

***CED Public Policy Watch  
Weekly News Round-up  
October 28, 2022***

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**1. DEVELOPMENTS ON UKRAINE**

**Russia threat of “[uncontrolled escalation](#)”:** In a [series of calls](#) with Western defense ministers, including Secretary of Defense Lloyd Austin as well as defense ministers of France, Turkey, and the United Kingdom, Russian Defense Minister Sergei Shoigu claimed that Ukraine is considering detonating a “[dirty bomb](#)” (a mix of conventional and radioactive explosives to cause radioactive contamination) on its territory and blaming Russia. The US and other countries have soundly [rejected](#) this claim, with Secretary of State Anthony Blinken saying that “the world would see through any attempt by Russia to use this allegation as a pretext for escalation” and President Zelensky claiming that “[i]f Russia calls and says that Ukraine is allegedly preparing something, it means one thing: Russia has already prepared all this.” Russia sent a letter to the UN Security Council repeating the claim; Kyiv [responded](#) by asking the International Atomic Energy Agency to send inspectors to two sites in Ukraine to counter the Russian claim. The US [said](#) it had seen no evidence that Russia had decided to use a nonconventional weapon but will keep “lines of communication” open with Russia.

**Military developments:** Ukraine is reportedly continuing an advance towards Kherson amid [bitter fighting](#), with a media blackout being imposed in the area. Russia and Ukraine have each [accused](#) the other of planning to explode the Nova Kakhovka dam near Kherson, with President Zelensky accusing Russia of having mined it. An explosion would flood the area near Kherson and slow any Ukrainian advance, as well as potentially cut off Crimea and water supplies that reach Crimea through a nearby canal. An explosion could also harm the water supplies necessary for the safe operation of the Zaporizhzhia nuclear plant, which is under Russian occupation. Ukraine also [gained](#) ground in Donetsk and Luhansk. Raytheon [announced](#) that Ukraine has received two National Advanced Surface-to-Air Missile Systems (NASAMS) which can help defend against both drones and ballistic missiles.

**Russian nuclear drills:** President Putin [monitored](#) annual drills of Russia's nuclear forces, including one which Defense Minister Sergei Shoigu said was intended to test a "massive nuclear strike" by Russia on the West in retaliation for a nuclear attack. Russia [notified](#) the US of the drills, as it is required to do by the New START treaty. Despite the show of force, Ukraine's Defense Minister Oleksiy Reznikov [said](#) that he does not believe Russia will use nuclear weapons in the conflict.

**Drone attacks on energy sector:** President Zelensky said that more than one-third of Ukraine's energy sector has been destroyed in Russian attacks this month. Attacks are continuing using Iranian-made Shahed 136 drones, but the UK Ministry of Defence [reported](#) that up to 85 percent of the drones are now being intercepted and suggested that Russia is likely using [the drones] as a substitute for Russian-manufactured long-range precision weapons which are becoming increasingly scarce."

**Putin speech:** Speaking to the Kremlin-affiliated think tank Valdai Discussion Club, President Putin said that Russia "does not consider itself an enemy of the West." However, he sharply qualified this by stating that "there are two Wests: the traditional West, with Christian values above all, with which we share common antique roots, and the cosmopolitan West, which is a tool of liberal elites" and that "no one will put up with the dictates of this West in Russia." He added that "[t]he 'rule-based order' proposed by the West is designed to enable it to live without rules at all." On the question of nuclear weapons, Putin said that "[w]e don't need a nuclear strike on Ukraine, there is no point, politically or militarily"; however, Konstantin Vorontsov, a deputy director of the Russian Foreign Ministry, [told](#) a UN committee aid that the use of commercial satellites to support Ukraine was "provocative" and "an extremely dangerous trend" and said that "quasi-civilian infrastructure may be a legitimate target for a retaliatory strike."

**Iran providing gas turbines to Russia:** Iran will [supply](#) 40 turbines to Russia for its gas industry that sanctions would prohibit Western countries sending, according to the Iranian Gas Engineering and Development Company.

