IDENTIFY THE FACTORS AFFECTS TO EXCHANGE RATE IN INDONESIA

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ABSTRACT

This paper is a report of a study on factors affect to exchange rate. It is found that net export, inflation, interest rate, foreign exchange reserve, are important in the volatility of exchange rate. Using the Autoregresive Conditional Heterocedasticity (ARCH) and General Autoregressive Conditional Heterocedasticity (GARCH) model applied quartelly the macro economic data years 2001 -2014 available from The Bank Indonesia (Central Bank of Indonesia) and Bloomberg. The result showed that foreign exchange reserve, net export, inflation and interest rate on deposits parsially and simultaneously are significant in explaining the rise and fall of exchange rate.

Keyword : EXCR, ARCH-GARCH.