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1. DEVELOPMENTS ON UKRAINE

As the invasion passed its 50th day, with the Russian warship *Moskva* damaged in the Black Sea, it was a particularly active week on both the political and military fronts in the war in Ukraine. European Commission President Ursula von der Leyen [told](#) President Zelensky that the EU would render its formal opinion on beginning accession negotiations for Ukraine quickly, “a matter of weeks.” She also spoke of Ukraine’s “[European future](#).” Austrian Chancellor Karl Nehammer visited President Putin in Moscow for “[direct, open and tough](#)” talks on the war – “not a friendly meeting.” Ukrainian presidential advisor Mykhailo Podolyak [revealed](#) that one problem in the Russia/Ukraine negotiations has been the number of outside countries that will serve as formal guarantors of Ukraine’s security (Ukraine wants more, Russia wants to include Belarus in the group even though Russia and Belarus are part of a “[State Union](#)”). The UK [announced](#) formal sanctions against oligarch Roman Abramovich and two other prominent Russians, Eugene Tenenbaum and David Davidovich.

President Zelensky formally called for an oil embargo and “[Europe’s clear readiness to give up all Russian energy](#). The European Union must stop sponsoring Russia’s military machine.” Germany claimed it is doing “[everything it can](#)” to reduce use of Russian hydrocarbons, [Italy](#) (which imports 95 percent of its natural gas, 38 percent of which comes from Russia) signed an agreement to increase purchases of Algerian gas, and President Biden asked Indian Prime Minister Modi not to increase purchases of Russian oil. On Thursday, the New York *Times* [reported](#) that European officials have begun drafting a proposed phased ban on Russian oil, which would have to be agreed by the European Council including all Member States and likely not addressed until after the French presidential election on April 24.

On the military front, the Pentagon sees “clear evidence” of Russian plans to focus on the eastern Donbas region, and Russia has continued its relentless assault on Mariupol, the capture of which would effectively give Russia a land bridge to Crimea. Both the US State Department and the UK Foreign Office [spoke of “credible” reports](#) that Russia had used or was “preparing to use” chemical agents in Mariupol but [have not been able to confirm](#) the allegation. Ukraine claims 20,000 civilians have been killed in Mariupol. [Nearly two-thirds](#) of Ukrainian children, 4.8 million, have fled their homes during the conflict, according to UNICEF.

[The US is pledging](#) an additional [\\$800 million in military assistance](#) for Ukraine from [transfers of current stocks](#), and the EU will contribute an [additional €500 million](#) under the [European Peace Facility](#). The World Bank also [approved](#) \$1.5 billion in relief funds and support for essential government services in Ukraine. The Bank has [estimated](#) that Ukraine’s economy will contract by 45 percent this year and Russia’s fall by 11.2 percent.

Finland and Sweden are [reportedly](#) seriously considering joining NATO, with Finland taking the first formal step towards presenting a membership application through a government white paper on foreign and security policy. [Both countries highlighted](#) that only with full NATO membership (as opposed to their current “partner” status) can they receive the benefits of Article 5 of the [North Atlantic Treaty](#), under which an attack on one member is considered an attack on all members.

Ukraine’s Computer Emergency Response Team (CERT) thwarted a potential sophisticated cyberattack on its electrical grid, detecting malware timed to be activated on April 8. The country declined to provide further details other than to note it would have affected millions of people. Hackers had apparently entered the system in February, according to an expert quoted by the [Wall Street Journal](#).

2. US-INDIA SUMMIT

On Monday, the US and India met in a “two plus two” (Foreign and Defense Ministers) in Washington in which both President Biden and Prime Minister Modi (virtually) participated – making it a full-blown [summit](#), a highly symbolic act and one that Harsh V. Pant of the (Indian) Observer Research Foundation described as a sign of a [maturing relationship](#). After the leaders’ meeting, which lasted about an hour, Jen Psaki, the White House press secretary, [told reporters](#), “The president made clear that he does not believe it’s in India’s interest to accelerate or increase imports of Russian energy and other commodities.” Despite India’s continued purchases of Russian oil and ties to Russia, including defense ties, after the meeting Defense Minister Rajnath Singh [said](#) that “America is our natural ally, no two ways about it.”

