ABSTRACT

In both developing and developed countries, Inflation is one of the important variables that affect the economy of a country.. Indonesia has been observing various economic crises that cause high inflation rate. One of them was on the 1997-1998 economic crisis that caused massive layoffs, the exchange rate of domestic currency experienced a very sharp depreciation of foreign currency. To overcome the crisis various ways to do, one of them is by raising the deposit rate to keep the domestic currency does not continue to depreciate. This study was conducted to analyze the determinants of the inflation rate by using a simple regression approach. The variables used are inflation, money supply, exchange rate, and interest rate. Research conducted in the period 1980-2015.

The results in this study indicate that the exchange rate variable (D) has a positive and significant effect on the inflation rate. Money supply variable (JUB) has a positive and significant effect on inflation rate. In addition, the interest rate variable (I) has a positive and significant effect on inflation. The results in this study can be concluded that the independent exchange rate, money supply, and interest rates variable have a positive and significant relationship to inflation.

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