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## 1. DEVELOPMENTS ON UKRAINE

The week began with Russian President Putin giving a [Victory Day speech](#) in Moscow in which he did not call for greater mobilization but predicted victory: “All plans are being fulfilled. A result will be achieved – on that account there is no doubt.” But many observers noted the lack of specificity in Putin’s speech, and UK Defence Secretary Ben Wallace [responded](#) by stating that Russia is “repeating the errors of the last century’s totalitarian regimes” and “mirroring fascism and tyranny.” European Council President Charles Michel spent Victory Day in Odesa with Ukrainian President Zelensky. Fighting continued this week with battles near Kharkiv and a prolonged bloody battle for Mariupol; the US [assessed](#) that Russia is about two weeks behind its schedule in the Donbas conflict.

The director of the Defense Intelligence Agency [testified](#) to Congress that “[t]he Russians aren’t winning, and the Ukrainians aren’t winning, and we’re at a bit of a stalemate here,” while Defense Secretary Austin [said](#) that Russian use of hypersonic weapons in the conflict is “not a major game changer to this point. [Putin] can launch a cyberattack, he can employ chemical weapons ... but I don’t think this necessarily takes him to the use of a nuclear weapon.” Director of National Intelligence Avril Haines testified that Putin would continue to threaten nuclear conflict and would not restrict his war aims to eastern and southern Ukraine. In careful language, she [noted](#) that Putin would likely not use a nuclear weapon without seeing an existential threat to his regime, but that “[w]e do think that [Putin’s

perception of an existential threat] could be the case in the event that he perceives that he is losing the war in Ukraine, and that Nato in effect is either intervening or about to intervene in that context, which would obviously contribute to a perception that he is about to lose the war in Ukraine [.]”

Commerce Secretary Gina Raimondo [testified](#) that sanctions are having an effect on Russian production of military supplies, particularly from banning Russia from importing computer chips: “U.S. exports of technology to Russia have fallen by nearly 70 percent since we imposed these export controls.”

Finland’s president and prime minister said that “Finland must apply for NATO membership without delay” -- a move warmly welcomed by France, Germany, and many central and eastern European NATO members. NATO Secretary General Jens Stoltenberg [called for](#) a “smooth and swift” accession process. 76 percent of Finns now support joining NATO. Russia called the decision a threat to its security and is [reportedly](#) considering cutting off gas to Finland. The UK signed [military mutual support agreements](#) with Finland and Sweden formalizing that “in the event of an attack on either of us, we will come to each other’s support upon request.” NATO also conducted its “Swift Response” exercise in five countries from Norway to North Macedonia, involving 19,000 troops.

In a [speech](#) in which he claimed that over 500,000 Ukrainians have been deported to Russia, President Zelensky identified Ukrainian war aims to include the return of refugees, restoring Ukraine’s borders before the invasion, and joining the EU. He declined to address the fate of Russian President Putin, [saying](#) that “I do not care what happens to some leaders and where they end up. For me what matters is Ukraine’s victory, and by Ukraine’s victory I mean something that belongs to us.” Russia, for its part, vowed to keep southern Ukraine “[for ever . . . There will be no return to the past.](#)” Another official [said](#) “the city of Kherson is Russia . . . there will be no referendums”; instead, newly installed pro-Russia leaders will simply apply to include Kherson in Russia. Ukraine began a [war crimes trial](#) of several Russian soldiers accused of murdering civilians.

President Biden signed the [Lend-Lease Act of 2022](#) into law, which will help speed military aid to Ukraine; President Zelensky [welcomed](#) the new law, responding that “lend-lease is a scheme to give us everything we need for defense.” The House passed a [\\$40 billion aid package](#) for Ukraine -- \$7 billion more than the President requested -- on a bipartisan basis but Senator Rand Paul (R-KY) stymied quick action in the Senate by objecting to the bill, claiming it would “[doom](#)” the US economy. The House bill [includes](#) almost \$15 billion in military equipment, training and intelligence support; about \$14 billion for the State Department including humanitarian support for refugees, and about \$5 billion, mostly for USAID, to address global food insecurity, as well as other items.

