

ABSTRACT

The increasing trend of digital investments and transactions using cryptocurrencies has posed a threat to the stability of a country's financial and payment systems. Central banks are planning to implement Central Bank Digital Currency (CBDC) as a safe and efficient digital payment alternative. However, this has created uncertainty due to the unknown potential and threats of CBDC, one of which is how it impacts currency exchange rates.

Several studies found preliminary evidence of the impact of CBDC on exchange rates through fundamental macroeconomic factors, such as Barrdear & Kumhof (2021) and Meaning et al. (2018). However, the above findings do not find strong evidence of the impact of CBDC on exchange rates. This is due to the lack of historical data related to CBDC. On the other hand, Wang et al. (2022) found a positive impact of CBDC news on exchange rate volatility. However, the study only proves the impact of CBDC news on exchange rates in general, so this needs to be explicitly proven, especially in Indonesia.

Based on this research gap, this study uses the CBDC news index as a proxy for CBDC News in Indonesia. The index serves as a proxy to analyze how it impacts the rupiah exchange rate. The analysis method used is Structural Vector Autoregressive (SVAR). The structural method is carried out by applying identification restrictions on all variables following the theoretical relationship to show the impact of CBDC news on the rupiah exchange rate. The results showed a positive relationship between CBDC news and the rupiah exchange rate. An increase in CBDC news leads to a depreciation of the rupiah exchange rate.

Keywords: *central bank digital currency, exchange rate, monetary approach to the exchange rates, and news.*

