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1. DEVELOPMENTS ON UKRAINE

Russia continued its military pressure in the Donbas region of eastern Ukraine, with heavy attacks on Mariupol focusing on the Azovstal steel plant, from which some civilian evacuations finally occurred this week amidst what the Ukrainians described as “[difficult, bloody battles](#).” While the Pentagon has [noted](#) that Russian progress in Donbas appears slow, Russia is also launching missiles west towards the major port of [Odesa](#) and elsewhere in Ukraine with a particular focus on railroad lines. Ukraine [said](#) it was unlikely to launch a counter-offensive before mid-June as it is waiting for additional weaponry. Russia said that the supply of weapons to Ukraine from NATO countries “[do not contribute to the quick completion](#)” of the invasion. The UK Ministry of Defence [claimed](#) that of the more than “120 battalion tactical groups, approximately 65 percent of its entire ground combat strength,” committed to the invasion, over 25 percent of those units were rendered “combat ineffective,” including elite units, noting that “[i]t will probably take years for Russia to reconstitute these forces.” The UK is [donating](#) 13 armored vehicles to Ukraine to assist in civilian evacuation operations. [Belarusian](#) forces began [military drills](#).

European Council President Charles Michel visited Chişinău, Moldova, and [said](#) the EU is considering providing military aid to the country.

House Speaker Nancy Pelosi visited Kyiv with a Congressional delegation, and UK Prime Minister Boris Johnson [addressed](#) the Ukrainian Rada (parliament), stating that “Ukraine will win . . . The so-called irresistible force of Putin’s war machine has broken on the immovable object of Ukrainian patriotism and love of country.” The US is [increasingly concerned](#) that Russia may try to annex the Donetsk and Luhansk regions through fake referendums. For his part, President Zelensky stated that he refused to allow the conflict to become a “[frozen conflict](#)” such as the situations in Transnistria (Moldova) and Abkhazia and South Ossetia (Georgia), given that Russia had violated previous agreements with Ukraine. President Biden visited a Lockheed Martin factory in Alabama to thank the workers there making anti-tank Javelin missiles being supplied to Ukraine, [stating](#) the military aid “is a direct investment in defending freedom and democracy itself. Because if you don’t stand up to dictators, history has shown us, they keep coming, they keep coming. Their appetite for power continues to grow.”

As part of its sixth sanctions package against Russia, the EU is debating a plan to ban Russian oil imports, with a goal to “[break the Russian war machine](#),” in the words of European Council President Michel, and European Commission President Ursula von der Leyen proposing that imports of crude oil be prohibited within six months and refined products by the end of 2022. She [noted](#), however, that some countries will need additional flexibility. Russia accounts for 25 percent of the EU’s oil imports. The ban would be broad, [including](#) banning any EU citizen or company from transporting Russian oil, insuring it, or “maintaining equipment” involved in its movement. The provision against insuring Russian oil shipments is significant; many of the world’s oil tankers are insured in companies subject to EU jurisdiction.

Hungary [refused](#) to support a ban on Russian oil; its foreign minister Peter Szijjarto said that the country’s energy supply would be “completely destroyed” by a ban, and international relations minister Zoltán Kovács promised that Hungary would veto the proposal, which needs unanimity of all 27 member states, unless crude oil imports by pipeline were exempt. The Commission is reportedly considering “[an exemption or a long transition period](#)” for Hungary and Slovakia; [Bulgaria and possibly the Czech Republic](#) may also request exemptions.

In other sanctions news, President Biden [said](#) “We’re always open to additional sanctions” as he prepared to speak with other G7 leaders. The UK banned service exports (including legal, accounting, management consulting, and PR services) to Russia, with Foreign Secretary Liz Truss stating that “[d]oing business with Putin’s regime is morally bankrupt and helps fund a war machine that is causing untold suffering across Ukraine.” The UK also [announced new sanctions](#) against 63 individuals and organizations, including state-owned Russian media organizations and other organizations the UK accused of spreading “destabilizing disinformation about Ukraine.” The EU is [proposing](#) banning three Russian state broadcasters from the EU and cutting off Sberbank from the SWIFT interbank system. European Council President Michel proposed confiscating seized Russian assets and using the proceeds to rebuild Ukraine, [saying](#) “in my opinion this is a question of fairness.” Currently the EU has frozen €30 billion in assets “[linked to blacklisted Russian and Belarusian individuals](#).” Japan [sanctioned](#) 140 additional Russians and banned exports to Russian military firms.