The EU failed to agree on a sanctions package to ban Russian oil, though work was still continuing on the measure. Russian oil revenues are expected to “[increase significantly to more than \\$180 billion,](#)” 45 percent higher than in 2021, given recent price spikes, according to research firm Rystad Energy. By 2030, however, the firm estimates that Russian production will fall by 2,000,000 barrels per day. Similarly, another firm estimated that Russian crude oil exports have fallen by [at most 20 percent](#), with an average of 13 tankers per day leaving Russian ports, while the International Energy Agency [estimated](#) Russia is exporting about 8,000,000 barrels per day, about 43 percent of which is going to EU countries. [India](#) and China have also been large purchasers of Russian oil since the invasion. China is storing much of the oil it purchases, which has “[offset](#), to a large extent, the release of oil from the U.S. Strategic Petroleum Reserve and boosted prices in the United States and Europe — just when leaders trying to block Russian oil also seek to keep retail prices at the pump within reach of consumers.”

In other energy news, Ukraine's national gas company Naftogaz [suspended transit](#) of Russian gas -- up to one-third of exports -- that comes through the Donbas in eastern Ukraine, stating that "Ukraine no longer bears responsibility for the transmission of Russian gas through Ukrainian territories under Russian military occupation," because Ukraine cannot "perform uninterrupted and effective operational and technological control" of the pipelines in these areas.

German Economy Minister Robert Habeck [said](#) that under certain circumstances, Germany might be able to handle a cutoff of Russian gas this winter: "If we have full storage facilities at the turn of the year, if two of the four floating LNG tankers we have leased are connected to the grid, and if we make significant energy savings, we can to some extent get through the winter if Russian gas supplies collapse," though he also called for conservation measures to reduce gas usage by 10 percent.

Special Climate Envoy John Kerry said that impacts on energy markets from the Russian invasion of Ukraine threaten the goal of limiting global warming to 1.5 degrees Celsius. Recognizing that gas imports to Europe will make up for Russian hydrocarbons instead of coal, Kerry [stated](#) that "I'd take a gas-fired power plant in the near term — I emphasize near term — over coal or oil any day of the week. But for the long run, gas is going to have to abate and live up to low emissions standards [.]"

In agriculture, [satellite images suggest](#) that Ukraine's wheat harvest may fall by up to 35 percent, with the country producing a maximum of 21 million metric tonnes of wheat rather than 33 million. Before the war, Ukraine was the sixth-largest exporter of wheat. Russian [attacks on and blockade of](#) the port of Odesa also raise fears that Ukraine may not be able to export wheat later this year. President Zelensky [called](#) for "immediate measures" to end Russia's blockade of grain exports and "prevent a food crisis in the world." The G7 foreign and agriculture ministers are [considering](#) measures to break Russia's blockade of grain exports, particularly through moving grain through Romania and the Baltic states, as President Biden noted the urgent need "to get this food out into the world so that it could help bring down prices." A Russian ship carrying stolen Ukrainian grain [docked](#) in Syria.

## **2. APRIL CPI MODERATES BUT INFLATION REMAINS PROBLEMATIC**

According to analysis by [The Conference Board's Economics, Strategy, and Finance Center](#) (ESF), the Consumer Price Index (CPI) rose to 8.3 percent year-over-year in April, vs. an increase of 8.5 percent year-over-year in March. This is the first time this widely-followed gauge of inflation increased at a slower clip in eight months. Core CPI, which excludes volatile food and energy prices, slowed to 6.1 percent year-over-year, vs. 6.4 percent in March.

On a month-over-month basis, April CPI rose 0.3 percent, vs. 1.2 percent March. Meanwhile, April Core CPI rose 0.6 percent, vs. 0.3 percent in March. This direction divergence shows that energy prices cooled following a large spike in March, but that inflation in core parts of the economy may be intensifying. Indeed, while the index for gasoline fell 6.1 percent over the month, prices for shelter, airline fares, and new vehicles all rose. Meanwhile, food prices rose 0.9 percent from the previous month.

