ABSTRACT

Bank Indonesia implemented monetary policy in response to Covid-19 by lowering the BI Rate 7 Day Repo Rate. However, inflation as the ultimate goal of monetary policy does not appear to have improved. Bank Indonesia needs time to influence the ultimate policy objectives.

This study aims to analyze the performance of monetary policy as reflected from the pass-through of PUAB interest rates to bank lending rates (consumption loans, investment loans and working capital loans) in the long term and short term (non-asymmetric and asymmetric adjustments). This research was conducted by comparing the period before the Covid-19 pandemic (July 2017 – December 2019) and during the Covid-19 pandemic (January 2020 - June 2022). This study also analyzes whether or not there is influence of control variables (net foreign assets & inflation) on pass-through. The data used is monthly time series data using the Error Correction Model method.

The results of this study show that: (i) the long-term and short-term pass-through during the pandemic period was higher than before the pandemic (ii) the investment loan interest rate was the interest rate with the highest pass-through rate and was the fastest in adjusting towards the long term compared to interest rates interest rates on other loans (iii) the speed of asymmetric adjustment towards the long term in interest rates on loans.

Key Words : *Interest Rate Pass-Through, Error Correction Model, Asymmetric Adjustment*