For a deeper dive read CED’s Policy Brief on “[Russia’s Lifelines: India: Stuck in the Middle or Russia’s Time-tested Friend?](#)”

3. YELLEN REMARKS ON SANCTIONS AND TRADE

In a [major address](#) this week, Treasury Secretary Janet Yellen spoke about next steps on sanctions against Russia, a reformed international financial architecture, and “friend-shoring” supply chains. She noted that “swift and sweeping sanctions can have enormous force” and declared that “until Putin ends his heinous war of choice, the Biden administration will work with our partners to push Russia further towards economic, financial, and strategic isolation. . . . When Russia made the decision to invade Ukraine, it predestined an exit from the global financial system.” In strong language on China, Yellen noted that “China has long claimed to hold sacrosanct key international principles—including those enshrined in the U.N. Charter with respect to sovereignty and territorial integrity. . . . China cannot expect the global community to respect its appeals to the principles of sovereignty and territorial integrity in the future if does not respect these principles now when it counts.”

On trade, Yellen pointed to challenges in obtaining raw materials and stated “[o]ur objective should be to achieve free but secure trade. We cannot allow countries to use their market position in key raw materials, technologies, or products to have the power to disrupt our economy or exercise unwanted geopolitical leverage. So let’s build on and deepen economic integration and the efficiencies it brings on terms that work better for American workers. And let’s do it with the countries we know we can count on” – what she termed “friend-shoring” of supply chains to a large number of trusted countries, so we can continue to securely extend market access [which] will lower the risks to our economy as well as to our trusted trade partners.” She also noted that the US “should also consider building a network of plurilateral trade arrangements to incorporate elements of the modern economy that are growing in economic importance, especially digital services.” “Plurilateral” here would presumably not open the potential trade agreements to all but only to those countries with which the US believes it can reach favorable agreements, perhaps along the lines of the proposed [Indo-Pacific Economic Framework](#).

CED published a [Policy Brief](#) on Pacific trade in February that notes the US’ shift from traditional free trade agreements to different types of agreements on trade issues such as supply chains and digital services.

4. INFLATION REACHES 40-YEAR HIGH IN MARCH

According to [analysis by The Conference Board’s Economics, Strategy, and Finance Center](#), the Consumer Price Index (CPI) rose to 8.5 percent year-over-year in March, vs. an increase of 7.9 percent year-over-year in February. This key measure of consumer price inflation is now at the highest rate recorded since December 1981. Core CPI, which excludes volatile food and energy prices, rose by 6.5 percent year-over-year, vs. 6.4 percent in February.

