



## **“THE INFLUENCE OF EXPORT, IMPORT, FOREIGN RESERVE CURRENCIES, CENTRAL BANK RATE OF INTEREST AND INFLATION RATE ON IDR EXCHANGE RATE TO USD FROM JANUARY 2011 TO DECEMBER 2013, A CASE FROM INDONESIA”**

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### **Abstract**

*The aim of this research is to study the influence of independent variables to the fluctuation of IDR exchange rate to USD. Those independent variables are export, import, foreign reserve currencies, Central Bank rate of interest and inflation rate.*

*The data was analyzed by using multiple regression, the sources of data are from Central Bank (Bank Indonesia) and Central Bureau of Statistics Indonesia.*

*Export means inflowing the USD to Indonesia while import is spending the USD, that means out flowing of the foreign currency (USD). Foreign Reserve Currencies consist of foreign currencies (USD), monetary gold etc are use as import spending. BI Rate or Central Bank of Indonesia Rate is decided by central bank as a reference for bankers in Indonesia. Inflation rate is a process that the prices of the goods are continually growing up because of many factors as market mechanism.*

*The result of this research shows that export, import, foreign reserve currencies and Central Bank of Indonesia's rate significantly influence to the rate of exchange of IDR to USD. Export make the IDR/USD exchange rate appreciate, so is foreign reserve currencies. Import make the IDR/USD exchange rate depreciate so is BI Rate. Inflation rate does not influence the IDR/USD exchange rate, because inflation rate in Indonesia is creeping inflation*

**Keywords :** *rate of exchange of IDR to USD, export, import, foreign reserve currencies and Central Bank of Indonesia's rate*

### **INTRODUCTION**

The existence of trade and international business requires a means or medium to make transactions. Therefore it is required to determine the exchange rate at a level that is feasible. Setting of foreign exchange rates is an important consideration for countries involved in international trade and business since foreign exchange rates greatly affect the costs and benefits in international trade and business.

Given the importance of the determination of foreign exchange rates in international trade and business results in a variety of concepts related to foreign exchange rates had been developed in an effort to determine the factors that affect foreign exchange rates. Exchange rate is also one of the indicators that affect trade in the money market and the stock market, since the weakening of the IDR against foreign currencies; especially USD; will have a negative effect on the economy and capital markets. There are several macro factors that affect trade, they are export,

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import, inflation rates, interest rates set by central banks and foreign exchange reserves.

Export is selling goods abroad by using the payment system. The quality, quantity and other terms of sale that are approved by the exporters and importers. Import is the process of purchasing goods or services from a foreign country to another. Imported goods generally require the intervention of the customs in the country of the sender or recipient. Exports and imports are an important part of international trade. Foreign exchange currencies are all objects that can be used for payment transactions with overseas that are widely accepted and recognized by the international community. Foreign exchange currency that is usually used today is the U.S. dollar (USD). BI rate is also one of the variables that can affect the time deposit. If the time deposit rate is low, investors will be more interested in buying USD because USD is considered as a strong currency. If interest on time deposit is high, investors will be more interested to save in the form of time deposit because it is more profitable. Inflation is defined as rising prices in general and is continuous. The increase in the price of just one or two items can not be called inflation unless the rise in inflation was widespread ( or result in price increases ) on other goods. The opposite of inflation is called deflation (<http://www.bi.go.id>).

In 2011 the exchange rate IDR/USD was relatively stable between IDR 8,500 – IDR 9,000, but in 2012-2013 the exchange rate was going upward or IDR is depreciated to USD and in December 2013 exchange rate IDR to USD was approaching to IDR 12,000.

Based on the above description then research is conducted with the title :

*“The Influence Of Export, Import, Foreign Reserve Currencies, Central Bank Rate Of Interest And Inflation Rate On Idr Exchange Rate To Usd From January 2011 To December 2013, A Case From Indonesia”*

### **Problems’ Formulation**

Based on the background of the problem described in this study are as follows:

1. How is the influence of export to exchange rate IDR/USD,
2. How is the influence of import to exchange rate IDR/USD,
3. How is the influence of foreign reserve currencies to the exchange rate IDR/USD,
4. How is the influence Central Bank of Indonesia rate (BI rate) effect on the exchange rate IDR/USD,
5. How is the influence the inflation rate against IDR/USD exchange rate,
6. How is the influence of exports, imports, foreign exchange reserves currencies, the BI rate and inflation rate simultaneously to IDR/USD exchange rate.

### **LITERATURE REVIEW**

#### **Definition of Foreign Exchange**

According Sadono Sukirno ( 2013:397 ), foreign exchange rate can also be defined as the amount of domestic currency needed which is the number of Rupiah (IDR) needed to acquire one unit of foreign currency.

