

CED Public Policy Watch
03.04.2022

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1. EMPLOYMENT SITUATION REPORT: STRONG JOB GROWTH, TIGHT LABOR MARKETS

Frank Steemers and his colleagues at The Conference Board produced the following [blog post](#) to unpack this morning's Employment Situation Report from the Bureau of Labor Statistics:

Today's jobs report showed strong job growth in February. While Omicron disruptions are now behind us, severe recruitment and retention difficulties persist. Wages continue to rise and this will put more pressure on already elevated price inflation.

Nonfarm payroll employment increased by 678,000 in February, after an upwardly revised increase of 481,000 in January. The unemployment rate ticked down to 3.8 percent and the labor force participation rate increased slightly from 62.2 percent to 62.3 percent in February. Overall, jobs still number 2.1 million below prepandemic (February 2020) levels, representing a loss of 1.4 percent. For women, the job recovery has been slower with employment still 1.9 percent from prepandemic levels, compared to 0.9 percent for men.

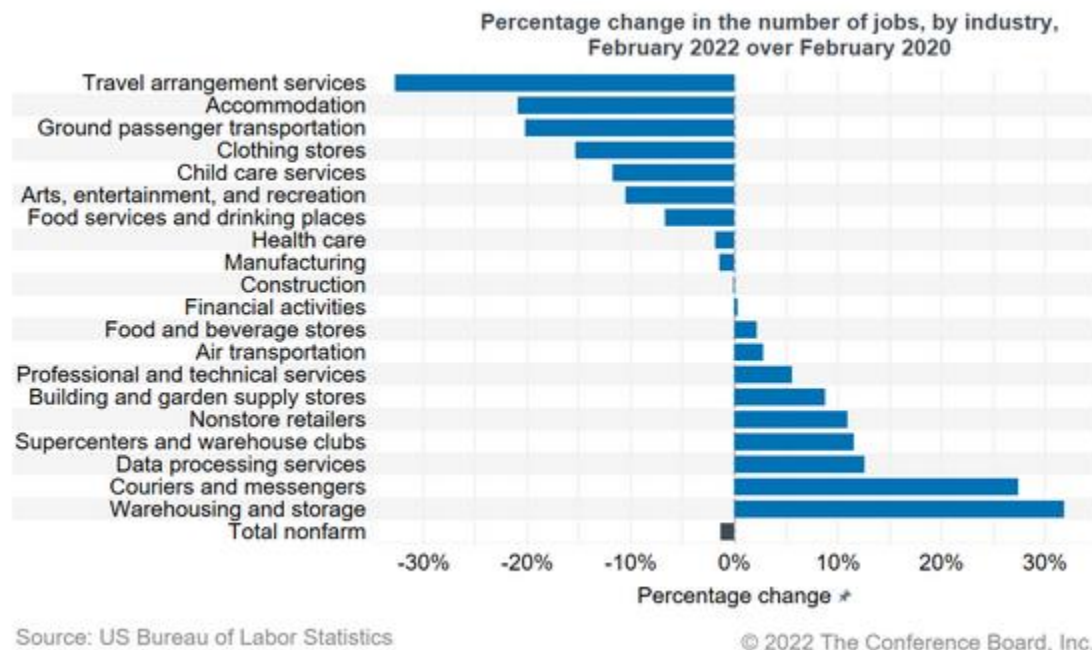
Job growth was again strong in leisure and hospitality, which added 179,000 jobs in February. Jobs were also added across most other industries, including 63,500 in health care and 60,000 in construction. Compared to February 2020, however, employment is still down 20.9 percent in accommodation and 6.7 percent in food services, signaling that many more jobs may be gained in these in-person services industries during 2022. Some jobs may not return, however, as job demand has shifted, especially to ecommerce related industries.

After gaining about 1.2 million jobs in January and February combined, we expect about 3 million more jobs to be added in the remainder of the year. This will be lower than the 6.7 million jobs gained in 2021,

but still higher than the 2.0 million in 2019. Slower job growth is expected as the economy is decelerating towards its long-run growth rate and more industries have already recovered. On top of that, recruitment difficulties are hampering job growth. The unemployment rate is expected to get close to 3 percent by the end of the year.

Average hourly earnings rose 5.1 percent over the past 12 months, and in leisure and hospitality even by 11.2 percent. At the same time, rising inflation is eating into these wage gains. We expect wage growth to remain elevated as labor shortages will persist going forward. The inflation outlook is less certain. The recent invasion of Ukraine by Russian forces may drive up highly volatile food and energy prices. On the other hand, easing supply-chain issues and the Fed's plans to raise interest rates may somewhat offset rising inflation during 2022.

This jobs report underscores that the labor market is healthy and continues to improve. As such, we expect that the Fed will start raising interest rates in March.



2. NEW WEEKLY JOBLESS CLAIMS CONTINUE TO SHOW PROGRESS IN THE LABOR MARKET

New unemployment insurance claims continued their almost two-year-long decline in the week ending February 26. The headline seasonally adjusted number was 215,000, a drop of 18,000 from the previous week's count (which was revised upward by 1,000). The four-week moving average of 230,500 was a drop of 6,000 from the previous week's revised average. These continuing declines to near-record-low levels are a part of the tightening of labor markets that has motivated the Federal Reserve to begin a process of increasing interest rates, in the hope of combatting the accelerating inflation of the last few months (see below).