**Ukraine reconstruction:** A meeting in Berlin including governments, development experts, and the private sector [considered](#) efforts to begin a "Marshall Plan"-style reconstruction of Ukraine even as the war continues. President Zelensky's speech [offered](#) a vision of Ukraine as a future member of the EU and exporter of green energy. However, the meeting did not take formal pledges for reconstruction funding; one estimate is that reconstruction will cost up to \$750 billion. Ukraine has not yet received any money from the "[rapid recovery](#)" fund set up earlier this year but is receiving budget and humanitarian support as well as military aid. The IMF [estimated](#) that Ukraine will need between \$3 billion and \$5 billion per month of external financing in 2023. Given the expected harsh winter and damage to energy infrastructure, Ukraine is [urging](#) refugees not to return until the spring.

**France says timing of peace is Ukraine's decision:** Speaking in Rome, French President Emmanuel Macron [said](#) that Ukraine must decide for itself any terms of peace with Russia, noting that the war's outcome "cannot be the consecration of the law of the strongest."

**NATO accession:** Sweden [stated](#) that it expects Hungary and Turkey to vote soon and favorably on its NATO accession, now that its new conservative government has taken office.

## 2. THE CONFERENCE BOARD CONSUMER CONFIDENCE INDEX PULLS BACK

The Conference Board *Consumer Confidence Index*® [decreased](#) in October after back-to-back monthly gains. The Index now stands at 102.5 (1985=100), down from 107.8 in September. The *Present Situation Index*—based on consumers’ assessment of current business and labor market conditions—declined sharply to 138.9 from 150.2 last month. The *Expectations Index*—based on consumers’ short-term outlook for income, business, and labor market conditions—declined to 78.1 from 79.5. “Consumer confidence retreated in October, after advancing in August and September,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “The Present Situation Index fell sharply, suggesting economic growth slowed to start Q4. Consumers’ expectations regarding the short-term outlook remained dismal. The Expectations Index is still lingering below a reading of 80—a level associated with recession—suggesting recession risks appear to be rising.”

“Notably, concerns about inflation—which had been receding since July—picked up again, with both gas and food prices serving as main drivers. Vacation intentions cooled; however, intentions to purchase homes, automobiles, and big-ticket appliances all rose. Looking ahead, inflationary pressures will continue to pose strong headwinds to consumer confidence and spending, which could result in a challenging holiday season for retailers. And, given inventories are already in place, if demand falls short, it may result in steep discounting which would reduce retailers’ profit margins.”

## 3. GDP RISES 2.6 PERCENT DESPITE WEAKENING DOMESTIC DEMAND

Real GDP [increased](#) at an annual rate of 2.6 percent in the third quarter of 2022, according to the advance estimate by the Bureau of Economic Analysis, following two slightly negative quarters in the first half of the year. Though the topline figure is relatively typical for the US economy, the underlying components of GDP were quite mixed and reflect softening US private-sector demand. For instance, final sales to private domestic purchasers, which excludes government, trade, and inventories, fell to just 0.1 percent, the weakest number since the second quarter of 2020. Personal consumption expenditures rose 1.4 percent for the quarter, led by services, and nonresidential investment rose 3.7 percent. However, residential investment, which is highly sensitive to rising mortgage rates, declined by 26.4 percent, the largest decline since the second quarter of 2020.

The increase in GDP is almost entirely explained by a sharp rise in exports (14.4 percent) and a decline in imports (6.9 percent). Collectively, these figures contribute 2.8 percentage points to GDP growth. The Conference Board’s Economy, Strategy, and Finance Center [analysis](#) notes that the topline growth rate “masks deeper weaknesses in the economy” as US consumers, who “constitute about two-thirds of the economy, exhibited softening demand.”

## 4. DURABLE GOODS ORDERS RISE ON AIRCRAFT PURCHASES

Durable goods orders [rose](#) in September by \$1.0 billion, or 0.4 percent, to \$274.7 billion. This followed a 0.2 percent increase in August and is the sixth increase in the last seven months. However, excluding two volatile and atypical sectors, defense and transportation, durable goods orders declined by 0.7 percent. This measure is more stable month-to-month and often considered more predictive of future demand. Defense orders, which vary greatly month to month and reflect government policy, declined by

\$2.6 billion in September. In the private sector, aircraft orders drove a large increase in durables demand. Aircraft orders are extremely large and relatively infrequent; they can vary substantially month to month. In September, they jumped 21.9% from \$15.0 billion to \$18.2 billion, making up more than all of the total increase in durable goods orders. Outside these two sectors, demand for durables declined modestly, for instance in primary metals (-\$0.3 billion), fabricated metal products (-\$0.1 billion), machinery (-\$0.1 billion), and computers and electronic products (-\$0.1 billion).

