1. **UNEMPLOYMENT CLAIMS FALL FOLLOWING A SURPRISE INCREASE IN THE PREVIOUS WEEK**

New weekly unemployment insurance claims declined for the week ending July 24, after unexpectedly climbing the week prior. The headline seasonally adjusted number fell by 24,000 to an even 400,000. The surprise uptick in initial jobless claims for the previous week (ending July 17) was revised even higher, likely due to both growing fears over the delta variant as case counts and hospitalizations rise, and difficulties smoothing the data for seasonal fluctuations inherent in summer hiring and layoff trends. Although the latest week of claims dropped, perhaps reversing the seasonality issue in the prior week, the four-week moving average, which removes some of this volatility, increased during both weeks. This reminds us that the health crisis is not yet over, and the labor market recovery is far from complete.

Ahead of the federal expiration date in September, 26 states have ended the weekly $300 supplemental unemployment insurance benefit and 22 have stopped the Pandemic Unemployment Assistance (PUA) program for self-employed and gig workers. Ongoing lawsuits in 8 states are attempting to reverse these decisions.

After a 10-week streak of declines, the total number of individuals receiving benefits under all state and federal programs rose to 13.2 million for the week ending July 10 (up from 12.6 million the previous week). This is despite the widespread anticipation that the actual or impending expirations of special federal benefits would move people from the unemployment rolls to jobs.

2. **GDP GROWTH GLASS HALF FULL**
The inflation-adjusted gross domestic product (GDP) now exceeds its pre-pandemic peak. Real GDP grew by 6.5 percent in the second quarter. From the perspective of the pit of the pandemic collapse early last year, the recovery to date as been miraculous. But measured against the consensus of economic forecasters as of a few days ago, this result was mildly disappointing, and many believe that growth will slow somewhat from here, with the low-hanging fruit of the recovery having been picked, and the tougher task of rebuilding ahead. And we all need to keep in mind that reattaining the 2019 level of economic output is not a total victory for the 2021 population.

Increases in consumer spending fully accounted for the economic growth (and will be less in the future as public benefit program increases in Unemployment Compensation and food stamps, home rental relief, and suspensions of education loan repayments end over the next few months). Business investment added a little to growth, while government and trade detracted from it. (Government spending on benefit programs does not add directly to GDP—only indirectly as the benefits are spent by the beneficiaries.)

Growth was surely held back by interruptions in supply chains (such as the shortage of computer chips for automobiles). Of course, those who fear inflation should take comfort that when such bottlenecks are widened, there will be less upward pressure on prices. Other concerns about growth to come arise from the resurgence of the pandemic, the shortage of labor (which some believe will ease as unemployment benefits are cut back to normal), and the withdrawal of those pandemic relief programs.

3. FEDERAL OPEN MARKET COMMITTEE BEGINS TO THINK ABOUT THINKING ABOUT (ETC.)

The Open Market Committee of the Federal Reserve concluded its July meeting with indications that it sees further progress toward meeting its twin objectives of bringing the labor market back toward full employment, and reestablishing an adequate minimum level of inflation (to avoid sliding down the slippery slope of deflation). The first gradual steps toward reducing the Fed’s support of the economy will be “tapering” down the rate of purchase of Treasury and private mortgage-backed securities, which reduces long-term interest rates while the Fed holds the short-term Federal Funds rate near zero. Chairman Jerome H. Powell said that raising interest rates “is not something that is on our radar screen right now,” but the Fed is clearly dusting the scope, because it says that over the coming months it will discuss how the tapering process can be carried out, just to be prepared.

4. SENATE AGREES TO CONSIDER BIPARTISAN INFRASTRUCTURE BILL

It ain’t over ‘til it’s over, but the Senate voted 67-32 at least to take up the physical infrastructure investment bill that was brokered between a bipartisan group of Senators and the President.

This substantial package would provide $550 billion in incremental funding for physical infrastructure investment. It extends from traditional uses of infrastructure funding to issues of climate change abatement and resilience. The package’s advocates assert that it will create large numbers of jobs (although the increment to investment funding is temporary), and that it is fully paid for (although many of the sources of funding are questionable).