3. FEDERAL RESERVE REAFFIRMS INTENT TO RAISE INTEREST RATES

The Federal Reserve released its annual "[Monetary Policy Report](#)," and Chair Pro Tempore (pending his Senate confirmation as chair, separate from his term as a member of the Board) Powell delivered his corresponding "[Humphrey-Hawkins](#)" [testimony](#) to the House Financial Services and Senate Banking Committees. The report affirmed that the economy has "posted further impressive gains" and "[t]he labor tightened substantially further," but "inflation rose to its highest level since the early 1980s." Chair Powell's testimony acknowledged the wildcard that the invasion of Ukraine has injected into the progress of the economy, and resolved to monitor the situation closely. However, he asserted that "We use our tools to support financial stability and macroeconomic stability. We're going to avoid adding uncertainty to what is already an extraordinarily challenging and uncertain moment." And in the interests of certainty and stability, Chair Powell was exceedingly specific in describing his position for the next Federal Open Market Committee (FOMC) meeting and beyond. For now, he will recommend a 25-basis-point increase in the Federal Funds rate. Some speculation had been raised about 50 basis points, which historically has been an indicator of highly urgent situations. The Chair apparently believes that the uncertain impacts of the sanctions on Russia are enough to warrant greater caution. However, he explicitly did not rule out larger increases later on should they prove warranted by continued well-above-target inflation. He also expects a "series" of rate increases later in the year, and a reduction of the Fed's asset holdings (and therefore the size of its balance sheet). In other words, he plans to continue along the lines that were contemplated before the invasion, but as always pledges to remain focused on the data as they reflect new developments.

4. STATE OF THE UNION; KEY BUDGET LEGISLATION STALLED, IN PART BY FOCUS ON UKRAINE

President Biden delivered his State of the Union address on Tuesday night over the sound of shells exploding in Ukraine. Not surprisingly, although the president cited the domestic priorities that he has championed thus far in his administration, the war took center stage. CED has prepared a series of policy briefs on aspects of the conflict, and to which we [call your attention](#).

However, the daily functions of government must still be performed. As Congress approaches the March 11 expiration of the current Continuing Resolution (CR) for the current fiscal year (2022, which began on October 1, 2021), it will soon face decisions on two supplemental appropriations bills: one is a widely anticipated supplemental for defense and humanitarian assistance related to the Russian invasion of Ukraine; the second is a COVID supplemental which President Biden announced in the State of the Union, focused at least in part on replenishing the national stockpile of pandemic-related goods such as vaccines, masks, and tests. The President said that because most Americans had used these medical supplies at no cost and might need to again, he expects Congress to pass the supplemental "quickly"; however, Republicans appear to have little appetite for a further supplemental on the pandemic, instead arguing that money can be reallocated within current spending.

And at the same time, there has been no perceptible progress on agreement to raise the federal government's debt limit. Nor have there been any visible negotiations to move any remnants of the president's "build back better" agenda. The mound of "must-pass" legislation is simply being pushed back toward the inevitable election-season recess. There have been indications that the two sides want to come to agreement on the annual appropriations, to fund programs that are wanted by their constituencies and to avoid an embarrassing government shutdown in an election year. Other issues may be punted toward and ultimately past the election using temporary stop-gap legislation (like short-term increases in the debt limit).

5. SUPPLEMENTARY REGULATIONS ON RUSSIA SANCTIONS

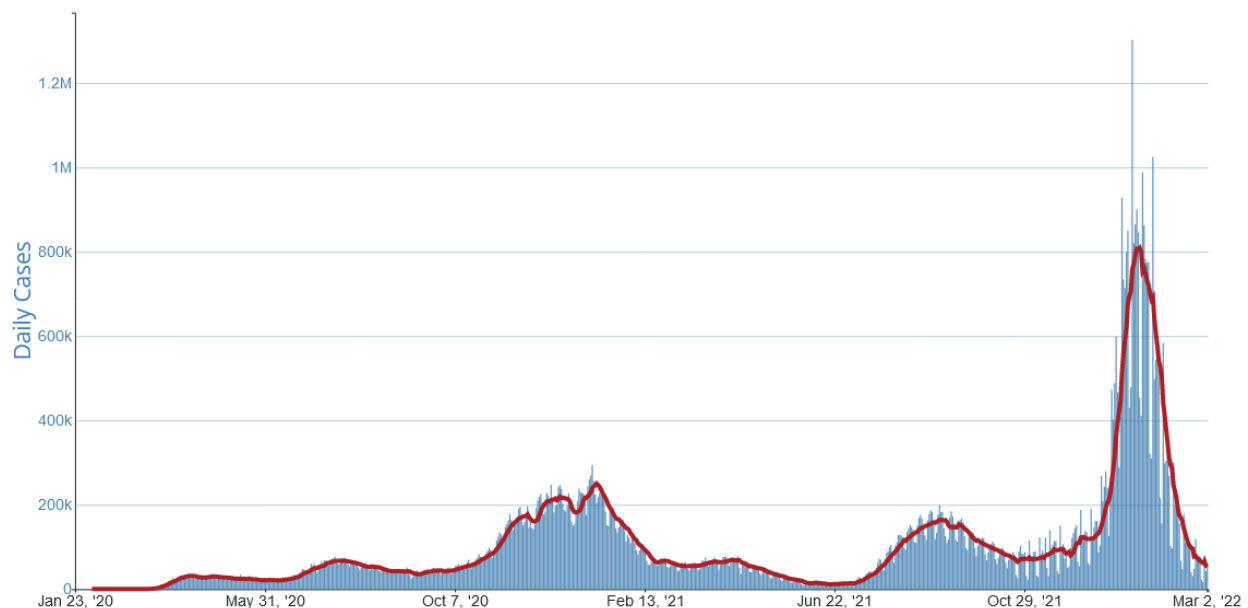
Treasury's Office of Foreign Assets Control is [issuing regulations](#) to supplement those it issued last April regarding sanctions against Russia. The agency announced at the time of that issuance that it would be supplemented "with a more comprehensive set of regulations which may include additional interpretive guidance and definitions, general licenses, and other regulatory provisions." This new more comprehensive set of regulations, when actually released, should provide clearer guidance regarding the extent of exemptions to the Russia sanctions for transactions involving energy, humanitarian relief, agricultural and medical commodities expected to be covered by the general licenses.

