

ABSTRACT**The Analysis of Factors Influencing in Rupiah Exchange Rate to American Dollar in Indonesia****Afrizal**

Background. This research studies empirically how monetary and macro economic approaches are in influencing Rupiah exchange rate in Indonesia. However, the purposes of this research are to know how great the influence of Indonesian riil income level, the USA riil income level, money supply of Indonesia, money supply of the USA, the difference of Indonesian and USA inflation rate, export to import price ratio, Indonesian external debt and the country's devisen reserve to Rupiah exchange rate in Indonesia before the crisis times (1991.I – 1997.II) and during the crisis times (1997.III – 2003.IV) and to know variables which are dominantly influencing Indonesian Rupiah exchange rate. **Methods.** This research is an explanatory research, using secondary data which include quarterly data, got from the Statistic Center Organization (BPS), Indonesia Bank, and International Financial Statistic-IMF. After early examination to research data, that is Unit roots Test, Integration Test and Co-integration Test, and then model estimation was done by error correction models/ECM, both for short term and long term. Then test was done for classical assumption violation. **Results.** From the study results, it was found that: (1) Before the crisis times in 5% degree of confidence there was a positive relationship between Rupiah exchange rate with US riil income, money supply of Indonesia, and Indonesian and USA interest rate difference and there was a negative relationship between Rupiah exchange rate with Indonesian riil income and Indonesian and USA interest rate difference. (2) The most dominant variable in influencing Indonesian Rupiah exchange rate is money supply of USA, this was shown by the variation of money supply of foreign countries prevailed for the change variation of domestic Rupiah exchange rate. (3) During the crisis times, in 5% degree of confidence there was a positive relationship between Rupiah exchange rate with money supply of Indonesia and Indonesian and USA interest rate difference and there was also a negative relationship between Indonesian Rupiah exchange rate with money supply of USA and country's reserve devisen. (4) Based on estimation result the variable dominantly influencing Rupiah exchange rate was the country's reserve devisen. **Conclusion.** From those findings in the period before crisis times, there was indication that monetary approach prevailed for Indonesian economy, by seeing the significance value of short term variables. This result can be seen that *purchasing power parity* theory also prevailed in Indonesia economy.

Key words: Monetary, macro economy, Co-integration test, Error Correction Models.