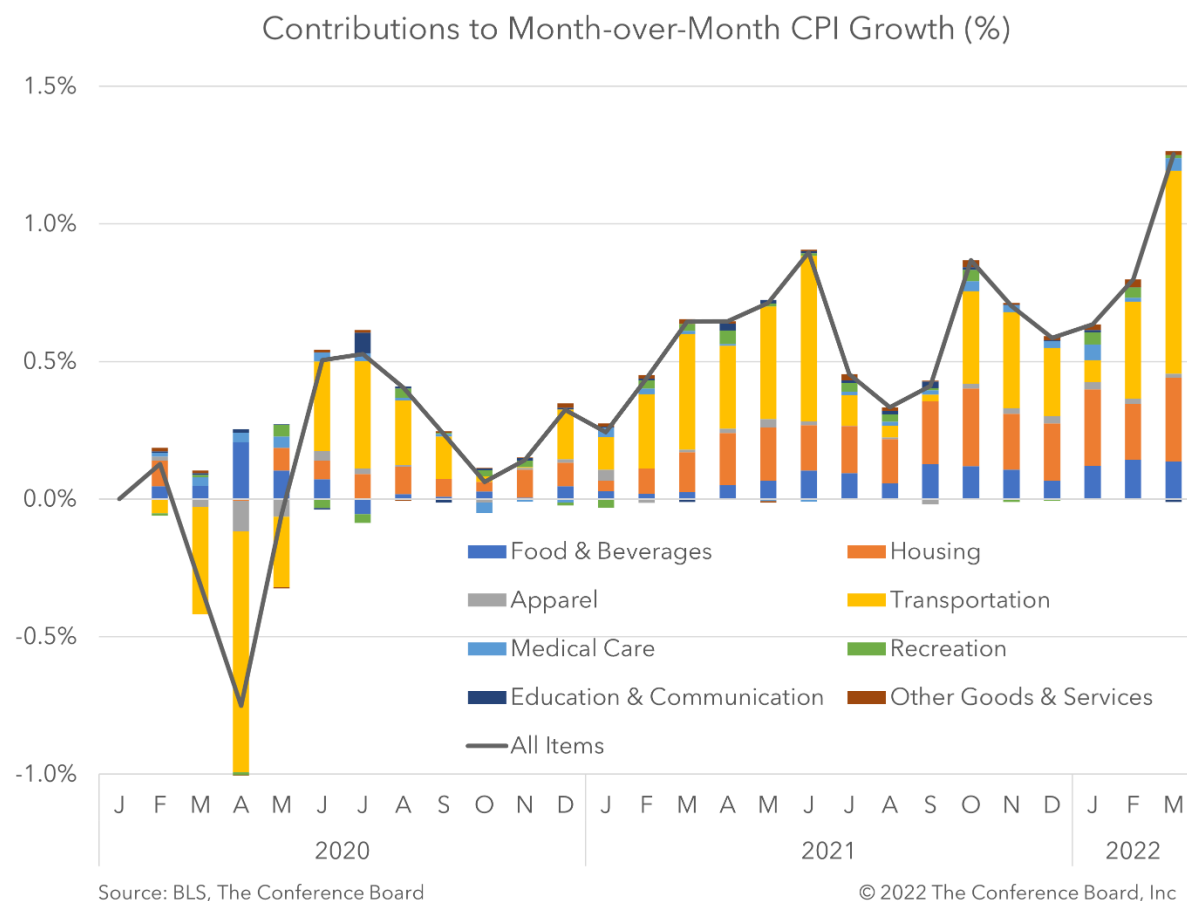
On a month-over-month basis, March CPI rose 1.2 percent, vs. 0.8 percent in February. Meanwhile, March Core CPI rose 0.3 percent, vs. 0.5 percent in February. This large divergence shows that food and energy prices have become key drivers of inflation. Indeed, according to the Bureau of Labor Statistics, gasoline prices rose by an astounding 18.3 percent from the previous month and accounted for over half of the increase in the monthly CPI. This was the largest monthly increase since June 2009. Meanwhile, food prices rose 1.0 percent from the previous month.

The March data demonstrate the extent to which Russia’s invasion of Ukraine has impacted global energy markets. In February, prior to the war, Brent crude oil prices hovered around US\$91 per barrel

before spiking to as high as US\$127 per barrel in early March. While these prices have since moderated, they remain above US\$100 per barrel. Prices for other commodities, including grains and metals, have risen as well – though not as severely. Notably, the Core CPI measure decelerated from April to March, suggesting that inflation in other parts of the economy moderated. For instance, prices for durable goods fell 0.5 percent from the previous month. However, this trend may reverse over time as higher energy and food prices drive prices up in other parts of the economy. Additionally, pent-up demand for in-person services may stoke inflation as well.

The inflation outlook is troubling and is directly tied to the conflict in Eastern Europe. A quick resolution to the conflict would help reverse the severity and duration of price increases. However, recent geopolitical trends do not suggest that peace is at hand. Additionally, a new COVID-19 outbreak in China (which is impacting manufacturing activity) may have an impact of global supply chains as well.

At present, our forecast for PCE inflation, which is similar to CPI, rises from a reported 5.5 percent year-over-year in Q4 2021 to a high of 6.6 percent in Q2 2022 and then falls to 4.2 percent in Q4 2022. We project that Core PCE inflation, which is similar to Core CPI, rises from a reported 4.6 percent year-over-year in Q4 2021 to a high of 5.9 percent in Q2 2022 and then falls to 4.4 percent in Q4 2022.



5. NEW UNEMPLOYMENT CLAIMS BUMP UP; FEDERAL DEFICIT NUMBERS RELEASED

[Initial claims for unemployment insurance \(UI\)](#) increased by 18,000 to 185,000 for the week ending April 9). The increase reflects regular normal weekly fluctuations in this volatile measure, as claims remain

well in the territory characterizing a tight labor market. Continuing UI claims dropped by 48,000 for the previous week (reporting is on a lag) to 1.48 million.

Meanwhile, the March [Monthly Treasury Statement](#) covering the first half of Fiscal Year (FY) 2022 showed that the US had record tax receipts of \$2,121 trillion but also outlays of \$2,790 trillion, for a first half year deficit of \$668.2 billion – down over a trillion dollars from the first half of FY 2021 (the deficit in March 2021 alone was \$659.6 billion, nearly the entire first half FY 2022 deficit).

