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At the December 22, 2015 Meeting, the Board of the Central Bank of Armenia decided to lower the refinancing rate by 1.0 pp to 8.75%.

In November 2015, inflation was 0.6%, compared to 1.3% inflation to the same reference month last year. As a result, 12-month inflation continued to decline, reaching 1.2% at the end of November 2015. The decrease in inflation is still due to low prices of agricultural products and decline in prices for some imported goods.

As to the external sector, the trends of slow growth of the global economy and the continuous decline in prices in the international commodity markets remained. The Central Bank Board estimates that these developments have contributed to the decline in inflation. The situation will continue in the upcoming months having deflationary impact on domestic prices.

The Board notes that in January-November 2015 the economic activity compared to the same period of 2014 was 2.9%, which was mostly driven by growth in agriculture and mining. Despite the expansionary impact of fiscal policy in 2015, the domestic demand remains weak. Due to such circumstances low inflation contributed to decrease in inflationary expectations, which under the weak domestic demand and external deflationary trends will be maintaining low inflationary environment. Central Bank Board believes that inflation risks that emerged at the end of last year have already largely been overcome and, due to easing of monetary conditions in recent months and especially the sharp easing at present, there is a return now to the normal situation that existed before November 2014.

The Central Bank Board estimates that low inflation will persist in the upcoming months, and then will expand slowly as a result of the outlined policies stabilizing 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.