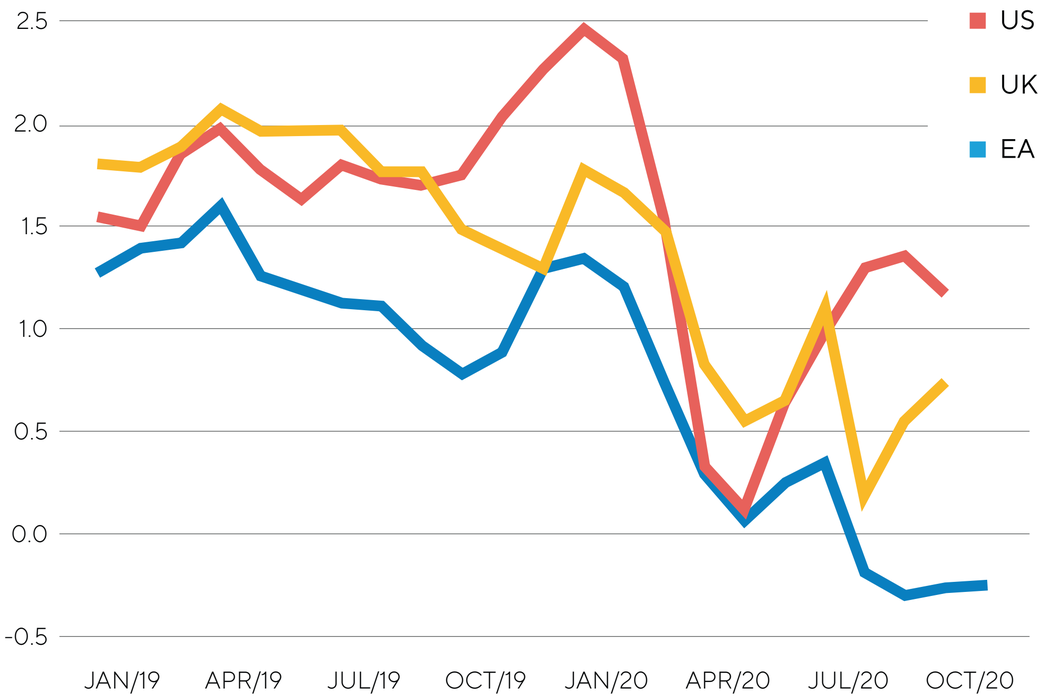
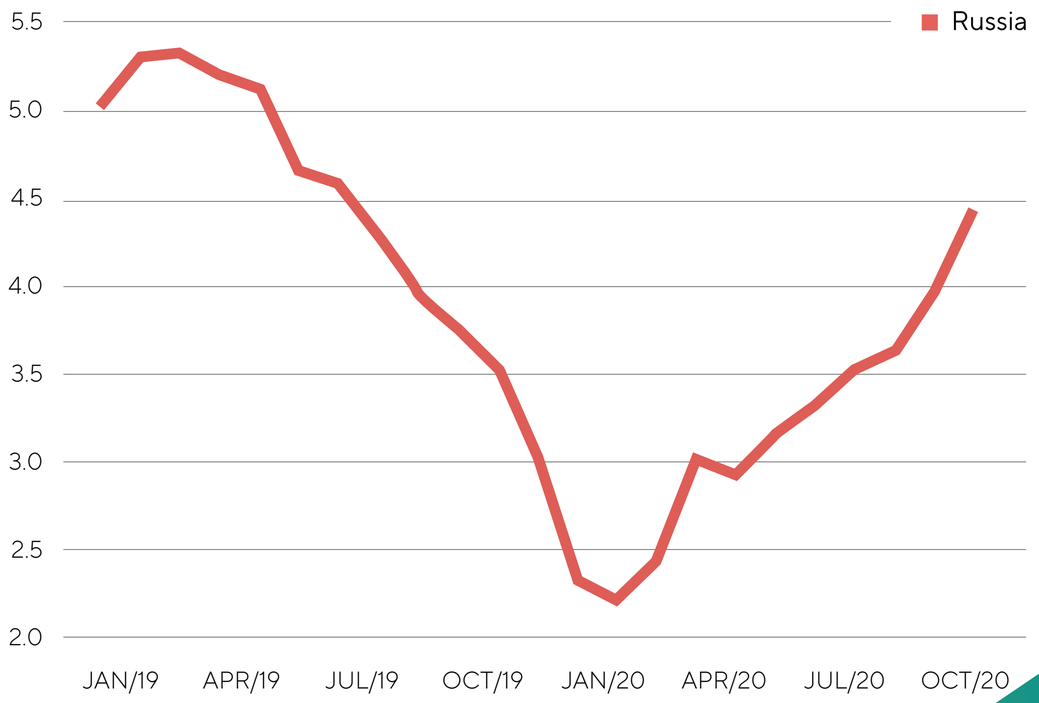
Russia is not in the throes of weak inflation

Inflation,
Y/y percent change



Source: Haver Analytics.

Inflation,
Y/y percent change



Source: CBR

In this crisis, monetary policy cannot do it alone

- This crisis is very peculiar: shock very asymmetric across sectors (some doing fine or better than fine, others suffering greatly)
- Need for targeted transfers to affected sectors to avoid chain of cascading bankruptcies
  - Fiscal policy can target specific sectors well
- Within each sector, need for these transfers to be large i. e. commensurate with the revenue loss in the affected sectors
- Again, fiscal policy can provide both targeted and large transfers
  - Still, key role for monetary policy:
    1. Preserve confidence;
    2. Aavoid dislocations in financial markets;
    3. Keep inflation expectations anchored