These price trends appear to be consistent with current events around in the world. Russia's invasion of Ukraine sent oil prices soaring in late-February and March, but energy prices have retreated somewhat over the last month. Meanwhile, shocks to global agricultural prices associated with the conflict (Ukraine and Russia are major global grain producers) appear to be ongoing. Finally, COVID-19 outbreaks in China have resulted in lockdowns in numerous cities there, including Shanghai. The resulting disruption to

production and export activity are once again cascading through global value chains. This still evolving story in China is important and may result in additional inflationary pressures in the coming months.

At present, ESF's forecast for PCE inflation, which is similar to CPI, rises from a reported 6.3 percent year-over-year in Q1 2022 to a high of 6.6 percent in Q2 2022 and then slows to 4.2 percent in Q4 2022. ESF projects that Core PCE inflation, which is similar to Core CPI, rises from a reported 5.2 percent year-over-year in Q1 2022 to a high of 5.9 percent in Q2 2022 and then slows to 4.4 percent in Q4 2022.

### **3. UNEMPLOYMENT CLAIMS STAY LOW; EMPLOYERS CONTINUE TO HIRE**

[Initial claims for unemployment insurance \(UI\)](#) ticked up by 1,000 to 203,000 for the week ending May 7 (last week's claims were revised up by 2,000). The 4-week moving average, which smooths out volatility, remains under 200,000, and down from 537,750 just one year ago. Last week, the [Bureau of Labor Statistics](#) announced that employers added 428,000 jobs in April and that the unemployment rate was unchanged at 3.6 percent. Even as inflation and supply chain disruptions provide headwinds to economic growth, employers continue to hire in a historically tight labor market. Continuing claims for UI dropped to another record low of 1.34 million for the week ending April 30.

### **4. NEW BROADBAND SERVICE AND INTERNET DISCOUNTS**

As part of the \$1 trillion bipartisan infrastructure bill, lower-income households are eligible to purchase high-speed internet for no more than \$30 a month through the new [Affordable Connectivity Program \(ACP\)](#). A statement by the White House notes that "high-speed internet service is no longer a luxury—it's a necessity." [Twenty internet providers](#) have agreed to provide service at this discounted rate to help close the broadband access gap in the US. The White House estimates that the program will cover 48 million, or 40 percent of, US households. The discounted rate combined with the federal subsidies already available mean that the government will [cover the entire cost](#) of internet for the households.

### **5. FED CHAIR AND TWO MEMBERS CONFIRMED**

On Thursday, the Senate [confirmed](#) Jerome Powell for a second term as Chair of the Federal Reserve, in an 80-19 vote. Powell is committed to the fight against inflation, [noting last week](#) that "I do expect that this will be very challenging. . . . Inflation has obviously surprised to the upside over the past year, and further surprises could be in store." The Senate also confirmed two other Fed nominees, economist Lisa Cook of the University of Michigan and economics professor Philip Jefferson of Davidson College.

### **6. CHINA AND INDIA GRAIN HARVESTS**

China, the world's largest wheat producer, and India are both facing concern over their upcoming harvests. [Exceptionally heavy rains in China](#) last fall prevented some wheat from taking deep root, and China's agriculture minister had warned in March that the crop size could fall. USDA, however, has estimated that China's wheat crop will only be three percent smaller than last year. In India, a strong heat wave has forced the government to [reduce](#) its estimate of the wheat harvest by 5.7 percent to 105 million metric tonnes for the crop year ending in June. Each reduction will have some impact on already stretched global food supplies after the Russian invasion of Ukraine.

### **7. TECH COMPANIES AND BROADBAND UNIVERSAL SERVICE FUND**

The Senate Commerce Committee approved bipartisan [legislation](#) directing the Federal Communications Commission to study the “feasibility” and “effects” of requiring “edge” Internet companies, including Google, Netflix, and other “over-the-top” services, to contribute to the [Universal Service Fund](#) (USF) which funds essential telecommunications services including broadband subsidies to schools and libraries in rural areas. The USF, whose revenues derive from a surcharge to bills for landline phones, does not apply to charges for broadband access and is facing looming shortfalls as consumers shift to broadband. The idea to expand the USF revenue base was [proposed by](#) Republican-appointed FCC Commissioner Brendan Carr and has become increasingly popular among Republicans, with Senate Commerce Ranking Member Roger Wicker (R-MS) [noting](#) that “[t]hese companies have benefitted from the connectivity the USF supports but have not yet had to contribute.” Edge companies will resist the proposal strongly. In related news, the Federal Communications Commission has [suspended plans](#) to impose a cap on support from the USF that rural carriers may use to build out broadband in an effort to accelerate broadband deployments.

