

CED Public Policy Watch

07.02.2021

- 1. STRONG JUNE EMPLOYMENT SITUATION REPORT**
- 2. NEW CLAIMS FOR UNEMPLOYMENT INSURANCE DROP**
- 3. MID-YEAR CONGRESSIONAL BUDGET OFFICE OUTLOOK SHOWS LARGE DEFICITS**
- 4. PANDEMIC NEWS**
- 5. VACCINE NEWS**
- 6. SPOTLIGHT ON REOPENING: THE DELTA “PLUS” VARIANT AROUND THE WORLD**

1. STRONG JUNE EMPLOYMENT SITUATION REPORT

The Employment Situation report for June shows the strongest job growth so far in 2021, probably reversing some of the disappointment of two months ago. There was further wage acceleration, but labor force participation is still not picking up. Employers continue to struggle with recruitment and retention, while workers benefit from increased bargaining power and job opportunities.

Nonfarm payroll employment increased by 850,000 in June, after an upwardly revised increase of 583,000 in May. This month's job gains were once again driven by the leisure and hospitality industry, which gained 343,000 jobs in June (representing 40 percent of all job gains). Construction suffered employment losses for the third consecutive month, while in retail there was growth for the second month in a row.

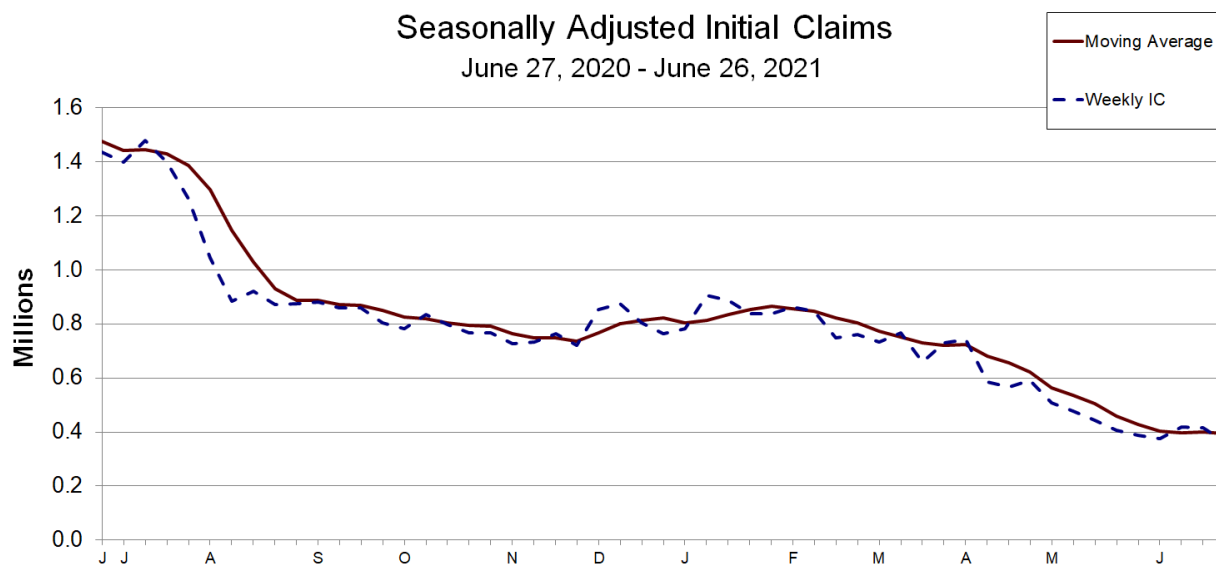
The published unemployment rate increased slightly, from 5.8 to 5.9 percent. Despite the uptick, the number of people working part-time for economic reasons declined and is nearing prepandemic levels. The labor force participation rate stayed at 61.6 percent in June, showing that many formerly employed people have not yet reentered the workforce. Participation has not significantly picked up over the past year and remains well below the 63.3 percent from February 2020. In June, the number of people not in the labor force was 5.1 million higher than in February 2020. Pandemic-related factors are still constraining labor supply. Currently, some workers are not joining the labor market because of the fear of contracting COVID-19, the need to take care of young children during school closures or remote learning, elder care, and/or elevated federal unemployment benefits. In addition, older workers are retiring early and some people are still discouraged over job prospects, further limiting the supply of available workers.

Recruitment and retention difficulties continue to be a growing concern for employers. Wages are accelerating with average hourly earnings increasing by 5.9 percent (at an annual rate) in the past three months, signaling employers are offering stronger incentives to attract qualified workers. In addition,

other labor market data show that the numbers of job openings, quits, and employers reporting hiring difficulties are historically high. Especially in the in-person services industries, demand is outpacing labor supply.