6. PANDEMIC NEWS

After the enormous Omicron spike, indicators of the intensity of the pandemic in the United States continue to ease. Every wave of the pandemic thus far has been different, and every retreat of the virus has reversed itself in some painful form, and so optimism has proved to be a mere intoxicant. But we can pray at this moment that the favorable trends will continue.

For starters, the number of new confirmed daily cases has continued to trend downward. Of course, everything is relative, and after the Omicron mountain even the Delta wave appears small. But we have crossed one milestone, in that the current daily counts are lower than the minimum case counts of just before Delta emerged. There is a long, long way to go to get back to normal, but at least we are headed in the right direction.

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



The number of hospitalized patients lags the case count, and right now it is just beginning to touch the pre-Delta minimum (understanding that there are some delays in reporting and so the last few days may be revised slightly upward).

Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States August 01, 2020 - March 01, 2022



38,175

Current 7-Day Average
Feb 23, 2022 – Mar 01, 2022

54,307

Prior 7-Day Average
Feb 16, 2022 – Feb 22, 2022

146,534

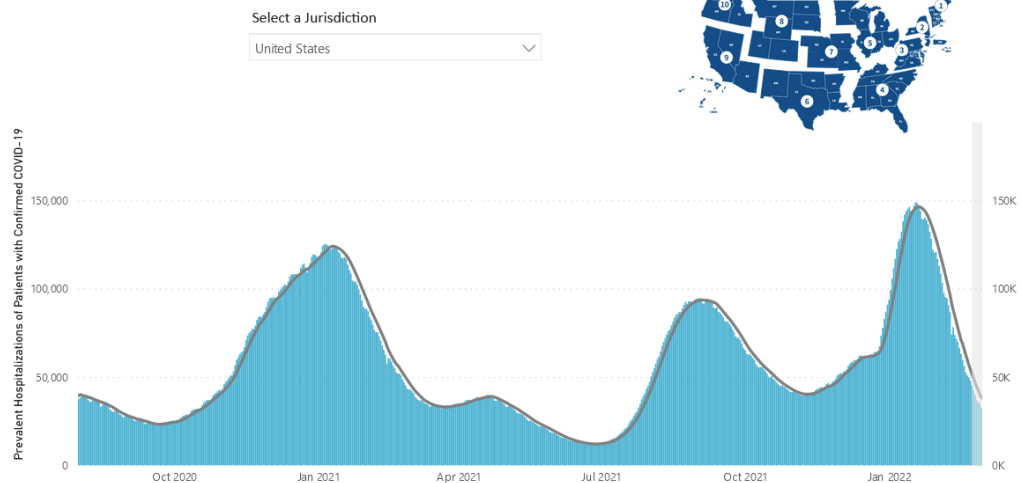
Peak 7-Day Average
Jan 14, 2022 – Jan 20, 2022

