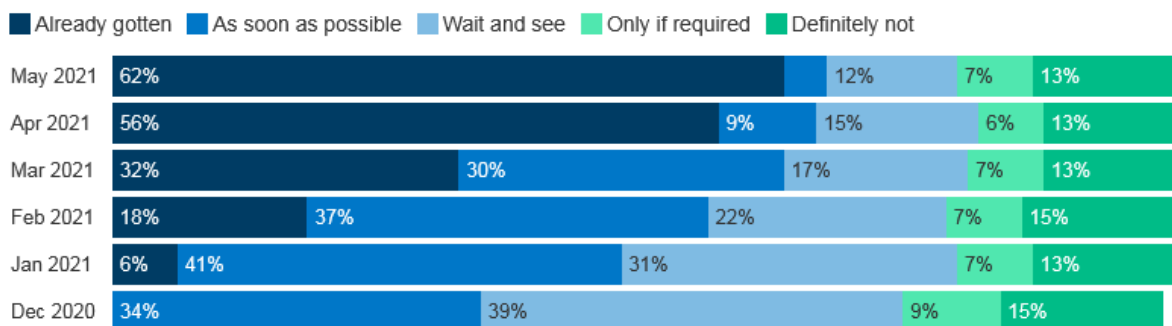
[How Do I Find a COVID-19 Vaccine?](#)

Daily Count of Total Doses Administered and Reported to the CDC by Date Administered, United States



Share Who Report Receiving A COVID-19 Vaccine Continues To Increase, With Few Remaining Eager To Get A Vaccine As Soon As Possible

Have you personally received at least one dose of the COVID-19 vaccine, or not? As you may know, an FDA-authorized vaccine for COVID-19 is now available for free to all adults in the U.S. Do you think you will...?



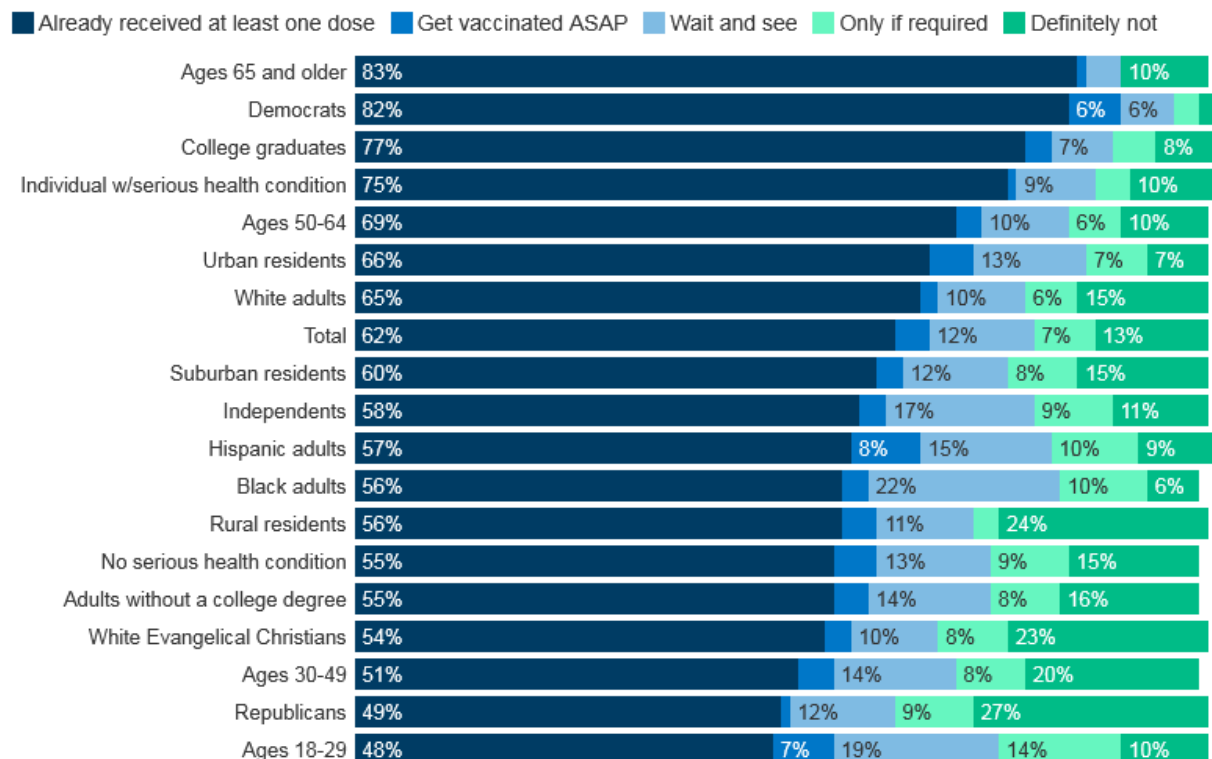
NOTE: December 2020 survey did not have an option for respondents to indicate they had already been vaccinated. December 2020-April 2021 question wording: "When an FDA authorized vaccine for COVID-19 is available to you for free, do you think you will...?" See topline for full question wording.

SOURCE: KFF COVID-19 Vaccine Monitor • [Download PNG](#)

[KFF COVID-19 Vaccine Monitor](#)

Across Most Subgroups, At Least Half Report Being Vaccinated For COVID-19, Few Remain Who Want The Vaccine As Soon As Possible

Have you personally received at least one dose of the COVID-19 vaccine, or not? As you may know, an FDA-authorized vaccine for COVID-19 is now available for free to all adults in the U.S. Do you think you will...?



NOTE: See topline for full question wording.

