

ABSTRACT

The purpose of Bank Indonesia changed from Law No. 23 of 1999, which had a single goal of price stability, to Law P2SK in 2023, which expanded to a triple mandate encompassing rupiah stability, payment system stability, and financial system stability. This expansion has the potential to create asymmetric preferences for Bank Indonesia, namely differences in responsiveness when a recession or deflation occurs. This study aims to test the consistency of Bank Indonesia in achieving price stability both before and after the addition of objectives, as well as to examine indications of asymmetric preferences in monetary policy.

The research uses multiple Ordinary Least Squares (OLS) regression with quarterly data from 2015 to 2024. Inflation is used as the dependent variable, while the output gap is the main variable, both in total and in positive and negative separations. Output gap using the Hodric-Prescott technique In the second model, GDP growth and current account variables were added as proxies for financial system stability in accordance with the P2SK Law. Estimation was performed using robust standard error to ensure more reliable results.

The research results indicate that Bank Indonesia has been inconsistent with its objectives, both when pursuing a single objective and a triple mandate. Although the results are not statistics proven, they are theoretically proven. A negative output gap tends to increase inflation, which is consistent with the potential for inflation bias when central banks are too focused on output recovery. Meanwhile, the increase in GDP and the current account indicates a potential trade-off between goals. Bank Indonesia is trying to maintain price stability, but it also needs to stabilize the financial system, although this is not the primary goal among others. Thus, the results of this study confirm Bank Indonesia's inconsistency in achieving its goals.

Keywords: *Asymmetric Preferences, Bank Indonesia, Inflation, Output Gap, P2SK Law, Financial System Stability.*