ABSTRACT

ANALYSIS THE INFLUENCE OF MONETARY AND REAL SECTOR
VARIABLES TO INFLATION IN INDONESIA (PERIOD 2006.01 – 2013.06)

By

ALICIA LARASATI

Inflation is one of the economic issues that cannot be underestimated because of its widespread impacts. Thus, inflation often becomes one of the government policy's objectives. High inflation is so important to be discussed due to its impact for the economics that could lead to the unbalance, slow growth of economic activities, and high unemployment level. Inflation is persistent increase in the general price level of goods and services in an economy over a period of time. Increased price from one or two goods cannot be called as inflation, unless that increase could affect the increase of other goods. The purpose of this research is to analyze the impacts of Bank Indonesia's rate, money supply, and currency exchange from rupiah to US dollar that includes in the monetary variable and oil price in the world, which is the real variable partially. This research will be using time series data in monthly period of 2006.01-2013.06 and estimated model that is used is *Error Correction Model (ECM)*.

Results of the research shows that partial in long-term it will be known the yield of Bank Indonesia's rate, money supply, currency exchange, and oil price could bring a positive impact related to the inflation in Indonesia. As together, those four factors influenced significantly to the inflation in Indonesia.

Results of the research shows that partial in short-term it will be known the yield of Bank Indonesia's rate, and oil price could bring a positive impact and significantly related to the inflation in Indonesia but money supply, and currency exchange no influenced to the inflation in Indonesia.

Key words: Bank Indonesia's rate, money supply, rupiah currency exchange to US dollar, oil price in the world, inflation in Indonesia, *Error Correction Model (ECM)*