



DETERMINANTS OF INFLATION FOR INDONESIA

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ABSTRACT

This study observed the macroeconomic factors that influence inflation in Indonesia with specific attention on Gross Domestic Product Growth, Population, Foreign Direct Investment and Unemployment. An Ordinary Least Square method and Regression Model were applied to examine the relationship between macroeconomic variables and inflation in Indonesia. By using annually data from year 1984 until 2016, it is containing a total number of 33 yearly data observations. The OLS Regression result showed that Population, Foreign Direct Investment and Unemployment have positive relationship with Inflation whereas Gross Domestic Product growth has negative relationship with Inflation. It showed that Gross Domestic Product growth, Foreign Direct Investment and Unemployment have a significant relationship with Inflation while Population has an insignificant relationship with Inflation. The result provided some useful insight into the macroeconomic factors that influence inflation rate in Indonesia and the finding also can help the government to avoid inflation and improve the economy stabilization.

Key words: *GDP, Inflation, Unemployment, FDI, OLS, Time Series Data.*