-29.7%

% Change from Prior 7-Day Avg

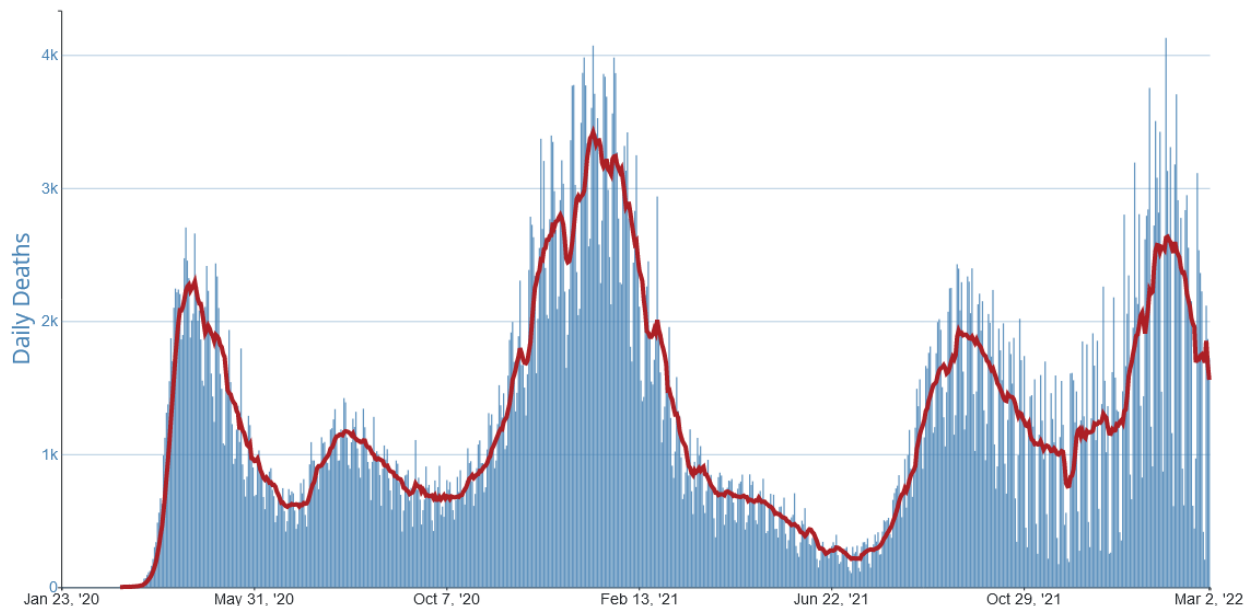
-73.9%

% Change from Peak Avg

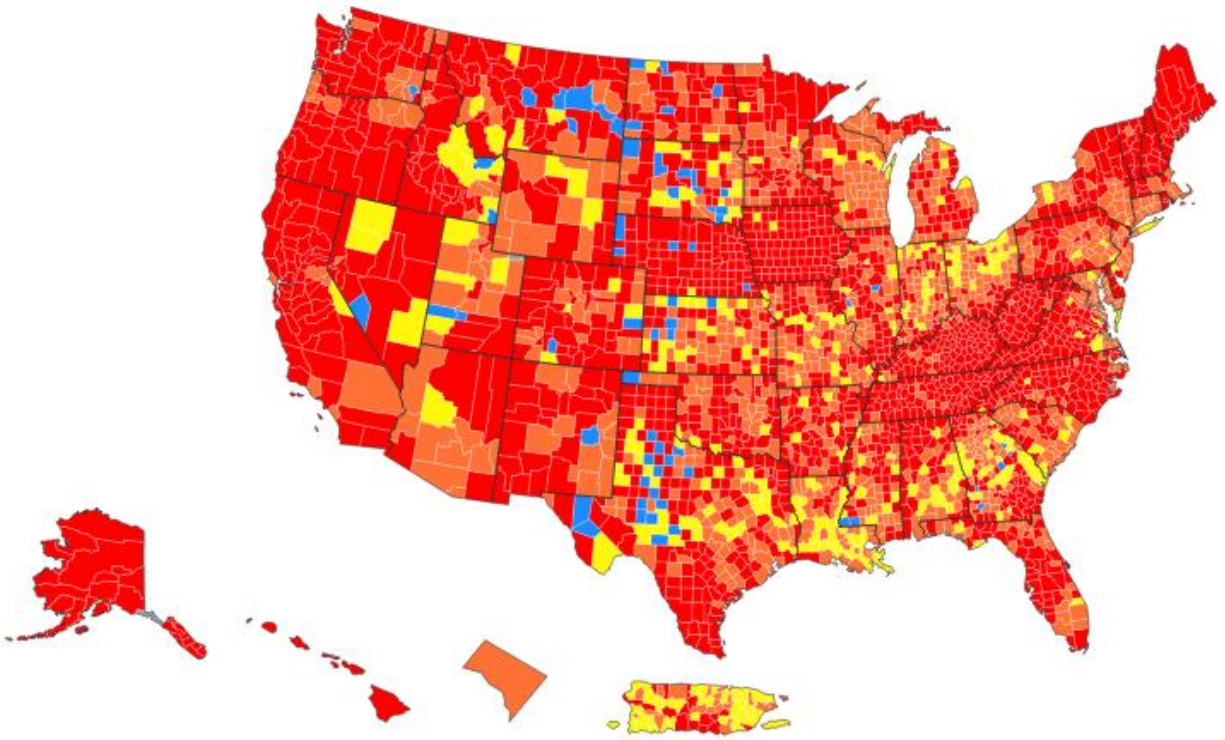


The daily COVID-prevalent death count is also a lagging indicator. The seven-day average is still over 1,700 deaths per day; the peak in the Delta-outbreak itself, not in the lull before it, was just over 1,900. This is a painful measure of the price we pay for not snuffing out the virus after Delta, while we at least appeared to have a chance.

Daily Trends in Number of COVID-19 Deaths in The United States Reported to CDC



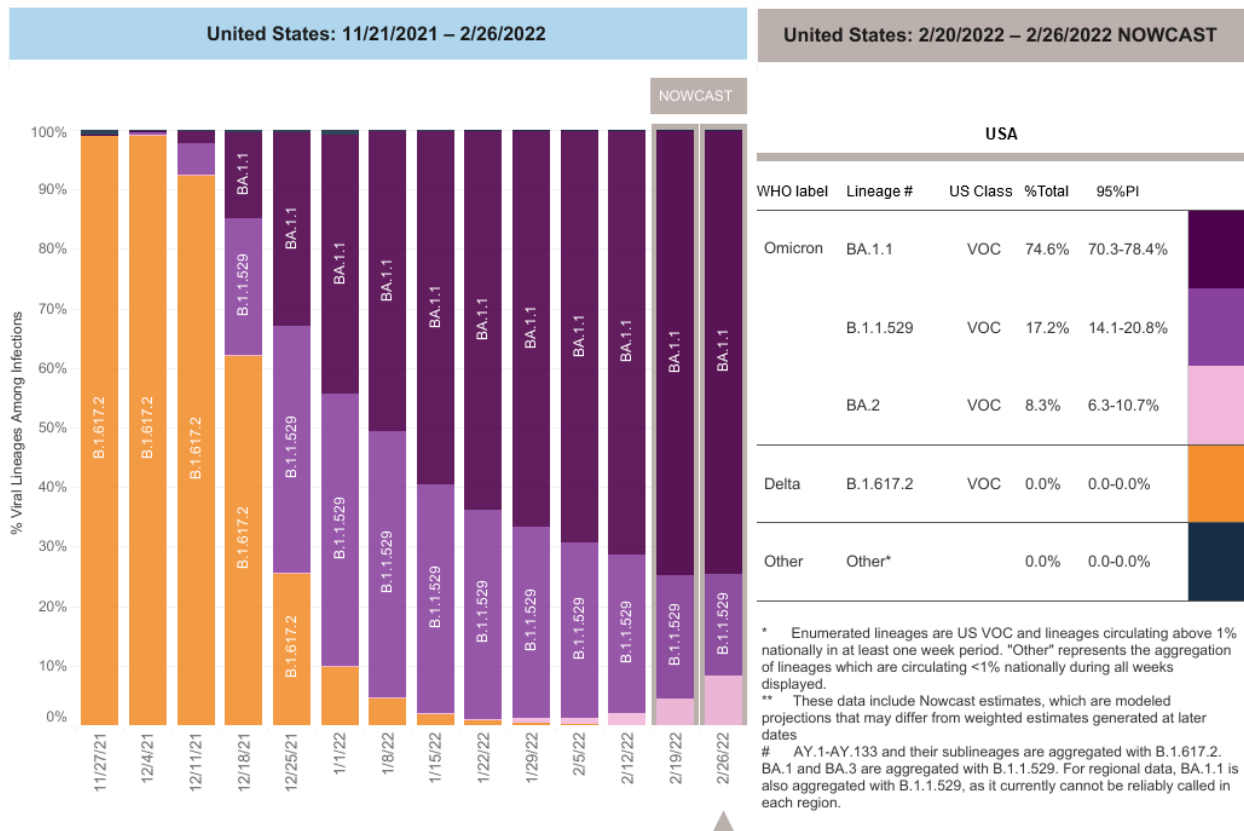
By these numbers, we enjoy some relief. The question is whether that relief will continue, with case numbers, the load on our hospitals, and deaths continuing to decline. For the moment, the indicators provide some hope. We are beginning to see some US counties where the level of community transmission, as calculated by the CDC, is beginning to drop below the “red” zone.