## 5. TRADE DEFICIT IN GOODS WIDENS

The US trade deficit in goods [widened](#) to \$92.2 billion in September, \$4.9 billion more than the \$87.3 billion trade deficit in August, according to advance figures published by the Census Bureau. This increase reverses five months of consecutive decreases from the March figure of \$126.4 billion, an all-time high. Both lower exports and higher imports contributed to September's figure. Exports fell by \$2.8 billion on lower commodity prices, led by a \$2.3 billion decline in Industrial Supplies (including petroleum) and a \$2.2 billion decline in Foods, Feeds, and Beverages. These two categories more than offset increased exports in other categories. Imports increased \$2.2 billion, despite the declines of \$2.2 billion in Industrial Supplies and \$0.2 billion in Foods, Feeds, and Beverages, again driven by lower commodity prices. Imports in other categories more than offset these decreases, led by a \$3.2 billion increase in Capital Goods and \$0.9 billion in Consumer Goods.

## 6. INITIAL UNEMPLOYMENT CLAIMS REMAIN AT MODERATE LEVELS

The Department of Labor [reported](#) Thursday that initial claims for unemployment insurance, a weekly indicator of labor market health, were 217,000 for the week ending October 22. This was a small increase of 3,000 from the previous week's level. Claims remain above September's lowest reading, 190,000, or the immediate pre-pandemic figure of 186,000 for March 7, 2020. They also remain well above the spring lows of 166,000. However, they are moderate by historical standards, and below the July highs of 261,000. The Conference Board's latest economic [forecast](#) shows the unemployment rate rising to 4.3 percent, well above its current level of 3.5 percent, by the second quarter of next year.

## 7. HOUSE PRICES DECLINE FOR SECOND MONTH

House prices fell with a 0.7% decline month over month, following a previous 0.6% decline in July, [according](#) to the Federal Housing Finance Agency (FHFA). As late as May, home prices had grown 1.2 percent month-over-month. Overall, despite the recent declines, prices were still up 11.9 percent year-over-year. These home price declines reflect a sharp rise in mortgage rates; the Freddie Mac [primary mortgage market survey](#) this year has shown the average 30-year fixed-rate mortgage climbed from prior lows under 3 percent to [reach](#) 7 percent. The Conference Board's latest economic [forecast](#) shows steep declines in US residential investment in 2023.

## 8. TEST SCORES FOR NINE-YEAR OLDS DECLINE FOLLOWING PANDEMIC

The National Center for Education Statistics [released](#) the results of a special administration of the National Assessment of Educational Progress (NAEP) assessment for reading and mathematics for nine-year olds to measure the effect of the COVID pandemic on student learning. The results showed that

average scores declined 5 points in reading and 7 points in mathematics compared to 2020 – the biggest average score decline in reading since 1990 and the first ever decline in mathematics. Scores declined at all five percentiles of students tested (10<sup>th</sup>, 25, 50, 75, and 90), with scores declining more at lower percentiles compared to 2020, showing that students already struggling were hit the hardest.

## **9. UN SAYS CURRENTLY NO “CREDIBLE” WAY TO LIMIT GLOBAL TEMPERATURE INCREASE**

Ahead of the Conference of Parties to the Paris Agreement in Egypt next month, the UN Environment Program’s [Emissions Gap Report](#) states that based on countries’ current pledges to reduce emissions, there is “no credible pathway” to achieve the Paris Agreement’s goal to limit the increase in global temperatures to 1.5 degrees Celsius above pre-industrial levels. Current pledges for reduction imply a rise in global temperatures of 2.5 degrees Celsius, which would lead to far greater impacts from climate change. The UN [proposed](#) a “rapid transformation of societies” as the only way to limit the worst impacts of climate change, including extreme weather,

