



### **Abstract**

There were concerns that inflation in many emerging markets and developing economies, if uncontrolled, would distort growth by raising inflationary expectations. This study analyses the relationship between inflation rate and economic growth rate in the period 1969–2008 in Indonesia, Malaysia, and Thailand. This paper reexamines the existence for a threshold level of inflation and makes comparison for each country. The data strongly support the view that the link between CPI inflation rate and economic growth is nonlinear. By using CPI inflation, the estimated threshold regression model suggests 8%, 3%, and 5% as the threshold values of inflation rate in Indonesia, Malaysia, and Thailand, respectively. However, the confidence regions are wide, leaving some uncertainty about the exact level of the threshold. By using GDP deflator inflation, the estimated threshold level in Indonesia and Malaysia becomes statistically insignificant. This means GDP deflator inflation did not relate to economic growth for Indonesia and Malaysia. Meanwhile, for Thailand, by using GDP deflator, threshold level moves to 6%.