

***CED Public Policy Watch
Weekly News Round-up
November 4, 2022***

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1. DEVELOPMENTS ON UKRAINE

Grain deal: Russia at first suspended, but then rejoined, the agreement between it, Ukraine, the UN, and Turkey permitting grain exports through the Black Sea. Russia suspended participation after a [drone attack](#) on its fleet in Sevastopol, Crimea, including a sea-borne drone that may have been a [modified jet ski](#), and accused Britain of helping coordinate the attack, which Britain strongly denied. The UN [rejected](#) accusations that a civilian cargo ship may have been involved in the drone attack, with the UN saying that no ships were in the humanitarian corridor at the time of the attack and adding that “[t]he corridor is just lines on a chart: when initiative vessels are not in the area, the corridor has no special status. It provides neither cover nor protection for offensive or defensive military action.”

Ships continued to pass every day except Wednesday. Thus far, over 9,000,000 tonnes of grain have left Ukrainian ports under the agreement, including a [record](#) 354,400 tonnes on Monday. Russia rejoined the agreement after [interventions](#) from the UN and Turkish President Recep Tayyip Erdoğan; Russia [claimed](#) it received “written guarantees from Ukraine” that the corridor and ports would not be used “for conducting military operations against” Russia, which it said “at the moment appear to be sufficient [.]” The agreement will still have to be formally renewed by November 19.

Attacks on Ukrainian critical infrastructure: Early this week, Russia [fired](#) cruise missiles at hydroelectric dams and other energy-related infrastructure including power stations. Ukraine [claimed](#) it shot down 44 of 60 incoming rockets and drones, but at one point [up to 80 percent](#) of Kyiv residents did not have access to running water. Most water service has now been restored.

Military developments: Ukraine continued its push towards Kherson as Russia evacuated civilians from the eastern side of the Dnipro River; despite the lowering of the Russian flag over facilities there, Ukrainian troops did not immediately advance, fearing it was a trap. Russian defense minister Sergei Shoigu said that 87,000 conscripts from the recent mobilization had been sent to the conflict zone. Commentary from the *Guardian* [notes](#) that Russia is using these new soldiers “to help stabilize their frontlines and to free up their professional troops to halt the Ukrainian counteroffensive.” The US [said](#) that “most” of the 20,000 US troops sent to central and eastern Europe earlier this year remain there and that “right now, the intent is to keep troop levels at the same level [.]” The US [accused](#) North Korea of “covertly” supplying a “significant number” of artillery shells to Russia while “trying to make it appear as though they are being sent to countries in the Middle East or north Africa.”

Discussion of nuclear weapons use: The *New York Times* [reported](#) that senior Russian military leaders, though not President Putin, recently held conversations to discuss possible use of a tactical nuclear weapon in Ukraine; however, the US said it had seen no evidence of preparations for a nuclear strike. The Russian Foreign Ministry [issued](#) a statement that “Russia is strictly and consistently guided by the tenet that a nuclear war cannot be won and must never be fought. Russian doctrinal approaches in this sphere are defined with utmost accuracy, pursue solely defensive goals and do not admit of expansive interpretation. . . . We are strongly convinced that in the current complicated and turbulent situation, caused by irresponsible and impudent actions aimed at undermining our national security, the most immediate task is to avoid any military clash of nuclear powers.” The language [reflects](#) a statement by the five permanent members of the UN Security Council in January that “a nuclear war cannot be won.”

Scholz visit to China: German Chancellor Olaf Scholz visited Beijing; Chinese President Xi Jinping [told](#) Scholz that he opposes the use of nuclear weapons in Europe. Xi also asked the international community during these “[times of change and turmoil](#)” to “reject the threat of nuclear weapons” to prevent a “crisis on the Eurasian continent” and supported ensuring the stability of food and energy supply chains (presumably including the agreement permitting Ukrainian grain exports). For his part, Scholz [said](#) “I told President Xi that it is important for China to exercise its influence on Russia [.]” Scholz’ visit is the first by a G-7 leader to China since before the pandemic.

IAEA inspections in Ukraine: The International Atomic Energy Agency [said](#) that its inspections, prompted at Ukraine’s request to counter Russian charges that Ukraine was preparing a “dirty bomb,” which Ukraine strongly denied, “did not show any sign of undeclared nuclear activities and materials [.]”

