**Real GDP Growth**

The new forecast is less optimistic, but still positive.

- **Business Planning for Recession**
  - Assess your vulnerability to recession
  - Sketch out contingency plan
  - Develop early warning system
  - Build flexibility into business to enable future cost-cutting

**Housing Starts**

Ground Zero of the slowing rate of growth.

- **Retail Sales** (excluding gasoline)
  - No growth since January 1, often the gas is paid for.
**Inflation**
Personal Consumption Price Index Excluding Food & Energy

![Graph showing inflation trends from 2003 to 2006.]

The Fed's favorite measure of inflation is edging up.

**Monetary Tightening Around the World**
Key Policy Interest Rate

<table>
<thead>
<tr>
<th>Country</th>
<th>Now</th>
<th>Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>5.25</td>
<td>3.25</td>
</tr>
<tr>
<td>European Monetary Union</td>
<td>3.00</td>
<td>2.00</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4.75</td>
<td>4.50</td>
</tr>
<tr>
<td>Japan</td>
<td>0.25</td>
<td>0.01</td>
</tr>
<tr>
<td>China</td>
<td>5.85</td>
<td>5.58</td>
</tr>
<tr>
<td>Australia</td>
<td>6.00</td>
<td>5.50</td>
</tr>
<tr>
<td>India</td>
<td>6.00</td>
<td>6.00</td>
</tr>
</tbody>
</table>

Some tightening around the world, but not yet enough to cool global growth.

**Interest Rates**

![Graph showing interest rate trends for mortgages and Fed Funds from 2003 to 2006.]

The Fed is done, but long rates will keep rising.

**Stock Market**

![Graph showing S&P 500 index trends from 2003 to 2006.]

Some slowing of earnings now priced into the market appropriately.