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At the June 28, 2016 meeting, the Board of the CBA decided to cut the Refinancing Rate by 0.25 pp, setting it at 7.5%.

Deflation in May of 2016 was 0.7% compared to 0.5% recorded in the same month of the previous year, under which circumstance the 12-month inflation rate reached -2.1% at the end of the month.

In the external sector a slow pace of global economic growth, as well as relative stability achieved recently in international commodity markets were generally maintained. However, certain inflationary trends were observable in respect of some commodities. The CBA Board estimates that significant inflationary effects from the external sector are not likely in the upcoming months. Meanwhile, the CBA keeps on watching and monitoring financial markets' performance in the light of processes in the European Union.

The CBA Board notes that relatively high economic activity was further observable in Armenia in January-May against the same reference period of the previous year, which was concomitant with some recovery in aggregate demand. Although domestic demand is still weak, it is bouncing back at a faster-than-expected rate as a result of recent expansionary policy implementation by the CBA and the Government, which clearly points to the growth recorded in trade sector, import of goods, and economy lending

The CBA Board estimates that inflation environment will remain low in the upcoming months and inflation expectations will be relatively stable. However, deflation will slow down considerably in the second half of the year. In that situation, the Board considers it reasonable to reduce the refinancing rate under which circumstance the deflationary environment will phase out gradually and the 12-month inflation rate will return to its target in the forecast horizon.

Later, as economic developments unfold, the CBA will steer its monetary policy directions

accordingly while fulfilling the inflation target in the medium run.

More information on setting of the interest rate will be available in the Interest Rate Minutes to be released on July 8, 2016.