Community Transmission in US by County

	Total	Percent	% Change
High	1837	57.01%	-24.77%
Substantial	950	29.48%	15.86%
Moderate	364	11.3%	8.26%
Low	68	2.11%	0.62%

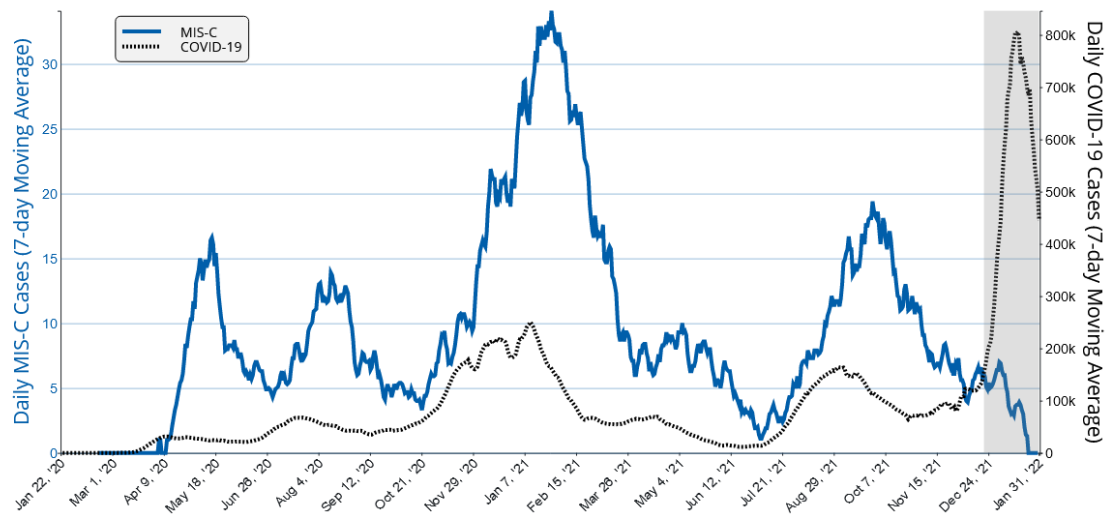
What could go wrong? The ultimate risk is the emergence of a new, more-dangerous variant. On this front, the news about the so-called “stealth” variant of Omicron, designated BA.2, is better than was initially feared. BA.2 is indeed [out-competing](#) its predecessor Omicron variants, but its growth is slower than was that of original Omicron when it faced off with Delta. (BA.2’s competitive advantage is that it is more readily transmitted from person A to person B; it may also be more effective at evading immune protection.) That process toward BA.2 dominance is likely to continue; BA.2 is clearly dominant in Denmark, a developed country where it started with a foothold like that it has already achieved in the United States. The chart below shows the slower, but probably irreversible, growth of BA.2 as the source of infection in this country.



The good news is that initial laboratory and animal testing that suggested that BA.2 would be more virulent than the earlier Omicron strains has not—yet—played out in real life. Current judgments based on actual hospitalized patients indicate that BA.2 is no more dangerous than the earlier Omicron strains. That is more than bad enough, but we should be thankful for small favors. Other concerns remain, including that BA.2 does not appear to respond to the monoclonal antibodies and antiviral drugs nearly as well as the prior strains, which themselves were more resistant than Delta. However, although vaccination is less effective at preventing infection with BA.2 (as it was with earlier strains of Omicron), it remains effective in preventing serious illness, and also possibly in reducing transmissibility. Vaccination remains the key tool in slowing and ultimately halting the pandemic.

There is one more positive development. The dreaded Multisystem Inflammatory Syndrome in Children (MIS-C) has thankfully not been propagated by the Omicron wave. We can hope that this favorable trend will continue.

Daily MIS-C Cases and COVID-19 Cases Reported to CDC (7-Day Moving Average)



7. VACCINE NEWS

Meanwhile, just to reinforce the findings on susceptibility to BA.2 discussed above, data into late January continue to show that vaccination provides protection against simple infection, but much greater protection against serious disease. Again, getting people vaccinated is the most important step in the fight against the pandemic.