2. FED APPROVES FOURTH 0.75 POINT RATE RISE

The Federal Reserve [increased](#) the Federal Funds Rate by another 0.75 percent on Wednesday, the fourth consecutive hike of that magnitude. Though the central bank made clear as in past statement that it expected to continue increasing interest rates in future meetings, it added new language on Wednesday stating that “in determining the pace of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.” This new sentence means that the FOMC will approach future meetings with the understanding that it has hiked interest rates significantly already and if some effects of previous rate hikes are still materializing, there may be less need for additional 0.75 percent interest rate hikes than previously implied.

According to minutes of the Fed's September policy meeting, most Fed officials [projected](#) rates would rise to about 4.6 percent in 2023. Fed Chair Jerome Powell said that projections would likely have a higher "terminal rate"—the endpoint of the hiking cycle—if they were issued again in November. The Conference Board's Economy, Strategy, and Finance Center expects a terminal rate in the 4.75 to 5.00 percent range. In its [analysis](#) of Wednesday's actions, it notes that the Fed's hikes have already had an effect on the economy, slowing consumption and business investment and contracting residential investment, and predicts that the full impact of the hikes will cause a "broad but shallow contraction."

3. JOB OPENINGS REBOUND TO 10.7 MILLION

The number of nonfarm job openings [increased](#) to 10.7 million by the end of September, according to the Job Openings and Labor Turnover Survey (JOLTS) released Tuesday by the Bureau of Labor Statistics. This was a rebound, partially offsetting a large decline from 11.2 million to 10.3 million in August's revised figure. Job openings have declined since reaching an all-time high of 11.8 million in March 2022. Two large sectors, accommodation and food services and healthcare and social assistance, drove the increase: the former rose by 215,000 to 1,419,000 and the latter rose by 115,000 to 2,096,000, an all-time high. Job openings are still very high by historical norms. The number of new hires declined from 6.3 million to 6.1 million, while total separations declined from 6.1 million to 5.7 million. Separations include quits (4.1 million) layoffs and discharges (1.3 million) and other separations (0.3 million), with the greatest decline coming in layoffs and discharges, at 1.5 million last month.

4. MANUFACTURING FIGURES SUGGEST SLOWING GROWTH

Two surveys of manufacturers, by the [Institute for Supply Management](#) (ISM) and [S&P Global](#), each showed slightly higher overall economic activity in October but suggested weak demand and slowing growth. The ISM Purchasing Managers Index (PMI) recorded 50.2 percent, a decline of 0.7 percent from the previous month and just above the neutral value of 50.0. This was the 29th month of expansion, but the lowest figure for the expansion beginning June 2020. The new orders component contracted, as in September. The production index, however increased. ISM noted that the low new orders figure, combined with the low new export orders figure, show easing demand. Separately, the S&P Global PMI posted 50.4 in October, down from 52.0 in September. Much like the ISM index, this was just above the neutral value of 50.0 and the lowest figure in the expansion. Similarly, S&P Global also showed declining domestic and foreign demand; however, the production index expanded. One upside of declining demand but increasing production is clearing of orders backlogs; S&P Global's survey shows the first reduction in backlogs since July 2020.

5. TRADE DEFICIT WIDENS

The US trade deficit in goods and services [widened](#) to \$73.3 billion in September, up \$7.6 billion from the \$65.7 billion revised figure for August, according to the Census Bureau. This increase reverses five months of consecutive decreases from the March figure of \$106.9 billion, an all-time high. The larger deficit reflects both increased imports and reduced exports. Exports of goods decreased \$3.4 billion, led by foods, feeds, and beverages, which fell \$2.1 billion. Falling soybean prices resulted in export revenues \$1.7 billion lower than August. Falling commodity prices also reduced crude oil exports by \$1.0 billion.

Exports of services increased \$0.9 billion, led by travel. Imports of goods increased \$2.8 billion, as capital and consumer goods more than offset declining commodity prices. Though fuel oil imports decreased \$0.8 billion, crude oil and other petroleum products decreased \$1.05 billion, while capital goods increased \$3.3 billion, led by semiconductors (\$1.1 billion), civilian aircraft (\$0.8 billion), and telecommunications equipment (\$0.7 billion.) Consumer goods increased \$1.1 billion, led by cell phones and pharmaceuticals. Imports of services increased \$1.9 billion, led by travel at \$1.6 billion. Much of the broad figure was driven by a \$2.5 billion increase in the trade deficit with the European Union on falling energy prices (the US has been exporting large quantities of liquefied natural gas (LNG) to the EU).

