1. **UNEMPLOYMENT CLAIMS FALL DESPITE THE RECENT SURGE IN THE DELTA VARIANT**

New weekly unemployment insurance claims declined modestly for the week ending August 7, the third consecutive week of only subtle declines. The headline seasonally adjusted number fell by 12,000 to 375,000 (and was revised marginally higher for the previous week). Although the four-week moving average ticked up and has shown an upward trend for the past four weeks, the spread of the Delta variant across the US may not substantially alter the path of labor market recovery as long as businesses continue to adapt to minimize disruptions, vaccinations continue to rise, and consumers remain eager to spend.

Continuing claims for regular state benefits (reported with a one-week lag) also fell to less than 3 million. The total number of individuals receiving benefits under all state and federal programs fell by more than 900,000—a significant drop—to just over 12 million, a pandemic-era low.

2. **INFLATION SUBSIDES(?)**

The prevalent headline appears to be “Inflation Surges On!” The lead number is that the Consumer Price Index (CPI) increased by 5.4 percent over the last 12 months. However, even though prediction is especially difficult when it is about the future, there are signs that the Federal Reserve Board may be correct when it collectively opines that the current burst of inflation will prove transient. The latest CPI report indicates that the headline one-month increase for July has receded to 0.5 percent (it was 0.9 percent for June, and 0.6 to 0.8 percent for March through May), and the number excluding food and energy slowed to 0.3 percent (it was again 0.9 percent in June, and 0.9 and 0.7 percent in April and May). Some of the sore spots in the CPI lineup have eased; the stratospheric used cars increase is way down, for example. To be sure, new car prices popped up last month instead; but both new and used car prices will slow when the computer chip shortage eventually eases. Oil and natural gas prices increased sharply in July; but US shale capacity now puts a lid on increases in that area as well.

It is always possible to delude oneself that the slowest-increasing components of the index grew less than average, and we won’t know the ultimate answer until—well, there is never an ultimate answer.
However, it does appear that the problems areas for inflation this month are adversely affected by the pandemic in ways that will prove to be temporary. And the economy remains fiercely competitive; it’s a veritable jungle out there. Inflation requires vigilance, but not panic.

### 3. PANDEMIC NEWS

Experts have reflected hopefully that the burst of new Delta variant cases in the UK burned itself out after several weeks, and have expressed the wish that the same happen in the United States. However, the numbers to this point do not show such good fortune. The seven-day moving average of daily new cases in this country remains over 100,000, and although the one-day number dropped below that level on August 8 and 9, it jumped well above it on August 10.

The number of hospitalizations continues to rise. The seven-day average of COVID-19 victims under hospital care is up 36.8 percent over seven days prior.
And though the number of hospitalizations nationwide is down by more than half relative to peak of last winter, that is little comfort in the hardest-hit parts of the country. In Florida, hospitalizations are about double the winter peak—by far the highest in the pandemic thus far. This has far-reaching impacts on the quality of health care for COVID patients—and for everyone else, for that matter. But even in Massachusetts, which has the highest rate of vaccination in the nation (which is assessed by where vaccinations are administered, not by the state of residence of the patient, unfortunately), new cases are rising (although they are much lower than the winter peak). That suggests that even the best-protected parts of the nation may be well below the elusive ideal of “herd immunity” (although the outcomes for Massachusetts may be driven to some degree by vacation travel and unvaccinated people from elsewhere), and that the virus must be ripping through the unvaccinated even in highly vaccinated areas.
The number of COVID deaths is rising as well, although it remains substantially below the previous waves. The lower level of fatalities may be a benefit of the relatively high level of vaccination among the most vulnerable populations (especially the elderly, who of course are a disproportionately high share of the population in hard-hit Florida). However, fatalities always lag the identification of new cases; and the number of new identified cases keeps rising.
Meanwhile, the number of cases of COVID-19 among children continues to mount. According to the American Academy of Pediatrics and the Children’s Hospital Association, almost 4.3 million cases have now been reported, and the share of children among all reported infections is rising, and has now reached 14.3 percent cumulatively, but 15 percent of newly identified cases.

