

DYNAMICS OF SUPPLY THEORY AND FACTORS AFFECTING THE RUPIAH EXCHANGE RATE IN INDONESIA

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Abstract

This research is intended to explore supply dynamics and factors that influence the Rupiah exchange rate in Indonesia. The presence of the Rupiah exchange rate has a significant impact in the Indonesian economic context, affecting export competitiveness, inflation levels and overall macroeconomic stability. Therefore, thoroughly understanding the factors that influence the Rupiah exchange rate is a necessity in designing effective and sustainable economic policies. The aim of this paper is to provide better insight into the crucial aspects that need to be considered to maintain the stability of the Rupiah exchange rate.

Keywords: exchange rate, Rupiah, supply dynamics, factors, Indonesian economy

INTRODUCTION

In the context of a country's economy, the currency exchange rate is one of the critical indicators that reflects the overall health of the economy. In Indonesia, attention to fluctuations in the rupiah exchange rate has become the center of attention for various parties, ranging from economic actors, the government, to the general public. Changes in the rupiah exchange rate not only create an impact on the level of people's purchasing power, but also affect the export and import sectors, as well as various other macroeconomic aspects.

The main factor that affects the rupiah exchange rate involves the dynamics of foreign exchange offers. Fluctuations in foreign exchange supply, which are closely related to the trade balance, capital flows, and foreign investment, can provide an idea of the availability of foreign currencies in the market. In addition, fundamental economic factors such as economic growth, inflation rates, and interest rates also play a role in shaping the dynamics of the Rupiah exchange rate.

The importance of an in-depth understanding of the factors that affect the Rupiah exchange rate is very crucial. Fluctuations in the rupiah exchange rate can have a significant impact on the competitiveness of Indonesia's