## **10. DEPARTMENT OF TRANSPORTATION RELEASES IIJA GUIDANCE ON ROAD SAFETY**

The Department of Transportation released new [guidance](#) for states’ Vulnerable Road User Safety Assessments under the Highway Safety Improvement Program in the [Infrastructure Investment and Jobs Act](#) (Sec. 11111). The assessments will use data to understand the causes of roadway deaths for non-motorists in an effort that Transportation Secretary Pete Buttigieg said would move the US “closer to reaching the ultimate vision of zero fatalities.” Once these assessments are complete, the Federal Highway Administration encourages states to use them to help determine what safety investments to make. The guidance requires that the assessments include “data such as location, roadway functional classification, design speed, speed limit, and time of day” and consider “the demographics of the locations of fatalities and serious injuries” and use that data to identify areas as “high-risk.” The assessments must be completed by November 15, 2023.

## **11. CHINESE COMMUNIST PARTY CONGRESS CONCLUDES**

As the Twentieth Chinese Communist Party Congress came to a [close](#) over the weekend, party delegates voted to add [references](#) to “new developments” in General Secretary Xi Jinping’s thought to the party’s charter, including establishing Xi’s “core status” in the party and language to “resolutely oppose and deter separatists” on Taiwan. Before Xi, only the People’s Republic’s founding leader Mao Zedong had references to his political doctrines included in the party charter while in office. The new Standing Committee of the Politburo further [strengthens](#) Xi’s power; all seven members have strong ties to Xi. Shanghai Communist Party chief Li Qiang followed Xi onto the stage during the announcement, leading to speculation that he will replace outgoing Premier Li Keqiang next March. Li Qiang was Xi’s chief of staff during Xi’s time as party leader in Zhejiang Province. Other new members of the Standing Committee include Ding Xuexiang, responsible for party administration; Cai Qi, party chief in Beijing and a close ally of Xi for 20 years; and Li Xi, party chief of Guangdong Province. The broader 24-member Politburo has no women. Vice Premier Hu Chunhua was also removed from the Politburo along with others associated with the Communist Youth League faction connected to former leader Hu Jintao.

## 12. SUNAK BECOMES UK PRIME MINISTER

With over 200 Conservative MPs supporting him, former Chancellor of the Exchequer Rishi Sunak became leader of the Conservative Party and the UK's new Prime Minister without needing a formal vote. While former Prime Minister Boris Johnson [reached](#) the threshold of 100 MPs necessary to force an online ballot among Conservative Party members, he withdrew from the race, as did Leader of the House of Commons Penny Mordaunt. Sunak, the youngest Prime Minister in over 200 years, [holds](#) a bachelor's from Oxford and an MBA from Stanford. He will face serious challenges both on restoring market confidence in economic policy badly damaged over the past several weeks and on maintaining the unity of a Conservative Party badly split between factions arguing over economic policy and the lingering effects of Brexit. In his first speech as Prime Minister, Sunak [promised](#) to serve with "integrity and humility" in the face of a "profound economic challenge." Sunak also [warned](#) of "difficult decisions to come" because he would not "leave the next generation . . . with a debt to settle that we were too weak to pay ourselves" and [said](#) he would lead an "environmentally focused government."

## 13. MONKEYPOX UPDATES

As of October 25, the [US has confirmed](#) a total of 28,061 cases of monkeypox. States with the highest case numbers include California (5,372), New York (4,082), Florida (2,697), Texas (2,677), and Georgia (1,899). [Globally](#), as of October 24, 75,568 cases have been confirmed, with 74,677 cases confirmed in locations that have not historically reported monkeypox. The countries with the highest case numbers include the US (28,004), Brazil (8,890), Spain (7,277), France (4,084), and the UK (3,686). A total of twenty-one deaths have been reported in locations that have not historically reported monkeypox.

The Wuhan Institute of Biological Products, a research unit of state-owned Sinopharm's China National Biotech Group, announced October 20 that it has begun working on its own [domestic monkeypox vaccine](#). The research institute said it has successfully isolated monkeypox virus strains from clinical samples and has begun researching vaccines and drugs to fight the disease. China has not reported any locally transmitted cases of monkeypox. However, an incoming traveler from Germany arriving in Chongqing in September was confirmed to have contracted the disease. All inbound travelers to the mainland will be screened for both COVID-19 and monkeypox. "The priority task now is to implement diagnostics work at customs firmly, and develop rapid testing kits," said Lu Hongzhou, president of Shenzhen Third People's Hospital in Guangdong province.

