Working Paper Series

Center for Applied Research

THE ECONOMIC CRISIS INDEX™ QUARTERLY UPDATE Q4 2022

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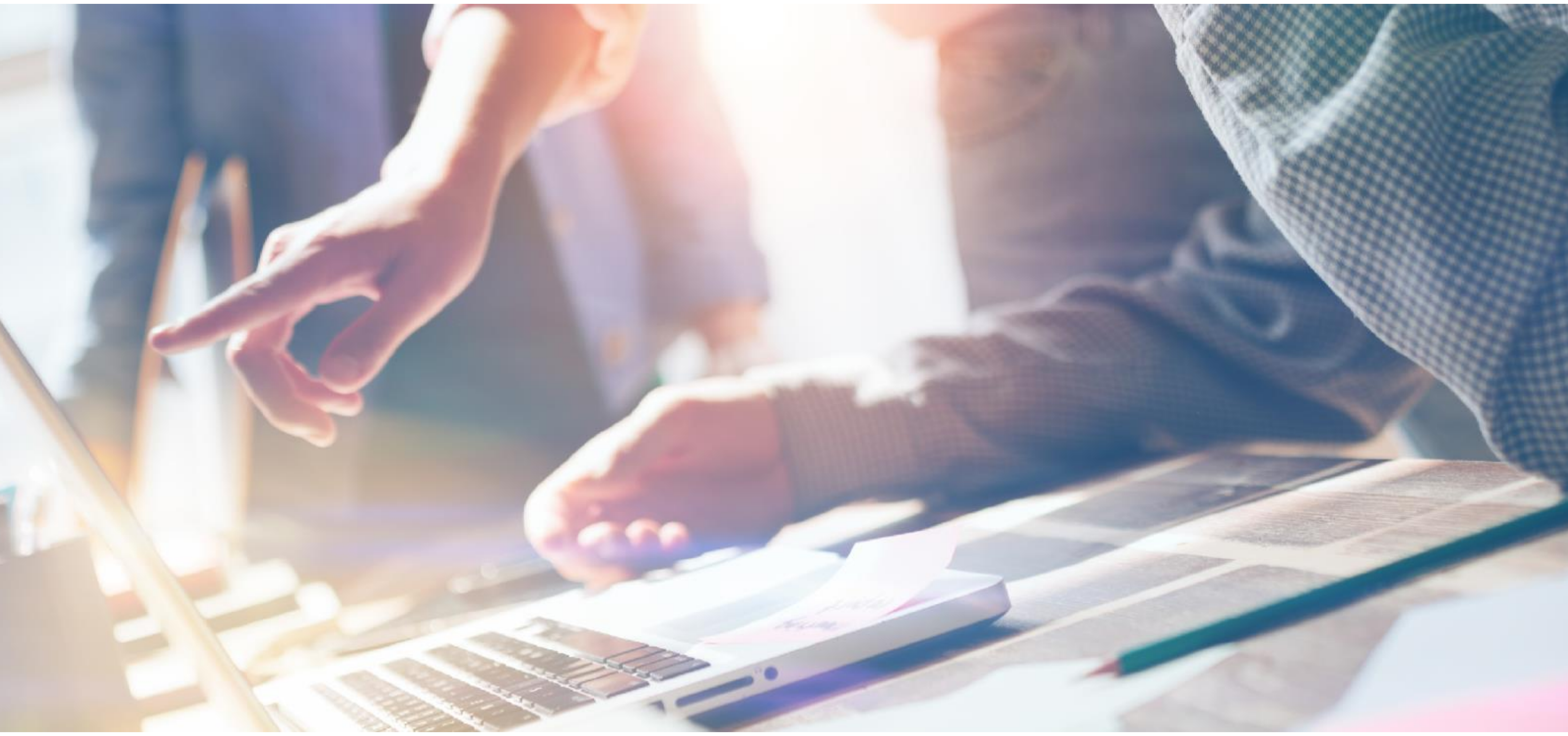