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 29, virtually unchanged from the previous week's revised level of 218,000. Claims have increased from September's lowest reading of 190,000 and 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 remaining steady in 2022 but rising to 4.4 percent, well above its current level of 3.5 percent, by the third quarter of next year.

7. VEHICLE SALES CLIMB

Motor vehicle retail sales (cars, light trucks, and heavy trucks) climbed in October to a 15.4 million seasonally adjusted annual rate, up 1.4 million from September, according to data [released](#) by the Bureau of Economic Analysis. The increase shows the relative strength of consumption spending, which has continued to grow even as other components of the economy, such as business fixed or residential spending, have slowed or even contracted in the face of rising interest rates. Increased supply may also explain the strength of vehicle sales. BEA data show that September and August had greater domestic auto production than any month since January 2021, perhaps indicating an easing of the auto industry's ability to procure materials and parts, especially automotive semiconductors.

8. EPA PROPOSED RULE ON HYDROFLUOROCARBONS

In 2020, Congress enacted the [AIM Act](#), authorizing EPA to administer a program to issue production and consumption allowances for 18 hydrofluorocarbons (HFCs), extremely potent greenhouse gases, and to phase down HFC production and consumption over time. HFCs are used in refrigeration, air conditioning, fire suppression, and other industries. EPA operates an allowance allocation and trading program designed to implement the phase down the Act requires. In October 2021, EPA published a [Framework Rule](#) for the program, covering allowances for 2022 and 2023. Now, EPA has proposed a [rule](#) that would establish a methodology for issuing production and consumption allowances from 2024-2028, address allowances used to cover imports, and add a "new requirement to report emissions from HFC production facilities." For 2024-2026, consumption allowances would be based on "an entity's market share derived from the average of the three highest years" of HFC production between 2011 and 2019, with allocations continuing to decline over time. Overall, the methodology for allocation of allowances is similar to that in effect for 2022-2023, except that there will be no further set-asides for new market entrants. Comments on the proposed rule must be received by December 19.

9. EARLY VOTING IN US MIDTERMS

The nonpartisan US Elections Project [tracker](#) shows that as of November 3, states have recorded a total of 32,978,664 early votes (14,053,936 in person and 18,924,728 by mail). A total of 57,385,564 mail ballots have been requested; the current figure shows that 32 percent have been returned thus far. Over 4,000,000 early votes have been cast in each of California, Florida, and Texas; over 2,000,000 cast in Georgia, and over 1,000,000 in each of Arizona, North Carolina, and Pennsylvania.

10. CYBERSECURITY SUMMIT AND PERFORMANCE GOALS FOR CRITICAL INFRASTRUCTURE

This week, the White House [convened](#) the Second International Counter Ransomware Initiative (CRI) Summit, with 36 countries and the EU, to develop cooperative actions to fight ransomware globally. The initiative has five working groups: resilience, disruption, counter illicit finance, public-private partnership, and diplomacy. Goals for the upcoming year include greater information-sharing practices both among countries and with the private sector, developing an “investigator’s toolkit” for responding to events, “proactively tackling major cybercriminal actors,” and publishing semiannual reports on ransomware trends and mitigation measures. The Summit also secured commitments to develop and eventually implement international anti-money laundering and combating the financing of terrorism (AML/CFT) standards for cryptocurrency that would crack down on its use in ransomware attacks.

The Cybersecurity and Infrastructure Security Agency (CISA) [released](#) its Cybersecurity Performance Goals (CPGs) for critical infrastructure to protect against cyber threats, developed at the direction of a 2021 White House [memorandum](#) on cybersecurity following the damaging Colonial Pipeline attack. The performance goals are voluntary; CISA also stresses that the Goals are not comprehensive but rather a “core set” known to reduce risk for a wide variety of organizations. In remarks to reporters, CISA Director Jen Easterly [said](#) the goals “can be thought of as a bit of a quick-start guide.” The CPG [checklist](#), which names key risks and best practices for avoiding them, demonstrates some of the agency’s efforts to design a guide with an accessible format.

