

THE INFLUENCE OF MACROECONOMIC INDICATORS WITHIN THE INFLATION TARGETING FRAMEWORK ON INFLATION IN INDONESIA 2005-2025

ABSTRACT

One macroeconomic indicator that indicates general economic price stability is inflation. Uncontrolled inflation can jeopardize the sustainability of economic growth and public purchasing power. Since 2005, Bank Indonesia has implemented an inflation objective (ITF) framework with various monetary policy instruments to ensure price stability. Using the Error Correction Model (ECM) method, this study examines the influence of macroeconomic indicators within the ITF framework on inflation in Indonesia from 2005 to 2025. The factors used include the BI Rate, Exchange Rate, Money Supply, Crude Oil Prices, Interbank Money Market, and Economic Growth. The results show that the BI Rate, Crude Oil Prices, and PUAB have a positive and significant effect on inflation in the long run, while the Exchange Rate, JUB, and Economic Growth are insignificant in the short run. The negative and significant ECT value indicates that the error correction method helps achieve long-term equilibrium.

Keywords: Inflation, BI Rate, Exchange Rate, Money Supply, Crude Oil Prices, Interbank Money Market, Economic Growth, Error Correction Model, Inflation Targeting Framework.