2. NEW CLAIMS FOR UNEMPLOYMENT INSURANCE DROP

Two weeks ago, there was a worrisome upward blip in the weekly report of new claims for regular state Unemployment Insurance programs; and last week, there was only the smallest decline. But just to show that economic statistics do jump around, yesterday's new report for the week ending June 26 showed a drop of 51,000, to 364,000, going back to the downward track of the data series before the upward blip. Given that other economic data have generally shown a continuing economic recovery, this new release puts the UI statistics more in line with the statistical pack. (Note that the number of new claims is generally an indication of employer layoffs, and so this number would not be an indicator of the effects of recent changes in federal pandemic unemployment benefits in some states.) New claims are now back to the very earliest days of the pandemic, but remain more than 100,000 above where they were before the pandemic broke, again reminding us that the labor market has a long way to go to get back to the approximate full employment just before COVID hit. The number of claims under all programs (including the federal pandemic add-ons, and reported with a longer lag) declined in the week ending June 12 by almost 181,000.



3. CONGRESSIONAL BUDGET OFFICE OUTLOOK UPDATE SHOWS LARGE DEFICITS

No great surprise, but an [update](#) to the budget and economic outlook by the Congressional Budget Office (CBO) projects a \$3.0 trillion budget deficit for the current fiscal year (which ends on September 30). In February, the CBO projection was \$2.3 trillion. That would clock in at 13.4 percent of the gross domestic product (GDP), which would be the second largest (to the result for 2020) since the end of World War II. CBO attributes the substantial deficit to the pandemic and the relief legislation enacted in response to it. Over the remainder of the 10-year projections horizon, CBO sees modestly less-bad results than it did in February; but the debt held by the public still will reach the World War II record of

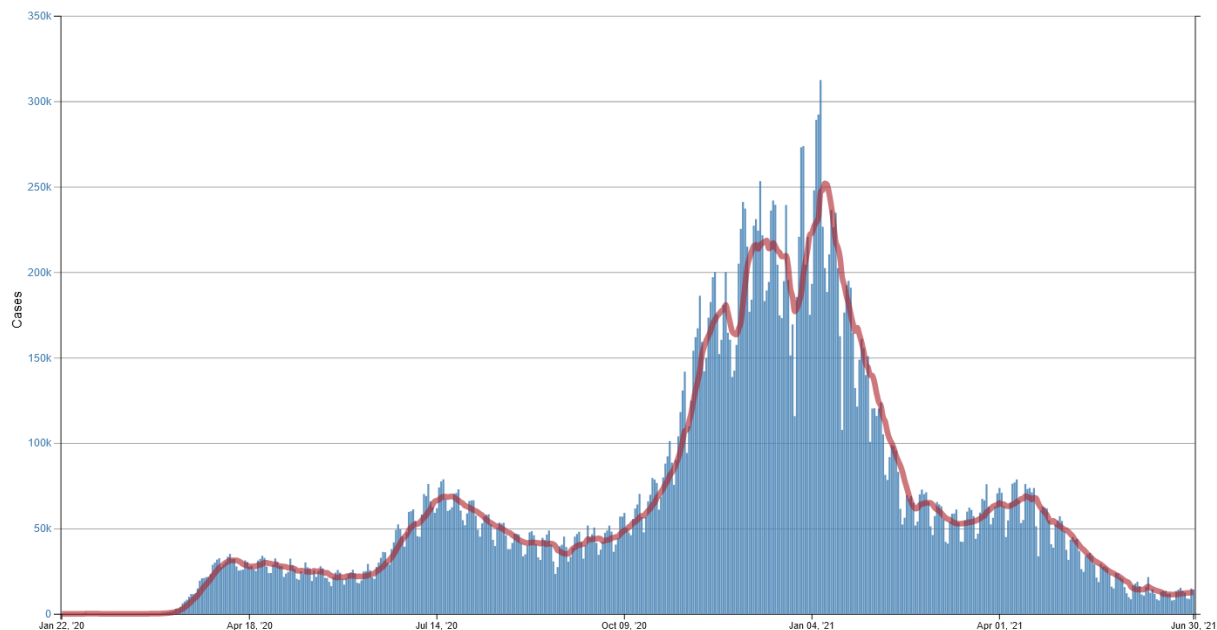
106 percent of GDP by 2031. Also noteworthy is CBO's concurrence with the generally held consensus of economic forecasters that the current burst on inflation will be temporary, with significant declines in the rate of increase of all of the commonly cited price indices in 2022 relative to this year. CBO expects unemployment to fall to a 3.6 percent average in 2022 (from 4.6 percent this year), but expects that the economy will hit its capacity constraints in 2022 and will slow in 2023.

