

ABSTRACT

The economic growth of a country cannot be separated from inflation. Inflation has always been an economic issue that is considered by governments of countries in the world, especially developing countries including Indonesia. Indonesia, as a country with a large and diverse territory faces challenges in maintaining inflation stability in various regions. West Java, Central Java, and East Java as the three main provinces in Java Island have a strategic role in the national economy.

This study aims to identify the main factors that influence inflation in 12 cities spread across the province and their implications for the formulation of more targeted economic policies at the regional level. The data used are secondary quantitative time series data obtained from BI, BPS, and the Ministry of Finance during the period 2013-2023. The regression model used is the panel data regression method.

Using panel data regression methods, the results indicate that city minimum wages, and gross regional domestic product, and the COVID-19 pandemic dummy variable have a significant impact on inflation, while local expenditure does not have significant impact on inflation. These findings highlight the urgency of formulating macroeconomic policies that are adaptive to external shocks to maintain price stability at the regional level.

Keywords : Inflation, City Minimum Wage, GRDP, Government Expenditure, Covid-19, Panel Data Regression.