1. DEVELOPMENTS ON UKRAINE

Russia mobilization, referenda, and nuclear threat: Russian President Putin announced a partial mobilization of 300,000 troops, reserves “with previous military experience,” to fight in Ukraine. He also said that Russia will support the planned “polls” in four Ukrainian regions (Donetsk, Kherson, Luhansk, and Zaporizhzhia) this weekend, leading to full Russian annexation of the regions next week. Highlighting the importance of the referenda, former Russian President Dmitri Medvedev said that they “would completely change the vector of Russia’s development for decades. And not just of our country. The geopolitical transformation of the world would be irreversible once the new territories were incorporated into Russia. Encroachment on the territory of Russia is a crime, the commission of which allows you to use all the forces of self-defense.” The US, EU and UK have all denounced the referenda as a “sham” and said they will not accept the votes or recognize the territories as part of Russia.

Putin also declared that “those who try to blackmail us with nuclear weapons should know that the weathervane can turn and point towards them,” that he had “lots of weapons to reply” to the West, and that he is “not bluffing.” Medvedev reinforced the threat on Thursday, saying “Referendums will be held, and the Donbas republics and other territories will be admitted to Russia. Any Russian weapons, including strategic nuclear weapons and weapons based on new principles, could be used [to protect them],” and suggested Russia could use hypersonic weapons.

President Biden, in his address to the UN General Assembly, said “Let us speak plainly: A permanent member of the United Nations Security Council invaded its neighbor, attempted to erase the sovereign state from the map. Russia has shamelessly violated the core tenets of the United Nations charter.” Biden also reiterated his statement that “a nuclear war cannot be won and must never be fought.”
Secretary General Antonio Guterres said that discussion of nuclear conflict was “totally unacceptable” and reiterated that annexations of another state’s territory through threats or use of force violate both international law and the UN Charter.

**Analysis of nuclear threat:** One analyst, Andrey Baklitskiy of the Weapons of Mass Destruction and other Strategic Weapons Programme at the UN Institute for Disarmament Research, noted that “Putin’s statements go beyond the Russian nuclear doctrine, which only suggests Russian first use in a conventional war when the very existence of the state is threatened. What would it mean if Ukraine retook the territory Russia considers its own and Putin did not use nuclear weapons in response? Coming from the person who has the sole decision-making power regarding Russian nuclear weapons, this will have to be taken seriously.” A senior Ukrainian official said that in response to Russia’s threat that “other nuclear states need to say very firmly that as soon as Russia even thinks of carrying out nuclear strikes on foreign territory – in this case the territory of Ukraine – there will be swift retaliatory nuclear strikes to destroy the nuclear launch sites in Russia.” Estonian Prime Minister Kaja Kallas, who has taken a strong position on the war, called for continued strong support for Ukraine, noting that “Putin’s speech was meant to scare the international community. As for nuclear threats, the aim is the same as it has been so far – it is to fuel fear and terrorize the wider public. The Kremlin is blackmailing the international community and wants to scare us and deter us from helping Ukraine. . . . Threatening with nukes belongs to the arsenal of a pariah state. This is completely irresponsible and unacceptable.”

**Reactions to mobilization:** The partial mobilization was greeted with protests in Russia at which over 1300 people were arrested; the UK Ministry of Defence wrote that the mobilization showed that Russia has “exhausted its supply of willing volunteers to fight in Ukraine,” adding that “Russia is likely to struggle with the logistical and administrative challenges of even mustering the 300,000 personnel. It will probably attempt to stand up new formations with many of these troops, which are unlikely to be combat effective for months.”

**Ukraine counteroffensive continues:** Ukraine’s forces succeeded in capturing a village near Lysychansk in Luhansk, its first victory in that area. Despite the progress, NATO Secretary General Jens Stoltenberg said that “this is not the beginning of the end of the war; we need to be prepared for the long haul.” The UK Ministry of Defence noted that Russian attacks on Ukrainian civilian infrastructure, in some cases many miles from the front, have intensified as the counteroffensive has gained territory, “in an attempt to directly undermine the morale of the Ukrainian people and government.” Russia struck very close to the Pivdennoukrainsk nuclear power plant on Monday, hitting only 300 meters away from the reactors. International Atomic Energy Agency director Rafael Grossi reported that the Zaporizhzhia nuclear power plant, which had been the subject of earlier shelling, was reconnected to Ukraine’s electric grid but that three of four power lines remain cut and the “general situation . . . remains precarious.”