Currency exchange rate can be likened as the price of the currency. Just like the price of the product, the price of a currency is determined by supply and demand.

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Exchange is formed when the quantity and price of each currency requested equal to the amount and currency prices offered.

Foreign exchange is an exchange between two different currencies, namely the ratio between the price or value of the two currencies.

### **Currency Exchange System**

According Sadono Sukirno ( 2013:389 ) the exchange rate is a key for a country to trade with the outside world. Exchange system in domestic and overseas inevitably has to be tied to the exchange rate. Exchange rate system itself consists of several types, namely fixed exchange rate, free-floating rate, and managed floating rate.

1. Fixed Exchange Rate, is the exchange rate system in which the highest monetary authority of a country ( the Central Bank ) set a domestic exchange rate against other countries that are set at a certain level regardless of the activity of supply and demand in the money market,
2. Managed Floating Exchange Rate. Setting this rate is not entirely the case of money market activity, there is still government intervention through monetary and fiscal economic tools available,
3. Free Floating Rate, is an economic system that is intended for a country whose economic system has been developed.

### **Driving Factors of IDR Exchange Rate** (Sukirno, 2004, pp 397-403 )

Many factors determine the exchange rate, and they are related to trade relations between the two countries. The exchange rate is relative, and expressed as a ratio of the currencies of two countries. These factors are also in no particular order, as many aspects of the economy, the relative importance of these factors remains a much debatable subject. The factors driving the exchange rate of IDR are:

1. Differentiation of inflation rate, a state that is consistent with low inflation will exhibit a rising currency value, along with an increase in purchasing power relative to other currencies.
2. Differentiation of Interest Rates, inflation rates and currency values have a very high correlation. By adjusting the interest rate, the central bank tried to regulate the effects of inflation and currency values, and interest rate changes will impact on inflation and currency values.

### **Export**

Export is the process of transport of goods or commodities from one country to another. This process is often used by companies with small to medium scale businesses as a key strategy to compete on an international level. Export strategy is used as a lower risk, lower capital and easier when compared to other strategies, Sukirno ( 2004, pp. 203 -206 ).

### **Import**

Import is the process of transport of goods or commodities from one country to another country legally, generally in the trade process. The import process is generally activities of buying goods or commodities from other countries into the country. Imported goods are generally requires the intervention of the customs in the

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country of the sender or recipient. Imports are important part of international trade. The opposite is export, Sukirno (2004, p . 207 ).

### **Definition of Foreign Exchange Reserves Currencies**

Foreign exchange is all objects that can be used for overseas payments transactions, widely accepted and recognized by the international community, which is usually U.S. dollars ( USD ). Foreign exchange reserves are the foreign currency deposited by central banks and monetary authorities. These savings are central bank assets stored in reserved currency, such as, Dollar, Euro, or Yen. These saving are used to guarantee obligations, namely the local currency issued, and the various bank reserves deposited at the central bank by the government or financial institution.

Foreign exchange functions, among others, as a means of payment of foreign debt, the transaction means of payment for goods and services abroad ( trade, export, import ) and as a source of state revenue, Sukirno (2004, p.392 ).

### **The Meaning of BI Rate**

As the monetary authority, Bank Indonesia establishes and conducts monetary policy to achieve and maintain Rupiah (IDR) stability. Policy direction based on the inflation target to be achieved by taking into account various other macroeconomic targets , both in the short, medium and long term, monetary policy implementation is done by setting the BI Rate, Syamsu Iskandar,( 2013 , p.32 ).

BI Rate is the interest rate policies that reflect the attitude or stance of monetary policy is set by Bank Indonesia and announced to the public. BI Rate is the interest rate to be paid by the bank or the customer as remuneration for the transactions between the bank and the customer.

### **The Meaning of Inflation**

Inflation rate is a state of constantly rising prices in general, or a state of constantly falling value of money due to the increased amount of money in circulation is not offset by an increase in inventory. Inflation is a process of rising prices in general and continuously associated with the market mechanism that can be caused by various factors. These factors are: increased private consumption, excess liquidity in the market that triggered the consumption or even speculation, and also disruptions of distribution of goods. Inflation rate is an indicator involved in the rate of exchange.It occurs if the price increase continuously and influence exchange rate, Sukirno (2005 , pp . 10-13).