4. PANDEMIC NEWS

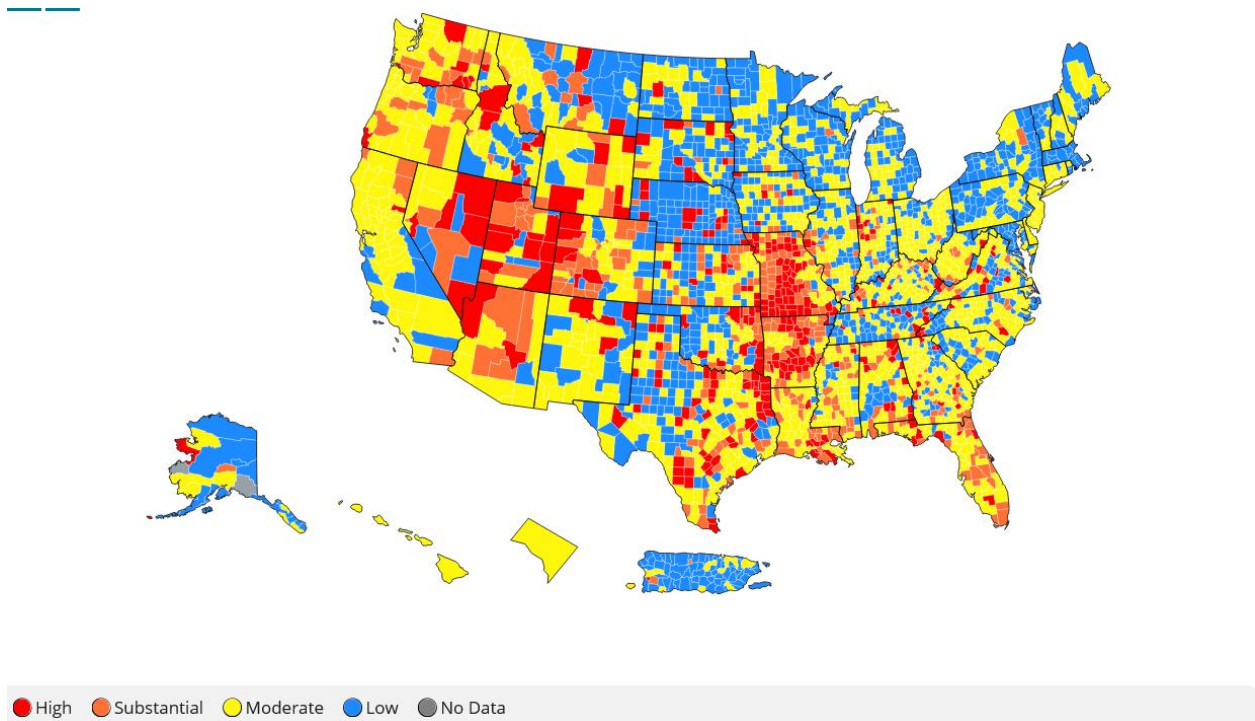
The virus lingers. New daily cases are back up to the mid-12,000s after settling in the 11,000 range from June 16th through the 25th.

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.

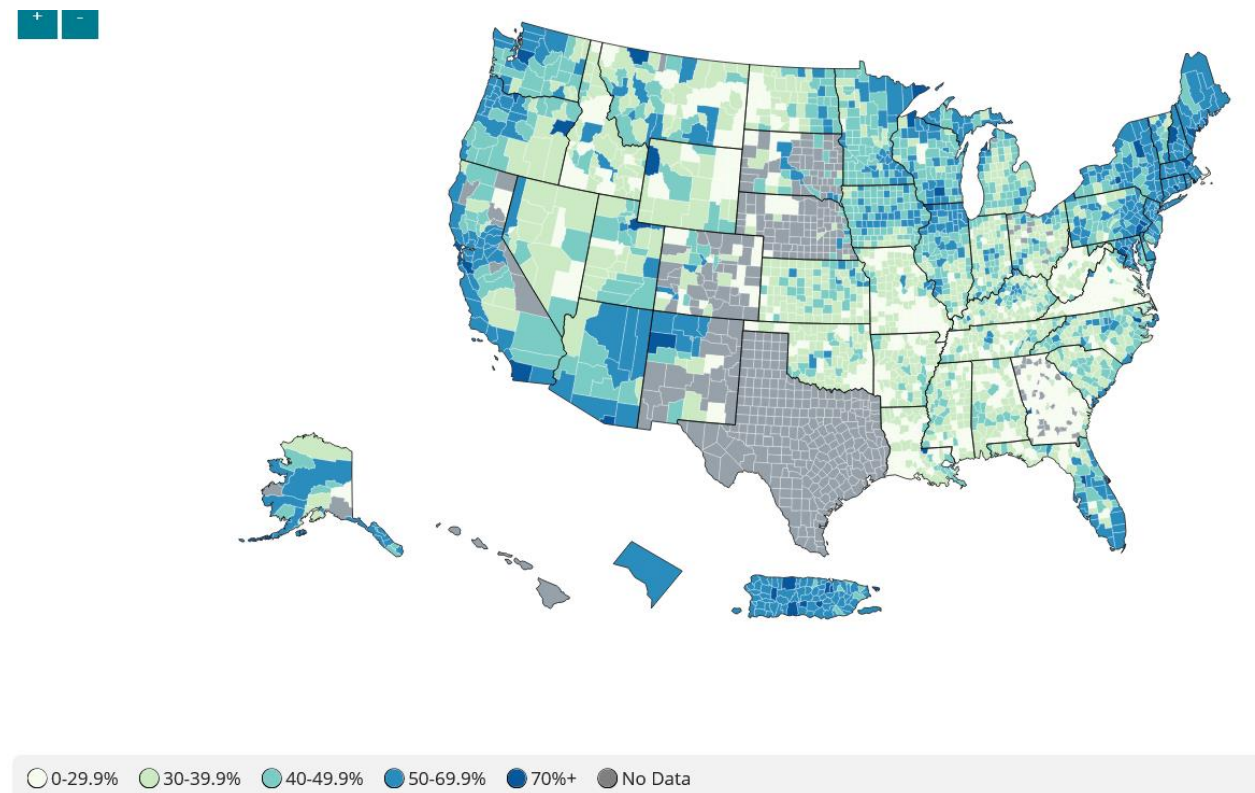
Daily Trends in Number of COVID-19 Cases in the United States Reported to CDC