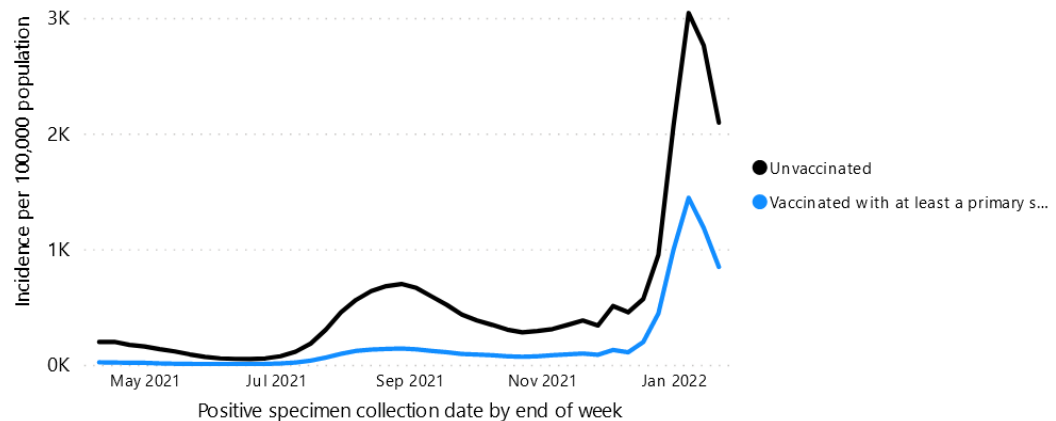
Rates of COVID-19 Cases by Vaccination Status

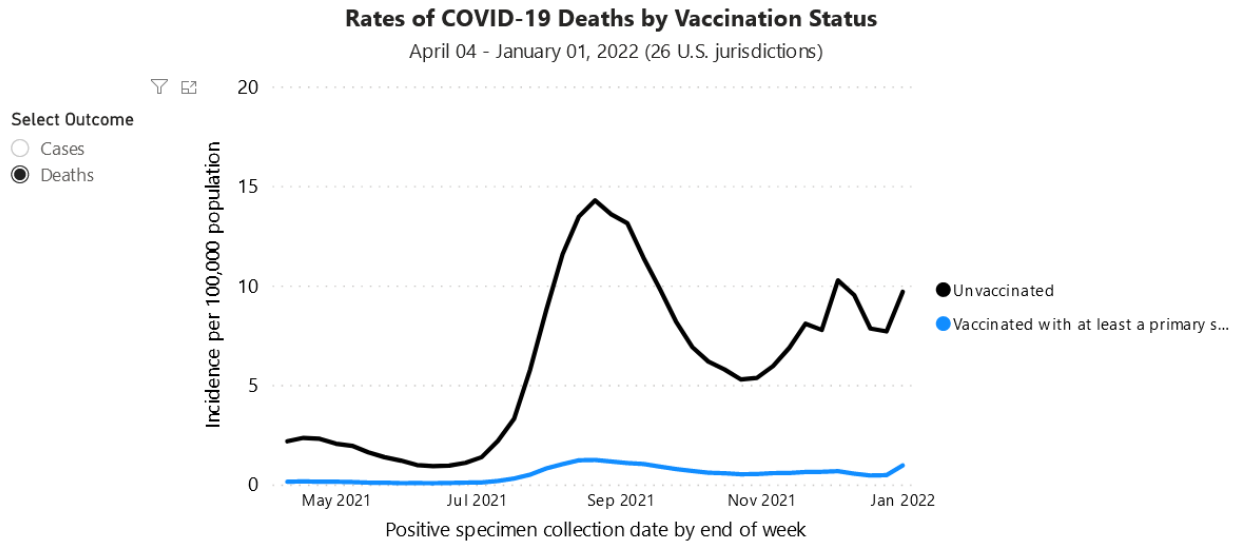
April 04 - January 22, 2022 (29 U.S. jurisdictions)

🔍

Select Outcome

- Cases
- Deaths





Unvaccinated people aged 5 years and older had:

2.2X
Risk of Testing Positive for COVID-...

AND

14X
Risk of Dying from COVID-19

in December, and

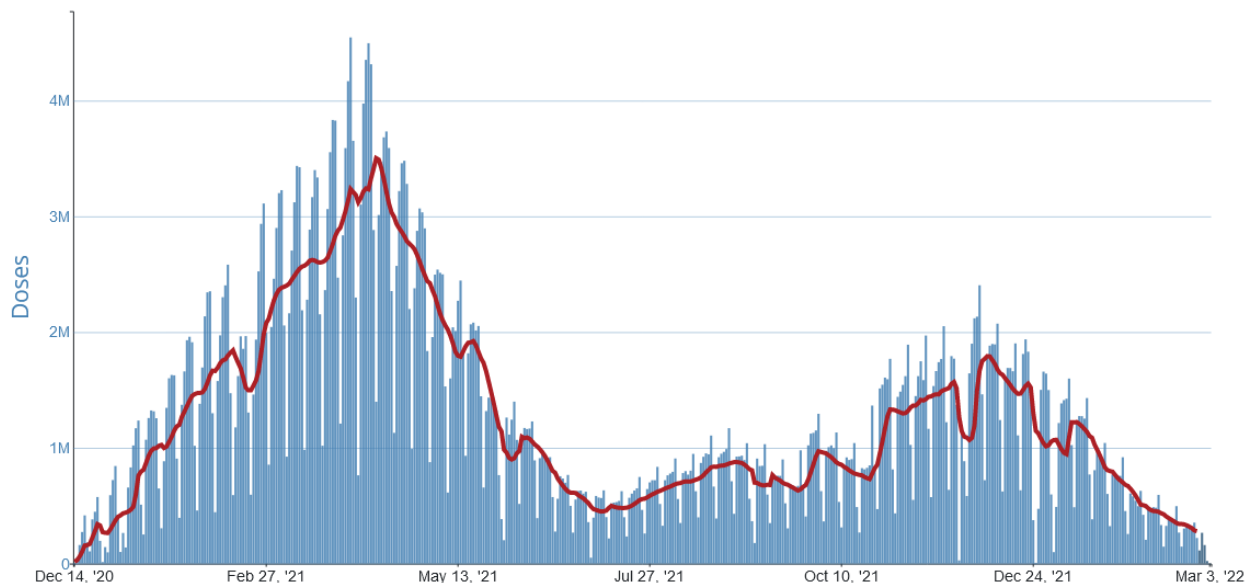
2.3X
Risk of Testing Positive for COVID-19