**Zelensky addresses UN:** Ukrainian President Zelensky spoke via video to the UN General Assembly, stating, “Russia will not be able to stop the course of history. . . . Russia will be forced to end this war, the war it has started. I rule out that the settlement can happen on a different basis,” implying that Ukraine will not support ending the war through a negotiated stalemate.
Energy developments: Preparing for an end to use of Russian oil in December, Germany took control of the German subsidiary of Russian oil company Rosneft, placing it and its shares in three German refineries under the trusteeship of the national regulator. Separately, the German Bundesbank wrote that Germany could “avoid formal rationing” of natural gas this winter but reductions in consumption could lead to declines in production for German industry and possibly a “prolonged” recession.

Erdoğan interview: PBS interviewed Turkish President Recep Tayyip Erdoğan, who said that “[t]he lands that were invaded will be returned to Ukraine,” a step that Turkey “wanted,” including returning “Crimea to its rightful owners.” Erdoğan also noted that he had “extensive discussions” with President Putin in Uzbekistan and that “he is actually showing me that he’s willing to end this as soon as possible. That was my impression, because the way things are going right now are quite problematic. . . . I think a significant step will be taken forward.” Erdoğan also predicted the prisoner swap that took place between Ukraine and Russia, which he described as “an important step towards ending the war.” He has played an important role, notably in helping to broker the Black Sea grain export deal between the UN, Ukraine, Russia, and Turkey and said on Thursday that Turkey “will continue our efforts to achieve peace and stability in the future. [W]e will call the leaders again and continue our telephone diplomacy with them [.]” Erdoğan also reiterated his opposition to Sweden joining NATO, calling Sweden a “cradle for terrorism”; however, he also stated that “the Turkish Parliament is the eventual decision-maker,” giving a possible way forward for a positive vote on Swedish and Finnish membership of the alliance.

2. FEDERAL RESERVE HIKES RATES 0.75 PERCENT, REITERATES HAWKISH GUIDANCE

Motivated by persistently high inflation, on Wednesday the Federal Reserve raised the federal funds rate to 0.75 percentage points to 3.00 to 3.25 percent, the third consecutive hike of that magnitude. Large interest rate increases are unusual; the last 75 basis point increase prior to this year came in 1994. In the Fed’s Summary of Economic Projections (SEP), a survey of member projections, the median respondent expected the federal funds rate to rise to a high of 4.6 percent by 2023 while members of the Federal Open Market Committee (FOMC) expect PCE inflation to average 5.4 percent over 2022, well above the Fed’s 2 percent target. Chairman Jerome Powell said in a news conference that FOMC members “anticipate that ongoing increases will be appropriate” and “we will be looking for compelling evidence that inflation is moving down” towards the target. Illustrating the Fed’s hawkish stance, Powell added that “[r]estoring price stability will likely require maintaining a restrictive policy stance for some time. The historical record cautions strongly against prematurely loosening policy.”

The Fed is acting against a backdrop of what it termed an “extremely tight” labor market and acknowledged that the path it is charting may include a slackening labor market; “we think we need to have softer labor market conditions” Powell said. “We have got to get inflation behind us. I wish there were a painless way to do that; there isn’t.” The SEP predicts unemployment rate will rise to 4.4 percent in 2023 from today’s 3.7 percent. However, Powell also noted that FOMC members “expect supply and demand conditions in the labor market to come into better balance over time, easing the upward pressure on wages and prices.” The most recent forecasts from The Conference Board downgraded expectations for the economy after today’s action: “this could trigger a more severe and potentially longer recession than we have forecasted,” wrote the Conference Board’s Economy, Strategy, and Finance Center in a note Wednesday. “A terminal Fed Funds rate of 5 percent could shave as much as half a percentage point off of our 2023 Real GDP growth forecast of 0.3 percent year-on-year.”
3. THE CONFERENCE BOARD LEADING ECONOMIC INDEX CONTINUES DECLINE

The Conference Board Leading Economic Index® (LEI) for the U.S. decreased by 0.3 percent in August 2022 to 116.2 (2016=100), after declining by 0.5 percent in July. The LEI fell 2.7 percent over the six-month period between February and August 2022, a reversal from its 1.7 percent growth over the previous six months. The LEI is a composite of ten economic figures that are predictive of the future direction of the economy.

