ABSTRACT

This study aims to analyze the determinants and forecasting of the IDR/USD exchange rate using the monetary approach. The primary focus is to examine the influence of differences in money supply, national income, interest rates, and inflation between domestic and foreign countries on exchange rates, as well as to evaluate the consistency and accuracy of the monetary approach in explaining short-term and long-term relationships. Against the backdrop of exchange rate volatility and asymmetrical economic policy implementation, this research seeks to provide a deeper understanding of exchange rate behavior under current economic conditions.

The research employs secondary data analysis using the Autoregressive Distributed Lag (ARDL) model. This model facilitates cointegration testing and the analysis of relationships between variables in both the short and long term. The data used consists of secondary data from official sources, covering the period from 2010 to 2018, and is processed using time series model testing, interpretation of estimation results, and predictive evaluation.

The findings indicate that differences in monetary variables, such as money supply, national income, interest rates, and inflation, significantly affect exchange rates in the long term, although their impacts vary in the short term. The monetary approach proves consistent in explaining intervariable relationships, yet the predictive results tend to be accurate only under stable economic conditions. This study suggests developing models that integrate exogenous variables, such as political risk and market microstructure, to enhance the depth of future research.

Keywords*: exchange rate, monetary approach, ARDL, determination, forecasting*