6. MEXICO/TEXAS TRUCK DELAYS

Texas' new policy of requiring additional "enhanced safety inspections" of trucks arriving from Mexico beyond the official inspections conducted by US Customs and Border Protection is causing anger among Mexican truckers driving to the US, leading to delays crossing the border and weakening already stretched supply chains for Mexican produce, refrigerated goods, auto parts, and other products. Texas claims it is searching for drug and immigration violations but is pulling trucks off the road for violations such as [broken lights](#). US shipping groups are angry about the policy as well, with the Texas Trucking Association [predicting](#) that the delays in border crossing "will be felt across the country." Certain perishable crops are at risk of spoilage with the delays. As Mexican drivers protest the policy, lines to cross the border have reached [up to eight miles](#) long. The White House responded to Texas' policy strongly, [stating](#) that "unnecessary and redundant inspections of trucks transiting ports of entry between Texas and Mexico are causing significant disruptions to the food and automobile supply chains, delaying manufacturing, impacting jobs, and raising prices for families in Texas and across the country." Mexico is our third-largest trading partner; the US imported \$65.79 billion in goods from Mexico in [January and February](#) 2022 alone and [\\$384.7 billion](#) in 2021.

7. ETHANOL INCREASE FOR SUMMER GASOLINE BLEND

In a boost to US ethanol production and in an attempt to ease gas prices, the Administration [will allow](#) summertime gasoline blend to include 15 percent (E15) ethanol, instead of reverting to the usual summer E10 blend under the Renewable Fuel Standard. E15 is sold in a [small number of US gas stations](#), mostly in the Midwest; [according to the Renewable Fuels Association](#), E15 consumption will likely rise by 300 million gallons, a small portion of the 15 billion gallons of ethanol produced in 2021. The Association also notes that E15 generally sells for 15 to 25 cents per gallon less than E10. While farm state Senators [welcomed the move](#) on a bipartisan basis, increased ethanol use in fuel will [likely reduce](#) grain stocks available for cattle and chicken to consume, potentially raising prices, and increased ethanol use is [not likely to reduce](#) emissions, according to a [study](#) in the *Proceedings of the National Academy of Sciences*.

8. TOWARDS COMMON GROUND ON CHILD CARE – NEW BILL INTRODUCED

Child care remains a bipartisan issue among the general public and legislators alike. In Congress, efforts have ramped up to increase the access, affordability, and quality of child care, which is especially pertinent given the impact of the COVID-19 pandemic on the sector. Senator Patty Murray (D-WA) and Rep. Bobby Scott (D-VA) led provisions to strengthen child care as part of the proposed Build Back Better Act. Now, Senators Tim Scott (R-SC) and Richard Burr (R-NC) recently introduced a Republican alternative. While the cost and financing vehicles differ, the proposals share several important areas of common ground. Both prioritize underserved families living in poverty or in rural areas, cap child care tuition for eligible families at 7 percent of family income, and require subsidy recipients to have a reason to need child care, such as continuing education or work. Parents have a choice among a variety of child

care settings, with states setting the cost of high-quality child care. To expand access, both proposals enable care offered year-round and during untraditional hours and seek to expand supply by funding new child care centers and upgrading existing facilities. To boost quality, both proposals offer support for child care workers to earn degrees and provide staff with research-based training on topics that foster high quality, including child development and working with children with special needs.

For a deeper dive in to the child care issue read CED's latest report: [*The Economic Role of Paid Child Care*](#).

9. SEC STAFF ACCOUNTING BULLETIN ON CRYPTO-ASSETS

The SEC issued a [Staff Accounting Bulletin](#), effective immediately, offering interpretive guidance for financial entities that hold crypto-assets for users of their financial platforms. In the SEC staff's view, in situations where entities hold cryptographic key information and thus the obligation to safeguard the assets, the entities face "significant increased risks," including financial loss. Therefore, if any entity "is responsible for safeguarding the crypto-assets held for its platform users, including maintaining the cryptographic key information necessary to access the crypto-assets, the staff believes that [the entity] should present a liability on its balance sheet to reflect its obligation to safeguard the crypto-assets held for its platform users."

