

MONETARY POLICY SHOCK ANALYSIS IN AN OPEN ECONOMY: THE CASE OF TWO ECONOMIC SECTORS IN INDONESIA

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ABSTRACT

Background : Monetary policy is one of the government's efforts to control macroeconomic conditions. Changes that occur in monetary policy will affect other economic variables. *Shock* What happens in monetary policy will affect the Indonesian economy in its economic openness.

Purpose : Monetary policy is basically a policy that aims to achieve internal balance (high economic growth, stable prices and equitable development) and external balance (balance of payments) and achieve macroeconomic goals, namely maintaining balanced international payment stability.

Methodology : This study uses secondary data sourced from journals or publications related to the discussion. This paper was created with the aim of analyzing monetary policy shocks in an open economy.

Results : The results obtained show that the largest contribution of the BI rate is felt by the price variable (inflation) and the exchange rate has a significant influence on economic growth in Indonesia.

Keywords : *shock*, monetary policy, open economy