And where you stand depends on where you sit; all health care is local. For the most part, major urban areas are in the CDC's "low" or "moderate" zones of the "level of community transmission" (as characterized in the chart below). But some rural areas are in much worse condition.



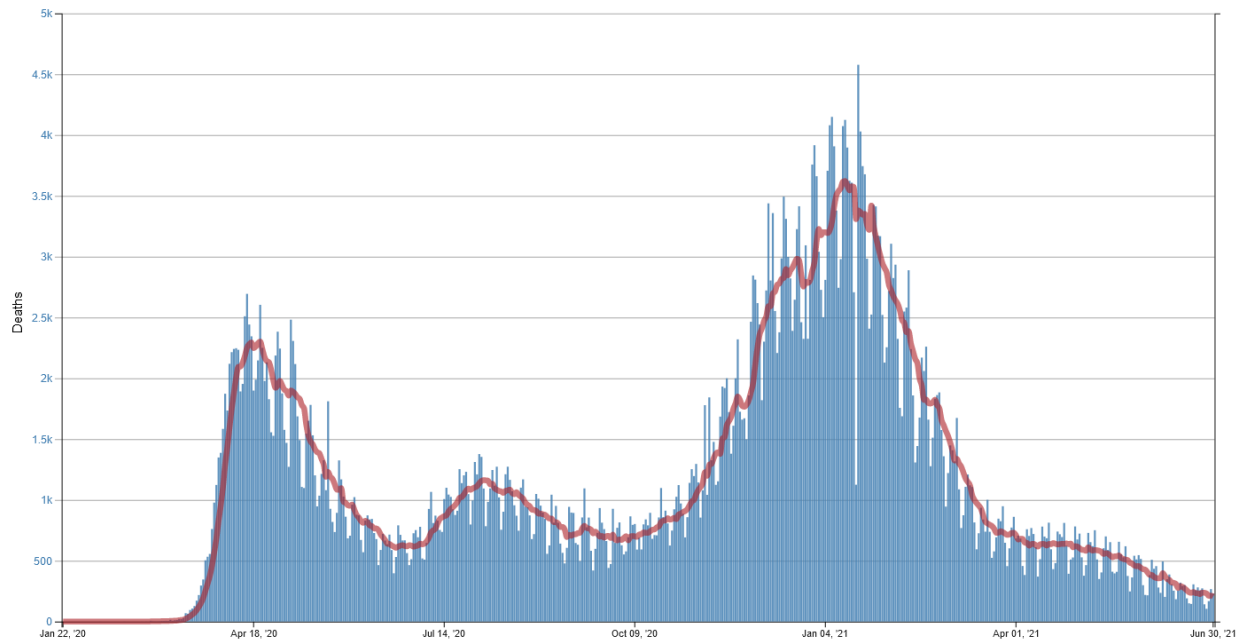
There is a considerable correspondence between the degree of vaccination penetration in a given part of the country and the degree of community transmission, as suggested in the following CDC chart (look at Missouri in the preceding and the following charts for a prime example), which represents the percentage of the population that has received at least one shot. (More discussion of vaccines follows.)



Meanwhile, thankfully, the seven-day moving average of the death count continues to decline. Perhaps because of the increasing proficiency of our health care providers, or perhaps because the death count has tended to be a lagging indicator, the June 30 moving average figure, at 206, was the lowest since March 27, which was just after the February 8 date of the first death attributed in real time to COVID-19 by the CDC (although there were surely a number of earlier fatalities).