China is apparently concerned about the impact of the sanctions against Russia, as it has [reportedly](#) ordered a “stress test” involving government ministries and public and [privately-owned](#) banks, of what effect similar sanctions would have on China.

Newly reelected French President Emmanuel Macron spoke with President Putin; [according to](#) the Russian readout of the call, Putin spoke of “crimes of the Ukrainian military” and said that global food security “is complicated by the sanctions measures of western countries” while wanting “unimpeded functioning of the global logistics and transport infrastructure” -- measures that would require lifting of some sanctions, even as agricultural exports remain exempt from sanctions. President Zelensky spoke with German President Frank-Walter Steinmeier, easing recent tensions between the countries and noting that Ukraine expects Germany support to be “[intensified](#).”

Finally, the US Treasury’s Office of Foreign Assets Control [published](#) a comprehensive set of regulations related to the sanctions against Russia from 2014 and 2017 after its invasion of Crimea, with “additional interpretive and definitional guidance” as well as publishing a total of 13 general licenses offering exemptions from those sanctions.

2. FED RAISES RATES IN BATTLE AGAINST INFLATION

This week, the Federal Reserve raised interest rates by a half-percentage point in the largest rate hike since 2000 as the battle against rising inflation continues. The hike brings the benchmark federal-funds rate to a target range between 0.75 percent and 1 percent. In his [remarks](#), Chairman pro tempore Jerome Powell remarked that “[i]nflation is much too high and we understand the hardship it is causing, and we’re moving expeditiously to bring it back down” and that “additional 50 basis point increases should be on the table at the next couple of meetings,” in June and July. [Expectations are](#) for six additional hikes before the year’s end making borrowing on credit cards, mortgage loans, business investment loans, and other loans more expensive.

The Fed also announced specific plans to reduce its balance sheet by allowing bonds to mature and roll off, rather than selling them in the open market. In June, July, and August, officials will allow up to \$30 billion in Treasuries and \$17.5 billion in mortgage bonds to roll off. Starting in September, those caps will be lifted to \$60 billion and \$35 billion respectively. Powell noted that the “balance sheet decisions are guided by our maximum employment and price stability goals, and in that regard, we will be prepared to adjust any of the details of our approach in light of economic and financial developments.”

3. JOB OPENINGS AT ALL-TIME HIGH; UNEMPLOYMENT CLAIMS AT ALL-TIME LOW

The [Bureau of Labor Statistics](#) reported that job openings hit an all-time series high of 11.5 million on the last business day of March. There were notable job openings gains in retail trade (+155,000) and durable goods manufacturing (+50,000) while job openings decreased in transportation, warehousing, and utilities (-69,000), state and local government education (-43,000), and federal government (-20,000). The number of hires in March was little changed at 6.7 million while quits, or voluntary separations, edged up to a series high of 4.5 million. Labor market churn that has characterized the pandemic period continues as workers seek out new and different job opportunities among the plethora of open jobs. For the week ending April 30, [initial claims for unemployment insurance \(UI\)](#) increased by 19,000 to 200,000 (last week’s claims were revised down by 4,000). Continuing UI claims, reported on a one-week lag, hit a new all-time low of 1.38 million for the week ending April 23.

4. LABOR PRODUCTIVITY RATE DROPS SHARPLY

The [Bureau of Labor Statistics](#) reported that US nonfarm business sector labor productivity fell by 7.5 percent in the first quarter of 2022, the steepest decline since 1947. The figure is a result of a decrease

in output (first quarter [real GDP](#) decreased by 1.4 percent) and an increase in hours worked. Unit labor costs increased 11.6 percent, reflecting a 3.2 percent increase in hourly compensation and the decrease in productivity. With tightness in the labor market, average hourly earnings have been rising after a period of historically flat growth. Earnings averaged 5.0 percent year-over-year increases for the past three quarters compared to 3.0 percent for 2019 prior to the pandemic and 2.3 percent for the decade ending 2018.

5. RECORD US TRADE DEFICIT IN MARCH

The US recorded a new record trade deficit of [\\$109.8 billion](#) in March -- 22 percent above February's figure -- [driven by](#) demand for computers, vehicles, and oil. Exports rose 5.6 percent, but the value of imports rose even more at 10.3 percent. Net exports—or exports minus imports—contributed -3.2 percentage points to the [1.4 percent decline in real gross domestic product \(GDP\)](#) for the first quarter of 2022. Imports are a subtraction in the calculation of GDP, which measures domestic production. Large price increases in exported and imported goods also impacted the negative contribution of net exports to real GDP.

