

ABSTRACT

APPLICATION RUPIAH EXCHANGE RATE TO DOLLAR US WITH THE APPROACH PURCHASING POWER PARITY (2005:Q1-2014:Q4 PERIOD)

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The purposes of this study is to analysis factors that affect rupiah exchange rate with the independent variable; foreign exchange reserves, the price level in Indonesia, USA price level and money supply. Furthermore, this study aims to notice that the real exchange rate reflect the exchange rate according to the concept of purchasing power parity. This study use data time series 2005:Q1-2014:Q4 period. Analysis tools that used in this study is multiple regression with error correction model (ECM) method. The result of the study shows that the real exchange rate doesn't reflect purchasing power parity exchange rates, furthermore variable domestic price level have positive effect, USA price level have negative effect and variable money supply have positive effect to rupiah exchange rate.

Keyword: rupiah exchange rate, purchasing power parity, appreciation, depreciation, money supply, consumer price index