ABSTRACT

This study examines the sensitivity of Indonesia economic performance to oil price changes, accounting for changes in the net oil production and net oil export from 1980 -2021. An error correction model (ECM) method is used to estimate the Indonesia GDP with respect to the oil price, controlling for net oil production, net-oil export, and macroeconomic variables, also other oil indicator variables. The findings reveal that oil price and net oil production exhibit a positive and statistically significant association with Indonesia's real GDP growth, both in the short and long run.

CPI and oil stock shows negative relationship with real GDP growth, but statistically significant both in the short run and in the long run but oil stock statistically insignificant in the short run. However, exchange rate exhibit positive correlation with real GDP growth in the long-run but negative relationship in the short-run, and insignificant statistically both in the short-run and in the long-run.

Keywords: Oil Price, Net Oil Production, Indonesia Economy, ECM

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