6. US CROP PLANTING LEVELS FALLING

According to USDA's weekly [National Agricultural Summary](#) for the week ending May 1, current planting levels of some major US crops are lower than last year. Fourteen percent of corn had been planted (28 percentage points behind last year at this point), eight percent of soybeans (14 percentage points behind), 23 percent of winter wheat (three percentage points behind), 20 percent of sorghum (equal to last year), 45 percent of oats (25 percentage points behind), and thirty-six percent of barley (14 percentage points behind). Both drought (in the West) and rainy conditions elsewhere are contributing to the shortfalls. If the trend continues, it could impact food prices later in the year, particularly given the global shortages of grains because of the war in Ukraine.

7. COLORADO RIVER WATER SHORTAGE

In a sign of continuing long-term drought in the West, the Federal government is [reportedly](#) considering delaying the release of Colorado River water from Lake Powell on the Arizona-Utah border rather than sending it downstream. Citing a letter from Assistant Secretary of the Interior Tanya Trujillo, riverine states have agreed to keep about eight percent of Lake Powell's volume in the lake for now to address the record low levels of water and to release about the same amount of water from the Flaming Gorge reservoir in Utah and Wyoming to flow into Lake Powell. Without these measures, water levels in the lake could decline by 2024 to a point at which production of hydropower would no longer be possible.

8. NHTSA PUBLISHES CAFE STANDARDS

The National Highway Traffic Safety Administration (NHTSA) has published a [final rule](#) with revised corporate average fuel economy (CAFE) standards, providing for an eight percent increase for model years (MY) 2024-2025 and a ten percent increase for model year 2026, projecting that this will "require an industry fleet-wide average of roughly 49 mpg in MY 2026 [.]". The agency took this action based both on statutory obligations "to improve energy conservation and reduce the Nation's energy dependence on foreign sources" and on the President's 2021 Executive order "Protecting Public Health and the Environment and Restoring Science To Tackle the Climate Crisis." Looking further out, NHTSA "estimates that this action could reduce average fuel outlays over the lifetimes of MY 2029 vehicles by about

\$1,387, while increasing the average cost of those vehicles by about \$1,087 [.]” But those figures, in aggregate “\$128 billion in monetized costs and \$145 billion in monetized benefits” also rely on including the “social cost of greenhouse gases.” Pending litigation against the agency forced it to use a 2020 analysis that did not include social costs in determining the standards for model years through 2026.

9. REGIONAL TRANSMISSION PLANNING AND ELECTRIC GRID RELIABILITY

The Federal Energy Regulatory Commission (FERC) published a long and technical [proposed rule](#) on regional transmission planning and cost allocation requirements for public utilities transmitting power. Notably, the rule would require consideration of “planning on a sufficiently forward-looking basis to meet transmission needs driven by changes in the resource mix [types of fuel] and demand” and seek approval from states on “the cost allocation method or methods” in regional transmission plans. While FERC cites the need to “remedy deficiencies in the Commission’s existing regional transmission planning and cost allocation requirements to ensure that Commission-jurisdictional rates remain just and reasonable and not unduly discriminatory or preferential,” it also seeks to “maintain[] grid reliability,” given recent problems with regional transmission when a portion of the electric grid is under stress. Comments on the rule are due July 18, with reply comments (a second round) due on August 17.

10. GERMANY SUGGESTS NEW ANTITRUST POWERS FOR EU

The German government has [suggested](#) that European competition (antitrust) powers should be expanded to give the EU authority to break up companies for serious breaches of EU law. The current Regulation 1/2003 gives the EU authority to sue and fine major technology companies such as Alphabet’s Google, Amazon, Apple, Intel, Meta, and Microsoft, all of which have faced investigations in recent years. EU Executive Vice President [Margrethe Vestager](#) has proposed strengthening the rules, but Sven Giegold, state secretary at the Ministry for Economic Affairs and Climate Action, is now proposing “market investigations [of an entire market, not just one company] and structural reforms [including breaking up companies]. Giegold also called for tougher EU merger reviews, noting that the number of interventions in proposed mergers has declined amid the number of “killer acquisitions” that can reduce competition. Giegold also said that Germany is considering reforming its national competition law and giving more power to the Federal Cartel Authority (*Bundeskartellamt*).