According to Putong, Iskandar ( 2010, p . 402 ) type of inflation by its nature is divided into 4 main categories :

1. Creeping inflation, the amount of inflation is less than 10 % per year,
2. The galloping inflation, is the amount of inflation between 10%-30 % per year,
3. High inflation, is inflation between 30%-100 % per year,
4. Very high inflation ( hyper inflation ), inflation is characterized by drastic price increase of up to 4 digits (above 100 % ).

### **RESEARCH HYPOTHESIS**

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Testing the hypothesis can be based by using two things: the level of significance or probability (  $\alpha$  ) and the level of trust or confidence level. The level of significance is the probability of making mistakes is a mistake to reject the hypothesis when the hypothesis is true.

The hypothesis is the conclusion or temporary answer of the research results, Sarwono, Jonathan ( 2013 , p.10 ).

1. Partial hypothesis

H0 : Allegedly there is no influence of the value of exports to exchange rate IDR/USD,

H1 : There was thought to influence the value of exports to exchange rate IDR/USD.

H0 : Allegedly there was no influence on the value of import to exchange rate IDR/USD,

H2 : There was thought to influence on the value of import to exchange rate IDR/USD.

H0 : Allegedly there was no influence of foreign exchange reserve currencies to the exchange rate IDR/USD,

H3 : There is thought to influence the foreign exchange reserves to exchange rate IDR/USD.

H0 : Allegedly there was no influence on the BI Rate to exchange rate IDR/USD,

H4 : Allegedly there was influence on the BI Rate to exchange rate IDR/USD.

H0 : Allegedly there was no influence on the inflation rate to exchange rate IDR/USD,

H5 : Allegedly there was influence on the inflation rate to exchange rate IDR/USD,

2. Simultaneously

H0 : Allegedly there was no influence of the export, import, foreign exchange reserve currencies, the BI Rate and the inflation rate against the exchange rate IDR/USD,

H6 : Allegedly there was influence of the export , import , foreign exchange reserve currencies, the BI Rate and the inflation rate against the exchange rate IDR/USD, or at least one influential variable.

### RESEARCH OBJECTIVES

In accordance with the formulation of the problem that has presented the following research objectives :

1. To determine the influence of the Export Exchange Rate IDR/USD.
  2. To determine the influence of import to Exchange Rate IDR/USD.
  3. To determine the influence of foreign reserve currencies to exchange rate IDR/USD.
  4. To determine the influence of the BI Rate to Exchange Rate IDR/USD.
  5. To determine the influence of the inflation rate to the Exchange Rate IDR/USD.
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6. To determine the influence of export, import, foreign reserve currencies, the BI rate and the inflation rate simultaneously against the Exchange Rate IDR/USD.

#### **THE RESULTS OF PREVIOUS STUDIES**

1. Tri Wibowo and Hidayat Amir, 2005, " Factors Affecting the Exchange Rate ". Between the years 2000 - 2005 IDR Currency rate to USD fluctuated between IDR 7,425 – IDR 11,675 with average on IDR 9,153 because of :
    - 1) Domestic factors
      - a) High inflation,
      - b) The negative impact of high oil prices on the trade balance of oil and gas,
      - c) IDR was undervalued.
    - 2) Foreign factors
      - a) USD strengthened against all currencies,
      - b) USA economy improves.
  2. Paris Dauda, 2011, " Analysis of The Effect of Fundamentals Economic Against The Fluctuation of Exchange Rate IDR/USD between 2005 -2009 " :
    - 1) BI Rate between 8.75 - 12.75 % , BI Rate effect on the exchange rate of IDR/USD,
    - 2) Rate of inflation between 9.175% – 17.03% , classified as the galloping inflation. Rate of inflation affect the exchange rate of IDR/USD.
  3. Oriavwote, Victor E, MSc; Eshenake, Samuel J, MSc, 2012," Real Exchange Rate and Inflation: An Empirical Assessment of the Nigerian Experience"  
Using data covering the period between 1970 and 2010, An indication that the real exchange rate in Nigeria has been susceptible to fluctuations in the rate of inflation. For an open economy like Nigeria, inflation comes from both domestic factors (internal pressures) and oversea's factors (external pressures). The external factors results from increase in the world prices of commodities or fluctuation in the real exchange rate.
  4. Dickson, Oyovwi O., 2012,"Exchange Rate Volatility and Economic Growth In Nigeria"  
This study base on the annual data from 1970 to 2009, focuses on exchange rate volatility and economic growth. Economic growth is measured in terms of persistent growth in national income which translates to increase in the amount of goods and services produced in an economy. Production of goods and services involve exports and imports which in turn involves transactions in foreign exchange.  
Nigeria is a net oil exporter, 90% of its export depend on crude oil. The Nigerian foreign exchange market is peculiar because foreign exchange earnings depends about 90% on the world price of crude oil. The consequence is that the volatility of the world oil prices has direct impact on the Nigerian foreign exchange earnings (Olusanya and Rasheed, 2008).
  5. Kai-Li, Wang; Barrett, Christopher B., 2007, "Estimating the Effects of Exchange Rate Volatility on Export Volumes"
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Agricultural trade volumes may be far more responsive to exchange rate changes than is trade in manufactured goods. This may also translate into greater trade volume sensitivity to exchange rate risk in agriculture compared to other sectors of the economy (Anderson and Garcia, 1989; Maskus, 1986). Agriculture appears far more responsive to both expected exchange rates and to expected volatility in the exchange rate, and less responsive to importer incomes, than do other sectors in Taiwan's economy.