In Europe, addressing a similar issue, European Commission Executive Vice President Margrethe Vestager has [said](#) that “there are players who generate a lot of traffic that then enable[s] their business, but they have not been contributing actually to enable that traffic, they have not been contributing to enable the investments in the rollout of connectivity” and suggested that Europe would have to consider “the issue of fair contribution to telecommunications networks . . . with a lot of focus.”

## **8. CHANGE IN STATE DEPARTMENT LANGUAGE ON TAIWAN**

China has sharply [criticized](#) the State Department for changing its wording about Taiwan on its website. According to Reuters, the website has “removed wording both on not supporting Taiwan independence and on acknowledging Beijing’s position that Taiwan is part of China.” China’s Foreign Ministry termed the change “a petty act of fictionalizing and hollowing-out the one-China principle. This kind of political manipulation on the Taiwan question is an attempt to change the status quo in the Taiwan Strait [.]” The website also now includes information on the 1982 “Six Assurances” to Taiwan, declassified in 2020, including the fact that the US has no date for ending arms sales to Taiwan, does not consult with Beijing before arms sales, and has not agreed to revise the 1979 [Taiwan Relations Act](#).

## **9. COMMERCE DEPARTMENT EXPANDS SCOPE OF SANCTIONS AGAINST RUSSIA**

The Department of Commerce is [expanding sanctions](#) against certain Russian industrial sectors, publishing a list of new license requirements for exports, reexports, and in-country transfers to additional items already subject to Export Administration Regulations. Commerce notes that it is taking this step to “further restrict Russia’s ability to withstand the economic impact of the multilateral sanctions, further limit sources of revenue that could support Russia’s military capabilities, and to better align with the European Union’s controls.”

## **10. SEC PROPOSES RULES ON SPECIAL PURPOSE ACQUISITION COMPANIES AND TRANSACTIONS**

Citing “an unprecedented surge in the number of initial public offerings” using Special Purpose Acquisition Companies (SPACs) reaching \$160 billion in 2021, the Securities and Exchange Commission published [proposed rules](#) to enhance disclosures and investor protections in these transactions to avoid conflicts of interest. The SEC defines a SPAC as “typically a shell company that is organized for the purpose of merging with or acquiring one or more unidentified private operating companies (a ‘de-SPAC

transaction') within a certain time frame (often two years) and that conducts a firm commitment underwritten initial public offering of \$5 million or more in units consisting of redeemable shares and warrants." The SEC is concerned that these transactions provide listings on securities exchanges without the same investor protections that the usual initial public offering process offers, effectively engaging in "regulatory arbitrage." The SEC proposes greater disclosures and investor protections in both SPAC initial public offerings and in de-SPAC transactions, including imposing new duties on underwriters of SPACs to exercise due diligence "to ensure the accuracy of" disclosures by subjecting the underwriters to liability for the information disclosed in the transactions. In the SEC's view, "the manner in which a company goes public should not generally result in substantially different financial statement disclosures being provided to investors."

## 11. PANDEMIC NEWS

As the nation neared [1,000,000 deaths](#) in the pandemic, the President held the [second COVID-19 virtual summit](#) on Thursday, involving governments, foundations, and the private sector, focusing on global vaccination efforts including booster, and additional global resources to address COVID-19 as well as preparedness for the next pandemic, "investing now to secure political commitment for pandemic preparedness globally," including for "health workers, disease surveillance, and medical countermeasures." The US announced it has shipped over 530 million doses of vaccine to 115 countries as part of its commitment to donate 1.2 billion doses of vaccine.

