ABSTRACT

THE EFFECT OF BI RATE AND EXCHANGE RATE ON CONSUMER PRICE INDEX IN INDONESIA USING THE VECTOR ERROR CORRECTION MODEL APPROACH 2019 – 2024

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This study aims to analyze the relationship between the BI Rate and the rupiah exchange rate on the Consumer Price Index (CPI) in Indonesia using the Vector Error Correction Model (VECM) method during the period 2019–2024. The main focus of this study is to identify the causal relationship, short-term and long-term effects, and the response of the Consumer Price Index (CPI) to shocks from the BI Rate and exchange rates, which are then strengthened through variance decomposition analysis. The results of the analysis show that in the short term, neither the BI Rate nor the exchange rate has a significant effect on the Consumer Price Index (CPI). However, in the long term, the BI Rate has a negative and significant effect, while the exchange rate has a positive and significant effect on the CPI. The impulse response function (IRF) analysis shows that shocks to the BI Rate tend to temporarily lower the Consumer Price Index (CPI), while exchange rate shocks cause an increase in the Consumer Price Index (CPI) that persists for several periods. Variance decomposition shows that the exchange rate is the external variable that most dominantly influences fluctuations in the Consumer Price Index (CPI) compared to the BI Rate. This finding supports the open economy theory and the principle of Purchasing Power Parity (PPP), and provides important implications for the formulation of monetary policy and exchange rate stabilization in efforts to control inflation in Indonesia.

Keywords: BI Rate, rupiah exchange rate, Consumer Price Index (CPI), Indonesia

ABSTRAK

PENGARUH *BI RATE* DAN NILAI TUKAR TERHADAP INDEKS HARGA KONSUMEN DI INDONESIA DENGAN PENDEKATAN *VECTOR ERROR CORRECTION MODEL* TAHUN 2019 – 2024

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Penelitian ini bertujuan untuk menganalisis hubungan antara BI Rate dan nilai tukar rupiah terhadap Indeks Harga Konsumen (IHK) di Indonesia dengan menggunakan metode *Vector Error Correction Model* (VECM) selama periode 2019–2024. Fokus utama penelitian ini adalah untuk mengidentifikasi hubungan kausalitas, pengaruh jangka pendek dan jangka panjang, serta respons Indeks Harga Konsumen (IHK) terhadap shock dari BI Rate dan nilai tukar, yang kemudian diperkuat melalui analisis dekomposisi varians (*Variance Decomposition*). Hasil analisis menunjukkan bahwa dalam jangka pendek, baik BI Rate maupun nilai tukar tidak memberikan pengaruh signifikan terhadap Indeks Harga Konsumen (IHK). Namun, dalam jangka panjang, BI Rate berpengaruh negatif dan signifikan, sedangkan nilai tukar berpengaruh positif dan signifikan terhadap IHK. Analisis *impulse response function* (IRF) menunjukkan bahwa shock pada BI Rate cenderung menurunkan Indeks Harga Konsumen (IHK) sementara, sedangkan shock nilai tukar menyebabkan kenaikan Indeks Harga Konsumen (IHK) yang bertahan hingga beberapa periode. Dekomposisi varians menunjukkan bahwa nilai tukar merupakan variabel eksternal yang paling dominan memengaruhi fluktuasi Indeks Harga Konsumen (IHK) dibandingkan BI Rate. Temuan ini mendukung teori ekonomi terbuka dan prinsip *Purchasing Power Parity* (PPP), serta memberikan implikasi penting bagi perumusan kebijakan moneter dan stabilisasi nilai tukar dalam upaya pengendalian inflasi di Indonesia.

Kata Kunci: BI Rate, nilai tukar rupiah, Indeks Harga Konsumen (IHK), Indonesia