“The US LEI declined for a sixth consecutive month potentially signaling a recession,” said Ataman Ozyildirim, Senior Director, Economics, at The Conference Board. “Among the index’s components, only initial unemployment claims and the yield spread contributed positively over the last six months—and the contribution of the yield spread has narrowed recently.” The Conference Board economists linked this decline in the LEI to the Federal Reserve’s recent and rapid increases in interest rates: “A major driver of this slowdown has been the Federal Reserve’s rapid tightening of monetary policy to counter inflationary pressures. The Conference Board projects a recession in the coming quarters.”

4. MIXED NEWS ON HOUSING STARTS, PERMITS

The Census Bureau Tuesday released August figures for new residential construction. Housing starts rose to a seasonally adjusted annual rate of 1,575,000, 12.2 percent above the revised July estimate of 1,404,000. This increase reversed a recent decline from April’s 1,805,000, the highest mark of the expansion. Most of that increase came from multifamily units, which rose 28.6 percent from 483,000 to 621,000 in August; single-family units rose 3.4 percent from 904,000 to 935,000. Housing permits, a more leading indicator of future building plans, declined 10.0 percent to 1,517,000 from the July rate of 1,685,000. People have shown a high willingness to pay for housing in the last year; CPI inflation for shelter has reached 6.2 percent. However, rising interest rates make homes more difficult for the typical buyer, who requires a mortgage, to pay for a given price. The average new 30-year fixed rate mortgage has exceeded six percent for the first time since 2008. The Conference Board’s Economy, Strategy and Finance Center’s latest forecast projects that “residential investment will continue to contract as the housing market finds a new equilibrium.” The National Association of Homebuilders’ Housing Market Index, a measure of builder confidence released Monday, showed a ninth consecutive month of decline.

5. INITIAL UNEMPLOYMENT INSURANCE CLAIMS HOLD STEADY AT 213,000

The Department of Labor reported Thursday that the advance figure for unemployment claims in the week ending September 17 was 213,000, an increase of 5,000 from last week’s revised level of 208,000 but unchanged from last week’s advance figure. The figure is slightly below the 4-week moving average of 216,750, suggesting the labor market has remained relatively strong, even in the face of inflation and rising interest rates. However, it is not quite as strong as it was in the spring of 2022, when claims dipped below 170,000. The Conference Board’s latest economic forecasts project that the labor market will weaken in coming months: “rising interest rates will tip the US economy into a broad-based recession before year-end. This contraction will impact extremely tight labor markets and drive the unemployment rate higher.”
6. FOOD SCARCITY UPDATE: CONCERNS OVER US HARVEST

Even as global supplies are lower than usual because of the Russian invasion of Ukraine, concerns have grown over the US grain harvests this fall, contributing to continued tightness in global food supply. The US harvest has been affected by high temperatures in the Plains states, adding to drought conditions, affecting corn crops, many of which were already planted later than usual because of a wet spring. The Agriculture Department lowered its estimate of US corn production to 13.9 bushels, 8 percent below last year’s level. Estimates of soybean production fell 3 percent from August estimates as well, with particularly strong impacts in the Plains. Some experts suggest that it will take two years of good harvests in both North and South America (which has had two years of bad weather) to reduce pressure on global food supplies. As a result, USDA estimated that 1.3 billion people around the world, in 77 countries, face food insecurity, up 10 percent from last year. The CEO of Archer Daniels Midland, Juan Luciano, told an investor conference that Ukraine has exported about 60 percent of the grain it would normally have shipped by this point in the year, with further improvements expected in September and that suggested it will take two to three years of strong harvests globally for supply to reach sufficiency.

For a deeper dive on the global food security challenge read the CED Policy Brief.

7. EXECUTIVE ORDER TIGHTENS SOME FOREIGN INVESTMENT

The President issued an Executive Order on “Ensuring Robust Consideration of Evolving National Security Risks by the Committee on Foreign Investment in the United States.” The Order notes that the US “commitment to open investment is a cornerstone of our economic policy” when that investment is “consistent with the protection of national security.” It orders the Committee on Foreign Investment in the United States (CFIUS) to consider additional factors in its evaluation of foreign investments in “an evolving national security landscape.” The Order focuses specifically on the effect of proposed foreign investment transactions on “critical supply chains” in key industries such as microelectronics, AI, clean energy, critical materials, and others “both within and outside of the defense industrial base.” It also addresses transactions that might put the data of US citizens and businesses at risk and risks arising from cybersecurity.

8. US RATIFIES TREATY ON HYDROFLUOROCARBONS

On Wednesday, in a 69-27 bipartisan vote, the US Senate ratified the Kigali Amendment to the Montreal Protocol, which will require countries to phase out the use of hydrofluorocarbons, which contribute significantly to climate change. The US became the 137th country to ratify the Amendment.

