

THE INFLUENCE OF INFLATION AND UNEMPLOYMENT ON ECONOMIC GROWTH IN INDONESIA PERIOD 2003-2022

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ABSTRACT

The purpose of this study was to determine the effect of inflation and unemployment on economic growth in Indonesia for the 2003-2022 period. This research is a quantitative research. In this study, the type of data used is multiple linear regression analysis with secondary data. Data collection through the Central Bureau of Statistics (BPS) with the website <https://www.bps.go.id>. Data analysis in this study uses the classical assumption test. Data processing uses the SPSS application program version 26. Based on the test results, there is a positive and significant influence between inflation and unemployment on economic growth in Indonesia in the period studied.

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1. INTRODUCTION

Ahmad Ma'ruf & Latri Wihastuti (2008), in Indonesia the government sector has played a large role in economic history. This role is outlined by the government in the form of implementing fiscal policy to achieve the main goals of development in the form of high economic growth, reducing unemployment and controlling inflation. According to Sukirno (2001: 15), inflation is a major problem in many developing countries because inflation can cause price levels to rise and reduce the purchasing power of a country's currency. Inflation is the process of increasing prices that occur in the economy of a country. Meanwhile, Nopirin (2016) explains that inflation is a process of increasing the general price of goods continuously, even though the price increase is not always the same percentage and Sudrajat (1999) defines unemployment as a situation when a person does not have a job, is trying to get a job, or have a job but not productive. The problem of unemployment has become an economic problem in various countries, not only in Indonesia. Unemployment conditions cause a decrease in the level of productivity and people's income, thus causing poverty and social problems. The impact of unemployment can be felt by individuals who experience it as well as the community or the surrounding environment, due to a decrease in job opportunities caused by a sluggish economy, loss of self-potential, loss of work skills, decreased tax revenues, and a decrease in the level of social welfare.

Economic growth is one indicator of successful development in an economy. Welfare and progress of an economy is determined by the amount of growth indicated by changes in national output. The change in output in the economy is a short-term economic analysis.

According to Adam Smith, the government has three main functions in supporting the economy, namely (1) maintaining domestic security and defence; (2) administering justice; and (3) provide goods that are not provided by the private sector, such as infrastructure and public facilities. The government needs a budget to carry out its functions properly and the mechanism for implementing this budget is through fiscal policy. Fiscal policy reflects the size, growth, and structure of the government budget adopted by a country.

According to Todaro, in the economic growth of a nation there are three main determining components, namely: (i) capital accumulation which includes all forms or types of new investment invested in land, physical equipment, and human resources; (ii) population growth which will increase the number of labor force in the coming years; (iii) technological progress. According to Kuznets, economic growth is an increase in the long-term capacity of a country to provide various economic goods to its population. The increase in capacity itself occurs due to progress or technological, institutional and ideological adjustments to the various demands of the existing conditions.

Table 1. Economic Growth in 2003-2022 in Percent

Tahun	Economic Growth	Tahun	Economic Growth
2003	4.78	2013	5.56
2004	5.03	2014	5.01
2005	5.69	2015	4.88
2006	5.50	2016	5.03
2007	6.35	2017	5.07
2008	6.01	2018	5.17
2009	4.63	2019	5.02
2010	6.22	2020	-2.07
2011	6.17	2021	3.70
2012	6.03	2022	5.31

Source: Central Bureau of Statistics (BPS)

Indonesia's economic growth in 2017 did not meet the target of the 2017 Revised State Budget due to slowing domestic consumption which caused a sluggish business world. In 2013, Indonesia's GDP growth reached 5.56% which was higher than in 2014 (5.02%) and 2015 (4.88%). Since 2016, Indonesia's economic growth has fluctuated, reaching 5.03% in 2016, increasing to 5.07% in 2017, and continuing to increase to reach 5.17% in 2018. However, Indonesia's economic growth has decreased in 2019, it reached 5.02%. In 2020, the economic growth rate fell sharply to -2.07% due to the Covid-19 pandemic and social restrictions that limited economic activity. Even though it is still in a pandemic condition, Indonesia's economic growth will increase in 2021, reaching 3.70%, and in 2022, Indonesia's economic growth will again increase by 5.31%.

2. LITERATURE REVIEW

INFLATION

According to Sukirno (2001: 15), inflation is a major problem in many developing countries because inflation can cause price levels to rise and reduce the purchasing power of a country's currency. Inflation is the process of increasing prices that occur in the economy of a country. Meanwhile, Nopirin (2016) explains that inflation is a process of increasing the general price of goods continuously, even though the price increase is not always the same percentage. The Central Bureau of Statistics (2013) notes that the high rate of inflation can increase the poverty line because the price of goods and services determines the poverty line. In addition, the inflation process can be used by the government to take over secretly without a trace, which can impoverish many people. When the inflation rate increases, the poverty line will increase and this will lead to an increase in the number of poor people if it is not followed by an increase in people's purchasing power or income, especially groups of people with low incomes (Mankiw, 2003). In general, theories that discuss inflation can be divided into three groups, each of which highlights a particular aspect of the process of inflation.