WHO Director-General Tedros Adhanom Ghebreyesus said on Tuesday that China's [zero-tolerance](#) COVID strategy is [not sustainable](#) given what is now known about the virus. "We have discussed this issue with Chinese experts. And we indicated that the approach will not be sustainable... I think a shift would be very important," said Tedros at the media briefing. Also speaking at the briefing, WHO Emergencies Director Mike Ryan noted that the impact of a "zero-COVID" policy on human rights needs to be taken into consideration. Shanghai's zero-COVID measures have been [particularly strict](#), with residents only allowed out of their resident compounds for medical emergencies. China's media censors [blocked](#) WHO's message, as officials in Shanghai insisted there would be no change in policies.

The Chinese perspective was bolstered by an analysis of the current state of China's COVID response. According to modeling by experts in China and the US, China [risks](#) losing approximately 1.5 million lives if it drops its zero-COVID policy without safeguards such as increased vaccination and access to treatments. While dropping the policy is risky, the report noted that the impact could be greatly mitigated by aggressive vaccination of the elderly; only approximately 50 percent of seniors over 80 years of age in China are vaccinated. "The availability of vaccines and antiviral drugs offer an opportunity to move away from zero-Covid. I can't think what there is now to wait for," said Dr. Ben Cowling, an epidemiologist at Hong Kong University. Dr. Cowling noted that the transition must be gradual, as the public health infrastructure needs time to prepare.

Across the Taiwan Strait, despite Taiwan having record high daily case numbers, the island is shifting its policies towards [living with the virus](#). Due to Omicron, domestic daily cases crossed 1,000 on April 15 and have continuee to climb, hitting 57,188 on May 11. Health leaders are not worried about these high numbers, however, as only eight deaths were reported May 11, all of whom were over age sixty, with five of them unvaccinated. The majority of cases were mild or asymptomatic, while 60 were moderate and nine severe. "For the world to return to 'living normally', all countries must go through growing pains in co-existing with the virus," said Associate Professor Wayne Gao at Taipei Medical University's



College of Public Health. Among the latest shift in Taiwan's policies is a shift in the quarantine period for mild or asymptomatic positive cases and for returning travelers from ten days to seven.

