ABSTRACT

International trade between indonesia and united states lead to the importance of exchange rate stability for doing transaction of international goods and services trade. Exchange rate system in indonesia using free float exchange system to stabilize the exchange rate. Therefore Bank of Indonesia control the exchange rate through monetary approach intensively. So monetary approach model has become the reference in order to keep the position of exchange rate. The phenomenon between indonesia and united states which uncertainty fluctuation of exchange rate in 1997-2016.3 in free floating exchange system.

This research conduct to analyse the factors that affect the shift of exchange rate on free floating exchange rate system through sticky price approach in Indonesia. With case in exchange rate rupiah to US dollar between 1997-2016.3

The goal of this research is to analyse how deviation variable affect the money supply, deviation of national income variable, deviation of inflation rate variable and deviation of interest rate with two countries (Indonesia and United States) in approach to sticky price variable. This research use OLS (Ordinary Least Square) and ECM (Error Correction Model) as its analysis tools.

The result of this research stated variable in monetary sticky price model which are deviation of national income variable in long run and deviation interest rate in long and short run have the differences of coefficient's sign in the hypothesis. And in the long run only deviation of inflation rate which not significantly affect to Rp/ USD. Meanwhile in the short run, deviation of money supply and deviation of inflation rate not significantly affecting the shift of exchange rate between Rp and USD.

Keywords: Exchange Rate, Monetary Model Sticky Price, Error Correction Model (ECM).