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

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



The number of COVID-19 hospitalizations is inching down, which is good news for our health care system—except that the concentration of those cases in rural parts of the country may mean that there are vulnerable health care providers and institutions even though the movement of the national average appears favorable. (It is a situation reminiscent of the allegory attributed to the brilliant U.S. macroeconomist of the 1960s and 1970s, Arthur Okun, who explained the limitations of averages with the sad tale of the six-foot-tall economist who drowned in the stream that was an average of three feet deep.)

Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States August 01, 2020 – June 29, 2021



11,974

Current 7-Day Average

Jun 23, 2021 – Jun 29, 2021

12,427

Prior 7-Day Average

Jun 16, 2021 – Jun 22, 2021

123,865

Peak 7-Day Average

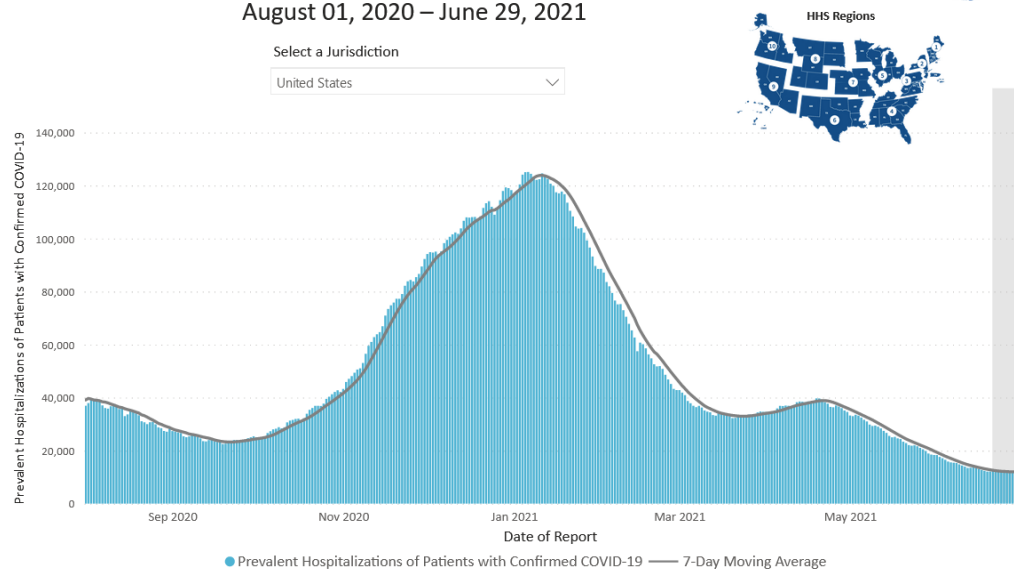
Jan 05, 2021 – Jan 11, 2021

-3.6%

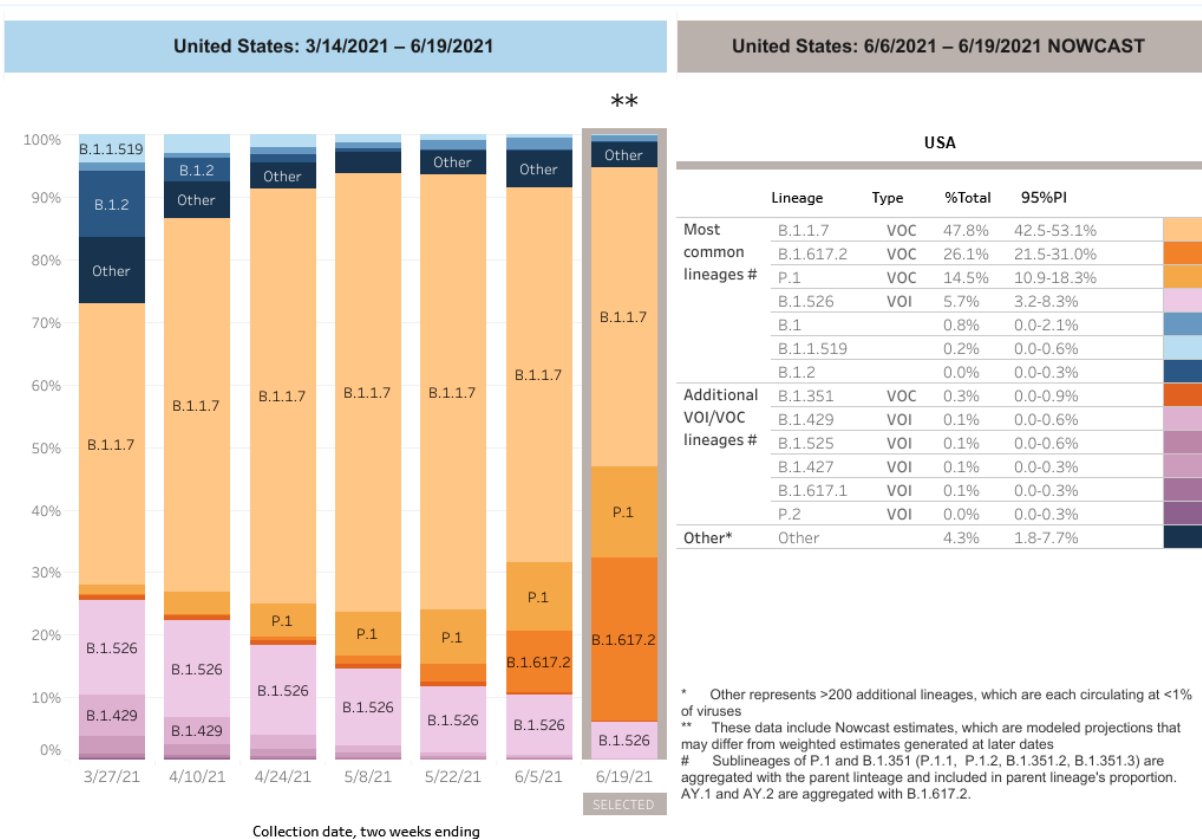
Percent change from prior 7-day
avg. of Jun 16, 2021 – Jun 22, 2021