In its broadest outline, the package includes:
Roads, Bridges, and Major Projects. The Bipartisan Infrastructure deal will invest $110 billion of new funds for roads, bridges, and major projects, and reauthorize the surface transportation program for the next five years. The bill includes a total of $40 billion of new funding for bridge repair, replacement, and rehabilitation. The bill also includes a total of $17.5 billion for major projects that are too large or complex for traditional funding programs but are expected to deliver significant economic benefits to communities.

Safety. The deal invests $11 billion in transportation safety programs, including a new Safe Streets for All program, highway safety, truck safety, and pipeline and hazardous materials safety.

Public Transit. The deal provides $39 billion of new investment to modernize transit, in addition to continuing the existing transit programs for five years as part of surface transportation reauthorization. The funding will be dedicated to repair and upgrade aging infrastructure, modernize bus and rail fleets, make stations accessible to all users, and bring transit service to new communities. It will replace thousands of transit vehicles, including buses, with clean, zero emission vehicles.

Passenger and Freight Rail. The deal places a big bet on Amtrak and rail generally. It invests $66 billion in rail to eliminate the Amtrak maintenance backlog, modernize the Northeast Corridor, and deliver rail service beyond the northeast and mid-Atlantic. Within the totals, $22 million would be provided as grants to Amtrak, $24 billion as federal-state partnership grants for Northeast Corridor modernization, $12 billion for partnership grants for intercity rail service (including high-speed rail), $5 billion for rail improvement and safety grants, and $3 billion for grade crossing safety improvements.

EV Infrastructure. The bill invests $7.5 billion to build out a national network of EV chargers along highway corridors to facilitate long-distance travel, and within communities for local trips.

Electric Buses. The deal invests $2.5 billion in zero emission buses (including especially the school bus fleet), $2.5 billion in low emission buses, and $2.5 billion for ferries. These investments are intended to drive demand for American-made batteries and vehicles.

Reconnecting Communities. The deal creates a first-ever program to reconnect communities that have been divided by transportation infrastructure projects, and will fund planning, design, demolition, and reconstruction of street grids, parks, or other infrastructure through $1 billion of dedicated funding.

Airports, Ports, and Waterways. The bill includes $17 billion for port infrastructure and $25 billion in airports for repair and maintenance and to reduce congestion and emissions and drive electrification and other low-carbon technologies.

Resilience and Western Water Infrastructure. The deal includes funds to protect against droughts and floods, in addition to investment in weatherization.

Clean Drinking Water. The deal provides $55 billion for clean drinking water, which is intended to replace all of the nation’s lead pipes and service lines.

High Speed Internet. The deal includes $65 billion, which is claimed to be sufficient to provide every American has access to reliable high-speed internet. The bill will require funding recipients to offer a low-cost affordable plan, by creating price transparency, and by boosting competition in areas without adequate service. It will help low-income households obtain devices required to access the internet.

Environmental Remediation. The deal includes $21 billion to clean up superfund and brownfield sites, reclaim abandoned mine land and cap orphaned gas wells.

Power Infrastructure. The deal includes $73 billion to build new, resilient transmission lines to facilitate the expansion of renewable energy. It creates a Grid Deployment Authority, invests in R&D for advanced transmission, electricity distribution and smart grid technologies, demonstration projects and research hubs for technologies like advanced nuclear reactors, carbon capture, and clean hydrogen.

