Persistence Of Inflation In Jakarta and Its Implication On the Regional Inflation Control Policy

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Abstract / Anotation

The main objective of this study is to measure the persistence of inflation level in Jakarta. In addition, this study intends to find out the source of inflation persistence and its implication to regional inflation control. The empirical result indicates that the level of inflation persistence in Jakarta is relatively high, stemmed from high level of inflation persistence for most of commodities that construct inflation. Using the estimation results of the hybrid NKPC model, it shows that high inflation persistence in Jakarta mainly caused by inflation expectation, which is a combination of forward and backward looking. In this regards, it requires efforts gradually transform the behavior of inflation expectation to be more forward looking.