-90.3%

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



And the source of much of our angst today is the onward march of new and potentially more dangerous variants of the coronavirus. For some weeks we were concerned about the B.1.1.7 variant (first identified in the United Kingdom), which demonstrated that it was more transmissible than the original SARS-CoV-2 strain. However, the newer “Delta” variant, designated B.1.617.2, which is itself an offshoot of the B.1.617 variant (first observed in India), is now showing every sign of becoming prevalent in the United States. It has now been identified in every state, and because it is more transmissible, is demonstrably taking over. The CDC makes the genomics of the pandemic available only with a significant lag, but now provides partial results to allow an earlier view. As the following chart shows with these tentative data, even B.1.1.7 is being crowded out by the Delta variant. (And the P.1 variant, which was first identified in Brazil and left a rush of death in its wake there, is troublingly growing in the United States as well.)



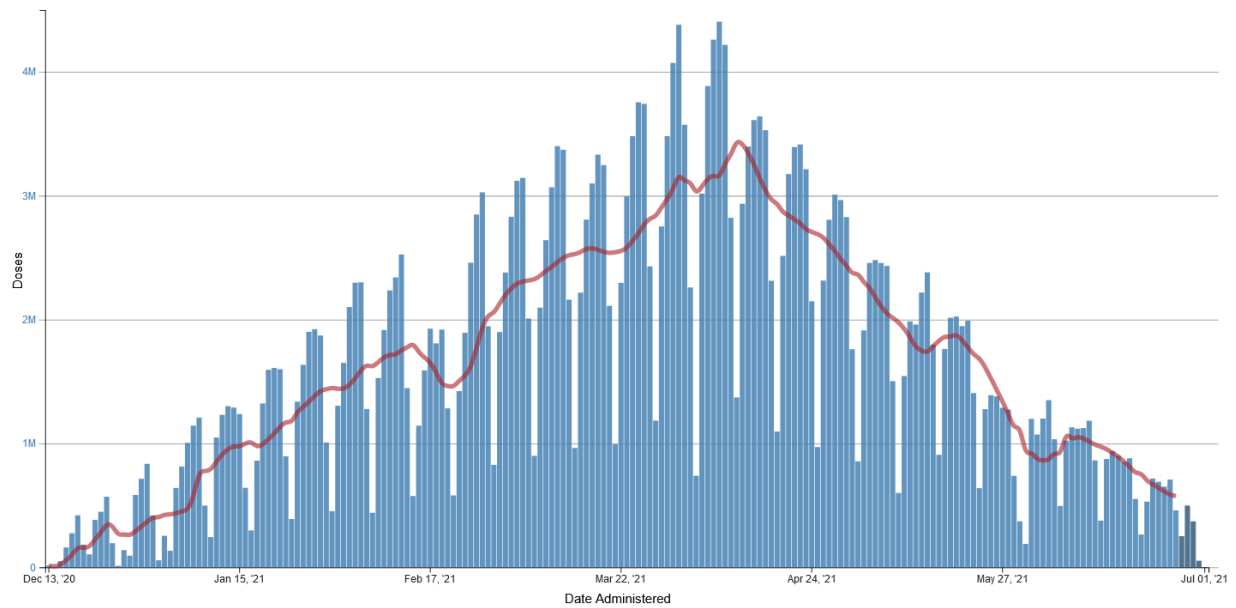
5. VACCINE NEWS

In the race between U.S. vaccination efforts and the stupid cleverness of the virus in inaccurately reproducing itself in ways that make it stronger, our nation's failure to convince citizens to take the vaccines that are now in copious supply is a genuine tragedy. The number of doses administered each day continues to fall.

