

**THE IMPACT OF EXCHANGE RATE AND INTEREST RATE ON PUBLIC
EXPECTATIONS AS MEASURED THROUGH THE CONSUMER
EXPECTATIONS INDEX IN INDONESIA**

THESIS



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**DEPARTMENT OF DEVELOPMENT ECONOMICS
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS PEMBANGUNAN NASIONAL "VETERAN"
JAWA TIMUR**

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**Submitted in Partial Fulfillment of the Requirements for
the Degree of Bachelor of Economics**



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FOREWORD

All praise be to Allah SWT who has bestowed His Grace and guidance, so that the author can complete his thesis with the title "**The Impact of Exchange Rate and Interest Rate on Public Expectations Measured Through the Consumer Expectations Index in Indonesia**". The purpose of writing this thesis is to qualify to achieve a Bachelor of Economics degree at the Development Economics Study Program, Faculty of Economics and Business, Universitas Pembangunan Nasional "Veteran" Jawa Timur.

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The author realizes that the preparation of this thesis is still far from perfect. Therefore, the author's constructive suggestions and criticisms are greatly appreciated. Hopefully this research can provide useful understanding and insights, especially in the field of development economics.

Finally, the author hopes that this research can provide better insight and understanding of the relationship between exchange rate and interest rate on public expectations in Indonesia.

Surabaya, May 25, 2026

Author

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ABSTRACT

This study aims to analyze the impact of exchange rate and interest rate on public expectations as measured by the Consumer Expectations Index in Indonesia. The research method used is descriptive quantitative with the Vector Error Correction Model (VECM) analysis using EViews 13 software through stationarity tests, optimum lag determination, stability tests, Granger causality tests, cointegration tests, Impulse Response Function (IRF), and Forecast Error Variance Decomposition (FEVD). The data used are secondary monthly time series data for the 2016–2025 period obtained from Bank Indonesia. The results show that interest rates do not have a significant effect on public expectations in both the short term and long term. Meanwhile, exchange rates have a significant effect on public expectations in both the short term and long term. The depreciation of the rupiah exchange rate tends to reduce public optimism regarding future economic conditions. The FEVD results indicate that the exchange rate has the most dominant contribution in explaining the variance of public expectations in the long run, indicating that the exchange rate is the main factor influencing the formation of public expectations in Indonesia.

Keywords: Exchange Rate, Interest Rate, Public Expectations, Consumer Expectations Index, VECM.