Abtracts

This research is to find out the many factors that influence the inflation by using the partial adjustment model (PAM), developed by Marc Nerlove. This study uses the variable Interest Rate, Money Supply and Gross Domestic Product (GDP). This model has assumption that inflation is influenced by interest rates, money supply and the Gross Domestic Product (GDP). The tests result shows that the regression coefficient is siginificant and acceptable, estimation value of partial adjustment model shows elasticity of interest rates, money supply and GDP is -0.310, 0.090, -0.510 by deciding according to the hypothesis. Estimation results using this model shows that inflation is influenced by interest rate which is has negative influential. Money Supply gives the positive influential and GDP gives the negative influential.