## **METHODS**

### **Data Collection Method**

The data used are secondary data from Central Bank of Indonesia and Indonesian Central Bureau of Statistics.

### **Operation of variables**

Independent variables are variables that affect or are the cause of changes in the dependent variable. Independent variables (X) which were studied consist of Export (X1), Import (X2), foreign reserve currencies (X3), Central Bank of Indonesia Rate or BI Rate (X4) and the Inflation rate (X5). Dependent Variable or Y is also called, is a variable that is affected by the independent variable. Y in this study in the form of an Exchange Rate IDR/USD from January 2011 - December 2013. It is in the form of middle rate. Middle rate is the average value between the buying with the selling rate.

### **Data Analysis Methods**

By using Multiple Regression Linear Method as follows :

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$$

Description:

Y = Exchange Rate IDR/USD

$\alpha$  =Constant.

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = regression coefficient of independent variables

X1 = export

X2 = import

X3 = foreign reserve currencies

X4 = Central Bank of Indonesia Rate (BI Rate)

X5 = Inflation rate

e = Error term

Before the linear regression analysis performed, the natural log transformation of data are done because the data have different units , i.e. IDR for Exchange Rate, USD for Export, Import and Foreign Exchange Reserves, percentage for BI Rate and Inflation Rate. Furthermore, the classical assumption test consists of testing : normality, multicollinearity, heteroskedasticity, and autocorrelation. If it is fulfilled, the model analyzes is worthy to be used (Sarwono , 2012 , pp.84 -122).

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Hypothesis testing of partial and simultaneously to determine the independent variables that affect the dependent variable.

## DATA

From the results of data collection from Bank Indonesia and the Indonesian Central Bureau of Statistics it is obtained the following results.

Data Export, Import, Foreign Reserve Currencies, BI Rate, Inflation Rate and Exchange Rate IDR/USD January 2011- December 2013.

Table 1.

YEAR	MONTH	X1_EXPORT	X2_IMPORT	X3_FOREIGN_RC	X4_BI_RATE	X5_INFL_RATE	Y_IDR/USD
2011	JAN	14606249454	12558694259	95332000000	6.50	7.02	9037.38
	FEB	14415278398	11749862451	99619000000	6.70	6.84	8912.56
	MAR	16365953469	14486238209	105709000000	6.80	6.65	8761.48
	APR	16554240767	14888230483	113814190000	6.80	6.16	8651.30
	MAY	18287435825	14825868915	118109000000	6.80	5.98	8555.80
	JUNE	18386855403	15072053394	119655000000	6.80	5.54	8564.00
	JUL	17418472565	16207276766	122671000000	6.80	4.61	8533.33
	AUG	18647825151	15075369345	124638000000	6.80	4.79	8532.00
	SEP	17543408243	15169115540	114502000000	6.80	4.61	8765.50
	OKT	16957743283	15533378964	113962000000	6.60	4.42	8895.24
	NOV	17235463273	15393896679	111316000000	6.20	4.15	9011.24
	DEC	17077694229	16475570731	111990000000	6.00	3.79	9088.48
2012	JAN	15570069320	14554618780	119990000000	6.00	3.65	9108.35
	FEB	15695443242	14866785109	112220000000	5.80	3.56	9025.30
	MAR	17251519437	16325662478	110493000000	5.80	3.97	9165.33
	APR	16173190978	16937875721	116413000000	5.80	4.50	9175.50
	MAY	16829545550	17036735320	111528000000	5.80	4.45	9290.24
	JUNE	15441457938	16727521763	106502000000	5.80	4.53	9451.14