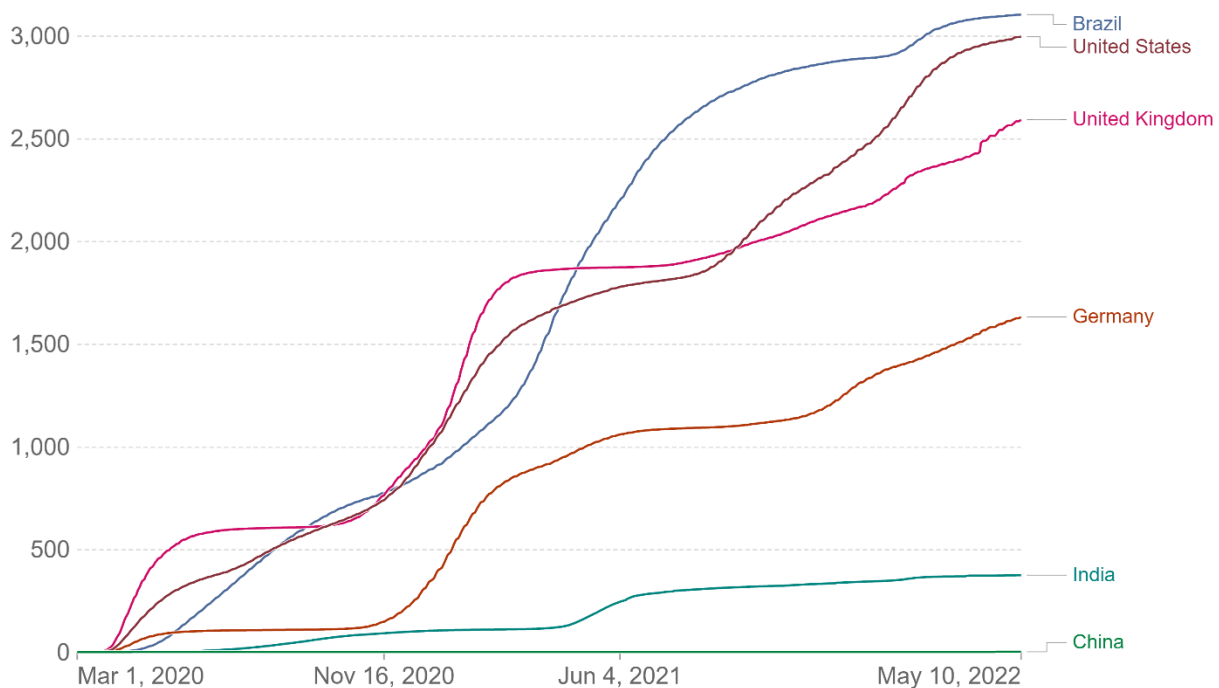
## 12. COUNTRY SPOTLIGHT: INDIA

The World Health Organization (WHO) [released](#) data estimating that 4.75 million people died in India due to the COVID-19 pandemic, as a part of its global assessment of COVID-related deaths. The figure falls within WHO's estimated range of 3.3 to 6.5 million and ascribes just under one third of global COVID-related deaths to India. The WHO methodology captures not only confirmed COVID-19 deaths but also COVID-19 deaths that were not correctly diagnosed and reported as well as deaths from other causes attributable to the [overall crisis conditions](#). This figure, termed [excess mortality](#), is the difference between the number of deaths that occurred during the COVID-19 pandemic and the number of deaths that would be expected had the pandemic not occurred.

### Cumulative confirmed COVID-19 deaths per million people

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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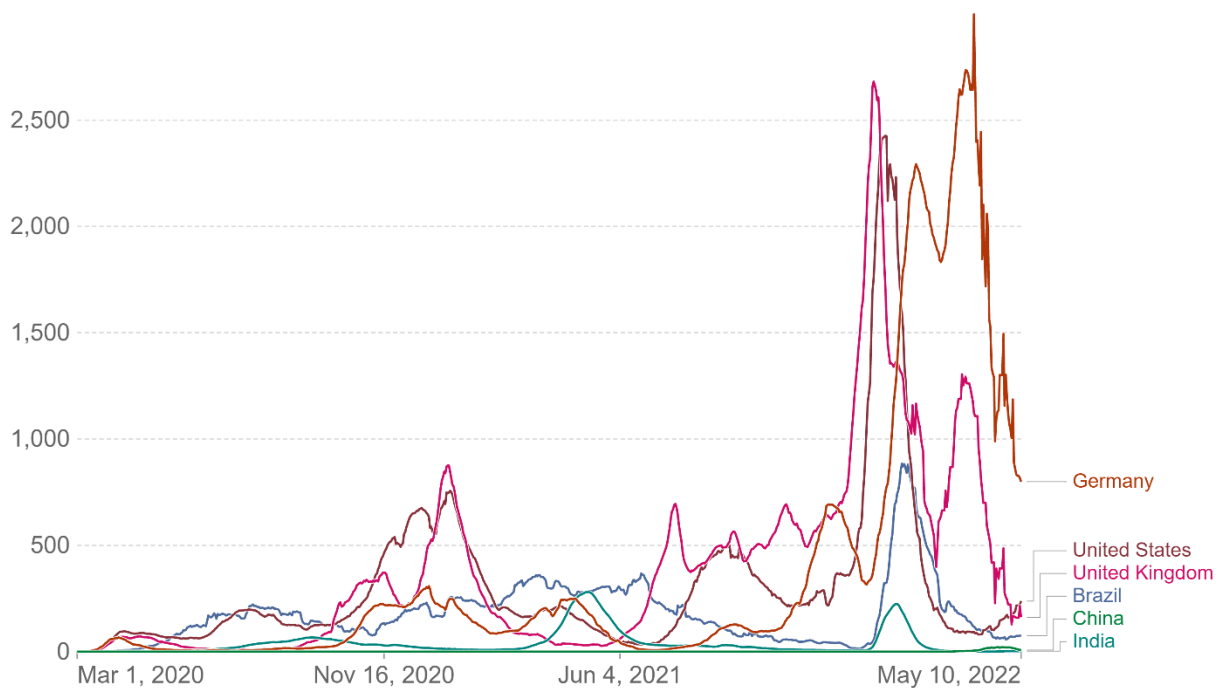
Source: Johns Hopkins University CSSE COVID-19 Data

