

***CED Public Policy Watch
Weekly News Round-up
January 6, 2023***

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1. DEVELOPMENTS ON UKRAINE

Military developments: Heavy missile attacks on Ukraine continued, including with Iranian drones, in what President Zelensky [said](#) was an attempt to “exhaust” Ukraine; Ukraine claims to have shot down almost 500 drones since September. The US [charged](#) that Russia’s private mercenary Wagner Group purchased North Korean weapons for use in Ukraine. Heavy fighting continued around Bakhmut in eastern Ukraine, including with units of the Wagner Group. Colonel General Oleksandr Syrskiy, commander of Ukraine’s ground forces, [said](#) that “[m]ilitarily, Bakhmut has no strategic importance. But it has psychological significance” as Russia has not been able to advance there despite strong efforts.

Attack on Makiivka barracks: Ukraine [struck](#), perhaps using US-supplied HIMARS rockets, a [temporary barracks](#) in the city of Makiivka in Donetsk oblast in eastern Ukraine on New Year’s Eve, killing at least 89 Russian soldiers and destroying military equipment. The UK Ministry of Defence [suggested](#) that “there is a realistic possibility that ammunition was being stored at the site . . . this incident highlights how unprofessional practices contribute to Russia’s high casualty rate.” Reaction in Russia was strong, [including](#) a public demonstration in Samara in southwestern Russia, home to many of the dead soldiers. Some Russian sources blamed the attack on the use of mobile phones which gave away the location of Russian troops.

Military aid: France will [send](#) the 1980s model AMX-10 RC tank to Ukraine, the first Western-made tanks to be supplied to the country. France had already sent armored personnel carriers, the Crotale air defense system, and other equipment. The US is strongly [considering](#) providing heavily armored and fast-moving Bradley Fighting Vehicles to enhance Ukraine’s ability to advance while under fire given the US’ belief that “there will

be continued fighting along [the broad eastern front] for the foreseeable future [.]” German Vice Chancellor Robert Habeck [said](#) that it will “adjust its military aid to Ukraine based on “the need of the battlefield,” and Germany later [announced](#) it would supply Marder Infantry Fighting Vehicles (Germany had previously said it would not be the first country to provide tanks). Poland will [purchase](#) US Abrams tanks to replace Soviet-era equipment sent to Ukraine. Germany will also join the US in providing Patriot missile batteries to Ukraine.

Ceasefire for Orthodox Christmas: Patriarch Kirill of the Russian Orthodox Church [called](#) for a ceasefire during the Orthodox Christmas beginning Friday and running through Saturday, which President Putin then ordered. (Russia had rejected Ukraine’s earlier call for a ceasefire for December 25, when many Ukrainian Christians celebrate Christmas, and a Ukrainian presidential adviser [called](#) the move “an element of propaganda [.]” Asked for comment on the ceasefire, President Biden [said](#) that “I’m reluctant to respond [to] anything Putin says. I found it interesting. He was ready to bomb hospitals and nurseries and churches on the 25th and the New Year. I think he’s trying to find some oxygen.”

Political developments: In his New Year’s speech broadcast at midnight, Putin [called](#) 2022 “a year of hard, necessary decisions”; Russia apparently coordinated a missile attack on Kyiv with the speech. While Putin had earlier [said](#) that he was “ready to negotiate with all parties,” there was no formal offer to negotiate with Ukraine. Foreign Minister Sergei Lavrov [stated](#) that Ukraine must still accept “demilitarization and denazification” or face continued war, and Putin [told](#) Turkish President Recep Tayyip Erdoğan that Ukraine would have to “take into account the new territorial realities” (Russian annexation of four eastern oblasts and Crimea) to begin dialogue. According to the Turkish readout of the call, Erdoğan told Putin that peace efforts should include a unilateral ceasefire and a “vision for a fair solution.” One Russian, identified by the *Washington Post* only as a “billionaire,” [told](#) the paper that “there is no plan. I think they just don’t know what to say. [Putin] is in isolation, of course. He doesn’t like speaking with people anyway. He has a very narrow circle, and now it has gotten narrower still.”

Zelensky calls: President Zelensky [spoke](#) with Indian Prime Minister Narendra Modi to request help in implementing a “peace formula”; the Indian government said Modi “strongly reiterated” calls for an immediate end to the war and promised he would support peace efforts. Zelensky also [spoke](#) with President Erdoğan, reporting that he was “glad to hear that Turkey is ready to participate in the implementation” of Zelensky’s peace formula -- which does not recognize Russian annexation of the four regions.

