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DEVELOPMENTS ON UKRAINE

Ukraine abandoned the city of Lysychansk and faced new shelling in Kramatorsk, Sloviansk, and other places as Russia claims victory in the eastern area of Luhansk and has set its sights on continued advances in Donetsk. Threatening an escalation to the war, Russian President Putin [claimed](#) that “[e]verybody should know that largely speaking, we haven’t even yet started anything in earnest [.]” Analysts [said](#) that the capture of Lysychansk gave Russia “genuine headway” in its advance in eastern Ukraine. For his part, Ukrainian President Zelensky [said](#) Ukrainian forces are now benefiting from the weapons the West has sent to Ukraine and claimed that they are advancing along the southern front.

Ukraine proposed a [\\$750 billion recovery program](#) during a conference in Switzerland, which Ukraine suggested should be financed in part by seized assets of Russia and Russians subject to sanctions, with Prime Minister Denis Shmyhal saying that “[t]he Russian authorities unleashed this bloody war and caused this massive destruction, and should be held accountable for it.” The plan includes both proposals for emergency humanitarian assistance, a “fast recovery” plan covering needs such as repairing schools and hospitals, and infrastructure repair, with current estimates of damages at around \$100 billion. Other funds would be used to modernize the country from 2026-2032 in preparation for closer links with Europe, including a [“green digital economy”](#).

The EU’s High Representative for Foreign Affairs, Josep Borrell, spoke with Chinese Foreign Minister Wang Yi and [asked](#) China to “play [a] more constructive role” in responding to the war in Ukraine, including an end to disinformation about “the causes and the disastrous global economic consequences of Russia’s attack.” In a similar move, US Ambassador to China Nick Burns [said](#) publicly that China should not spread Russian “propaganda” about the war.

Finland and Sweden [signed protocols](#) formally acceding to NATO; now the accession must be ratified by each of NATO’s 30 members (Canada has already done so). The UN [said](#) that nearly nine million people have left Ukraine since the invasion began.

Two foreign-flagged ships, one registered in Liberia and the other in Panama, were [seized](#) in Russian-occupied Mariupol by separatists from the self-proclaimed Donetsk People's Republic as "state property." At Ukraine's request, Turkey [detained](#) a ship, the *Zhibek Zholy*, which Ukraine alleges is carrying 7,000 tonnes of stolen Ukrainian grain. However, Turkey later [permitted](#) the ship to depart from a Turkish port, leading to a Ukrainian diplomatic protest. Ukraine is also [asking](#) Turkey to investigate three additional Russian ships reportedly carrying Ukrainian grain. Separately, Ukraine [released](#) images of Ukrainian grain allegedly being set afire by Russian munitions.

FACTORY ORDERS RISE 1.6 PERCENT

While factory orders [rose](#) 1.6 percent in May, well above an estimate 0.6 percent from economists polled by the Wall Street Journal, manufacturing activity [fell to a two-year low](#) in June according to the Institute for Supply Management, and much of the increase in factory orders may be related to products derived from petroleum, the prices of which may continue to increase.

UNEMPLOYMENT CLAIMS; JOB OPENINGS

[Initial claims for unemployment insurance rose](#) to a seasonally-adjusted 235,000 last week, a six-month high, up 4,000 from the week before, a sign that the labor market may be softening. Job openings [fell](#) to 11.3 million from 11.7 million in May, with strong reductions in white-collar positions (down 325,000) and manufacturing (down 208,000), and the [quits rate](#) of voluntary departures fell to 2.8% from 2.9%

FOREIGN TRADE BALANCE

The Commerce Department's Bureau of Economic Analysis [reported](#) that the US deficit in international trade in goods and services fell 1.3 percent in May to \$85.5 billion, as exports rose to \$255.9 billion (an increase of \$3 billion) and imports also rose to \$341.4 billion (an increase of \$1.9 billion).

TRANSPORTATION EMISSIONS REDUCTION FRAMEWORK

The Federal Highway Administration (FHWA) proposed a new [regulation](#) applicable to states and municipalities designed to reduce greenhouse gas (GHG) emissions in the transportation sector, as part of a \$27 billion initiative from the Bipartisan Infrastructure Law (BIL) to help reduce GHG emissions in the sector, the leading source of US GHG emissions. The new rule would establish a national framework, with greater transparency, to track states' progress in reducing GHG emissions through a performance management measure and promote "more informed investment decisions" with BIL funds. It would also set up a system by which states and municipalities can set declining targets for "on-road greenhouse gas emissions" from highway travel. The rule is expected to push states and municipalities towards making funding decisions that will reduce GHG emissions, for instance through increased use of transit and electric vehicles. The FHWA would then have to define what constitutes sufficient reductions in GHG emissions for purposes of the rule.