Separately, the Treasury Department’s cybersecurity counselor [revealed](#) that Treasury had thwarted attempted cyberattacks by a pro-Russian hacker group, Killnet, which had attacked the websites of several US airports in October. In line with recently established procedures, the Treasury shared internet protocol addresses the hackers used with financial services firms to provide “tactical information with the sector in real time with the mind that we are interconnected and face the same threat actors.” CED’s Solutions Brief [Securing Cyberspace in an Era of Evolving Threats](#) recommended increased collaboration and information sharing between government and the private sector, as Treasury did here.

11. PORT INFRASTRUCTURE GRANTS ANNOUNCED

The Maritime Administration [announced](#) \$703 million in grants to port facilities under the Port Infrastructure Development Program; the Infrastructure Investment and Jobs Act will ultimately allocate \$2.25 billion to the program. These grants are intended to improve cargo infrastructure, which was strained in the last two years by high demand for goods. [Recipients](#) included 41 different projects in 22 states and American Samoa, including both coasts as well as the Great Lakes and inland waterways.

Several projects focus on intermodal connections—for example, expanding truck access to the Port of Camden from I-676 or improving rail access to the Port of Detroit.

12. BATTERY PLANT IN KANSAS

Japanese company Panasonic [announced](#) it will build a \$4 billion plant for electric vehicle batteries in Kansas, with expected production beginning in 2025 and initial production capacity of 30 gigawatt hours of battery production. The company supplies batteries to Tesla. It will receive the benefits of tax credits under the Inflation Reduction Act for battery production in the US.

13. PILOTS REJECTING CONTRACT OFFERS

Amidst both a pilot shortage and rising demand for travel, the board of the Allied Pilots Association voted 15-5 to [reject](#) a contract offer by American Airlines that proposed a 19 percent pay increase over the next two years. Also this week, pilots at United [rejected](#) a proposed pay rise of 14.5 percent over the next 18 months, and Delta's pilots [authorized](#) a strike, but no strike could occur until the National Mediation Board states that additional mediation efforts would not be productive, leading either to arbitration agreed by both parties or a 30-day "cooling off" period, after which the union could strike. Delta and its pilots, represented like United's by the Air Line Pilots Association, have been in official mediation since January 2022, after a pause for nearly two years during the pandemic

14. PUBLISHING MERGER BLOCKED

A Federal judge [blocked](#) Penguin Random House's proposed \$2.2 billion acquisition of Simon & Schuster after a trial on the issue. The two companies are the largest and fourth-largest publishers, respectively, and the Justice Department strongly opposed the merger on the ground that it would "substantially . . . lessen competition in the market," particularly from the perspective of authors who would have fewer opportunities to sell their work, resulting in smaller advances and perhaps fewer books published overall. After the judge's decision, Assistant Attorney General for Antitrust Jonathan Kanter said that it "reaffirms that the antitrust laws protect competition for the acquisition of goods and services from workers." Penguin Random House said it plans to appeal.

15. BRAZIL PRESIDENTIAL ELECTION

Former President Luiz Inacio da Silva ("Lula") defeated incumbent President Jair Bolsonaro by over 2 million votes, 50.9 percent to 49.1 percent, in a runoff election. Bolsonaro has declined to concede publicly; his supporters [blocked](#) key highways at 563 points across the country but were rebuffed when the Supreme Court said it would impose large fines on the operators of trucks blocking roads. In addition, some Bolsonaro allies, including Vice President Hamilton Mourão and the governor of São Paulo state, publicly accepted Lula's victory, and the head of the Supreme Electoral Court confirmed the result. Lula's program will include tax reform and protecting the Amazon rainforest. During the runoff, Lula gained the support of Simone Tebet, who placed third in the first round of the election and is close to Brazil's agriculture interests. A renewed focus on agriculture could lead to potential trade friction with the US. Lula will be inaugurated for his third term on January 1.

16. MONKEYPOX UPDATES

As of November 1, the [US has confirmed](#) a total of 28,442 cases of monkeypox. States with the highest case numbers include California (5,450), New York (4,108), Florida (2,739), Texas (2,720), and Georgia (1,913). [Globally](#), 77,174 cases have been confirmed, with 76,249 cases confirmed in locations that have not historically reported monkeypox. The countries with the highest case numbers include the US (28,377), Brazil (9,183), Spain (7,317), France (4,094), and the UK (3,698). Twenty-three deaths have been reported in locations that have not historically reported monkeypox. On Tuesday, the WHO's International Health Regulations Emergency Committee reported its [third meeting](#) on the monkeypox outbreak. The Committee concluded that outbreak [continues](#) to represent a "public health emergency of international concern," the WHO's highest level of alert, designed to trigger coordinated international response and can unlock funding to collaborate on the sharing of vaccines and treatments.