Energy: Mild weather in Europe caused gas prices to [fall](#) to their lowest levels since the invasion of Ukraine, reducing the chance of power cuts this winter and providing some relief from very high household energy bills. French Prime Minister Élisabeth Borne [expressed](#) confidence in French energy supplies because of efforts to conserve energy while expanding nuclear power. With mild weather expected to continue, gas supplies appear adequate; Tom Marzec-Manser of energy consultancy ICIS [said](#) that “[t]he risk of another cold snap and gas supplies not meeting demand this winter is now very low.” But prices are likely to remain higher than usual as attention turns to industrial gas use and to replenishing stocks for next winter. In the UK, while gas-fired power [filled](#) the gap in power generation during in the December cold snap, by Tuesday January 2, more than half the power [generated](#) in Britain came from wind, with nuclear accounting for another 17 percent and gas only 21 percent.

Russia bans oil exports to entities complying with oil price cap: Russia [issued](#) a decree to ban sales of oil and oil products “in cases where in the contracts for these supplies, the use of a maximum price fixing mechanism is directly or indirectly envisaged.” The ban will begin February 1 but is unlikely to have much impact, particularly as Russian oil was [reportedly](#) sold below the price cap to India, now a major

market for Russia. However, Russian Finance Minister Anton Siluanov also said that the oil price cap could hurt Russian oil revenues, causing a wider budget deficit.

Shipping insurance: With the New Year, 12 of the 13 protection and indemnity (P&I) insurance clubs, including US and UK insurers, which together cover 90 percent of oceangoing ships, [canceled](#) war risk coverage for Russia, Ukraine, and Belarus as major global reinsurers declined to provide further coverage. This leaves ship owners and freight companies liable for any losses suffered in the region and leaving ship owners with the difficult choice to operate without insurance coverage or decline service. The impact on ships carrying grain from Ukrainian ports is unclear; they are covered by the grain deal involving the UN, Turkey, Ukraine, and Russia, under which the ships are inspected before leaving Ukraine and again near Istanbul. However, the Japanese government [requested](#) that insurers continue to provide cover for ships transporting liquified natural gas (LNG) from Russia to Japan, including from the Sakhalin-2 project in which Japanese trading companies hold major stakes.

Ukrainian economy: Economy Minister Yulia Svyrydenko [stated](#) that Ukraine's Gross Domestic Product fell by 30.4 percent in 2022 because of the war, but the figure was lower than some observers had predicted earlier in the year as Ukraine was able to resume some grain exports.

2. 118th CONGRESS CONVENES

The 118th Congress convened on January 3. After 9 ballots, as of Thursday afternoon, the House was unable to elect a new Speaker, with leading Republican contender Kevin McCarthy (R-CA) falling short of a majority of votes as 20 Republicans voted against him. Under House rules, a Speaker can only be elected with majority support of all Members present voting. Thursday morning, McCarthy made [concessions](#) in rule changes to House operations, the operation of committees, and reducing the power of the Speaker but still failed to win over the Republican dissenters.

This debate has strong implications for the debate that will have to happen later this year on raising the debt ceiling. Rep. Ralph Norman (R-SC) [said](#) that it was “non-negotiable” that McCarthy support a move to “shut the government down rather than raise the debt ceiling [.]” But any debt ceiling agreement must also be able to win 60 votes in the Senate to pass, pushing that chamber towards greater compromise. “[A government shutdown is] not going to get 60 votes. That’s math,” [said](#) one Republican Senate aide quoted by *The Hill*.

Until a new Speaker is chosen, Members of the House cannot be sworn in, be assigned to committees, or undertake business, and Senator Patty Murray (D-WA), the new President pro tempore of the Senate as its longest-serving member of the majority party, is second in the order of Presidential succession.

On the Senate side, Majority Leader Chuck Schumer (D-NY) [delivered](#) an opening speech offering bipartisan cooperation: “[a]fter everything we’ve accomplished over the last two years, America is stronger, healthier and better prepared for [the] future, thanks to the Senate working together. And we must continue.” Schumer cited major legislation such as the CHIPS and Science Act and added that “[i]f Republicans are willing to work with us in the New Year, they will be met with an open hand.”

3. OMNIBUS BUDGET APPROPRIATIONS BILL

On December 23, Congress [approved](#) a \$1.7 trillion omnibus appropriations bill covering all Federal spending through September 30, the end of Fiscal Year 2023. The compromise legislation resulted from

negotiations between leading appropriators Senators Patrick Leahy (D-VT) and Richard Shelby (R-AL) and Rep. Rosa L. DeLauro (D-CT), then the Chair of the House Appropriations Committee. The bill provides over \$850 billion for defense and \$773 billion for domestic spending as well as \$45 billion in assistance for Ukraine (military, economic, and humanitarian) and \$27 billion to address FEMA expenses following hurricanes in Florida and Puerto Rico and other natural disasters. Every appropriations bill [combined](#) into the omnibus legislation showed a slight increase from Fiscal Year 2022 spending; other than defense and veterans' programs, the largest increase (\$10.4 billion) was for Labor, HHS, and Education. Total domestic spending, including for veterans' programs, [rose](#) by \$68 billion, or about 9 percent.