LIEU-YELLEN MEETING; NEW CHINESE INFRASTRUCTURE FUND

Treasury Secretary Janet Yellen and Chinese Vice Premier Liu He held a virtual meeting on Tuesday that the Chinese side [described](#) as "constructive." The conversation reportedly focused on macroeconomic policies, with a "pragmatic and frank" discussion on global supply chains and US tariffs on Chinese

goods. The US statement called the meeting “candid and substantive,” noting that Yellen “frankly raised issues of concern including the impact of Russia’s war against Ukraine on the global economy and unfair, non-market” economic practices.

Reuters [reported](#) that China is expected to set up a 500 billion yuan (US \$74.6 billion) infrastructure fund as a stimulus to the economy, still suffering the effects of lockdowns earlier this year and weakness in property and other economic sectors.

US AND UK WARN OF CHINESE ECONOMIC ESPIONAGE

In an unusual joint statement the FBI and MI5 (the UK’s domestic intelligence agency) [warned](#) that China is ramping up efforts for economic espionage against Western companies, including through both hacking and active agents. The agencies called on the private sector, including technology companies, to exercise increased vigilance in this area.

UK’S JOHNSON TO RESIGN

Citing “[the herd](#)” of Conservative MPs’ opposition and after weeks of pressure resulting from scandals involving alleged violations of the pandemic lockdown, controversies over spending on his official residence and his appointments, and a [previously unconfirmed trip](#) to a villa [owned](#) by a Russian oligarch, British Prime Minister Boris Johnson announced that he will resign from office once his successor is chosen. Johnson appointed a new Cabinet consisting solely of MPs who had remained his supporters. The process of selecting a new Conservative leader (who would then become Prime Minister after a vote of MPs and confirmation by the Queen) involves candidates gaining support in Parliament and then the leading candidates submitting to a ballot among active members of the Conservative Party. The process could take up to three months. Some leading Tories, including former Prime Minister [John Major](#), [criticized](#) the lengthy delay. Current and former members of the Cabinet, including Defence Secretary Ben Wallace, Foreign Secretary Liz Truss, former Chancellor Rishi Sunak, and Health Minister Sajid Javid, are likely to declare their [candidacies](#) for leader of the party. Should Johnson resign before a new leader is selected, Deputy Prime Minister Dominic Raab would likely serve in an interim capacity. One important question is whether the new Prime Minister will decide to keep Britain’s very strong support for Ukraine; Ukrainian Foreign Minister Dmytro Kuleba called Johnson a “[true friend of Ukraine](#)” and expressed hope that Britain would stay on its current course.

FEDERAL GOVERNMENT AND SINGLE-USE PLASTICS

Responding to a petition for rulemaking from the Center for Biological Diversity and 180 other signatories, the General Services Administration (GSA) has issued an [Advance Notice of Proposed Rulemaking](#) (ANPR) asking for comments on the use of single-use plastics in contracts administered by GSA. The ANPR is designed to “help inform future rulemaking on how to best reduce single-use plastics from packaging, while limiting burden and liability on our industry and logistics partners.” It asks GSA contractors a number of questions about the necessity of single-use plastics, including evaluating possible alternatives to single-use plastics. Comments on the ANPR are due by September 6.

MEDICARE SEEKS IMPROVED CARE IN RURAL HOSPITALS

The Department of Health and Human Services [proposed a rule](#) tightening the conditions under which Critical Access Hospitals (CAH) can participate in the Medicare and Medicaid programs, to deliver higher

quality care. Noting that Americans living in rural areas “often experience shorter life expectancy, higher all-cause mortality, higher rates of poverty, fewer local doctors, and greater distances to travel to see health care providers, compared to their urban and suburban counterparts [.]” The agency also stated that between 2010 and February 2022, 138 rural hospitals stopped providing inpatient services and 75 rural hospitals closed permanently, while 63 others reduced service. The proposed rule also sets out provisions for new Rural Emergency Hospitals (REH) program established by the Consolidated Appropriations Act of 2021. Hospitals meeting the REH criteria will receive an extra five percent reimbursement beyond that provided by Medicare for covered outpatient services. Comments on the proposed rule are due August 29.

