

# Be ready to return to low inflation regime: Rajan

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The global economy could go back to a low inflation regime and central bankers pursuing restrictive monetary policies should keep that in mind, former Reserve Bank of India governor Raghuram Rajan said.

Central banks must ask themselves if their policies were nimble enough when inflation shifted from low to a high regime, said Rajan who's now a professor of finance at the University of Chicago Booth School of Business. "We should be prepared to poten-



**Former RBI governor  
Raghuram Rajan**

tially go back to a low inflation regime," he said Friday in a conference organised by the Bank of Thailand and the Bank for International Settlements.

"We need to examine what constrained us," Rajan said. "We need to assess if we didn't

recognise inflation building or we were actually waiting for our instruments to play out, wanting to preserve them for the next time." Therefore, it is important for central banks today to pursue policies that provide for changes in inflation dynamics over time, he said, adding that headwinds, including de-globalisation, slow growth in China and K-shaped recovery in emerging economies can hurt growth.

Amid volatile times, Rajan said, emerging market central bankers have done a wonderful job in anticipating the need to raise interest rates and it has "served them well." **BLOOMBERG**