## 14. PANDEMIC NEWS

**Symptoms and greater antibody response to boosters:** A [recent paper](#) in the *Journal of the American Medical Association* suggests that having more severe symptoms following COVID-19 vaccination is associated with greater antibody response compared to having mild symptoms, such as rash or pain at the injection site. The paper reports that people who reported experiencing [side effects](#) to the Pfizer/BioNTech and Moderna vaccines such as fever, chills, or muscle pain tended to have a stronger immune response. "[T]hese findings support reframing postvaccination symptoms as signals of vaccine effectiveness and reinforce guidelines for vaccine boosters in older adults," the researchers from Columbia University, the University of Vermont, and Boston University wrote. Dr. William Schaffner, a professor in the Division of Infectious Diseases at Vanderbilt Medical Center and medical director of the



National Foundation for Infectious Diseases, who was not involved in the new study, warns that a lack of severe side effects is not an indication that the vaccine did not initiate immune response. “This is more to reassure people who have had a reaction that that’s their immune system responding, actually in a rather good way, to the vaccine, even though it caused them some discomfort,” Schaffner wrote.

**Hospitals preparing for possible “Tripledemic”:** With few to no restrictions in place across the country, the expected winter COVID-19 surge will accompany a resurgent flu season, as well as respiratory syncytial virus (RSV), resulting in a [“tripledeemic.”](#) Cases of flu are expected to soar in the coming weeks as patterns of virus immunity, for instance to flu, change. Additionally, children infected with R.S.V., rhinoviruses, and enteroviruses are already [straining](#) pediatric hospitals. Although most cases of COVID-19, flu, and R.S.V. tend to be mild, together they may swamp hospitals. “As of today, we are seeing equal numbers of Covid, flu and R.S.V. and that’s really concerning because we are very early for flu and R.S.V. activity,” said Dr. Diego Hijano, a pediatric infectious disease specialist at St. Jude Children’s Research Hospital. “It’s going to be a rough winter,” he said. Evidence of this is already occurring in New York, where hospitalizations for COVID-19 have hit 1,100. “What we are seeing right now is a combination of many viruses causing a lot of stress on the health care system,” [said](#) Dr. Jay Varma of the Cornell Center for Pandemic Prevention and Response.

**Nearly two million cases in UK:** According to the Office of National Statistics, approximately one in thirty people in England – 3.1 percent of the population – [tested positive](#) for COVID-19 in the week ending on October 10. The tests present an increase from one in 35 the week prior and suggest that 1,706,200 people were infected in the most recent week. Rising cases come as the country is experiencing the beginning of the flu season. Data from the UK Health Security Agency noted that flu levels are rising, earlier than typical. “We are seeing hospitalisations and ICU admissions rising the fastest in children under five,” the agency stated.

**Wuhan lockdown:** Wuhan, where the COVID-19 pandemic began, is now under [lockdown](#) again in the Hanyang district of 900,000 people after cases emerged in the city. Lockdowns and other measures have also been implemented in other Chinese cities as case numbers have grown; the southern manufacturing center of Guangzhou [banned](#) in-person school and dining.