Offsets. The deal is financed through a combination of redirecting unspent emergency relief funds, corporate user fees, strengthened tax enforcement for crypto currencies, and other measures, and apparently counts the revenue expected to be generated from higher economic growth.
The deal still needs to pass the Senate, and then the House, and then to be reconciled between the two (assuming that a compromise is not “pre-conferenced” between the two chambers and passed in identical form by both). The difficulty of this task should not be underestimated, despite this week’s Senate procedural vote. There may still be resistance from the fiscally conservative, and others concerned about affected programs to the cost offsets for the bill. For example, the deal counts savings from redirecting unspent emergency relief funds. Among those unspent funds may be rent-relief eviction-prevention funds, which were granted to the states, which have been notoriously slow in distributing them. Now, eviction moratoria at the federal and state levels are expiring, and many renters who lost their jobs in the pandemic and have not yet found new jobs will need to pay back rent to avoid eviction, and will fail that if the federal relief funds are rescinded to pay for the infrastructure package. Many Democrats have insisted that a much larger “human infrastructure” package move in tandem with this bipartisan deal, which Republicans have resisted. Those same Democrats have said that they will insist upon either more money in the bipartisan deal, or redirecting some of its funds toward environmental issues. Among the Democrats who have objected to the deal is Rep. Peter DeFazio (D-OR), Chairman of the House Transportation and Infrastructure Committee.

5. PANDEMIC NEWS

The tragic and wholly preventable resurgence of the coronavirus pandemic accelerated further this week. Cases continued on their exponential upward path, and have now equaled or exceeded the peak of the second, summer 2020 wave of the pandemic. The seven-day moving average as of July 28 was over 66,000, but it was chasing a daily case count that on that day exceeded 86,000. For reference, the peak daily count in July of 2020 was 79,331, and the highest seven-day average was 68,708. As of this date, there is no sign of any immediate constraint in the upward swing of cases.
The number of hospitalizations is increasing less than in proportion to the number of confirmed cases, but hospitalization can lag. Alternatively, testing may be becoming more rigorous because of the attention to the pandemic, and there may be more people with no or mild symptoms identified as having contracted the virus.

The number of fatalities has also increased less than in proportion to the number of cases. Over the month of July, the seven-day average of deaths has increased by roughly 50 percent, or somewhat less than the proportional increase in the number of cases.
So at least in terms of new confirmed cases, the current resurgence is already as bad as the peak of the second wave of last summer. How bad will it get? Less than half of the US population is fully vaccinated, so there are still enough vulnerable Americans to make this tragedy far worse. Those unvaccinated Americans are geographically concentrated, and as yet show little change of heart, and so could continue the current trend of intense infection in the less-metropolitan parts of the country. However, there are mitigating factors. Purely cosmetically, there are counted among the current new infections some vaccinated persons who are unlikely to become seriously symptomatic. In addition, our health care professionals are doing a better job of treating the infected. And finally, even in vaccine-hostile parts of the country (Florida is a prime example), the most vulnerable of the population—the elderly—have comparatively high vaccination rates. Thus, it is possible that we may see a lower fatality rate in the admittedly growing new-case count than we might fear.

But with respect to the evolution of the virus, it is sadly clear that the Delta variant has taken over. Based on extrapolations of the latest data, Delta accounts for as much as 86 percent of all new infections in the United States. And it can only get worse from here; Delta will be displaced only by a new variant that proves even more transmissible.
In response to these sad developments, the CDC has **issued new guidance**, advising even the vaccinated to wear masks in indoor settings in regions with high community spread—and that means, today, most of the country. Many have found the guidance **unclear**, some have **questioned** the CDC’s basis for this determination, and others have remained **hostile and resistant**.
6. VACCINE NEWS

Pfizer continues to argue for administration of a third shot, at least to highly vulnerable populations. They argue that even though the standard two injections provide considerable protection, a third shot increases the level of immunity substantially. Israel reported has already decided to provide booster injections. US authorities maintain that the data thus far do not support the need for an additional shot, and that the safety of a third shot has not been fully tested.