Some policy provisions that had been proposed as part of this "must-pass" legislation were not included either in this bill or other actions of the lame-duck session. Notable areas not included were immigration reform, raising the debt ceiling, funding for COVID testing and vaccines, and extending the provision for immediate amortization of research expenses (rather than over a five-year schedule).

The bill offers clarity on Medicaid redetermination, ending the moratorium prohibiting states from terminating coverage for enrollees, but delays proposed Medicare cuts for physician reimbursement and extends pandemic flexibilities on telehealth and acute home care for two years. It also raises funding for investments in early childhood education, including Child Care and Development Block Grants and Head Start, and provides additional funding for a number of initiatives related to workforce development, connecting high schools to career opportunities and for registered apprenticeships.

The omnibus also includes two milestone changes for working mothers. The Pregnant Workers Fairness Act requires employers to make reasonable accommodations for pregnant women, including workplace safety, bathroom breaks, and breaks from standing. The Providing Urgent Maternal Protections for Nursing Mothers (PUMP) Act similarly provides legal workplace protection for breastfeeding women and compels employers to provide space and time for those employees. Finally, the bill contains \$58.7 billion in funding for implementation of the Infrastructure Investment and Jobs Act, and \$1.8 billion for implementing the CHIPS and Science Act, including funding for the Defense Department provisions of the Act on [subsidies](#) for domestic semiconductor production. CED will continue to cover these and other issues as well as the appropriations process for Fiscal Year 2024, which will begin with the new Congress.

4. THE CONFERENCE BOARD LEADING ECONOMIC INDEX DECLINES

The Conference Board *Leading Economic Index*® (LEI) for the U.S. [decreased](#) by 1.0 percent in November to 113.5 (2016=100), following a decline of 0.9 percent in October. The LEI is now down 3.7 percent over the six-month period between May and November 2022—a much steeper rate of decline than its 0.8 percent contraction over the previous six-month period between November 2021 and May 2022.

5. US CONSUMER CONFIDENCE BOUNCES BACK IN DECEMBER

In contrast to the *Leading Economic Index*, The Conference Board *Consumer Confidence Index*® [increased](#) in December following back-to-back monthly declines. The Index now stands at 108.3 (1985=100), up sharply from 101.4 in November. The *Present Situation Index*—based on consumers' assessment of current business and labor market conditions—increased to 147.2 from 138.3 last month. The *Expectations Index*—based on consumers' short-term outlook for income, business, and labor market conditions—improved to 82.4 from 76.7.

“Consumer confidence bounced back in December . . . to reach its highest level since April 2022,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “The Present Situation and Expectations Indexes improved due to consumers’ more favorable view regarding the economy and jobs. Inflation expectations retreated in December to their lowest level since September 2021, with recent declines in gas prices a major impetus. Vacation intentions improved but plans to purchase homes and big-ticket appliances cooled further. This shift in consumers’ preference from big-ticket items to services will continue in 2023, as will headwinds from inflation and interest rate hikes.”

6. FED MINUTES INDICATE TIGHTER POLICY THAN MARKETS EXPECTED

On Wednesday, the Federal Reserve Open Market Committee (FOMC) published [minutes](#) from its December meeting, at which it raised interest rates by 0.5 percentage points. This increase was smaller than the prior pace of increases; the FOMC had raised the federal funds rate 0.75 percentage points in each of the four prior meetings. One of the most important concerns discussed is expectations of how quickly the FOMC might slow the pace of its rate increases, or even reverse them, in light of a weakening economy. Broader financial conditions can tighten (making borrowing relatively expensive) or loosen (making borrowing relatively cheaper) based on expectations of future FOMC policy.

The minutes noted that markets had, in effect, priced in a slower pace of interest rate hikes going forward, stating that “financial conditions eased over the period as investor concerns about global risks edged lower and incoming data showed nascent signs of a moderation in inflationary pressures.” However, the minutes also suggested FOMC participants believed that markets were pricing in too much easing, more than the FOMC intended. “An unwarranted easing in financial conditions,” participants noted, “especially if driven by a misperception by the public of the Committee’s reaction function, would complicate the Committee’s effort to restore price stability.” In the FOMC’s view, bond markets predict a more dovish FOMC than the FOMC expects itself to be—and even an incorrect expectation of a more dovish FOMC can make policy more expansionary than the FOMC might intend. The Conference Board’s latest economic [forecast](#) from December indicates that rates will level out between 4.75 and 5 percent, just 0.5 percentage points above their current levels.

