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At the November 10, 2015 Meeting, the Board of the Central Bank of Armenia decided to lower the refinancing rate by 0.5 pp to 9.75%.

Deflation was 0.4% in October 2015, compared to 1.0% inflation to the same reference month last year. As a result, 12-month inflation continued to fall, reaching 1.9% at the end of October 2015.

As to the external sector, growth of the global economy remained slow, while prices in the international commodity markets continued to decline. The Central Bank Board believes that these trends will continue in the upcoming months, due to which the external sector is expected to have a deflationary impact on domestic prices.

The Board notes that the 2015 January-September economic activity compared to the same period of 2014 was 3.7%, which was mostly driven by growth in agriculture and mining. Under these circumstances, the decline in inflation was almost fully due to agricultural products prices being lower than in the same period of 2014. Domestic demand remains weak, despite the expansionary impact of fiscal policy in 2015. The Central Bank Board estimates that persisting weak domestic demand and the deflationary external environment are slowly reflected in the inflation indicator net of agricultural products, which points to still high inflationary expectations. Nonetheless, the Central Bank Board believes that, as inflation expectations subside, inflation of these products will decline, as well. Under these conditions, the Central Bank Board considers it appropriate to ease the monetary conditions, which could have been sharper under expectations of low inflation.

The Central Bank Board estimates that low inflation will persist in the upcoming months, but will expand slowly as a result of the outlined policies and stabilize around the target in the forecast horizon.

Subject to anchoring of inflationary expectations and the absence of additional domestic

and external risks, the Central Bank Board will continue to ease the monetary conditions.

Detailed information underlying the determination of the interest rate level can be found in the Inflation Report to be published on 20 November (Q4 2015 Monetary Policy Program).