

## India most successful in curbing inflation among the top ten economies

We are pleased to share with you the PHD Research Bureau conducted an analysis on **Impact of monetary tightening on inflation: Effectiveness of policy rates of top ten leading economies**. The effectiveness of the monetary policy has proven strong as the country reduced the inflation by 310 bps from the peak of 7.8% in April 2022 to 4.7% in April 2023.

The most important aspect of the inflation tolerance level of the countries has been analyzed according to the tolerance level of inflation and the current level of inflation in which India is only 70 bps above the tolerance level of 4% followed by South Korea which is 170 bps above the tolerance level. Inflation in Brazil is still significantly above by 260 bps from the tolerance level of 1.5%.

India is ranked 2nd in the ERPR at 1.24 as compared with Brazil ERPR at 4. %. Overall, India has proven its effectiveness to control the inflation from its peak, pulling down it to near tolerance level and effectiveness of the ERPR. The analysis has been undertaken for the period of 1st March 2022 to 15th May 2023. The ratio of increase in repo rate and decrease in inflation is 1.24; means with an increase of 1 basis point in repo rate, the country was able to reduce inflation by 1.24 basis points.

To read the detailed report can be accessed by [clicking here](#).

Annexures

**Table 1: Interest Rate and CPI Trend of Top 10 Economies**

S.No	Countries	Interest rate as on 1st Mar 2022	Interest rate as on 18 <sup>th</sup> May 2023	Increase in Interest Rate (in bps)	Peak Inflation (B/w March 2022 to May 2023)	Latest Inflation Rate	Difference in Peak and Latest Inflation rate (in bps)	Effectiveness Ratio of Policy Rates (ERPR)
1	United States	0.25-0.5	5.25	475	9.1 (June 2022)	4.9	-420	0.88

2	Euro Area	0	3.75	375	10.6 (October 2022)	7.0	-360	0.96
3	Germany	0	3.75	375	8.8 (October 2022)	7.2	-160	0.42
4	<b>India</b>	<b>4</b>	<b>6.5</b>	<b>250</b>	<b>7.8 (April 2022)</b>	<b>4.7</b>	<b>-310</b>	<b>1.24</b>
5	United Kingdom	0.5	4.50	400	11.1 (October 2022)	10.1	-100	0.25
6	France	0	3.75	375	6.2 (October 2022)	5.9	-30	0.08
7	Italy	0	3.75	375	11.8 (October 2022)	8.2	-360	0.96
8	Canada	0.25	4.50	425	8.1 (June 2022)	4.4	-370	0.87
9	South Korea	0.75	3.50	275	6.3 (July 2022)	3.7	-260	0.94
10	Brazil	11.75	13.75	200	12.1 (April 2022)	4.1	-800	4.0

Source: PHD Research Bureau, PHD Chamber

Note: We have considered only those economies where there inflation was more than 5% during the period March 2022 – May 2023 among the top ten economies. China, though the second largest economy, was not considered as Inflation in China was not escalated and remained below 2.8% which peaked in September 2022.

**Table 2: Percentile score of the countries as per Effectiveness Ratio of Policy Rates (ERPR) out of 10**

Countries	Score
<b>Brazil</b>	10
<b>India</b>	9
<b>Euro Area</b>	8
<b>Italy</b>	7
<b>South Korea</b>	6
<b>United States</b>	5
<b>Canada</b>	4
<b>Germany</b>	3
<b>United Kingdom</b>	2
<b>France</b>	1

Source: PHD Research Bureau, PHD Chamber. Note: We have considered only those economies where there inflation was more than 5% during the period March 2022 – May 2023 among the top ten economies. China, though the second largest economy, was not considered as Inflation in China was not escalated and remained below 2.8% which peaked in September 2022.

**Table 3: Inflation tolerance of the countries and percentile scores**

Countries	Latest Inflation Rate	Tolerance target	Inflation rate above the Tolerance target bps	Score
<b>India</b>	4.7	4% - 6%	70	10
<b>South Korea</b>	3.7	2%	170	9
<b>Brazil</b>	4.1	1.5	260	8
<b>United States</b>	4.9	2%	290	7
<b>Canada</b>	4.4	1% - 3%	340	6
<b>France</b>	5.9	2%	390	5
<b>Euro Area</b>	7.0	2%	500	4
<b>Germany</b>	7.2	2%	520	3
<b>Italy</b>	8.2	2%	620	2
<b>United Kingdom</b>	10.1	2%	810	1

Source:PHD Research Bureau, PHD Chamber. Note:We have considered only those economies where there inflation was more than 5%during the period March 2022 – May 2023 among the top ten economies. China,though the second largest economy, was not considered as Inflationin China was not escalated and remained below 2.8% which peaked in September2022.

**Table 4: Overall percentile score of countries according to ERPR and Inflation tolerance**

S. No.	Countries	ERPR Score	Tolerance Target Score	Total Score
<b>1</b>	<b>India</b>	9	10	19
<b>2</b>	<b>Brazil</b>	10	8	18
<b>3</b>	<b>South Korea</b>	6	9	15
<b>4</b>	<b>United States</b>	5	7	12
<b>5</b>	<b>Euro Area</b>	8	4	12
<b>6</b>	<b>Canada</b>	4	6	10
<b>7</b>	<b>Italy</b>	7	2	9
<b>8</b>	<b>Germany</b>	3	3	6
<b>9</b>	<b>France</b>	1	5	6
<b>10</b>	<b>United Kingdom</b>	2	1	3

Source:PHD Research Bureau, PHD Chamber. Note:We have considered only those economies where there inflation was more than 5%during the period March 2022 – May 2023 among the top ten economies. China,though the second largest economy, was not considered as Inflationin China was not escalated and remained below 2.8% which peaked in September2022.



Warm Regards,

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