7. TRADE DEFICIT FALLS

The US trade deficit in goods and services declined to \$61.5 billion in November according to data [released](#) Thursday, falling \$16.3 billion from October’s revised figure, largely because of falling imports. November exports were \$251.9 billion, \$5.1 billion less than October exports. November imports were \$313.4 billion, \$21.5 billion less than in October, almost entirely attributable to a decline in goods imports (\$20.6 billion) across a broad variety of categories. Imports of consumer goods in total declined by \$8.8 billion, including a \$2.9 billion drop in pharmaceuticals and a \$2.7 billion drop in cell phones and other household goods. Industrial supply and material imports decreased \$3.7 billion, including a \$0.9 billion decline in crude oil imports. Automotive imports declined \$3.3 billion, of which \$1.6 billion was passenger cars. Finally, capital goods decreased \$3.0 billion, including \$1.1 billion in computers and \$0.7 billion in telecommunications equipment. The deficit with China decreased \$5.8 billion to \$20.4 billion in November, matching a \$5.8 billion decline in imports. The deficit with the European Union decreased \$3.6 billion to \$19.5 billion in November, also due to declines in goods imports. The US continues to run a trade surplus in services, which expanded \$1.0 billion to \$22.5 billion.

8. MANUFACTURING GAUGES REMAIN IN DECLINE

Two separate measures of manufacturing activity, published by the [Institute for Supply Management](#) (ISM) and [S&P Global](#), showed declining activity in December, the second month of decline in both indexes after a 29-month expansion dating back to the summer of 2020, and the worst figure for both indexes since May 2020. The ISM Purchasing Managers Index (PMI) was 48.4 for December, below 49.0 for November and below the neutral mark of 50. New orders dipped further into contraction than they had in November. On the supply side, indicators were mixed: production contracted (it had slightly increased in November), but employment expanded slightly (it had contracted in November.) S&P Global also reported declining activity, with a headline number of 46.2, down from 47.7 in November. S&P reported declining new orders as well, noting that the decline there was “among the fastest on record since May 2007.” Export demand also declined. On the supply side, production contracted and employment expanded slightly, similar to the figures reported by ISM.

9. JOB OPENINGS HOLD STEADY: QUILTS RATE INCREASES

Job openings in the US remained flat at 10.5 million in November, holding steady from October data that were revised higher by roughly 200,000. Large increases in job openings in professional and business services (+212,000), manufacturing (+57,000), and retail (+37,000), were offset by declining openings in the sectors of leisure and hospitality (-118,000), financial services (-90,000), and the federal government (-44,000). In total, openings in November sat roughly 1.5 million or 12% lower compared to the March 2022 peak. Also signaling that the job market remained strong through November, total layoffs fell 95,000 and have continued to remain below pre-pandemic rates. Notably, the rate of worker quits ticked higher relative to October, marking the first monthly increase since February 2022. The uptick in November was driven predominantly by transportation, warehousing, and utilities, in addition to continued elevated levels among workers in leisure and hospitality and in healthcare; total private sector quits stand at 16% higher than the 2019 average.

10. INITIAL UNEMPLOYMENT CLAIMS

The Department of Labor [reported](#) Thursday that initial claims for unemployment insurance, a weekly indicator of labor market health, were 204,000 for the week ending December 31, a decrease of 19,000 from the previous week's revised level of 223,000, following downward revisions of 2,000. As the final claims report for 2022, the full-year average of 215,600 ended the year below 2019's average level of 218,423. The slight uptick in initial claims from October and November reversed in December, indicating the historically tight labor market held firm through the end of the year. The Conference Board's latest economic forecast shows the unemployment rate rising to 4.5 percent, well above its current level of 3.7 percent, by the fourth quarter of 2023.

11. FED RESEARCH ON LIKELIHOOD OF RECESSION

Research from several of the regional Federal Reserve banks [shows](#) that over half of the states are showing signs of slowing economic activity. The Federal Reserve Bank of Philadelphia has developed a monthly series of [state coincident indexes](#) (SCIs) for each state measuring state-level economic activity. Using this data, economists at the Federal Reserve Bank of St. Louis [concluded](#) that as of October, 27 states were experiencing negative growth as measured by the SCIs. Leaving aside the recession of 2008 during the financial crisis, an outlier in which only nine states showed negative growth before that recession began, the average level of negative growth SCIs before a recession is 29, offering what the St.