There has not been any doubt, but the latest figures from the CDC continue to show the march of the Delta variant. Counting its three minor variations, Delta now accounts for as close to 100 percent of all new cases as numbers in the real world can possibly get.
Like last week, the number of US counties that are classified as having high levels of community transmission virtually exhausts the country. Fewer than 4 percent of US counties are classified as having low community transmission, and virtually all of them are very sparsely populated.
4. **VACCINE NEWS**

The good news is that the number of Americans being vaccinated is inching up. The bad news is that the emphasis is on the “inching.” The percentage of the population fully vaccinated has reached 50.3, and that having received at least one dose has reached 58.9 percent. Vaccination of seniors is of course much higher. Clinical trials for vaccination of children aged 5 to 12 are underway; a great frustration is
that those children not only lack protection, but also could spread the virus to their families and neighbors.

All disease transmission is local, and vaccination rates across the southern states remains painfully low (Texas does not report vaccinations, and inoculation rates in Florida are high on average, but likely quite low among persons below age 65).
The count of new vaccinations is increasing, but at an unfortunately low rate. The number of persons receiving a first injection has begun to rise somewhat more rapidly, indicating that the message is getting through to at least some of the hitherto vaccine hesitant.
One of the biggest vaccination issues—beyond just getting it done—has become the availability of a third injection (which is not a “booster” in the technical sense). News reports indicate that the FDA will soon approve additional shots for people who are immunocompromised. Experts are trying to sort through evidence regarding the aftermath of the regular regimen of two injections. Some data apparently indicate that the number of antibodies falls some months after the second injection, but there remains uncertainty as to whether the number of antibodies is an accurate measure of the level of protection. And meanwhile, the World Health Organization has been critical of devoting vaccine doses to additional protection of the already protected in well-to-do countries, when many persons in poor countries have no vaccination at all. The expected FDA decision would be a cautious first step in the direction of additional injections, with possible extension of that policy uncertain.

5. **SPOTLIGHT ON REOPENING: CHINA AND THE DELTA VARIANT**

Wuhan, the city where COVID-19 was first identified, is dealing with a new outbreak. In April of last year, the city of 11 million lifted its lockdown, and the government encouraged people to return to normal life and forget the deaths and hardships of the previous months. After being deemed a COVID success story, China is now being faced with a new challenge: the highly transmissible, often asymptomatic Delta variant.
The Delta variant has been detected in over a dozen Chinese cities since July 20. On Monday, China recorded 181 new COVID-19 infections, including the highest daily totals of local and symptomatic cases during its recent outbreak. Even though case numbers are low for a population of 1.4 billion, and miniscule compared to what is being experienced by the US and UK, health authorities are on high alert. The eastern city of Yangzhou, which is fighting a major cluster, started a fifth round of mass tests on Monday. The eastern city of Nanjing has started a third round of targeted testing in some areas after three rounds of citywide tests, despite fewer than five daily local cases since August 2. Officials have banned anyone from leaving the city of Zhangjiajie, canceled flights and trains across the country, and shut down tourist sites. China's zero-tolerance strategy of sealing off entire cities and enforcing mandatory testing on tens of millions of people would be considered extreme in the West.

Delta has put China’s zero-tolerance COVID-19 strategy to the test. Given the rapid spread of Delta, public health experts wonder whether zero tolerance is a long-term solution, or if China will have to learn to “live with the virus” like much of the rest of the world. In Shanghai, Zhang Wenhong, head of infectious diseases at Huashan Hospital, and sometimes referred to as “China’s Dr. Fauci,” said in a social media post that the latest outbreak had shown that the risk of COVID-19 will always be there, and the challenge was to “have the wisdom to live with the virus in the long term.”

Another pertinent issue for China is vaccine effectiveness against Delta. China has not released clinical or real-world data, making peer-reviewed analysis difficult. Dr. Zhang Wenhong claims that China’s Sinopharm and Sinovac shots work against the Delta variant. Meanwhile, other countries that have used them, including Indonesia and Chile, have reported high numbers of breakthrough infections and deaths.