ABSTRACT

This study aims to analyze the effects of money supply, interest rates, and exchange rates on inflation in Indonesia in both the short and long run over the 2012–2025 period. This research is motivated by dynamic inflation movements and inconsistent findings in previous studies regarding the effects of monetary variables on inflation. This study employs a quantitative approach using secondary quarterly. The Autoregressive Distributed Lag (ARDL) method is applied to identify short-run and long-run relationships among the variables.

The Bounds Test results indicate the existence of a cointegrating relationship among money supply, interest rates, exchange rates, and inflation. The short-run estimation results show that money supply and interest rates have negative and statistically significant effects on inflation, while exchange rates have a positive and significant effect. In the long run, money supply and interest rates do not have statistically significant effects on inflation. Exchange rates are also insignificant at the five percent significance level, although they indicate a potential effect at the ten percent significance level. Simultaneously, all three independent variables have a significant effect on inflation.

These findings indicate that the effects of monetary variables on inflation are more evident in the short run, while their individual long-run effects are not statistically supported. Therefore, coordinated management of money supply, interest rates, and exchange rate stability is necessary to support inflation control.

***Keywords**: Inflation, Money Supply, Interest Rate, Exchange Rate, ARDL.*

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