Louis Fed termed “reasonable confidence” that a national recession is near. However, it is important to note that the St. Louis Fed figures are not adjusted for state population size or GDP.

12. ENERGY SECRETARY ADDRESSES PETROLEUM COUNCIL, BEGINS RESERVE REPLENISHMENT

In December, Energy Secretary Jennifer Granholm [spoke](#) to the National Petroleum Council, a Federal Advisory Committee that includes representatives of major fossil fuel producers, stating “[w]e are eager to work with you” and recognizing that fossil fuels will remain an important part of the energy mix and will need to increase production, even during the transition to cleaner energy, Noting the current shortage of diesel, Granholm adding that “[m]oving too fast could have unintended consequences that hurt people, cause backlash.” Granholm noted the “elephant in the room” of poor relations this year between the Administration and fossil fuel producers; her remarks mark a notable change of tone.

Separately, the Department [noted](#) that it will start the formal program, first [announced](#) in October, of repurchasing of crude oil to begin replenish the Strategic Petroleum Reserve, from which major drawdowns were taken earlier this year following the invasion of Ukraine. The Department expects that it will purchase the replenishment oil at prices lower than the \$96 average for which it was sold, using fixed-price contracts. The first replenishment will be for up to 3,000,000 barrels. The Administration described the action as “a wartime bridge for domestic production to increase.” The contracts for replenishment will be awarded next week.

13. SUPREME COURT PRESERVES TITLE 42 IMMIGRATION POLICY TEMPORARILY

On December 27, the Supreme Court allowed the “Title 42” immigration policy to remain in effect through February when it will hear arguments from 19 state attorneys general. The immigration policy known as Title 42 (from its citation in the US Code) was invoked in March 2020, allowing border officials to expel migrants, including those seeking asylum, quickly, because of the public health emergency. The move blocks a lower court opinion from November that ordered the termination of Title 42 authority. Prior to the Supreme Court’s ruling, the Administration had requested the court delay ending the policy, citing concerns over ongoing preparations to handle an influx of migrants expected to follow the policy’s termination. Estimates point to nearly 2.5 million migrants turned away under the policy since early 2020 (including double-counting of repeated crossing attempts), as the percentage of migrants apprehended more than once by the Border Patrol has increased to 27 percent from 7 percent in 2019.

14. GRANTS FOR BRIDGE INVESTMENT PROGRAM

On Wednesday, the Department of Transportation [announced](#) \$2.1 billion in funding towards four large bridge projects under the Infrastructure Investment and Jobs Act’s \$12.2 billion Bridge Investment Program. (The law also contains a separate \$26.7 billion formula grant for bridges, awarded to states.) The funding includes \$1.4 billion for the Brent Spence bridge connecting Cincinnati to Covington, Kentucky, part of an area named as the [second worst truck bottleneck](#) in the nation behind only Fort Lee, New Jersey. Many freight carriers use the Cincinnati/Northern Kentucky International Airport extensively. The funding also includes \$400 million for earthquake resiliency for the Golden Gate Bridge; \$158 million for structural repair and load capacity for the [Gold Star Memorial Bridge](#), on I-95 between New London and Groton, Connecticut; and \$144 million for rehabilitation of four drawbridges along the Calumet River on the South Side of Chicago.

15. BROADBAND SPENDING UNDER INFRASTRUCTURE LAW

Over the holidays, several developments advanced broadband spending under the Infrastructure Investment and Jobs Act (IIJA). As of December 28, the National Telecommunications and Information Administration (NTIA) had [awarded](#) preliminary funds of \$210 million to all states as planning grants before full grants for the \$42.5 billion Broadband Equity, Access, and Deployment (BEAD) program are expected to be released in Summer 2023. At the FCC, the challenge process is underway to the maps the FCC released of current broadband coverage, with “[thousands](#)” of challenges already submitted. FCC approval of accurate maps of broadband coverage is a required step before BEAD funding can be released. On January 3, the FCC [opened](#) its second round of data collection from states and service providers to assist in developing the final broadband coverage map. The deadline for submissions is March 1. The FCC also released a [proposed rule](#) calling for greater transparency in pricing in broadband plans for consumers, another requirement of the IIJA. Comments are due January 17.