SOURCE: KFF COVID-19 Vaccine Monitor (May 18-25, 2021) • [Download PNG](#)

[KFF COVID-19 Vaccine Monitor](#)

[Research](#) proceeds as to the strength and duration of protection from COVID-19 that vaccination provides, whether with or without a natural infection. Will COVID be like influenza, where mutations of the virus and fading of the immunity require injections every year? Or will it be like the measles, which provides one-and-done immunity? There has simply been too little time since the emergence of the coronavirus, and of the vaccines, to find definitive answers. There is considerable confidence that protection from either inoculation or natural infection will last at least nine months; there is as yet no observable fall-off in protection. In terms of likelihoods, the consensus seems to be that vaccinated persons will more likely than not need booster shots at some point in the future, but that the interval between boosters will be at least one year. The one question on which there seems to be a firm consensus is that people who have been naturally infected but have recovered can have even stronger immunity if they are also vaccinated.

And though the pandemic did mankind few favors, one seems to have been the impetus to [develop](#) the messenger RNA (mRNA) technology. mRNA research was underway in several laboratories, but it received little attention. Under the pressure of the pandemic, the coronavirus vaccine application was demonstrated and proven beyond the wildest hopes. Now, those researchers are looking at additional applications. One is a potential wide-range vaccine for viruses from the common cold to the next killer

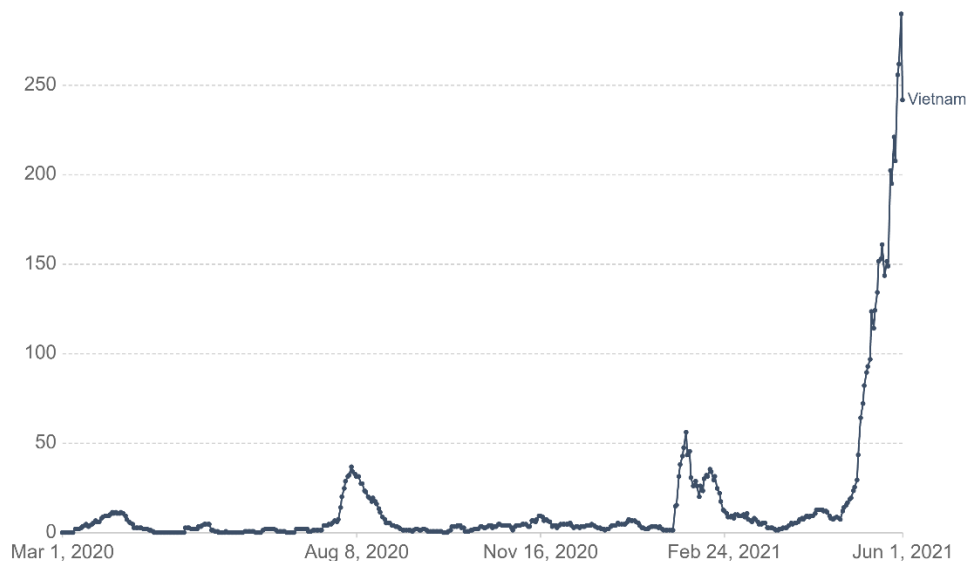
pandemic, which could allow an even more rapid public health response if a new coronavirus should arise. Another would be a wide-range influenza vaccine that would not need to be tailored hit-or-miss every flu season. mRNA technology could address individual cancers, even after they had begun in a patient's body. Still other applications could include autoimmune diseases, gene therapy, and Lyme disease. The toll of this pandemic is a steep price to pay, but at least there could be some return to all of that suffering and sadness.

6. SPOTLIGHT ON REOPENING: VIETNAM'S SURGE

Vietnam fared relatively well in the COVID-19 pandemic until only a month ago. As Americans are removing their masks and enjoying "getting back to normal," more than half of Vietnam's cases have occurred since early May. Earlier in the pandemic, Vietnam was praised for its successful containment of the virus. Experts claimed that the early [success](#) could be attributed to prior experience dealing with pandemics, early implementation of aggressive social distancing measures, and strong action from the one-party authoritarian state. However, a new spike in cases has occurred in Ho Chi Minh City, and is centered around a [Christian mission](#) which saw at least 125 positive cases. Officials have imposed a lockdown and plan to test as many as 100,000 people per day in the metropolis.

Daily new confirmed COVID-19 cases

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.



Source: Johns Hopkins University CSSE COVID-19 Data

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Vietnam's health ministry announced on May 29 that it had detected a highly transmissible [new variant](#) of the virus that had fueled the enormous wave of infections. Minister Nguyen Thanh Long announced that the new variant was a [cross](#) between two coronavirus variants: B.1.1.7 (first observed in the UK) and B.1.617 (first observed in India).

But the WHO's representative in Vietnam announced early Thursday that the strain of virus afflicting Vietnam is [not a new variant](#) based on the WHO definition. Rather, it is a minor variation on the existing strain first observed in India, and has been newly designated B.1.617.2.

It is good news that the progress of the virus has not yielded a new and more highly transmissible strain, but the continuing rapid spread of cases in developing countries is still cause for concern. On Wednesday, [Malaysia](#) reported 126 deaths from COVID-19, their highest daily death toll since the start of the pandemic. The Southeast Asian nation entered its second [nationwide lockdown](#) this week to prevent the collapse of its health care system. Prime Minister Muhyiddin Yassin announced a new stimulus package of \$9.7 billion to help cushion the economic impact on businesses of the new mass closures. The potential for [virus mutation](#) increases with every such wave of new infections, so it is crucial that the spread of the virus is mitigated worldwide. The virus truly knows no borders.

With only 1 million doses of vaccine administered to a population of 97 million, Vietnam has one of the lowest [vaccination rates](#) in the world. Vietnam's president, Nguyen Xuan Phuc, said on Sunday that he had written a [letter](#) to President Biden praising his effort to expand global availability of vaccines.