

ABSTRACT

IMPACT ANALYSIS OF INFLATION TARGETING APPLICATION TO MONETARY POLICY IN INDONESIA

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The objective of this research is to examine the influence of inflation targeting framework (ITF) to monetary policy performance in Indonesia during the period of 2002:01–2009:06. The data is tested by unit root test as well as classical assumptions, and estimated by VAR (*Vektorautoregresion*). The results indicated that during the ITF preparation period, the movement of Bank Indonesia Certificate (SBI Rate) was significantly influenced by inflation gap and GDP gap by 61.3%. However, during in the implementation of ITF targeting, SBI rate movement only 29% influenced by all the variables.

JEL; C32, E43, E52

Kata Kunci: Moneter Policy, Inflation Targeting, VAR