Chinese stocks down 15 percent for July

**Financial Markets**

*China*’s stocks fell again on Friday, sliding 1.1 percent to close at 3663.73, capping a 15 percent monthly decline for July, the benchmark Shanghai Composite Index’s biggest monthly drop since August 2009. The index is more than 50 percent below its peak of June 8. In response, the government has reportedly lent 1.3tn yuan ($240 billion) to Chinese Securities Finances in attempt to halt the stock market decline. The government intends for brokers to purchase stocks and mutual funds with the money made available from the central bank’s relending facility.

**High Income Economies**

The University of Michigan consumer sentiment index for the U.S. came in less-than-expected at 93.1 for July, lower than the mid-month reading for 93.3 and June final reading of 96.1. Economists had forecast a reading of 94.1. The fall by the headline consumer sentiment index reflected decreases in both the assessment of current conditions and consumer expectations. The current economic conditions index fell to 107.2 in July from 108.9 in June, while the index of consumer expectations dropped to 84.1 from 87.8.

Remaining in the positive zone for the third straight month and matching economists’ expectations, *Eurozone* inflation remained stable at 0.2 percent in July. Nonetheless, inflation is well below the European Central Bank’s target of ‘below, but close to, 2 percent over the medium term’. However, preliminary data shows that core inflation that excludes energy, food, alcohol and tobacco, accelerated to a 15-month high of 1.0 percent from 0.8 percent in June. Meanwhile, the jobless rate came in at 11.1 percent, unchanged from May, and the lowest since March 2012.

Citing the prospect of significant economic cooling despite a moderate increase in inflation risks, *Russia*’s central bank cut its key interest rate for the fifth time this year, to 11.00 percent from 11.50 percent. Further decisions on the key rate will depend on the balance of inflation risks and risks of economy cooling, the bank said in a statement.

**Developing Economies**

**Europe and Central Asia**

*Turkey*’s trade deficit narrowed in June as the decline in imports exceeded the fall in exports, data from the Turkish Statistical Institute showed Friday. The trade deficit narrowed to $6.2 billion in June from $6.7 billion in May. On a yearly basis, exports were down 6.9 percent and imports decreased 12.5 percent in June.

**Latin America and the Caribbean**

Ratings agency Fitch kept its rating and outlook on *Mexico* stable, despite the slide in oil. The country’s
long-term rating remains at BBB+. According the Fitch, Mexico's 'BBB+' rating are supported by the country's disciplined economic policies, well-anchored macroeconomic stability and low imbalances, and an adequately capitalized banking sector.

**Sub-Saharan Africa**

As food inflation eased, Kenya’s consumer inflation rate came in at 6.6 percent (y/y) in July, down from 7.0 percent in June. On a monthly basis, the inflation rose 0.1 percent (m/m). Food and non-alcoholic beverages, which accounts for more than a third of the index, declined by 0.6 percent as cost of maize, potatoes and cabbages decreased.

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