11. IMPACT OF UKRAINE WAR ON JAPAN’S SECURITY AND ECONOMIC POSTURE

Three international visits by senior Japanese officials underscore the impact of the Russian invasion of Ukraine not only for Japan’s security and economy but for the Asia-Pacific region as a whole. Prime Minister Fumio Kishida met with British Prime Minister Johnson and [stated](#) “Ukraine [today] may be East Asia tomorrow,” calling for greater recognition of the impact of the invasion in Asia and terming the invasion “an egregious violation of international law.” Specifically asked about Taiwan, Kishida said “We must collaborate with our allies and like-minded countries, and never tolerate a unilateral attempt to change the status quo by the use of force in the Indo-Pacific, especially in east Asia.” Johnson (whose government is [seeking to join](#) the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ([CPTPP](#)), responded that “We in the UK recognise that our security in Europe is indivisible from the security, our collective security, in the Asia-Pacific, in the Indo-Pacific region. And there is direct read across from the actions of autocratic, coercive powers in Europe, to what may happen in east Asia.” Another [highlight](#) of the visit was the signing of a mutual access agreement for the countries’ militaries.

Visiting Washington, Minister of Economy, Trade, and Industry Koichi Hagiuda [stated](#) that “Japan has limited resources and it is difficult for us to immediately align ourselves” with the US (and likely EU) ban on Russian oil imports. Hagiuda met with Energy Secretary Jennifer Granholm and [asked the US](#) to raise its production of liquified natural gas (LNG) as a way to reduce energy supplies from Russia. (Japan currently receives LNG not only from the US but from the Sakhalin-2 project, which would [reportedly](#) cost \$15 billion to replace.) After a separate meeting with Commerce Secretary Gina Raimondo focusing on semiconductor cooperation, Raimondo [said](#) that “[a]s the world is destabilising after the war in Ukraine, coordination with like-minded countries is becoming more and more important. [These] talks served as a major step towards advancing the Japan-US relationship.”

Also visiting Washington, Defense Minister Nobuo Kishi met with Defense Secretary Lloyd Austin, and the defense chiefs agreed to “[align the two countries’ security strategies](#),” as Japan prepares to increase its [defense spending](#), perhaps raising it to 2 percent of GDP, significantly above current levels, and to release a revised National Security Strategy later this year. Secretary Austin [said](#) Russian behavior “has implications ‘far beyond Europe’ because of the challenge it represents to the rules-based order,” while China “threatens to undermine the ‘common norms, values and institutions that underpin that order.’” Meanwhile, the amphibious assault ship *USS Wasp* [reportedly](#) sailed near the Scarborough Shoal reef 140 miles from the Philippines, claimed by both the Philippines and China, in conjunction with bilateral US-Philippine annual training exercises and as part of the Navy’s regular “freedom of navigation operations.”

12. US FEDERAL DEFICIT FALLING

On Wednesday, the President [highlighted](#) deficit reduction, noting that the government will pay down the national debt this quarter for the first time in six years. The Treasury Department estimates that the budget deficit will decline by \$1.5 trillion this fiscal year, [a slight improvement from earlier forecasts](#), possibly for a deficit somewhere [around \\$1.3 trillion](#). The President attributed some of the reduction to increased tax revenues from Americans returning to work after pandemic job losses and the fastest economic growth in nearly four decades. He also emphasized policy points from the Administration’s agenda, including on health care and climate change, while stating that “we can do these things by making sure that no one earning less than \$400,000 a year will pay a single penny more in federal taxes” but calling for tax increases for higher earners: “All we’re asking is that the very wealthiest Americans and largest corporations begin to pay their fair share — at least part of their fair share.”

13. PANDEMIC NEWS

As New York City returned to a “medium” COVID-19 alert level this week as infections surpassed the rate of [200 per 100,000 people](#) and New York State hospitalizations topped 2000, [up 153 percent since April 3](#), the city recommended (but did not mandate) indoor masking. On Tuesday, the CDC [restated](#) its recommendation that people aged two and older should wear well-fitting masks while traveling on public transportation, including in airports and train stations. The Transportation Security Administration had enforced the mask mandate for months, until last month when a federal judge in Florida [struck down](#) the government’s mask requirement. The Justice Department has since appealed the decision. FDA also laid out a [tentative timeline](#) for approving vaccines for the nation’s youngest cohort: children under age five. The agency will meet with an advisory committee for three days next month to discuss [vaccine applications](#) from Moderna and Pfizer-BioNTech. Once approved, vaccination will likely occur in pediatricians’ offices, not [pharmacies](#), partly because the majority of states prohibit pharmacies from vaccinating children under age three.

