1. WEEKLY UNEMPLOYMENT INSURANCE CLAIMS REMAIN ELEVATED

   New claims for Unemployment Insurance, i.e., layoffs, remain painfully high. The headline number for regular state programs in the week ending February 13 was up 13,000 over the previous week, whose number in turn was revised upward over the previous estimate by 55,000. Weekly claims remain more than quadruple their level of one year prior, before the pandemic broke. The unadjusted total of continuing claims for all programs, reported for the week ending January 30 with a lag, was down from almost 19.7 million to just over 18.3 million. All in, these signals suggest that progress remain slow.

2. DATA DIVE: RETAIL SALES JUMP IN JANUARY

   More encouragingly, retail sales registered a strong 5.3 percent one-month increase in January. The jump was broadly based. Immediate analysis suggested impetus from the distribution of newly enacted stimulus payments at the end of last year, and raised spirits because of the declining coronavirus case counts. The role of the stimulus payments, which were limited to low- and moderate-income households, reminded of the highly skewed effects of the economic downturn, where such households have suffered, are constrained for cash, and are likely to spend quickly, while better-off households are still saving much of the money that they cannot spend on travel and dining out. The staying power of this increase in retail spending depends on broadening consumption in future months to replace the one-time push of the stimulus payments.
3. PANDEMIC INDICATORS CONTINUE TO DECLINE

As perhaps reflected in the strong retail sales data, the major indicators of the spread of the coronavirus continued to show progress. New cases and hospitalizations continued to decline; perhaps significantly, the daily new cases have now fallen below the highest levels of the outbreak of last summer. And after remaining on a sad plateau, the death count also has begun to fall.
This continuing downward trend in all of the indicators is of course good news. The remaining question is whether the trends will continue from the current levels, which are still highly elevated. Other factors will bear on that question.

4. CORONAVIRUS VARIANTS

Mutations of the coronavirus continue to threaten the recent progress of the pandemic. From the current high base, further growth would be dangerous. All of the three most prominent variants identified elsewhere around the world are present in the United States, and tracking here is sufficiently weak that there could be more. The B.1.1.7 variant (identified in the UK) is doubling every 10 days, vaccines are less effective against it than the original strain, and so it could cause a resurgence of the pandemic. The Administration has announced that it will devote $200 million to improve US genetic sequencing, but all sides believe that is insufficient, and so further legislation and funding will be needed.

5. VACCINE NEWS

The pace of new vaccinations has increased to 1.59 million per day over the last week, a 3 percent increase over the week before, and up from about one million per day one month ago. The President now says that the nation will have accumulated 600 million doses by the end of July, which would be roughly enough to vaccinate the entire population. The new Johnson & Johnson vaccine is expected to contribute, but an apparent miscommunication between the Administration and the company led to excessive expectations about how quickly it would be available.
Slowing the progress of vaccinations have been the intense cold and storms in the south-central United States. Power failures have led to mad scrambles to administer vaccines before they have spoiled, and slowing transportation has caused postponement of scheduled inoculations.

6. REOPENING SCHOOLS

The CDC has released new guidance for reopening schools. The guidance continues to maintain that schools can reopen safely under specific conditions (including the degree of transmission in the surrounding community, consistent and correct use of masks, social distancing, hand hygiene, cleansing and disinfection, contact tracing, and school ventilation) without the vaccination of teachers. The Administration has suggested but cannot enforce that teachers be prioritized for vaccination, and also has an aggressive goal for reopening K-8 schools. The guidance and the goal have proved highly controversial, especially with teachers.

7. COVID-19 SHORTENS US LIFE EXPECTANCY

The mortality resulting from the pandemic in the first half of 2020 was sufficient to reduce US life expectancy by one full year. That is the greatest reduction of life expectancy since World War II.

8. IMMIGRATION PLAN UNVEILED ON THE HILL

Senator Menendez and Representative Linda T. Sánchez, Democrat of California, unveiled the immigration legislation, the U.S. Citizenship Act of 2021, which is based on a proposal President Biden announced on his first day in office. The two lawmakers were joined by 10 of their colleagues for the announcement.

The centerpiece of the legislation is an eight-year path to citizenship for most of the 11 million undocumented immigrants living in the United States as of Jan. 1. After passing background checks and paying taxes, they would be allowed to live and work in the United States for five years. After that, they could apply for a green card, giving them permanent status in the United States and the opportunity to win citizenship after three more years.

9. FOCUS ON REOPENING: MEXICO—POLICY RESPONSE AND VACCINATION ROLL OUT

The International Monetary Fund (IMF) has advocated a “spend now, pay for it later” approach to cushioning the economic impact of the COVID-19 crisis and spurring a global health and economic recovery. Mexico, however, is one of the few countries that has not heeded this advice, instead espousing fiscal austerity and avoiding accumulating large amounts of debt.

According to the IMF, Mexico has spent just 0.6 percent of its GDP on pandemic relief measures. Most of this aid has been in the form of unforgivable loans to small businesses, while avoiding direct payments to households or expansion of welfare programs. In comparison, economies in Latin America and the Caribbean spent on average 4.7 percent of GDP on fiscal support measures (see chart). Among the G20 nations, Mexico’s fiscal relief spending ranks last.
The Mexican government is instead pursuing large infrastructure projects—including highway, rail, energy, and port projects—aimed at investing in underdeveloped areas of the country and boosting employment. Among the largest initiatives are plans to build a new airport, an oil refinery, a new Maya Train railway network in the Yucatán Peninsula, and a trans-isthmus railway to serve as an alternative to the Panama Canal.

The politicization of the COVID-19 response and the Mexican president’s consistent undermining of public health officials, even after contracting the virus himself, has led to mixed messages about the importance of public health measures. As a result, Mexico has the third highest COVID-19 death toll worldwide. However, the country has invested in building a robust vaccination campaign and in December 2020 became the first Latin American country to begin distributing shots. Despite a slower than expected rollout, the country has secured sufficient vaccine supply from four separate manufacturers to inoculate its entire population.

**Fiscal measures in response to the pandemic**

- Direct support for households
- Direct support for business
- Support for health system
- Other measures

![Graph showing fiscal measures in response to the pandemic](image)

Note: Latin America and the Caribbean is US dollar nominal GDP-weighted average. Source: International Monetary Fund via the *Wall Street Journal*