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

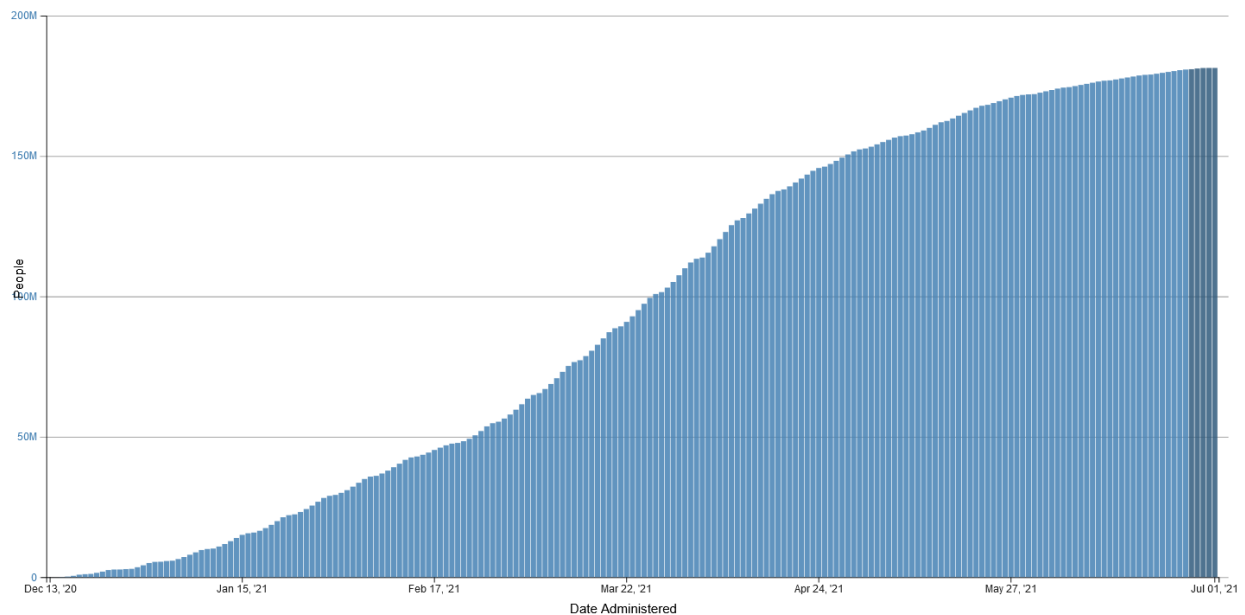


And the number of people having received one dose is increasing at a corresponding (and a frustrating) rate.

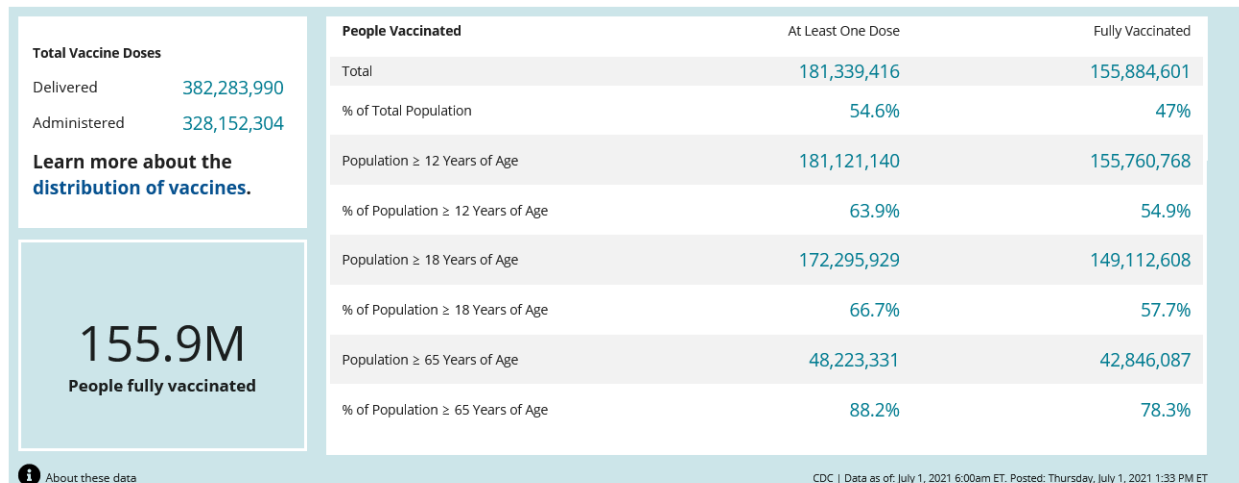
Bars shown in the darker blue shade represent the most recent five days of reporting where the number of vaccine administrations might be impacted the most due to delays in reporting. All reported numbers might change over time as historical data are reported to the CDC.

