ABSTRACT

Inflation is one of the macroeconomic indicators used to assess the condition of people's purchasing power. This study uses the Philips curve analysis using the Partial Adjustment Model in Indonesia from Q1:2010 – Q4:2020 the variables used include the output gap and crude oil prices.

The output gap is estimated using seasonally adjusted GDP data and the Hodrick-Prescott filter. The purpose of this study is to analyze inflation in Indonesia using a partial adjustment model, while crude oil prices use the average data of the Brent, Dubai and West Texas Intermediate (WTI) index.

The estimation results show that the output gap has a positive effect and changes in crude oil prices have a positive effect, these results show that the Indonesian economy is driven by aggregate demand even though the estimation results are not significant and changes in crude oil prices have a significant effect on inflation.

Keyword : inflation , partial adjustment model, phillips curve