While the Delta variant wiped out variants that preceded it, Omicron has [not eliminated](#) Delta, according to an Israeli study. Researchers at Beersheba's Ben-Gurion University of the Negev published findings in the peer-reviewed journal *Science of the Total Environment* suggesting that the variations of the Omicron variant may burn themselves out in the next few months, and the Delta variant may reemerge. The team monitored Beersheba's wastewater from December 2021 to January 2022 and noticed a "disturbing" reaction between the Omicron and Delta variants. The team built a model predicting that Delta is waiting its turn to "pounce" on the population.

14. SPOTLIGHT: WHO GLOBAL REPORT

The World Health Organization (WHO) reported that weekly COVID-19 deaths have fallen to the [lowest level](#) since March 2020. WHO recorded 15,668 newly-reported deaths in the seven days preceding April 26, with Europe and the Americas reporting a majority of deaths. Both deaths and cases have declined significantly since late March, but WHO warns that a global decline in testing for the virus could hinder efforts in fighting the pandemic. "Although deaths are declining, we still don't understand the long-term consequences of infection in those who survive. When it comes to a deadly virus, ignorance is not bliss," said WHO Director-General Tedros Adhanom Ghebreyesus. Over two years into the pandemic, different countries around the world are handling the situation differently. Last week, Dr. Anthony Fauci noted that the US has moved out of the "pandemic phase" and into a "[control](#)" phase. Meanwhile in China, the government is adhering to its "dynamic zero" COVID policy as the country deals with its worst COVID-19 flare-up since the beginning of the pandemic. Beijing reported 51 local infections, and Shanghai reported nearly 5,000. Despite the capital city's double-digit case number for a population of over 21 million, Beijing closed dozens of subway stations in an effort to [constrict movement](#).

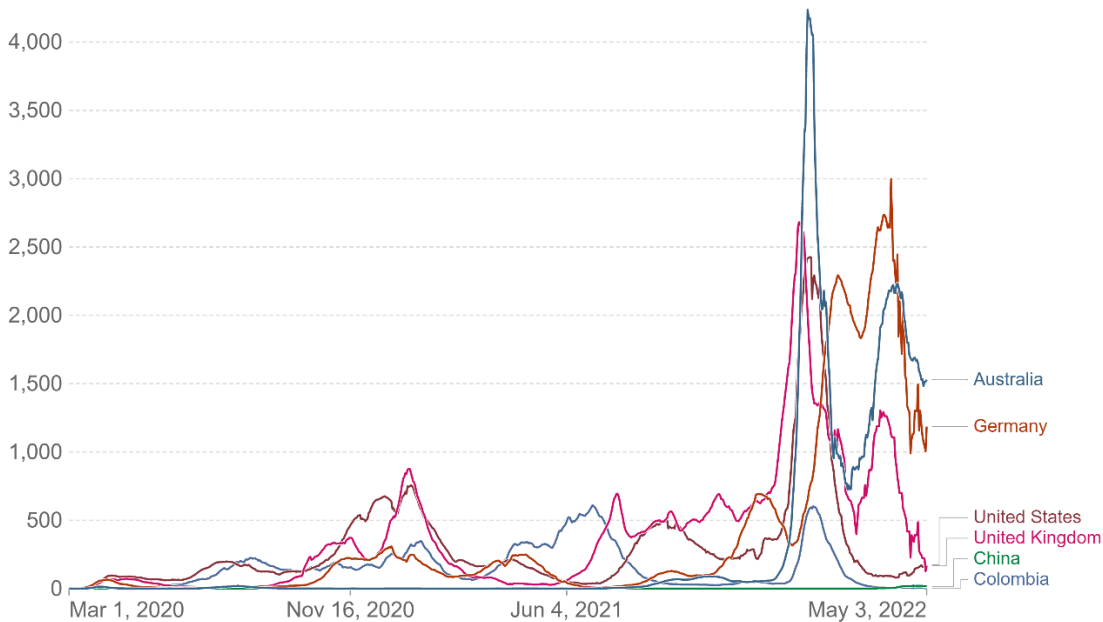
In response to Europe's high vaccination rates, a number of EU and European Economic Area (EEA) countries have lifted entry requirements for foreigners ahead of the summer travel season. Fourteen EU/EEA countries have [dropped](#) all COVID-19 travel measures and now permit restriction-free entry to non-EU travelers (Bulgaria, Czechia, Denmark, Greece, Hungary, Iceland, Ireland, Latvia, Lithuania, Norway, Poland, Romania, Slovenia, and Sweden), as has Switzerland. The European Commission announced on April 27 that an estimated 60 percent to 80 percent of the EU population has already been infected with COVID-19 -- a figure that recalls former German Chancellor Angela Merkel's then-shocking [statement](#) in March 2020 that up to 70 percent of Germans would become infected with the virus. As the bloc enters a [post-emergency phase](#), national governments are set to focus their attention on immunizing children and the development of antivirals.