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

Cumulative Count of People Receiving at least One Dose Reported to CDC by Date Administered, United States



Barely half of the U.S. population has received at least one dose of the vaccine, and less than half is fully vaccinated. We remain well short of the degree of protection necessary to put down the virus. And as noted earlier, because the prevalence of vaccination remains significantly concentrated across the country, significant numbers of infections continue in the less-protected regions, the coronavirus continues to mutate, and the danger of a new, more transmissible and more lethal variant remains worrisome.



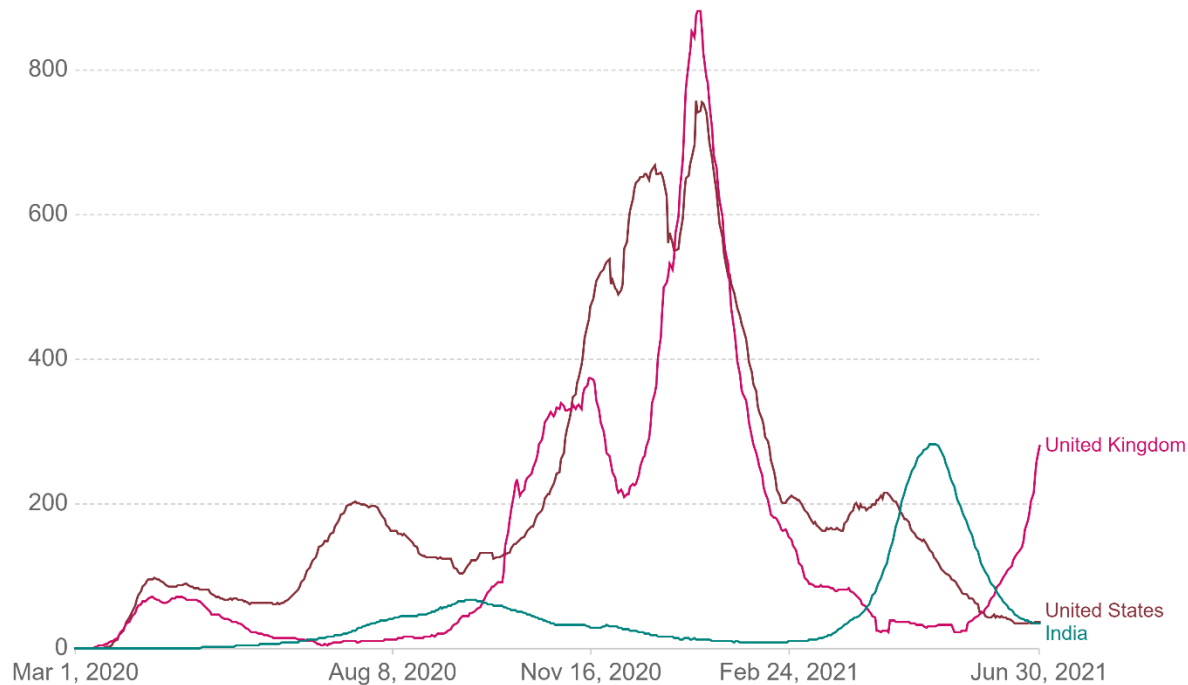
And if only we could convince people to accept vaccination. Moderna says that studies indicate that its vaccine is [effective](#) against the Delta variant. And there are signs that the [dream](#) of a single vaccine that would be effective against a wide range of coronaviruses, and therefore could be stockpiled to prepare for mass, rapid deployment in the event of a future repeat performance of the current pandemic.

6. SPOTLIGHT ON REOPENING: THE DELTA “PLUS” VARIANT AROUND THE WORLD

While the UK is experiencing rising COVID-19 cases due to the spread of the Delta variant first found in India, its slightly mutated version, Delta Plus, has begun to spread to a number of countries including the UK, the US, and India. This new strain, known as [B.1.617.2.1 or AY.1](#), was first reported by Public Health England on June 11. The UK’s first few cases had been sequenced on April 26, which suggests that Delta Plus has been spreading for months.

Daily new confirmed COVID-19 cases per million people

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

CC BY

The Delta Plus variant includes an additional mutation called K417N, which distinguishes it from the original Delta variant. The new variant carries a [spike protein mutation](#) that is also found in the Beta variant first identified in South Africa, though it is unclear how that shared mutation might affect the variant's effect. As of now, there is not enough experience to determine whether the Delta Plus variant is any more transmissible than the original Delta variant, which is already 40 percent to 60 percent more transmissible than the Alpha variant first identified in England. Additionally, there are [no scientific data](#) to establish that this new variant reduces vaccine efficacy.

Still, some are worried that this new variant could present serious challenges. Shahid Jameel, a virologist and director of the Trivedi School of Biosciences at Ashoka University in Sonipat, India, said that the virus is likely capable of dodging immunities because it carries all symptoms of both the original Delta variant and the Beta variant. Twenty-one of the forty-eight identified cases of Delta Plus in India were found in the state of [Maharashtra](#). Heavier restrictions were placed on the state in response to the health ministry's findings.