## 15. COUNTRY SPOTLIGHT: EUROPE

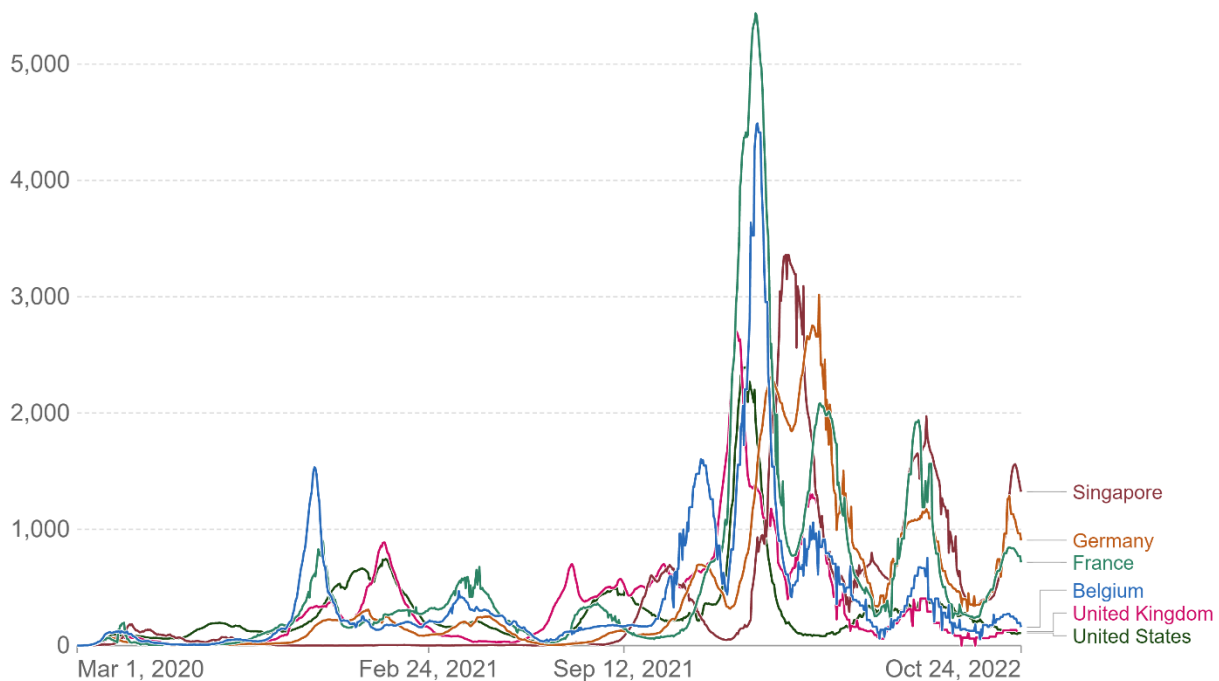
Since early this month, evidence has been building that the Northern Hemisphere is on course for a [surge in COVID-19 cases](#) this fall and winter. New immune-evading strains of Omicron, alongside behavior changes and waning immunity as the [uptake in boosters](#) continue to lag, puts Europe in a position for a hard winter ahead. As of October 21, France has the [highest proportion](#) of samples testing positive for BQ.1 with 19 percent of collected samples being of the Omicron subvariant. Belgium follows behind with 9 percent of samples testing as BQ.1. In the US, weekly cases have been falling, but the spread of these new highly contagious variants has experts concerned. “These variants (BQ.1 and BQ.1.1) can quite possibly lead to a very bad surge of illness this winter in the US as it’s already starting to happen in Europe and the UK,” said Gregory Poland, a virologist and vaccine researcher at Mayo Clinic. According to [variant data](#) from the CDC, for the week ending October 22, BQ.1 comprised 9.4 percent of US cases with BQ.1.1 comprising 7.2 percent of cases.

The European Centre for Disease Prevention and Control (ECDC) [estimates](#) that by mid-November to early December, over 50 percent of COVID-19 infections in Europe will be caused by BQ.1 and BQ.1.1. BQ.1 is a second-degree [sub-lineage](#) of the Omicron variant BA.5, carrying additional changes to the spike protein. BQ.1, including its sub-lineage BQ.1.1, has been designated a variant of interest (VOI) by the ECDC as of October 20. There are indications that the variant may have emerged in central or western Africa and subsequently spread to Europe. Preliminary studies in Asia have indicated that BQ.1 has the ability to considerably [evade the immune system response](#). However, there is no data at this time that points to evidence of BQ.1 being associated with increased infection severity compared to the Omicron variants BA.4 and BA.5. These variants differ from the XBB Omicron subvariant, otherwise known as BA.2.10, which is spreading [widely throughout Asia](#). XBB is a BA.2.10.1 and BA.2.75 recombinant with 14 additional mutations in the BA.2 spike protein, and preliminary evidence suggests that it may be the [most antibody-evasive](#) SARS-CoV-2 variant identified to date.

## 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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