In Latin America, [plummeting](#) infection rates have countries eliminating restrictions on gatherings, lifting some travel requirements, and scrapping mask mandates. Epidemiologists believe that successful vaccination campaigns and exposure to various strains of the virus have helped the region resist new outbreaks. In Colombia, cases are down from 35,000 per day in January during the Omicron peak to approximately 250 per day, with daily deaths in the single digits. Argentina lifted all travel restrictions in March, even for the unvaccinated. In Peru, [deaths have fallen](#) dramatically, from more than 200 per day in February to approximately 20 by the end of April. Most countries in the region have met WHO's target of fully vaccinating at least 70 percent of its population.

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



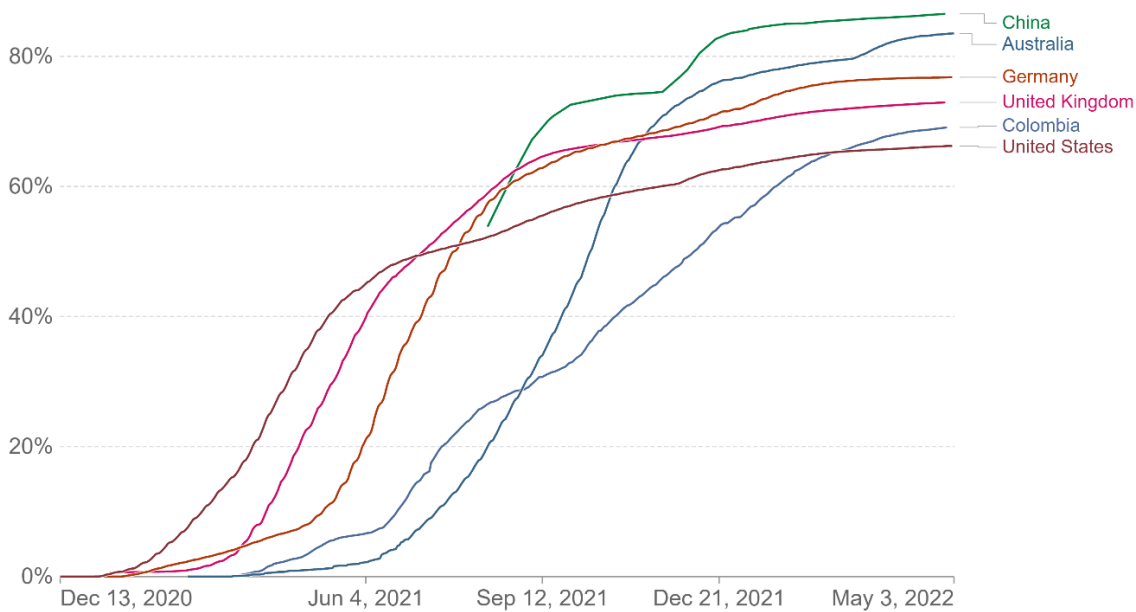
Source: Johns Hopkins University CSSE COVID-19 Data

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Australia is concerned that COVID-19 cases could spike this winter alongside the upcoming [flu season](#). Australia recorded 4,027 [deaths nationally](#) in the first quarter of 2022. Despite its closed borders and COVID-zero policies during the majority of the course of the pandemic, Australia has loosened its policies. As of April 18, fully vaccinated [travelers](#) no longer need to obtain a negative pre-arrival test.

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.



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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