17. PANDEMIC NEWS

Flu in the US as COVID spike nears: While flu season usually begins in October and peaks in December and January, this year it arrived [six weeks earlier](#) with uncharacteristically high levels of illness. For the week ending October 22, the CDC [reported](#) 2,332 patients admitted to hospitals with influenza. As of now, flu activity is highest in the South and Southeast and will soon move up the Atlantic coast. "It's unusual, but we're coming out of an unusual COVID pandemic that has really affected influenza and other respiratory viruses that are circulating," said Lynnette Brammer, an epidemiologist who heads the CDC's domestic influenza surveillance team. Adding to the concern, influenza vaccine takeup is lagging where it typically stands at this point in the season. As of October 28, approximately 128 million doses have been distributed so far, compared with 139 million at this point a year ago and 154 million two years ago. The latest flu data arrives as COVID-19 cases are expected to spike with the coming winter and pediatric hospitals [face](#) a record number of children infected with respiratory syncytial virus (R.S.V.).

Children's hospitals overwhelmed by R.S.V.: A drastic and unusually early [spike in R.S.V.](#) is overwhelming pediatric hospitals across the country, causing long waits for treatment. R.S.V. is a common seasonal infection with the majority of cases being very mild. But this year, the number of children falling seriously ill is significantly greater than usual. Experts believe the rise results from social distancing measures over the past three years which have prevented previous exposure, thus leading to an absence of immunity. Low population immunity coupled with the disappearance of COVID-19 mitigations has led to a sharp spike in cases.

Combined COVID and influenza vaccine? Pfizer and BioNTech [announced](#) that they will test an mRNA vaccine targeting both COVID-19 and seasonal influenza, with an initial trial among 180 volunteers.

G-20 pandemic preparedness fund: Meetings among G-20 health leaders that established, among other initiatives, a [pandemic fund](#) called the Financial Intermediary Fund (FIF). The Fund will help countries prepare for future pandemics through more equitable health resource distribution by procuring vaccines, drugs, testing kits, and equipment for lower- and middle-income countries and improved data sharing to identify pathogens that could cause a future pandemic. The FIF has received pledges totaling US \$1.4 billion. Indonesian Health Minister Budi Gunadi Sadikin noted the need for India, which holds the next G-20 presidency, to follow through with Indonesia's initiatives for building global health

architecture: “We need to make sure the [pandemic] fund is used to provide access to improve health systems, especially in developing countries, and also be prepared that if the next pandemic strikes, we have enough funds . . . to start the development of new vaccines.” Budi also said “we need to keep improving genome sequencing labs globally and, finally, the research and manufacturing hubs globally.” CED’s Solutions Brief [Preparing for the Next Public Health Crisis: Lessons from the Pandemic](#), recommended higher levels of genomic sequencing globally.

New COVID-19 strains likely cause more severe disease: A new [study](#) from The Ohio State University available in preprint found BQ.1 and other new Omicron subvariants not only to be highly contagious but also capable of causing more [severe disease](#) compared to previous subvariants. The research team led by Shan-Lu Liu tested the subvariants’ fusogenicity, or how they fuse to cells, an important step of viral entry. In general, the greater the fusogenicity, the more severe the disease. The team noted “observed increased cell-cell fusion in several new Omicron subvariants compared to their respective parental subvariants.” The study is currently under peer review at the *New England Journal of Medicine*.

TSA authority to mandate masking: The Supreme Court [let stand](#) a ruling that the Transportation Security Administration (TSA) could require airline passengers to wear masks during the height of the pandemic. The decision keeps in place a ruling by the US Court of Appeals for the DC Circuit that TSA has broad authority to maintain security and safety during times of national emergency. TSA abandoned the mask mandate in April after another judge said the requirement exceeded the agency’s authority.

