

# MONETARY POLICY INFLUENCE ON THE PERFORMANCE OF SECTORS

## MANUFACTURING IN INDONESIA

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The manufacturing sector is a driving force for economic growth. In addition, the manufacturing industry also have an important role in the creation of new jobs. There is an increasing concern about the decline in manufacturing output in Indonesia in recent years, although this time the monetary authorities have started doing some strategies aimed at boosting industrial production and capacity utilization sectors. Therefore, in this study discussed on how the effect of monetary policy on the output of the manufacturing industry of Indonesia, so that can know the monetary instruments which are the most influential on Indonesian manufacturing output. In this case, the empirical test conducted using the Error Correction Model (ECM) during the period 2001: 01-2013: 03, where the data used were obtained from the Central Bureau of Statistics (BPS) and Bank Indonesia. As for the monetary instruments used include interest rate, money supply, exchange rate, and inflation rates. The empirical test results show that the money supply and interest rates significantly affect the manufacturing GDP. Money supply positive effect on GDP of manufacturing, while the interest rate negatively affects manufacturing GDP. From these two variables, money supply has the greatest influence on the manufacturing GDP is 0.26 percent, while the interest rate affects only amounted to 0.0054 percent of manufacturing GDP. Therefore, it needs more attention from the government and Bank Indonesia in controlling the money supply so as to increase the output of the industrial sector in Indonesia.

Keywords: monetary policy, the manufacturing sector, the estimated ECM