in January,* compared to people vaccinated with at least a primary series.

Source: CDC COVID-19 Response, Epidemiology Task Force, Surveillance & Analytics Team, Vaccine Breakthrough Unit

However, that is not to say that society has had success in promoting greater vaccination. The number of inoculations continues to decline each day, and the progress in raising the number of persons either beginning or completing the regimen, or adding a booster, is painfully slow. Only seniors as a group have exceeded 50 percent of their population both fully inoculated and boosted.

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



Total Vaccine Doses

Delivered

691,748,065

Administered

554,168,735

Learn more about the [distribution of vaccines](#).

215.9M

People fully vaccinated

94.8M

People received a booster dose**

At Least One Dose	Fully Vaccinated	Booster Doses	Booster Eligible***
Vaccinated People	Count	Percent of US Population	
Total	253,804,278	76.4%	
Population ≥ 5 Years of Age	253,728,085	81.3%	
Population ≥ 12 Years of Age	244,200,331	86.1%	
Population ≥ 18 Years of Age	227,070,255	87.9%	
Population ≥ 65 Years of Age	56,134,592	95%	

Total Vaccine Doses

Delivered

691,748,065

Administered

554,168,735

Learn more about the [distribution of vaccines](#).

215.9M

People fully vaccinated

94.8M

People received a booster dose**

At Least One Dose	Fully Vaccinated	Booster Doses	Booster Eligible***
Fully Vaccinated* People with a Booster Dose**	Count	Percent of Fully Vaccinated*	
Total	94,770,180	43.9%	
Population ≥ 12 Years of Age	94,752,512	45.5%	
Population ≥ 18 Years of Age	91,605,791	47.3%	
Population ≥ 65 Years of Age	32,305,382	66.4%	

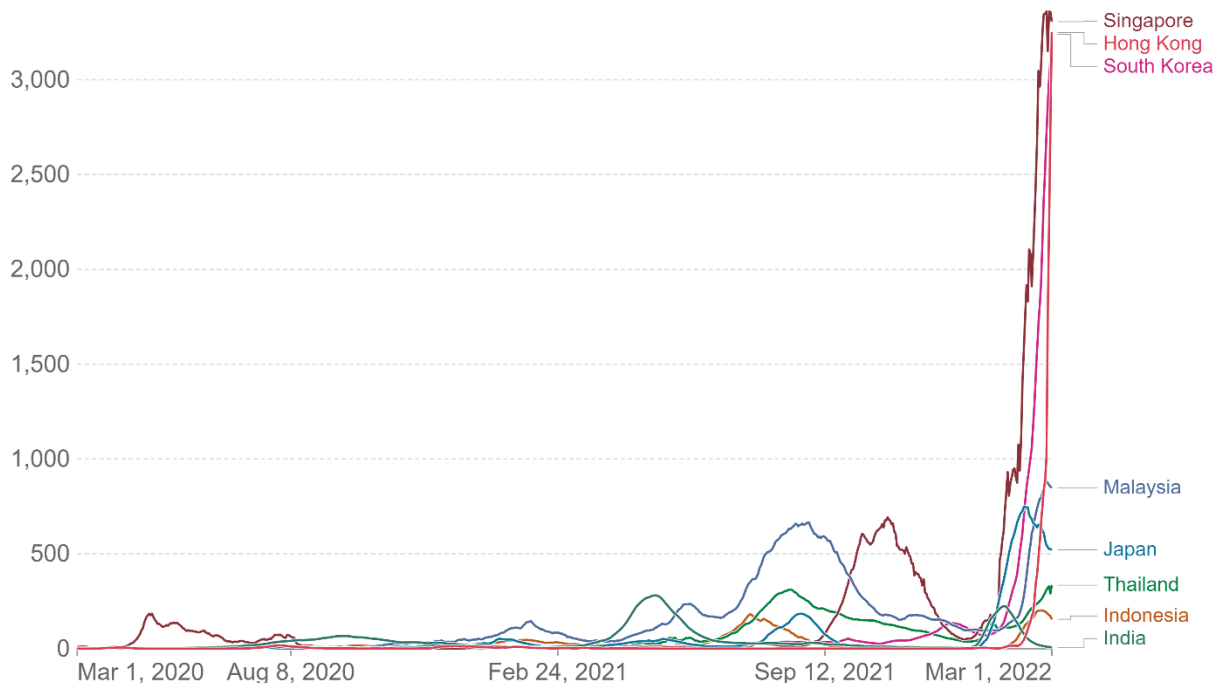
8. SPOTLIGHT ON REOPENING: ASIA BREAKS FROM COVID ZERO

Despite rising case numbers throughout Asia, many countries in the region which have adhered to strict Covid Zero policies since the beginning of the pandemic are beginning to loosen up. Covid Zero countries are beginning to acknowledge that attempting to completely eliminate the virus amid the outbreak of the highly contagious Omicron strain is a losing battle. [Hong Kong](#), which has kept a strict zero-tolerance approach pioneered by China since the start of the pandemic, is seeing case numbers soar as it has no choice but to loosen its stringent measures. Patients with mild cases are no longer sent to isolation facilities because there is no space, and are instead allowed to stay home until they test negative with rapid antigen tests. Close contacts, no longer identified by the city's contact tracing process, are moving around freely despite week-long stay-at-home orders. Hong Kong reported a record 34,466 new cases and 87 deaths on Monday. The hospitals are overwhelmed and the city's morgues are nearly full.

Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.

Our World
in Data



Source: Johns Hopkins University CSSE COVID-19 Data

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Singapore, a rival to Hong Kong as one of Asia's premier international business hubs, has taken a [polar opposite approach](#) to COVID-19. Both Singapore and Hong Kong adopted strict suppression tactics in the early days of the virus, closing borders to keep infections low in their small, densely populated cities, but have since gone down different paths to manage Omicron. Singapore is opting to live with the virus, while Hong Kong is still at least in theory adhering to a zero-tolerance policy. In Singapore, children are back in class, residents enjoy post-work drinks, and people fly in and out for business or pleasure. In Hong Kong, in-person classes remain suspended, bars and gyms remain closed, restaurants are restricted to takeout, and international travel is increasingly difficult, involving lengthy quarantines. Singapore has already vaccinated over 90 percent of its population [aged 70 years and older](#), while Hong

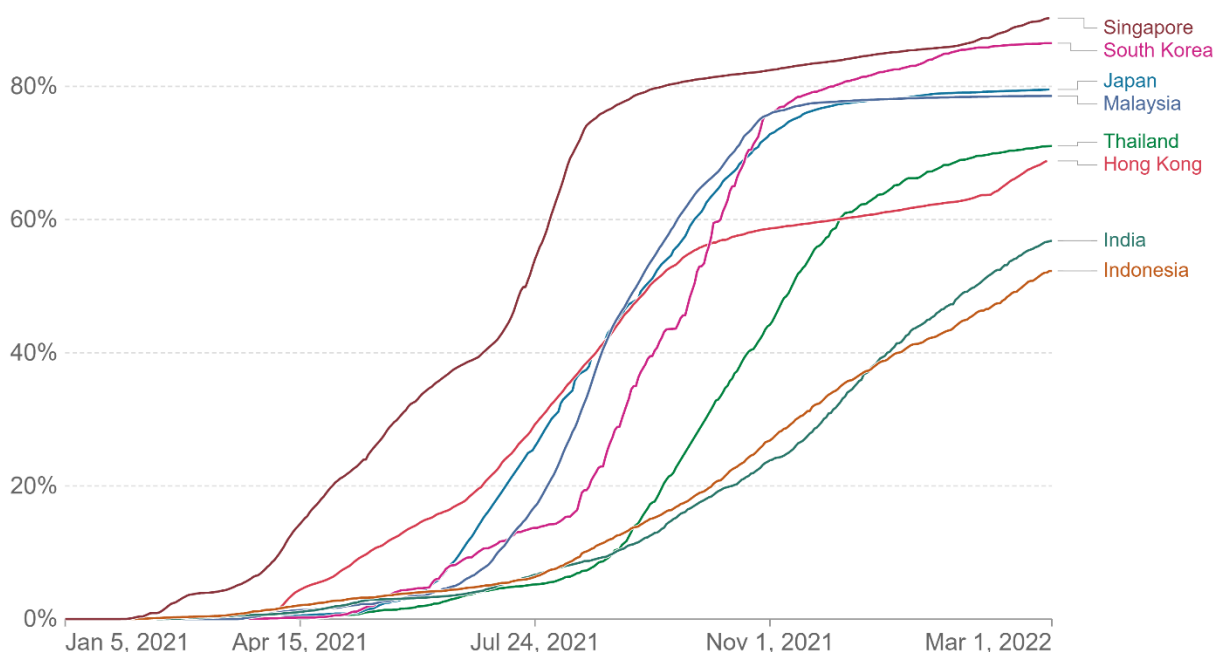
Kong has only vaccinated 46 percent. Singapore reported a total of 24,080 [new COVID-19 cases](#) and eleven deaths on Tuesday, up from 13,544 new infections the day before.

Malaysia is [relaxing testing](#) requirements for certain groups of international travelers. The testing exemption applies to those arriving in Malaysia via the vaccinated travel lane with Singapore, the Langkawi travel bubble, and short-term business travel via one-stop centers, said Health Minister Khairy Jamaluddin. Travelers from the UK will be exempted from undergoing self-testing during the quarantine period. The country recorded 27,805 new COVID-19 cases on Tuesday. With a local economy heavily dependent on [tourism](#), Thailand relaxed its entry requirements for foreign visitors. As of March 1, vaccinated visitors will no longer be required to undergo a polymerase chain reaction test on the fifth day after arrival. Instead, they can perform an antigen self-test. Thailand recorded 23,393 new cases on Tuesday. [Bali](#), Indonesia opened to vaccinated travelers early last month. Travelers face a five-day quarantine requirement, but given the opportunity to isolate in one of 66 hotels including many of the island's most well-known luxury resorts, many are not fazed by it. Indonesia recorded 42,823 new cases on Tuesday.

Share of people who completed the initial COVID-19 vaccination protocol

Total number of people who received all doses prescribed by the initial vaccination protocol, divided by the total population of the country.

Our World
in Data



Source: Official data collated by Our World in Data

Note: Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.

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