18. COUNTRY SPOTLIGHT: CHINA

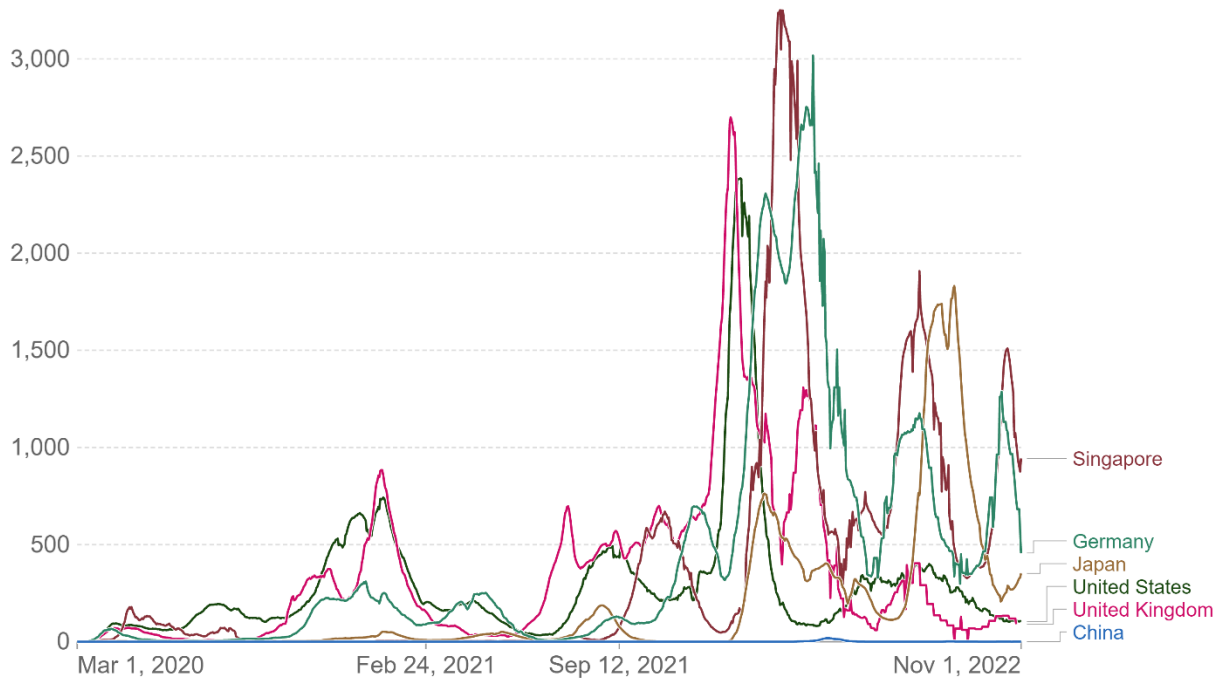
Chinese cities are clamping down on rising COVID-19 cases by enforcing strict lockdowns ahead of the colder weather. Cases in China [reached](#) 2,898 on Sunday, topping 2,000 for a second. [Shanghai Disney](#) was locked down on Monday as officials told visitors that they would not be allowed to exit the park until they can show a negative COVID-19 test. The decision to close the park was made after Shanghai reported 10 locally transmitted cases on Saturday.

It has been almost three years since COVID-19 first hit China, and top global and Chinese companies are still experiencing [enormous disruptions](#) from China’s dynamic zero-COVID policy. In Zhengzhou, Henan Province, on Wednesday, the world’s largest [assembly plant](#) for Apple’s iPhones was ordered to complete a seven-day COVID-19 lockdown. The factory, owned by Taiwanese firm Foxconn, reported last week that the location faced a small COVID-19 outbreak. Following the outbreak, videos emerged of hundreds of Foxconn workers [fleeing](#) the assembly plant by foot, climbing fences and walking along highways. The lockdown comes only a few days following Apple CEO Tim Cook’s October 27 [remarks](#) about the company’s fiscal Q4 earnings, when he said that the company’s high-end iPhone 14 Pro phones remain supply constrained. Zhengzhou reported 358 cases of COVID-19 on Tuesday, up from 95 on Monday. Chinese state media outlet National Business Daily said that electric carmaker Nio shut down two factories in the eastern city of Hefei, Anhui Province, with COVID-19 curbs. American firms report [reduced confidence](#) in China, citing risks of shutdowns, travel curbs, and supply chain disruption. According to a survey by the American Chamber of Commerce, only 30 percent of companies said they increased investment in China this year, down from 38 percent in 2021. Additionally, almost 20 percent said they cut investment in China, mostly citing reasons relating to the pandemic, while a third of the 307 companies surveyed said that this year they had already redirected investment planned for China.

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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