

ABSTRACT

This study aims to analyze the effect of money supply, interest rates, and exchange rates on inflation in Indonesia during the period 2014–2023. Inflation is one of the most important indicators of economic stability; therefore, understanding the determinants of inflation is essential for designing effective monetary policy. The data used in this study are secondary quarterly time-series data obtained from official publications of the Central Bureau of Statistics (BPS) and Bank Indonesia. The analytical method employed is the Autoregressive Distributed Lag (ARDL) model, which allows the examination of both short-run and long-run relationships among variables.

The results of the study indicate that in the short term, the money supply and interest rates have a positive and significant effect on inflation, while the exchange rate has a significant negative effect and no significant effect. In the long term, all three independent variables show an effect on inflation, although the levels of significance vary. The money supply tends to contribute positively to inflation, while the interest rate has a significant positive effect in the long term, while the exchange rate has a significant negative effect on inflation.

These findings highlight that inflation dynamics in Indonesia are more responsive to changes in interest rates in the short run, while money supply and exchange rate play more dominant roles in the long run. Therefore, the study suggests that these results can serve as valuable input for monetary authorities, particularly Bank Indonesia, in formulating more effective policies to maintain price stability.

Keywords: *Inflation, Money Supply, Interest Rate, Exchange Rate, ARDL*

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