16. FTC PROPOSES BAN ON NON-COMPETE AGREEMENTS

The FTC [proposed a rule](#) banning non-compete clauses for workers and voiding those that already exist. The move follows the 2021 Executive Order on “[Promoting Competition in the American Economy](#).” The FTC is acting under Section 5 of the Federal Trade Commission Act which gives it power to prohibit “unfair” methods of competition, on what Chair Lina Khan termed “a raft of economic evidence” that the clauses “undermine competition” by “locking up workers, which means that they’re not able to match with the best jobs for them” and that banning non-compete clauses enhances labor mobility. The rule would require companies to give “clear notice” of the prohibition against non-compete agreements, to be sure workers know their rights. The rule will be published shortly in the Federal Register, with comments due 30 days after publication. If the FTC proceeds with a final rule, it is expected to lead to litigation; the US Chamber of Commerce [wrote](#) in 2021 that the FTC “lacks legal authority” in this area. States such as California, Oklahoma, and North Dakota have already banned non-compete clauses under state law, but enforcement has been difficult.

17. US LIFE EXPECTANCY FALLS AGAIN

According to the National Center for Health Statistics, life expectancy in the US [fell](#) for the second consecutive year in 2021 to 76.4 years at birth, falling from 77.0 in 2020 and 78.8 years in 2019 prior to the pandemic. Death rates increased across every population group from seniors to young children, with the age-adjusted death rate for the total population increasing 5.3 percent in 2021, to 879.7 deaths per 100,000 standardized population from 835.4 in 2020. COVID-19 remained the third leading cause of death in 2021, behind heart disease and cancer – the three together account for roughly half of all US deaths. Continuing a frightening trend, drug overdose deaths surged to nearly 107,000 in 2021, a nearly 15 percent rise over the record set in 2020 that had already risen 30 percent from before the pandemic.

18. MONKEYPOX UPDATES

As of January 4, the [US has confirmed](#) a total of 29,913 cases of monkeypox. States with the highest case numbers include California (5,670), New York (4,203), Texas (2,882), Florida (2,855) and Georgia (1,984). [Globally](#), as of January 4, 84,075 cases have been confirmed, with 82,884 cases confirmed in locations that have not historically reported monkeypox. The countries with the highest case numbers include the US (29,913), Brazil (10,498), Spain (7,500), France (4,114), and Colombia (4,021). A total of 61 deaths have been reported in locations that have not historically reported monkeypox.

FDA published a [notice](#) in the Federal Register December 30 announcing Emergency Use Authorization (EUA) for an in vitro diagnostic device from Roche Molecular Systems, Inc. The company's "cobas MPXV" is a real-time test [designed](#) to detect DNA from monkeypox virus in lesion samples collected from individuals suspected of infection. The test targets two different areas of the genome which are less prone to mutation.

19. PANDEMIC NEWS

New subvariant XBB.1.5 could drive surge in cases: A new Omicron subvariant, XBB1.5, is spreading quickly throughout the US. According to [CDC data](#) released last Friday, approximately 40 percent of confirmed US COVID-19 cases are caused by the XBB1.5 strain, up from 20 percent the week prior. Maria Van Kerkhove, epidemiologist and the WHO's technical lead on COVID-19, [noted](#) the subvariant's growth advantage and called it "the most transmissible form of Omicron to date." XBB1.5, which was first detected in the US, has spread to at least 29 countries, although it is not clear where this [new Omicron variant](#) arose. In the Northeast, approximately 75 percent of confirmed cases are caused by XBB1.5. There is no indication that it causes more severe illness than any other Omicron variants, according to Dr. Barbara Mahon, director of CDC's Coronavirus and Other Respiratory Viruses Division. The XBB1.5 variant is a relative of the [XBB Omicron subvariant](#). Laboratory studies have found that XBB is capable of evading antibodies from previous COVID-19 infections and vaccines.

New US and European rules on travelers from China: [Effective January 5](#), the US [requires](#) a negative COVID-19 test result (taken within two days of departure) or proof of recovery from the virus (within the last 90 days) for all travelers aged two and older (including US citizens and regardless of vaccination status) on flights originating from China. The [policy](#) was adopted "due to the surge in COVID-19 cases in the PRC and the risk of the emergence of a new viral variant given the lack of adequate and transparent epidemiological and viral genomic sequence data being reported from the PRC."

The Chinese government on Tuesday [denounced](#) testing requirements imposed by countries on travelers arriving from China, calling them "excessive," and even "political." "We firmly oppose the practice of manipulating Covid prevention and control measures to achieve political goals, and will take corresponding measures in accordance with the principle of reciprocity according to different situations," said Mao Ning, a foreign ministry spokeswoman, on Tuesday. The US, Canada, the UK, France, Spain, and [Japan](#) have all placed some restrictions on travelers arriving from the China. On Wednesday, the European Union also [recommended](#) that travelers from China take pre-departure tests and "strongly encouraged" Member States to introduce the requirement and to test arriving passengers at random and analyze positive results through genomic sequencing. However, World Health Organization Director General Tedros Adhanom Ghebreyesus [stated](#) that "it's understandable that some countries are taking steps to prevent their citizens" given the rapid spread in China.

