

ABSTRACT

The exchange rate plays an important role as it is a crucial macroeconomic variable that can be used as a parameter to assess competitiveness at the international level. Indonesia is a country that implements an open economic system with a free floating exchange rate since August 1997. This study aims to analyze the effect of real interest rates, exports, and imports on the Rupiah / US Dollar exchange rate simultaneously and partially. This study was conducted in Indonesia for a period of 11 years between 2013-2023.

The model used in this study is based on the theory of purchasing power parity proposed by Swedish economist Gustav Cassel. The analysis method used in this research is the Error Correction Model (ECM) model with 132 observations. The data used is monthly data, namely time series data for 11 years for the period 2013-2023.

The results showed that simultaneously in the short and long term the real interest rate, export, and import variables showed a significant influence on the Rupiah / US Dollar exchange rate. Partially, the results of this study indicate that in the short and long term the real interest rate and export variables show a significant effect on the Rupiah / US Dollar exchange rate, while the import variable in the short and long term does not have a significant effect on the Rupiah / US Dollar exchange rate.

Keywords: Rupiah exchange rate, real interest rate, exports, and imports.