9. ADVANCED TRANSPORTATION GRANTS UNDER BIL

The Department of Transportation (DOT) Monday announced that two programs supporting advanced transportation technology funded by the Bipartisan Infrastructure Law would be accepting applications for grants. The first, Strengthening Mobility and Revolutionizing Transportation (SMART) Grants, is a new program, offering it first year of grants ($100 million) for projects that use data or technology to solve transportation problems. The DOT’s illustrative use cases for SMART include implementing traffic signal priority for emergency vehicles, buses, and other public fleets, or using sensors to improve safety
at crosswalks or grade crossings, or reducing congestion at ports and intermodal container yards with truck reservation systems. The second, operated by the Federal Highway Administration and offering $60 million of grants this year, is the Advanced Transportation Technology and Innovation (ATTAIN) program, supports agencies that “deploy, install, and operate advanced transportation technologies to improve safety, mobility, efficiency, system performance, intermodal connectivity, and infrastructure return on investment.” Applications for both programs are due November 18, 2022.

10. HOUSE VERSION OF ELECTORAL COUNT ACT REFORM Passes

The House approved a bill, 229-203, with nine Republicans in support, sponsored by Representatives Liz Cheney (R-WY) and Zoe Lofgren (D-CA) introduced a bill, the Presidential Election Reform Act, to reform the Electoral Count Act of 1887 which governs how Congress counts the electoral votes in Presidential elections. The bill is similar in many respects to an earlier bipartisan bill introduced by Senators Joe Manchin (D-WV) and Susan Collins (R-ME) and supported by 16 Senators, clarifying that the Vice President has no substantive role in deciding whether to count Electoral College slates received from states, but it proposes higher thresholds for members of Congress to object to a state’s election results (one-third of each house of Congress, instead of one-fifth in the Senate proposal).

CED has called for the timely passage of the bill in its Solutions Brief Secure, Credible, Accessible Mid-Term Elections and in an op-ed by CED Trustees, Bob Kueppers and Paula Stern.

11. PRESIDENT’S STATEMENT ON DEFENDING TAIWAN

The President stated that in the event of an “unprecedented attack” in a Chinese invasion of Taiwan, US troops would defend Taiwan just as the US would defend its allies in NATO, Japan, and South Korea, and that “Taiwan makes their own judgments about their independence. We are not moving — we're not encouraging their being independent.” However, the White House also said there had been no change in the US’ “One China” policy, under which the US recognizes Beijing but that the status of Taiwan remains unsettled. China responded that it was “strongly dissatisfied” with the statement, which it claimed sent a “seriously wrong signal” to Taiwan and added that “we will not tolerate any activity aimed at secession and reserve the option to take all necessary measures.” The state-owned China Daily newspaper went even further, writing that “Beijing’s restraint in its response to the US provocations should not be misinterpreted as an inability or unwillingness to act” and that the “brinkmanship of Washington, if taken too far, risks triggering a war between the US and China .” However, Chinese Foreign Minister Wang Yi, meeting with former Secretary of State Henry Kissinger, took a more moderate tone, highlighting President Biden’s commitments that the US does not seek a new Cold War with China and does not support Taiwan’s independence, even if “what the US has done is contrary to those commitments.” Qiu Kaiming of China’s Taiwan Affairs Office said that on “resolving the Taiwan question and realizing the complete unification of China, we have strategic composure and historic patience, and we are also full of confidence .”

For a deeper dive on Taiwan and its central role in the semi-conductor industry listen to the CEO Perspectives podcast Global Semiconductors: Supply at Risk?
12. MONKEYPOX UPDATES

As of September 20, the US has confirmed a total of 24,203 cases. States with the highest case numbers include California (4,753), New York (3,799), Florida (2,411), Texas (2,170), and Georgia (1,712). Globally, 63,117 cases have been confirmed, with 62,538 cases confirmed in locations that have not historically reported monkeypox. The countries with the highest case numbers include the US (24,202), Spain (7,037), Brazil (6,869), France (3,898), and Germany (3,563). A total of ten deaths have been reported in locations that have not historically reported monkeypox. FDA has recommended that blood donors do not have to be screened for monkeypox.

A recent study published in Emerging Infectious Diseases assessed monkeypox infection in a patient vaccinated against smallpox. The patient, a previously healthy 34-year-old man in Washington State, contracted monkeypox despite being immunized with the ACAM2000 smallpox vaccine 8 years prior. The ACAM2000 vaccine is an alternative to JYNNEOS, the only vaccine that is FDA-approved for the prevention of monkeypox disease. ACAM2000 is not approved or authorized for emergency use against monkeypox, but it may be used against monkeypox under FDA’s Expanded Access Investigational New Drug (IND) mechanism. The researchers concluded that vaccination should complement and not replace public health campaigns that facilitate the minimization of high-risk health behaviors.