US flu activity remains high but continues to decline: Seasonal flu activity in the US remains high but continues to decline in most regions of the country. Influenza-Like Illness (ILI) activity remains "high" or "very high" in most states, with New Mexico among the states with the [highest level](#) of activity. Last Friday, the Department of Health and Human Services sent a team from the National Disaster Medical System to the University of New Mexico Children's Hospital "providing much needed support to an overwhelmed emergency department." CDC [data](#) released December 30 estimated that there have been at least 20 million illnesses, 210,000 hospitalizations, and 13,000 deaths from flu during this flu season.

20. COUNTRY SPOTLIGHT: CHINA

Following three years of zero COVID, Beijing made a sharp policy shift on December 7 following country-wide protests of lockdowns. Now, China is trying to live with COVID-19; testing is now longer required and social restrictions have largely been lifted. With its highly stringent measures suddenly dropped, China has very quickly become the [global epicenter](#) of the virus. World Health Organization Director General Tedros Adhanom Ghebreyesus said he is “concerned about the risk to life in China.”

The WHO continues to urge China’s health officials to [share real-time data](#) regularly on genetic sequencing as well as data on hospitalizations, deaths, and vaccinations. WHO invited Chinese scientists to a [virtual closed meeting](#) on Tuesday to present data on which variants are circulating in the country. So far, sequencing data from China has shown that the variants are descendants of Omicron, in line with the rest of the world. “We want to see a more realistic picture of what is actually going on,” said a Dutch virologist of the WHO technical advisory group on viral evolution. Speaking to Reuters ahead of the meeting, she said some data from China, such as hospitalization numbers, are “not very credible.” China reported five new COVID-19 deaths on Tuesday, bringing the official death toll to 5,258. However, global experts believe that the [death toll](#) is likely much, much higher. British-based health data firm Airfinity estimates that approximately 9,000 people in China are dying every day from COVID-19. China has so far insisted on using only Chinese-made vaccines, which are of the inactivated virus type and not based on Western mRNA technology. The European Union on Tuesday [offered](#) free COVID-19 vaccines to China.

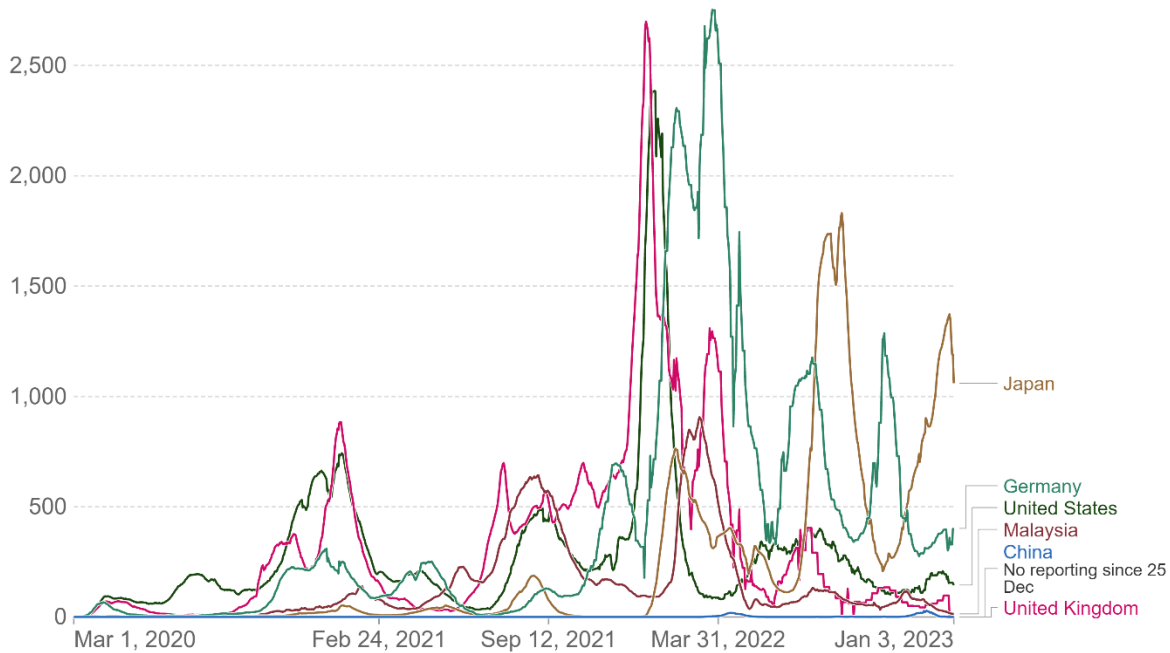
On Wednesday, Japan and Malaysia announced that they would tighten border controls for foreign arrivals: Japan for [travelers from China](#), and Malaysia, emphasizing that they would not discriminate, for [all foreign arrivals](#). Japan will tighten its COVID-19 border measures from Sunday to require a negative COVID-19 test before passengers board direct flights from China, stepping up measures adopted on December 30. The decision followed results of COVID-19 tests on travelers from China in recent days. Japanese health ministry data on Tuesday showed that 53 of 56 international travelers who tested positive for COVID-19 on arrival were from China. Last week, Malaysia’s Health Minister Zaliha Mustafa said that the country will test [wastewater samples](#) for COVID-19 from all flights arriving from China. Meanwhile, Malaysia’s National Public Health Laboratory tested 301 samples from 15 locations, representing each state in the country. “(Of these) 288 samples (95.7 per cent) had the presence of SARS-CoV-2, and positive for Omicron. Three had no presence, while 10 are still being tested,” said Health Ministry director-general Dr. Noor Hisham Abdullah.