EXPANDED DRILLING AND LEASES FOR DRILLING IN GULF OF MEXICO

Shell Oil is [reportedly considering](#) expanding drilling in the Gulf of Mexico, according to an energy consulting firm, even as its Vito project started in 2018 will begin production later this year. The Administration has recently [announced](#) a plan to prohibit new drilling along the Atlantic and mainland Pacific coasts while permitting some new drilling in the Gulf and off Alaska’s Pacific coast. The plan would permit up to 10 lease sales in the Gulf over the next five years.

PANDEMIC NEWS

Some neighborhoods in New York City are [experiencing](#) 20-25 percent positivity rates as cases climb, fueled by the more transmissible Omicron BA.5 subvariant. Japan is currently bracing for a [possible seventh wave](#) of the virus fueled by Omicron subvariant BA.5. On Wednesday, Japan recorded 45,000 new cases, exceeding 40,000 cases for the first time since May. In Tokyo, 8,341 new cases were recorded, up from 3,803 on Wednesday of last week. The National Institute of Infectious Diseases projects BA.5 to become mainstream during the week of July 4 to 10 with most patients infected with it. Indonesia’s capital of Jakarta [raised the status](#) of public mobility restrictions to level 2 in response to rising case numbers. On Monday, Indonesia recorded 1,434 newly-confirmed COVID-19 cases. Level 2 restrictions also impact Jakarta’s satellite cities of Bogor, Depok, Tangerang, and Bekasi. "Recently, we have seen a significant growing number of Covid-19 infections caused by the spread of BA.4 and BA.5 variants," the Ministry of Home Affairs, said in a statement. Under level 2 mobility, restaurants, theatres, and grocery stores can operate at 75 percent capacity and must be closed by 9 PM.

On Wednesday, Israel Health Ministry Director-General Prof. Nachman Ash approved his staff’s recommendation to vaccinate [infants and children](#) aged six months to five years. Israel has begun the process of purchasing vaccines for the nation’s youngest children. According to the plan, vaccination is expected to begin in early August. In the coming days, the Health Ministry is also expected to discuss the possibility of reinstating an indoor mask requirement at large gatherings.

COUNTRY SPOTLIGHT: ITALY

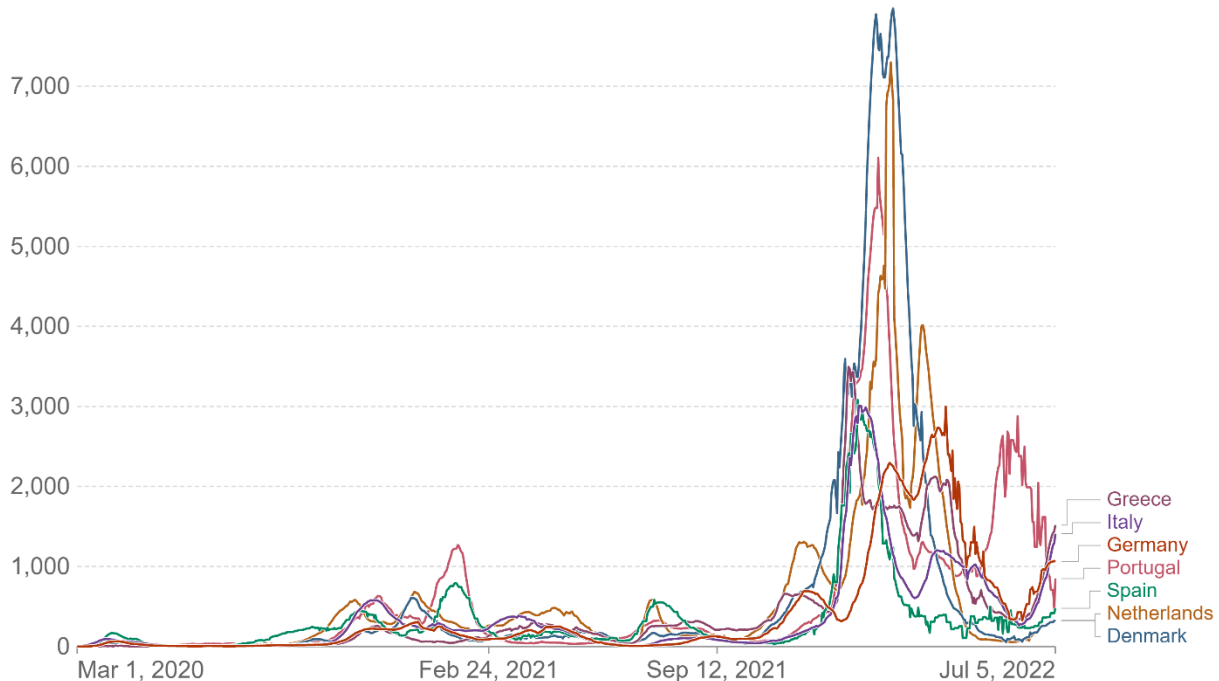
On June 1, Italy dropped its Green Pass travel requirement; foreign travelers into the country [no longer](#) have to show proof of COVID-19 vaccination or a negative test. One month later, Italy’s daily new COVID-19 cases have [exceeded](#) 100,000 for the first time since February. On Tuesday, Italy reported 132,274 new cases and 94 deaths. In response to soaring case numbers, late last week Italy [updated](#) its COVID-19 health protocols in the workplace. The new rules, developed by the Ministry of Labor and Social Policies and the Ministry of Health, will require masks for sensitive groups as well as workplace