<table>
<thead>
<tr>
<th>Level of Community Transmission</th>
<th>Number of U.S. Counties at this Level</th>
<th>Percent of U.S. Counties at this Level</th>
<th>Percentage Point Difference Since 7 Days Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>1680</td>
<td>52.17%</td>
<td>17.28%</td>
</tr>
<tr>
<td>Substantial</td>
<td>551</td>
<td>17.11%</td>
<td>-0.34%</td>
</tr>
<tr>
<td>Moderate</td>
<td>741</td>
<td>23.01%</td>
<td>-11.06%</td>
</tr>
<tr>
<td>Low</td>
<td>247</td>
<td>7.67%</td>
<td>-5.68%</td>
</tr>
</tbody>
</table>

**Indicator**: if the two indicators suggest different transmission levels, the higher level is selected

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Low Transmission Blue</th>
<th>Moderate Transmission Yellow</th>
<th>Substantial Transmission Orange</th>
<th>High Transmission Red</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total new cases per 100,000 persons in the past 7 days</td>
<td>0-9.99</td>
<td>10-49.99</td>
<td>50-99.99</td>
<td>≥100</td>
</tr>
<tr>
<td>Percentage of NAATs¹ that are positive during the past 7 days</td>
<td>0-4.99%</td>
<td>5-7.99%</td>
<td>8-9.99%</td>
<td>≥10.0%</td>
</tr>
</tbody>
</table>
Meanwhile, this nation’s success at vaccinating its citizens remains incomplete. Less than half of the total population is fully vaccinated, and only about 60 percent of the adult population is. Seniors are fully vaccinated to almost 80 percent.

The pace of vaccination has picked up slightly with the news about the danger of the Delta variant, but it remains inadequate for full protection of the population, and victory over the virus.
Showing some exasperation at the failure of Americans to submit to vaccination, the President will require all federal employees and contractors either to be vaccinated or to submit to a rigorous regimen of frequent testing. Several major private US employers have taken similar measures. Some, predictably, see such steps as unwarranted impositions on personal freedoms, while other maintain that they are necessary to protect the public health.

7. SPOTLIGHT ON REOPENING—IF....: VACCINATION MANDATES IN EUROPE

The exasperation of US leadership at the refusal of many Americans to accept vaccination has found a reflection in Europe. And as might be expected, vaccine mandates have spurred an explosion in vaccination rates—and protests—as European countries have cracked down on slowing vaccination rates amidst the spread of the Delta variant. Shortly after the Eiffel Tower reopened to visitors on July 15, tourists were presented with a new hoop to jump through: a government mandate requiring use of a health pass to prove vaccination or a negative PCR test dated to within 48 hours to enter cultural sites with a capacity of over 50 people across France took effect July 21.
The measure is part of France’s efforts to accelerate its slowing vaccination drive amid a fourth wave of the pandemic. With 18,000 cases reported in the 24 hours prior to July 20, French government spokesman Gabriel Attal described the effects of the Delta variant as “stratospheric.” In protest of the health pass requirement, 161,000 people took to the streets across the country.

Italy is taking similar measures. The Italian government will make a coronavirus “green pass” necessary to eat and drink inside a restaurant or bar, announced Italian Health Minister Roberto Speranza on July 22. In the 24 hours following Italian prime minister Mario Draghi’s announcement, more than 150,000 Italians booked vaccination slots, up between 15 percent and 200 percent from region to region.

On the same day as the UK celebrated “freedom day” marking the end of coronavirus restrictions, Prime Minister Boris Johnson announced on July 19 that people attending nightclubs and other venues where large crowds gather will need to be fully vaccinated from the end of September. Latest figures show that 35 percent of those aged 18 to 30 have not had their first dose.

Also in the UK, fans attending sporting venues with capacities above 20,000 may be required to show proof of full vaccination from the end of September. This hits the British fans where they live. The Football Supporters Association (FSA) warned that making proof of full vaccination mandatory at Premier League matches could cause “chaos,” as FSA officials worry about having the resources to perform the checks. On July 22, vaccines minister Nadhim Zahawi told the House of Commons, “as a condition of entry” to spectator sport events “people will need to show that they are fully vaccinated and proof of a negative test will not be sufficient.”
Earlier this month, the UK government allowed the crowd capacity at Wembley to be raised to over 60,000 for the semi-finals and final of Euro 2020. Attending fans were required to follow several strict entry requirements, including having a negative COVID test or proof of full vaccination.