10. AGENCY EQUITY ACTION PLANS RELEASED

On April 14, more than 90 Federal agencies, including all Cabinet-level departments, [released](#) Equity Action Plans as they were required to do under the [Executive Order](#) the President signed his first day in office on "Advancing Racial Equity and Support for Underserved Communities." Taken together, the plans represent an ambitious agenda of over 300 actions and commitments that will affect future regulation and many government actions, including targeting Federal spending to underserved communities, [with a goal](#) to "address the systemic barriers in our nation's policies and programs that hold too many leaders back from prosperity, dignity, and equality [.]"

Data collection to build "accountability for equity," simplifying interactions with government services, "narrowing wealth gaps through federal contracting and procurement" are also features of the plan, along with a broader goal of "Reimagining federal service design and delivery through life experiences . . . based on how people actually live their lives rather than an approach based on bureaucracy. This new approach requires agencies to work within and across government, to better serve Americans during significant events or transitions that often require interaction with multiple federal agencies and levels of government, like surviving a disaster."

11. RURAL INFRASTRUCTURE PLAYBOOK AND TOUR LAUNCHED

This week, the White House released a Bipartisan Infrastructure Law [Rural Playbook](#) to "help state, local, Tribal and territorial governments in rural areas unlock the benefits from the historic investments in our nation's infrastructure." The Playbook helps rural communities understand the "what, where, and how" to apply for federal infrastructure dollars with the goal of ensuring "high-speed internet, safe roads and bridges, modern wastewater systems, clean drinking water, reliable and affordable electricity, and good paying jobs in every rural community."

With the [announcement](#), the Administration also launched a rural infrastructure tour to emphasize communities that rural infrastructure investments are a priority. In April, Administration officials are traveling to dozens of rural communities to share the impact of the rural infrastructure investments. The President spoke at an ethanol plant in Iowa this week where he announced the [temporary suspension of a federal rule](#) that bans the sale of E15 gas during the summer (see story above). During the tour, Administration officials will continue to announce funding dedicated to rural areas, including water projects, flood mitigation, transportation, and healthcare. Earlier this month, the [Department of Interior announced](#) \$420 million for rural water systems across six states. Also announced was the \$1 billion [America the Beautiful](#) challenge to accelerate land, water, and wildlife conservation efforts.

12. US AGENCIES ISSUE CYBERSECURITY ALERT FOR ENERGY SECTOR AND OTHER CRITICAL INDUSTRIES

Multiple U.S. government agencies [issued](#) a joint cybersecurity alert Wednesday. [The public alert](#) from the Energy and Homeland Security Departments, the FBI and National Security Agency warned of the discovery of a suite of malicious cyber tools created by unnamed advanced threat actors that are capable of sabotaging the energy sector and other critical industries. The alert did not name the actors or offer details on the find, but their private sector cybersecurity partners said the evidence suggests Russia is behind the industrial control system-disrupting tools — and that they were configured to initially target North American energy concerns.

13. PANDEMIC NEWS

US [life expectancy](#) dropped by nearly two years in 2020 to 76.99 years of age from 78.86 in 2019 amid the COVID-19 pandemic. The decline of 1.87 was far higher than the mean reduction of 0.57 in 19 peer countries, including Canada, Germany, France, Denmark, and South Korea. The US's COVID-19 mortality rate during the height of the pandemic was among the highest in the world, making the virus the third leading cause of death in the US in 2020, after heart disease and cancer.

Philadelphia was the first major city to announce that it is [restoring an indoor mask mandate](#) in response to rising caseloads with the BA.2 Omicron subvariant. “This is our chance to get ahead of the pandemic,” said Cheryl Bettigole, the city’s health commissioner. With an average daily case number of 142 as of Tuesday, the city is nowhere near the caseload it experienced in early 2022 during the spike caused by the original Omicron strain when the city’s seven-day average neared 4,000. Philadelphia’s plan is to [get ahead of a possible oncoming surge](#) in infections, as every previous wave of the virus has been followed by increased hospitalizations and later followed by a wave of deaths. The city’s decision is somewhat at odds with the CDC’s current overall recommendations on masking, which some worry could result in a further [breakdown of public trust](#) of federal COVID-19 recommendations. But Bettigole asserts that local conditions must be taken into consideration, citing the inequities of the virus’s impact. “We’ve all seen here in Philadelphia, how much our history of redlining, history of disparities has impacted, particularly our Black and brown communities in the city,” she said. “And so it does make sense to be more careful in Philadelphia [than in a suburban community.]”