environments at high risk for infection. The guidelines also encourage remote work when possible and staggered entrance and exit times for employees.

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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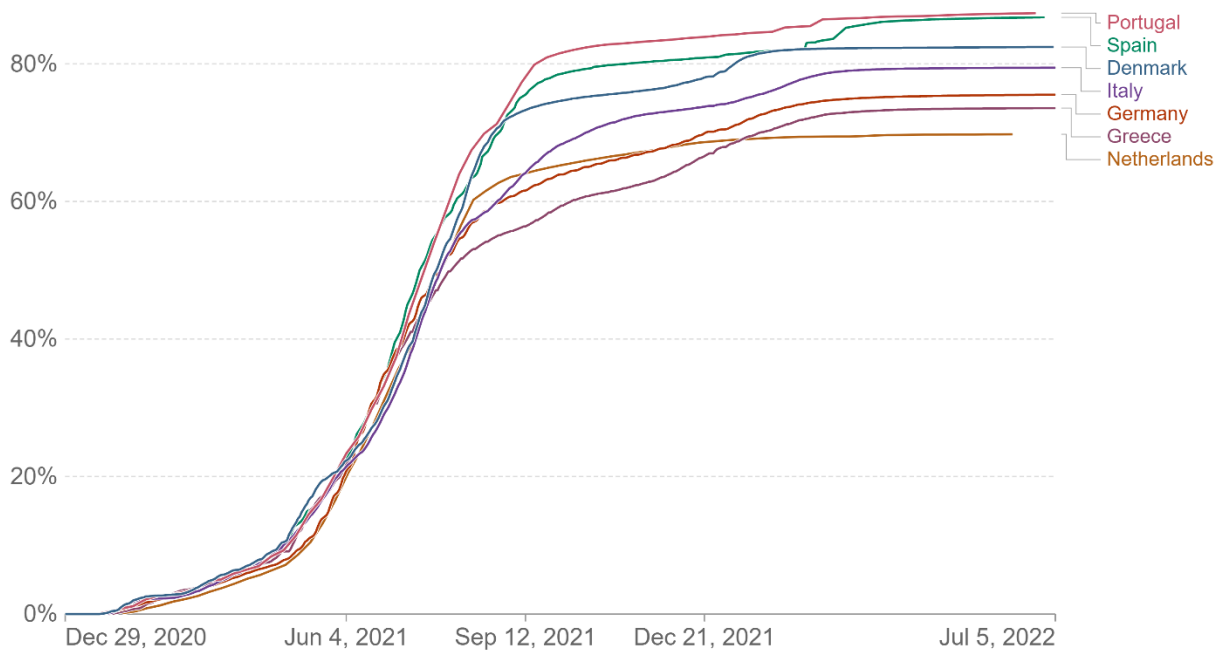
Italy is [not alone](#) in its surging COVID-19 cases; the rolling seven-day average of confirmed cases is also on the rise in Portugal, France, Germany, Spain, Greece, the Netherlands, and Denmark. Health experts point to the kickoff of the summer travel season coinciding with the relaxing of restrictions as cause for such a steep climb in cases, largely of the highly transmissible Omicron subvariants, BA.4 and BA.5.

The surge in cases has contributed to a chaotic start for the summer travel season in Europe, “Revenge travel,” has airlines overwhelmed, as they not only face an abundance of travelers eager to take summer holidays but also a severe shortage of workers in the industry after the pandemic. The situation has been nicknamed “[Airmageddon](#),” with airlines and airports bracing for potential meltdown and travelers suffering from enormously long queues and cancellations. “The recent developments across the 27-nation-bloc have left thousands of passengers waiting, with those that were lucky having their flights cancelled while the rest being left to wait for hours to board their flight,” writes [Schengenvisa.info](#).

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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