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ECONOMIC CRISIS INDEX™ QUARTERLY UPDATE Q4 2022

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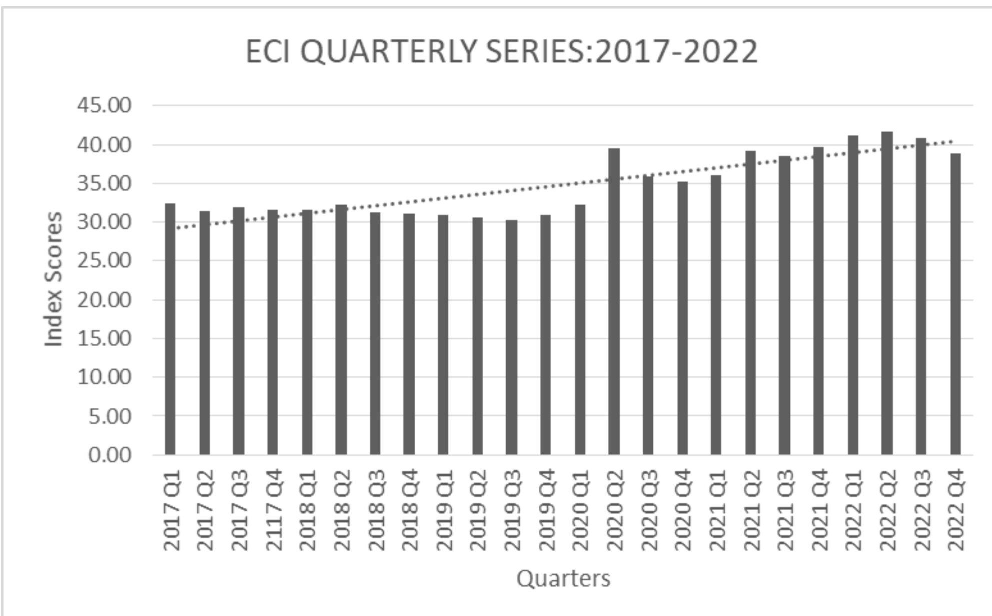
As shown in the chart "ECI Quarterly Series: 2017-2022, the last quarter of 2022 (Q4 2022) index (38.9) remained high but dropped slightly from Q3 2022 index (40.8). This quarterly data updates the base working paper *Unmasking the Tripping Point for the next U.S. Financial Crisis.* This paper can be retrieved at:
https://digitalcommons.pepperdine.edu/graziadiowps/



Does this mean an economic crisis has been averted? A more in-depth review reveals four patterns from 2022 that point to an economic crisis in 2023. They are:

- Given the FED's slow response to inflation, the ECI annual inflation rate in Q4 was (14.5%), which is consistent with a **fifteen percent (15%) loss in purchasing power or an estimated $1 trillion dollar reduction in the real income of Americans.** The ECI inflation rate, which is based on a more comprehensive base of products and services, remains twice as high as the official year end closing inflation rate of (6.6%).
- The ECI unemployment rate for 2022 was calculated to be 24.4%. As pandemic and government unemployment benefits lapse, Q3-Q4 in 2022 and 2023 is viewed as a transition period when substantial numbers of unemployed claimants leave the officially defined labor force. While official unemployment fell to (3.5%) based on a narrowly defined rate, the ECI unemployment rates remained almost seven times the official rate.
- Forbes reported that average mortgage rates increased from 3.3% to 6.5% in 2022. With additional FED rate increases mortgage rates are predicted to increase and the pool of

eligible buyers decrease in 2023. Goldman Sachs predicted that housing prices will continue to decline on a national level until mid-2023 and then plateau.

- According to S&P Dow Jones Indices, the blue chip index reported a 19.4% loss in 2022 which represents **$8.2 trillion** dollars in losses.

Perhaps the relevant question is what will trigger an economic crisis waiting to happen in 2023.