	JUL	16090595299	16354450283	106559000000	5.80	4.56	9456.59
	AUG	14047007385	13813875810	108990000000	5.80	4.58	9499.84
	SEP	15898115717	15348557469	110172000000	5.80	4.31	9566.35
	OKT	15324042715	17207931360	110297000000	5.80	4.61	9597.14
	NOV	16316911273	16935009726	111285000000	5.80	4.32	9627.95
	DEC	15393946390	15581977290	112781000000	5.80	4.30	9645.89
2013	JAN	15375487902	15450235320	108780000000	5.80	4.57	9684.70
	FEB	15015627735	15313286233	105183000000	5.80	5.31	9686.39
	MAR	15024577683	14887075645	104800000000	5.80	5.90	9711.12
	APR	14760892129	16463468844	107269000000	5.80	5.57	9724.10
	MAY	16133358194	16660559292	105149000000	5.80	5.47	9760.91
	JUNE	14758819151	15636019963	98095000000	5.90	5.90	9881.53
	JUL	15087863565	17416991671	92671000000	6.30	8.61	10077.68
	AUG	13083707039	13012045835	92997000000	6.60	8.79	10572.50
	SEP	14706775080	15509774940	95675000000	7.20	8.40	11346.24
	OKT	15698330394	15674021743	96996000000	7.25	8.32	11366.91
	NOV	15938557641	15149325413	96960000000	7.50	8.37	11813.00
	DEC	15393946390	15460000000	99387000000	7.50	8.38	11830.00

**Source:** *Central Bank of Indonesia (Bank Indonesia) , 2014 , and the Central Bureau of Statistics Indonesia (2013)*

Description: Export Value in USD, Import Value in USD, Foreign Reserve Currencies Value in USD, BI Rate in percentage, Inflation Rate in percentage and Exchange Rate IDR/USD in Rupiah.

## RESULTS

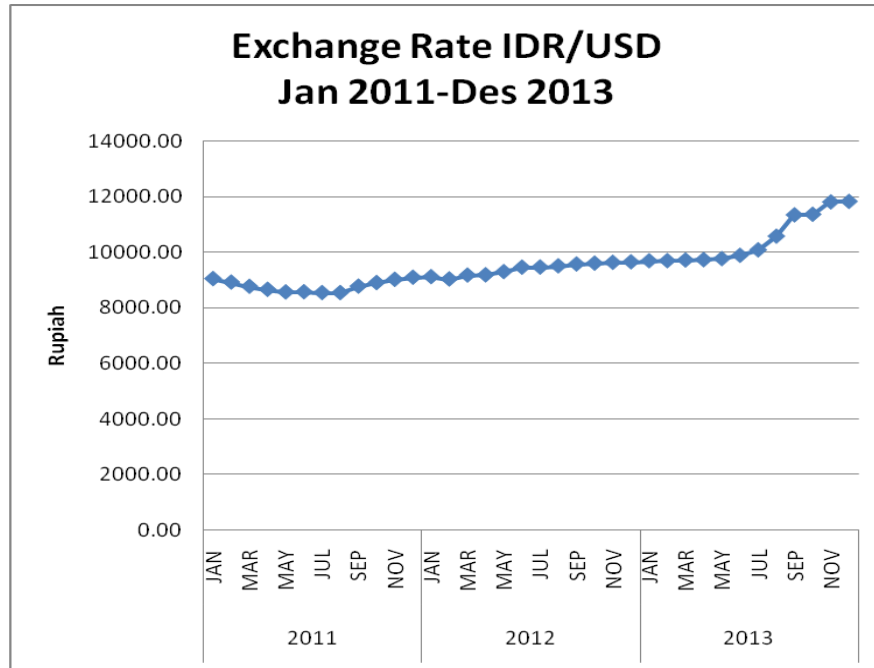
Once the data is processed , the resulting multiple regression is as follows :

$$\text{LNY\_EXCHANGE\_RATE} = 19.720 - 0.496 \text{ LNX1\_EXPORT} + 0.548 \text{ LNX2\_IMPORT} - 0.497 \text{ LNX3\_RESERVE} + 0.470 \text{ LNX4\_BI\_RATE}$$

The results of the regression equation are qualified test classical assumption of normality test, multi colinearity test, heteroscedasticitytest, and autocorrelation test. Of the five independent variables, there are four variables that affect : the export, import, foreign reserve currencies and the BI rate effect on the exchange rate IDR / USD. While the independent variable that does not affect the exchange rate of IDR / USD is the inflation rate.

Graph of the exchange rate from January 2011 to December 2013 can be seen on figure number 1.