In the capital, American University, Georgetown, George Washington, and Howard University have all [reinstated](#) their indoor mask mandates or other COVID-related policies as cases in the city increase slightly. As of April 12, masks will be [required](#) in all of American University’s campus buildings, except when individuals are alone in private offices, inside residence hall rooms with only roommates present, or while actively eating or drinking. As for GW, guidelines replicate those of American, and masks will be

required through the remainder of the [spring semester](#). In a statement, GW officials strongly urged students to use an N95 or KN95 mask instead of cloth and made free N95 masks available.

14. COUNTRY SPOTLIGHT: CHINA

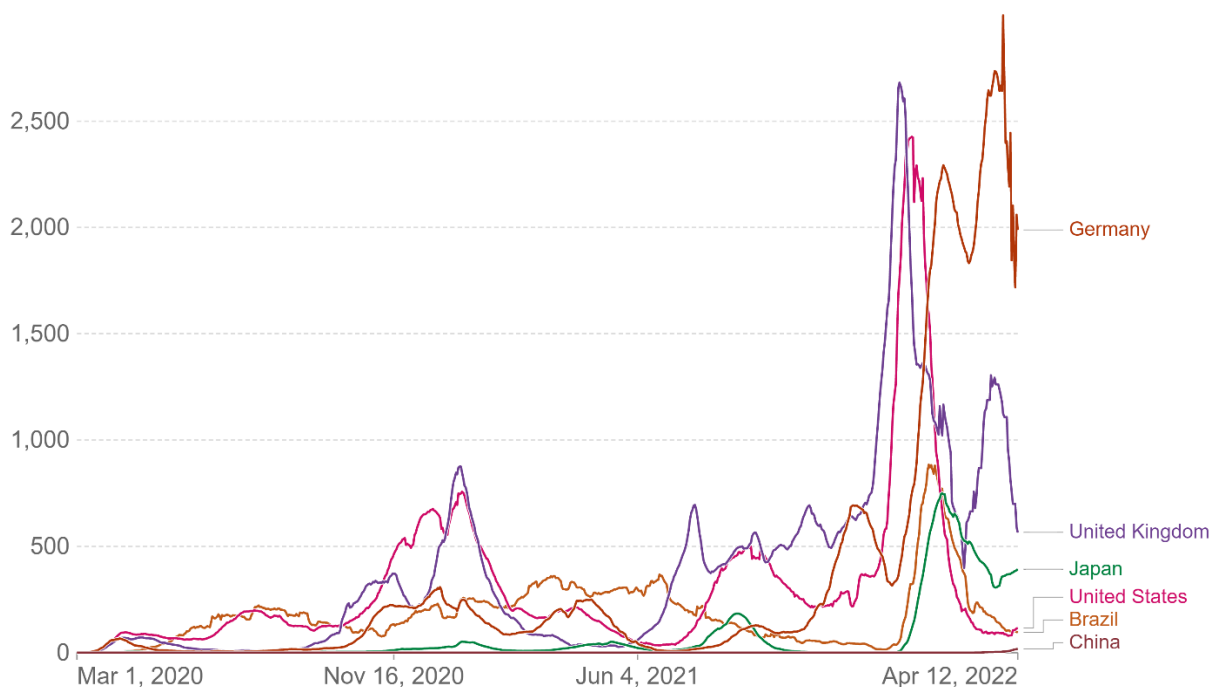
The 25 million residents of China's financial hub of Shanghai have been under some form of [lockdown](#) since the beginning of the month. Despite the country's Zero-COVID strategy, [cases surged](#) on Wednesday in Shanghai to a record high of 26,330, of which just 1,190 were symptomatic. There is no end in sight to these lockdowns, despite no deaths being reported. Some residents complained of food shortages, while others have said their resident compounds had been delivered ample groceries. Shanghai resident and expat Alessandro Pavanello was moved from his home to an isolation facility on April 9 after testing positive. He slept in a partitioned sleep hall and was given a bucket and cloth for washing. Jamie Peñaloza, who lives in Shanghai's wealthy former French Concession, compared it to memories of summer camp: "Announcements, call to duty, chores, and rest time."

On Monday, the US Department of State ordered its non-emergency consulate staff and diplomats' families to leave the city, a response to "a surge in COVID-19 cases and the impact of restrictions." Additionally, a recent US [travel advisory](#) urges Americans to "reconsider travel" to China, citing its zero-tolerance strategies, including "the risk of parents and children being separated." China responded combatively, saying that the US was "weaponizing" the issue. "We express [strong dissatisfaction](#) with the politicization and weaponization of evacuations by the US," said Zhao Lijian of the Foreign Ministry.