Some local governments in Hunan, Anhui, Gansu, and Shandong Provinces [encouraged](#) their residents to stay home rather than travel for the upcoming Lunar New Year, traditionally a very busy travel period in China. The government of Weifang, in Shandong Province in eastern China, took the warning a step further, encouraging residents to use video for greetings and “[a]void visiting relatives and friends to protect yourself and others [.]” Despite the rise in cases, however, Hong Kong [plans](#) to reopen some border crossings with Guangdong Province on Sunday without requiring quarantine of visitors.

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
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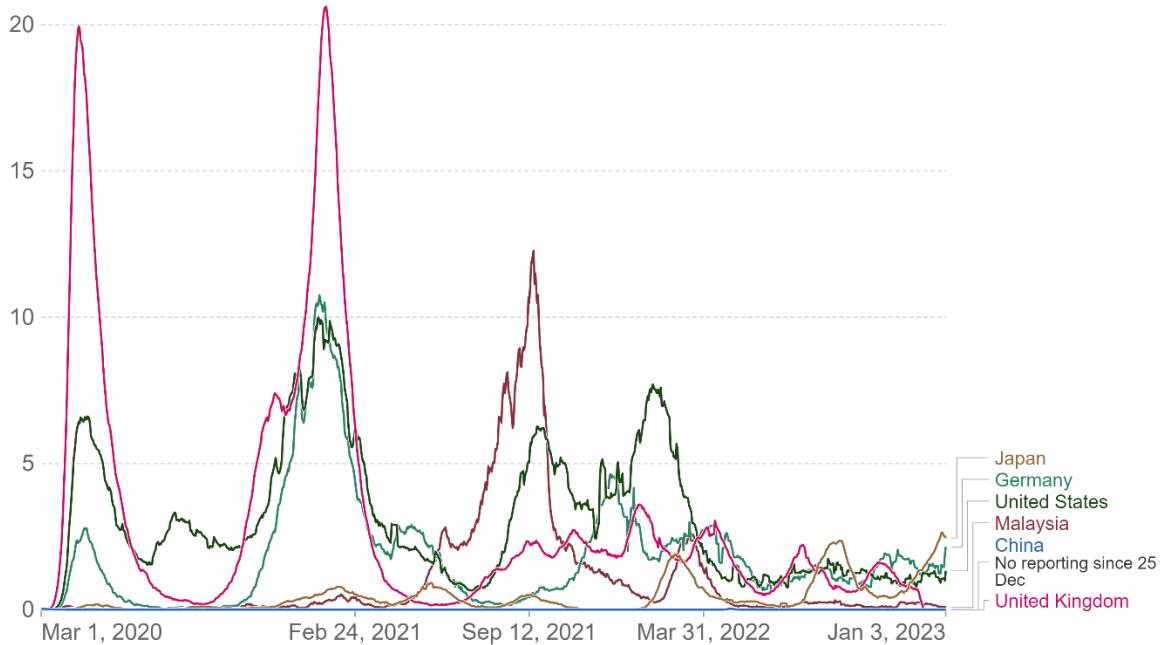
Source: Johns Hopkins University CSSE COVID-19 Data

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Daily new confirmed COVID-19 deaths per million people

7-day rolling average. Due to varying protocols and challenges in the attribution of the cause of death, the number of confirmed deaths may not accurately represent the true number of deaths caused by COVID-19.

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Source: Johns Hopkins University CSSE COVID-19 Data

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