**Figure no. 1**

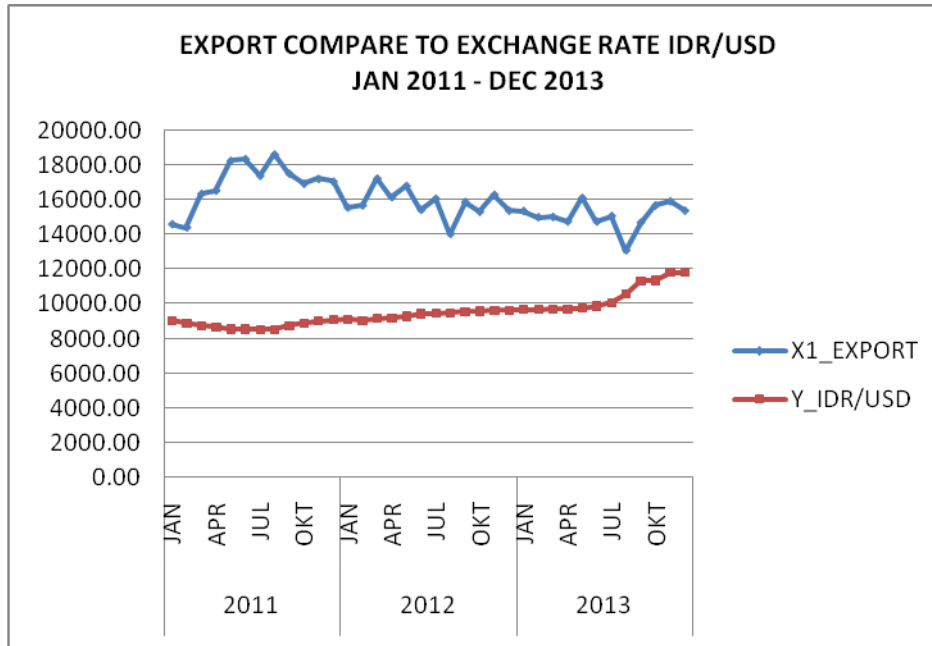


Source: Central Bank of Indonesia ( Bank Indonesia ) , 2014

If the downward sloping line graph, it means that IDR is appreciated to USD, and if the graph line going upward, it means that IDR is depreciated to USD.

Export means generating USD into Indonesia, from multiple regression result, exports have a negative coefficient, suggesting that if the export increases IDR decreases. If IDR decreases, it means IDR is appreciated against USD, and if on the graphics IDR increases it means IDR depreciates. Between March 2011 to August 2011 exports showed a high value, then the value of exports decreased by December 2011. At the time of export produces high value of the USD, IDR is appreciated against the USD and at the time of export value decreases the value of IDR is depreciated against the USD. Between March 2011 to December 2011, the export value increases, the IDR is appreciated against the USD so that the graph of the exchange rate decreases. In January 2013 - December 2013 the value of exports decreased, so the IDR/USD exchange rate depreciated. This can be seen in the figure no.2.

Figure no. 2



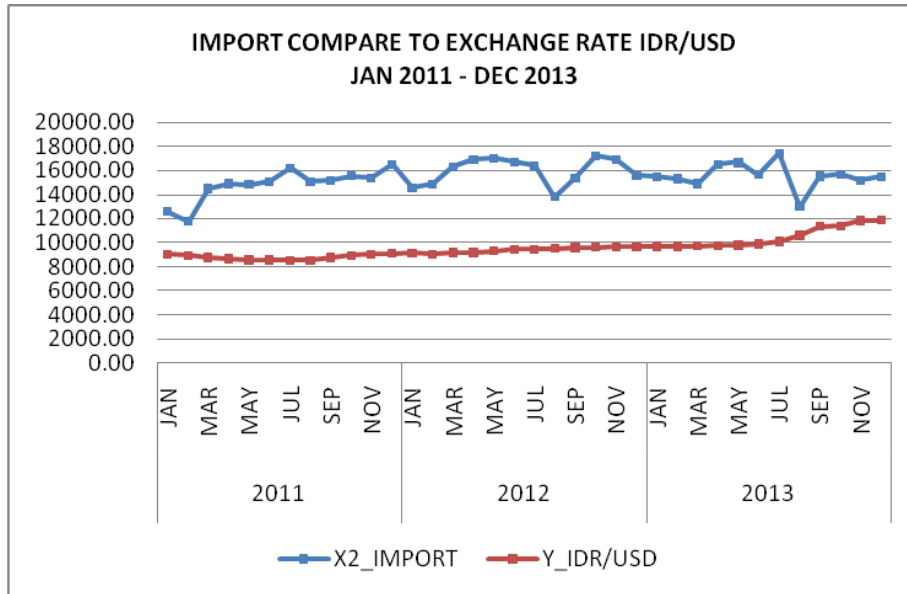
Source: Central Bank of Indonesia ( Bank Indonesia ) 2014

Description : Export in million USD

Import means spending some money out of the country, this means spending USD from Indonesia to finance expenditures for goods. From the results of multiple regression analysis shows that imports have a positive coefficient, suggesting that if the import increases, IDR exchange rate IDR is depreciated against the USD, and vice versa.

