ABSTRACT

IMPACT OF FUEL PRICE INCREASE AND REAL EXCHANGE RATE OF INFLATION AND OUTPUT IN INDONESIA
(PERIOD 2005:1 - 2012:12)

By

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Fuel prices and the real exchange rate are two variables that can influence the economy. The increase in fuel prices and the real exchange rate will have an impact on the economy especially the rate of inflation and output.

The purpose of this study is to see the impact in the event of rising fuel prices and the depreciation of the real exchange rate on the inflation rate and output during the period of the first month of 2005 until the 12th month in 2012. The method used in this study is the Vector Auto Regression. The data used are secondary data is the data monthly during the period 2005:1 - 2012:12.

The results showed that the increase in fuel prices will have an impact by increasing the price level that represents the inflation rate (ceteris paribus) during the first period (month) and cause a decrease in the level of output during the 3 periods (months). While the rise in the real exchange rate will make the inflation rate increased during the 5 periods (months) and cause a decrease in the level of output during the 3 periods (months). And the results showed that the variable VD rising fuel prices is a factor that greatly affects the rate of inflation by a percentage approximately 38.93%.

Keywords: Fuel price, Real Exchange Rates, Inflation, Output Level, Vector Autoregression (VAR).