For recommendations/solutions on how to combat the monkey pox virus read the CED op-ed in Fortune by Trustees Ron Williams and Mike Swinford.

13. PANDEMIC NEWS

In a Sunday interview on CBS’ “60 Minutes,” the President said he believes the COVID-19 pandemic is “over,” but he acknowledged that the US still has a “problem” with the virus: "The pandemic is over. We still have a problem with Covid. We’re still doing a lot of work on it.” The US government still designates COVID-19 a Public Health Emergency (permitting certain waivers of healthcare regulations) and the World Health Organization says it remains a Public Health Emergency of International Concern. On September 19, the US reported a seven-day moving average of 355 COVID-related deaths per day. Biden is not the only one to declare hope at this point. In a news briefing last week, Tedros Adhanom Ghebreyesus, director-general of the World Health Organization, said that the world has never been in a better position to end the pandemic. “We are not there yet, but the end is in sight.”

Thanks to widespread vaccination, severe cases of COVID-19 have become less prevalent, but more and more people are living with long-term symptoms of COVID-19. Long COVID conditions include a wide range of new, returning, or ongoing health problems that people experience after being infected with the virus that causes COVID-19. Symptoms include brain fog, fatigue, lung and stomach issues, among others, and can last weeks, months, or even longer. According to a new study from City University of New York researchers, as many as 21 percent of Americans who caught the virus this summer ended up suffering from long COVID starting four weeks after infection. “Despite an increased level of protection against long COVID from vaccination, it may be that the total number of people with long COVID in the US is increasing,” noted epidemiologist Denis Nash, the CUNY study’s lead author. That is, every day more people catch long COVID than recover from long COVID.
Chinese researchers have developed a mask that would let users know if they have been exposed to COVID-19 or the flu. A sensor built into the mask has the ability to detect SARS-CoV-2, H5N1, and H1N1 influenza viruses within ten minutes of exposure and send notifications to a device. The study was led by six scientists working with Tongji University in Shanghai, and the peer-reviewed findings were published in the scientific journal Matter on Monday. The development could help vulnerable populations even as face covering use falls and nations abandon social distancing measures.

The seventh wave, driven by the BA.5 Omicron subvariant, drove Japan’s cumulative case numbers to 10 million on July 14 and 20 million only two months later. New daily cases reached a high on August 19 of 260,923 and began to rapidly decrease afterwards. According to National Institute of Infectious Disease head Takaji Wakita, the plunge may have been largely due to “temporary herd immunity” resulting from vaccinations and infections. “Hybrid immunity,” acquired through both vaccinations and infections, may have also played a major role, Tokyo Medical University professor Atsuo Hamada said, noting that 65 percent of Japanese people have received at least three vaccine shots.

14. COUNTRY SPOTLIGHT: FRANCE

On September 16, France’s national health body warned of a resurgence of COVID-19 cases. Santé Publique France (SPF) noted that during the week September 5 through September 11, there had been 186 confirmed cases for every 100,000 people, up 12 percent compared to the previous week. The Health Ministry has warned that an eighth wave appears to be imminent, and Health Minister François Braun on September 9 called on French citizens to take responsibility in bringing back social distancing and hygiene measures where appropriate. “It is too early to say yet if this is the beginning of the eighth wave, but the indicators are up,” noted Braun, speaking on radio station France Inter. On September 19, France recorded 28,413 new cases, up from the 18,076 recorded a week prior. The number of daily hospitalizations has risen slightly in the past week, but the number of deaths has not increased thus far.
Two days prior to SPF’s warning, Emer Cooke, Executive Director of the European Medicines Agency (EMA) noted that Europeans should take whatever COVID-19 booster is available to them ahead of the expected autumn rise in infections. The EMA early this month recommended the Moderna and Pfizer bivalent boosters directed at both the Omicron and the original virus first detected in China, yet the Agency also made clear that the original vaccine will remain available to those who have yet to be vaccinated. “As these new vaccines are currently approved for use as booster doses only, the original ones remain essential to increase the vaccination coverage with a primary series among unvaccinated individuals to close the immunization gaps” noted European Centre for Disease Prevention and Control (ECDC) Director Dr. Andrea Ammon.
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.