Between the years 2011 - 2013 import fluctuated and tend to increase. On the other hand, graphically exchange rate IDR / USD also increased. In other word IDR is depreciated to USD. Figure no.3 can explain this.

Figure no.3

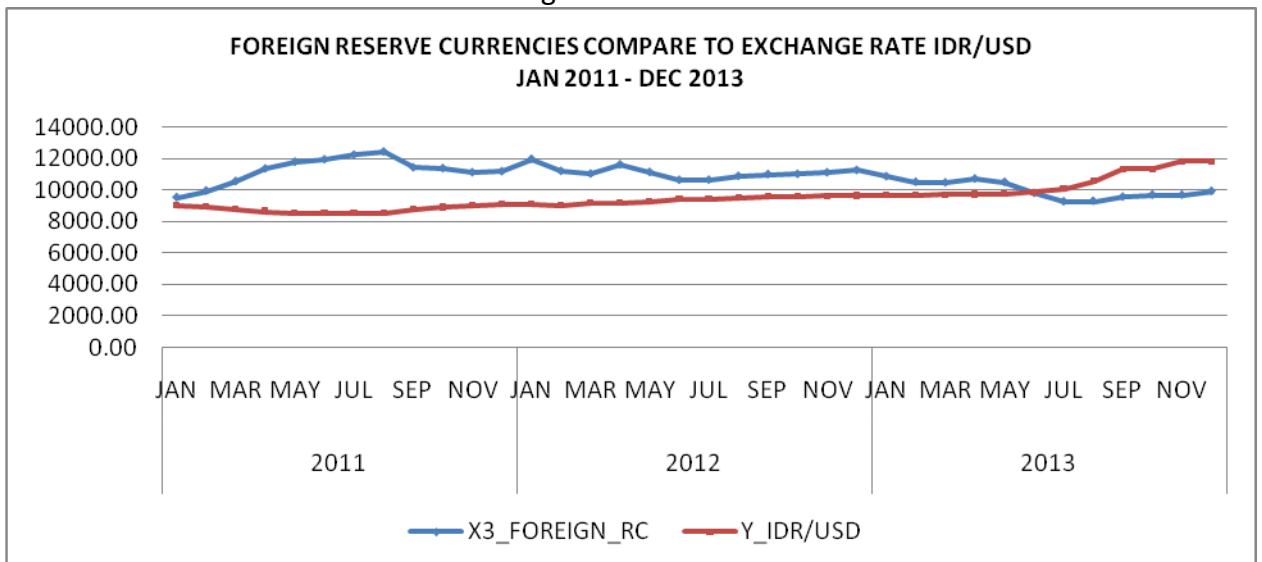


Source: Central Bank of Indonesia (Bank Indonesia) 2014  
Description : Export in million USD

### Foreign Reserve Currencies to IDR / USD

Foreign Reserve Currencies used to finance imports, payment of maturing debt and other purposes in a country. If the Foreign Reserve Currencies number increases, the exchange rate of IDR / USD will be stronger or IDR is appreciated against the USD, and vice versa. This is due to the greater number of USD owned by Indonesia. The more Indonesia owns USD, IDR is more appreciated. The graph indicated by a line chart. If the line chart declines, it means that IDR is appreciated. If the line chart inclines, it means that IDR is depreciated and vice versa. Figure no.4 can explain it.