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In stark contrast to WHO's figure, India has officially [reported 525,000](#) COVID-19 deaths. The Indian government [pushed back](#) on the WHO's figures which put the numbers at nearly [ten times](#) the country's official toll. The Indian Ministry of Health and Family Welfare accused WHO of publishing the data "without adequately addressing India's concerns." "Mathematical models should not be used for projecting excess mortality numbers for India" given the country's size, diversity, and population of 1.3 billion, the Ministry said, and the methodology "cannot be applicable to India." Samira Asma, data chief at WHO, said that the agency held a series of consultations with New Delhi and would continue "to engage with colleagues from India."

## 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.



Source: Johns Hopkins University CSSE COVID-19 Data

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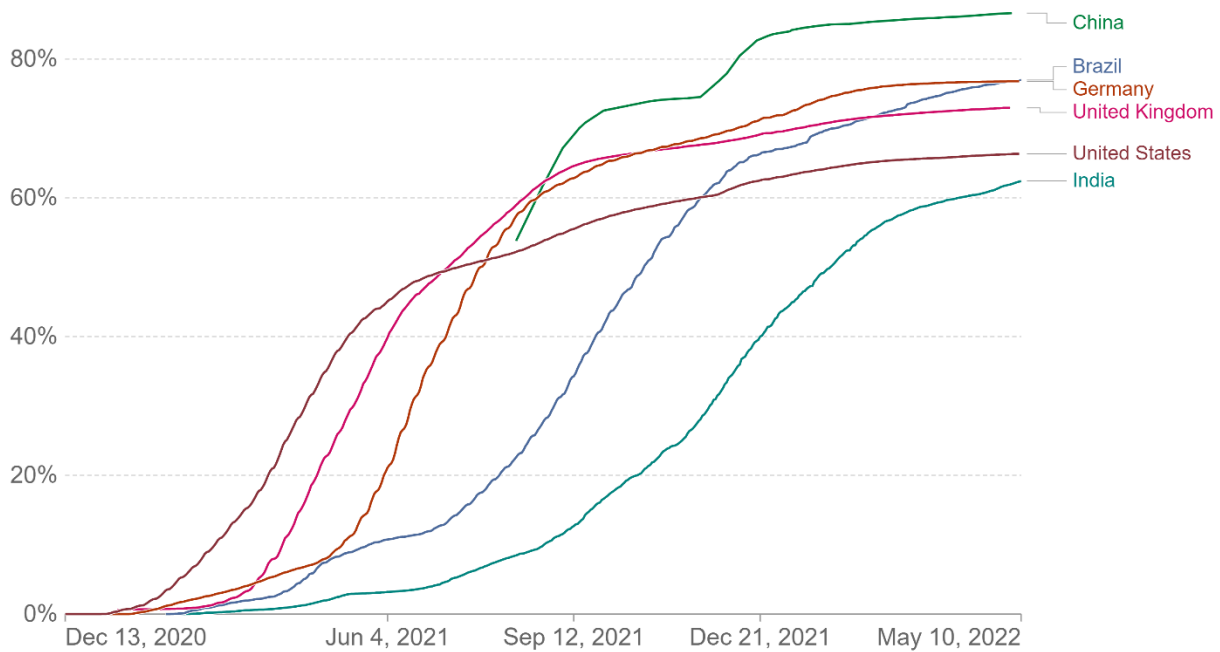
India first detected the Delta variant in October 2020; it went on to trigger a [tsunami of cases](#) in the country in April 2021. India's capital city [Delhi](#) was among the hardest hit by the Delta wave and went into a lockdown to address a severe shortage of ICU beds and oxygen supplies. At the height of the Delta wave, India reported over [400,000 new cases daily](#). Now, one year later, daily new cases have fallen to their lowest in nearly two years. On May 9, India [reported](#) 3,207 new cases and 29 deaths. India has administered over 1.8 billion doses of vaccine so far, [fully vaccinating](#) 80 percent of the adult population.



## 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.

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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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