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
in Data



Source: Johns Hopkins University CSSE COVID-19 Data

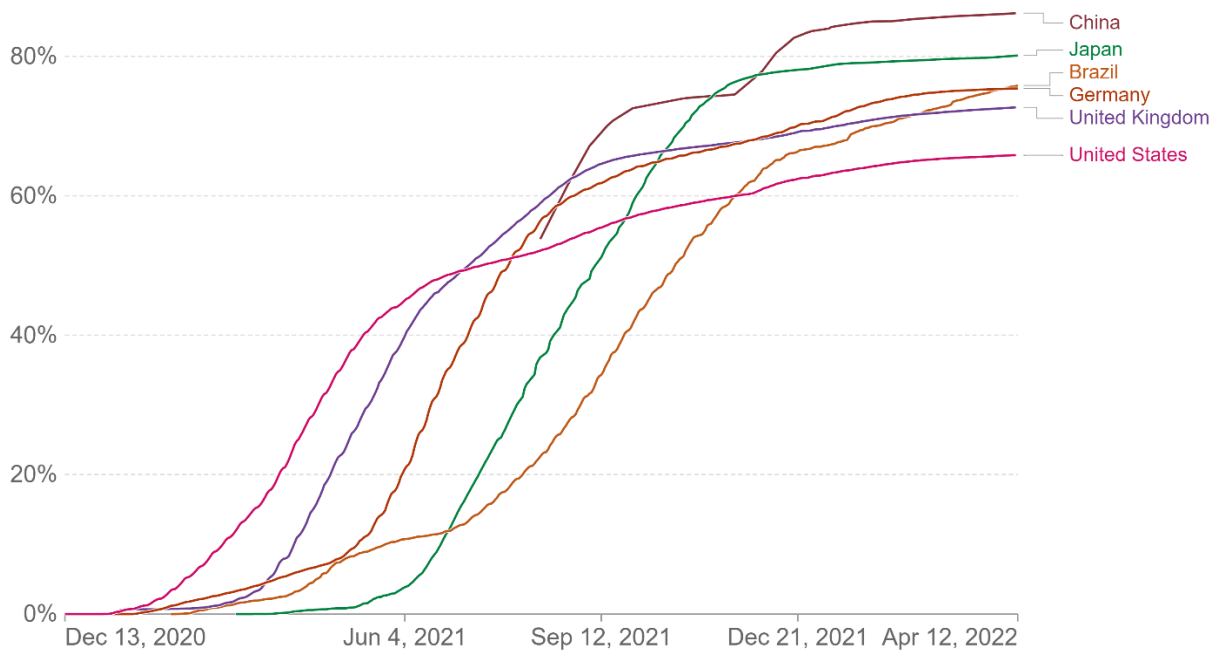
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Lockdowns are clogging China's [supply chains](#) as they spur delays in the world's busiest container port. The Shanghai lockdowns have forced many companies to slow production while those still operating struggle to find truck drivers among a severe shortage due to COVID-19 testing requirements. The lack of drivers and other workers is making it increasingly difficult to get goods in and out. "Week-on-week volumes at the Shanghai port are down by 40 percent. So that's really enormous," said Bettina Schoen-Behanzin, Vice President of the Shanghai Chapter of the EU Chamber of Commerce. China's consumers are feeling the impact of these shortages, as Chinese online shopping platform Taobao faces severe delivery delays of imported goods. If Shanghai's COVID-zero lockdowns persist, consumers outside of China can expect to feel similar delays. Factories within China are stalled, as [production lines](#) lack workers and parts. German auto parts and chip supplier Robert Bosch GmbH has suspended production in the city, following local protocols. Taiwanese electronics manufacturer Pegatron shut down production as of Tuesday in Shanghai and Jiangsu province. It is probable that Korea, Taiwan, Vietnam, and to a lesser extent, Japan (on vehicles) will be [exposed](#) to these supply chain disruptions.

Share of people who completed the initial COVID-19 vaccination protocol

Total number of people who received all doses prescribed by the initial vaccination protocol, divided by the total population of the country.

Our World
in Data



Source: Official data collated by Our World in Data

Note: Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.

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