Figure no.4

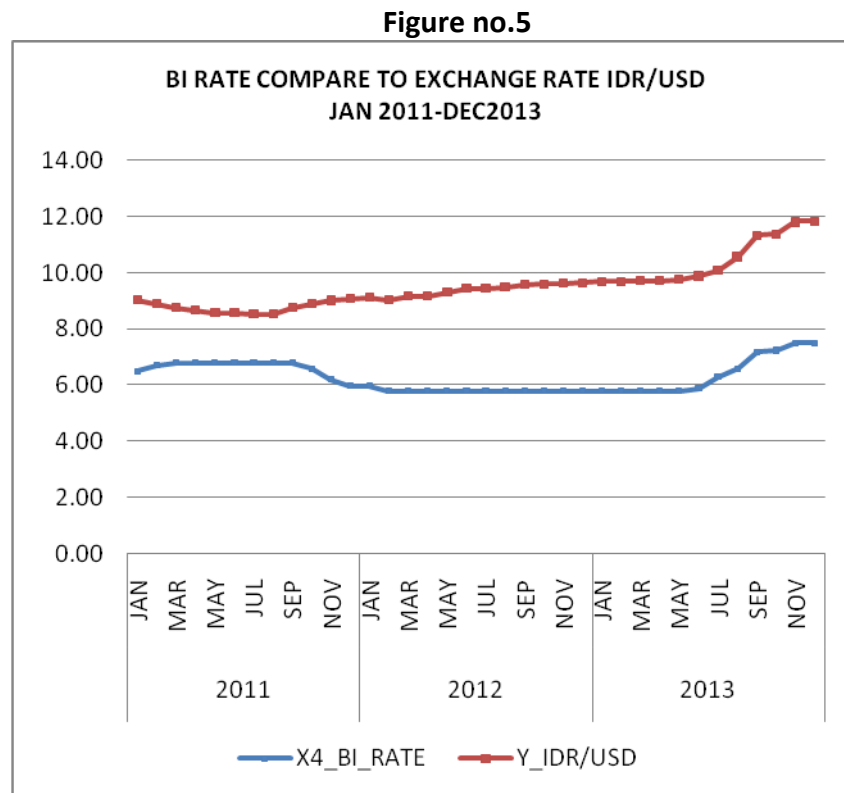


Source: Indonesian Central Bank , 2014  
Description : Foreign Reserve Currencies , Real number divided by 10,000,000



### BI Rate compared to IDR/USD Exchange Rate

Mathematics analysis shows BI rate coefficient is positive. Between May 2011 to May 2013, IDR exchange rate to USD was between 8500-9000, so the BI Rate was relatively stable at 6.80 %, then decreased to 5.80 %. But when the exchange rate increased up to the December 2013 IDR approached to IDR 12,000, the BI rate increased to 7.50 %. It was intended that the Central Bank be able to influence the exchange rate of IDR/USD, so that people are interested in saving money in the form of time deposits. Therefore can be seen from the line graph that if IDR/USD increases the BI rate also increases. Figure no.5 can explain this.



Source: Indonesian Central Bank , 2014  
Description : Exchange rate IDR/USD in thousand USD.

### Inflation Rate

Inflation rate (year on year) in Indonesia is between 3.50% - 8.30 %. Inflation is classified as creeping inflation. Relatively low inflation rate causes the inflation rate does not affect the exchange rate of IDR/USD. When the inflation rate is high, people tend to save their money in hard currency, for example in USD. However, because in Indonesia inflation rate is classified as creeping inflation, it does not affect the exchange rate of IDR/USD.

### Hypothesis Testing

From the results of hypothesis testing, variables that affect the exchange rate of IDR/ USD between the years 2011-2013 :

- a. Partial are



- 1) Export,
  - 2) Import,
  - 3) Foreign Reserve Currencies, and
  - 4) Central Bank rate (BI Rate).
- b. Simultaneously are : Export, Import, Foreign Reserve Currencies, Central Bank rate (BI Rate ) and the Inflation rate.

## CONCLUSIONS

Based on the results of the study from January 2011 to December 2013 it can be concluded as follows :

1. Exports affect the exchange rate of IDR/USD. When the exports increase, the exchange rate of IDR/USD will be stronger or in other words IDR is appreciated to USD. If exports decline, the exchange rate of IDR/USD will be weaken. In other words IDR is depreciated to USD.
2. Imports affect the exchange rate of IDR/USD. When imports increase, the exchange rate of IDR/USD weakens. In other words IDR is depreciated to USD, and if imports decline, the exchange rate of IDR/USD will be stronger or in other words IDR is appreciated to USD.
3. Foreign Reserve Currencies affect the exchange rate IDR/USD. When Foreign Reserve Currencies increases, the exchange rate of IDR/USD will be stronger. In other words IDR is appreciated to USD. If the Foreign Reserve Currencies decline, then the exchange rate IDR/USD will be weaken. In other words IDR is depreciated to USD.
4. BI rate effect on the exchange rate of IDR/USD. BI rate is one instrument that is used by the Central Bank of Indonesia to control the exchange rate of IDR/USD.
5. Inflation rate does not affect the exchange rate of IDR/USD, because the inflation rate in Indonesia is creeping inflation.
6. Variables of export, import, Foreign Reserve Currencies, BI rate and Inflation rate simultaneously influence the exchange rate IDR/USD.

Weakness of this research

1. The time used in the study is relatively short, only three years.
2. Studied only five variables, they are: export, import, Foreign Reserve Currencies, BI rate and inflation rate. Researchers can add other variables that have not been used in this study.

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