Inflation theory according to Boediono (2005):

- According to the quantity theory introduced by Irving Fisher, inflation is caused by an increase in the amount of money circulating in society and people's expectations of rising prices.
- According to Keynesian theory, inflation occurs when some people live beyond their economic limits and their demand for goods exceeds the amount available. This group will seek additional funds to fulfill their wishes.
- Structuralist theory emphasizes the rigidity of the economic structure of developing countries as a factor causing inflation. According to this theory, there are two main rigidities in the economies of developing countries that can cause inflation, namely inelasticity in export revenues and inelasticity in domestic food production. These factors are difficult to change quickly and can only change gradually over the long term.

Types of Inflation Samuelson and Nordhaus (2005:312) explain that inflation can be seen from the severity or level of occurrence, including:

- Moderate Inflation, namely price increases that occur slowly and predictably. This inflation rate can be referred to as a one-year price increase, because if the price of goods is relatively stable, people still have confidence in the currency.
- Gallop inflation, namely inflation that reaches double or triple digits such as 20%, 100%, or 200% per year. Gallop inflation causes serious disruption to the economy.

- c. Hyperinflation, which is when inflation reaches a very high level causing severe economic damage. Hyperinflation occurs when price increases reach a very high and deadly level.

Impact of Inflation According to M. Ridwan in 2013, there are positive and negative impacts of inflation:

Negative Impact of Inflation:

- When prices generally increase continuously, people will panic so that the economy will not run normally. On the one hand, there are people who buy excessively while those who lack money cannot buy goods, so the country is prone to all kinds of chaos.
- People tend to withdraw their savings to buy and accumulate goods due to panic.
- Producers tend to take advantage of price increase opportunities to increase profits by playing with prices in the market.

Positive Impact of Inflation:

- Society will consume more relatively, while production will be attempted as efficiently as possible and consumption can be suppressed.
- Prolonged inflation can increase the confidence and resilience of domestic small industries.
- The unemployment rate tends to decrease because people will be encouraged to carry out production activities by establishing or opening businesses.

How to Prevent Inflation

How to prevent inflation according to Nurul Huda (2008):

- Monetary policy
 1. Carry out open market operations
 2. Set the discount rate
 3. Establish mandatory minimum reserve ratios
- Fiscal policy Reducing government spending and increasing taxes can reduce total demand, so that inflation can be suppressed.
- Policies related to output Increasing the amount of output can be achieved with a policy of reducing import duties, so that imports tend to increase.
- Pricing and indexation policies Pricing can be determined based on a certain price index so that salaries or wages can be increased.

Table 2 Inflation in 2003-2022 in Percent

Tahun	Inflation	2013	5.56
2003	5.06	2013	8.38
2004	6.40	2014	8.36
2005	17.11	2015	3.35
2006	6.60	2016	3.02
2007	6.59	2017	3.61
2008	11.06	2018	3.13
2009	2.78	2019	2.72
2010	6.96	2020	1.68
2011	3.79	2021	1.87
2012	4.30	2022	5.51

Source: Central Bureau of Statistics (BPS)

Suryamin, head of BPS, noted that inflation has occurred since March 2013 due to rising prices for various commodities followed by an increase in subsidized fuel prices in June. This price increase was uncontrollable, especially until September 2013. In 2022, the inflation rate was 5.51% due to the increase in fuel prices which increased monthly inflation in September 2022. However, in the following months, inflationary pressures slowly decreased again. The impact of the fuel price increase on inflation in the food category was volatile and core inflation was low. This positive development is the result of close policy synergy and coordination through the Central and Regional Inflation Control Teams and the National Movement for Food Inflation Control in encouraging supply availability, smooth distribution, price stability,

and effective communication. The impact of the fuel price increase on core inflation was also low in line with subdued inflation expectations and inflationary pressure from the demand side. These developments further encouraged inflation expectations and monthly inflation continues to decline, although it is still high. The CPI inflation rate in 2022 was recorded at 5.51% which was the lowest inflation rate in 2020 of 1.68%.

UNEMPLOYMENT

Sudrajat (1999) defines unemployment as a situation when a person does not have a job, is trying to get a job, or has a job but is not productive. The problem of unemployment has become an economic problem in various countries, not only in Indonesia. Unemployment conditions cause a decrease in the level of productivity and people's income, thus causing poverty and social problems. The impact of unemployment can be felt by individuals who experience it as well as the community or the surrounding environment, due to a decrease in job opportunities caused by a sluggish economy, loss of self-potential, loss of work skills, decreased tax revenues, and a decrease in the level of social welfare.

Types of Unemployment According to Sukirno (2008), there are four types of unemployment based on working hours, namely hidden unemployment, seasonal unemployment, underemployment, and open unemployment. Hidden unemployment occurs when unnecessary labor is deployed in certain types of economic activity, such as when 8 workers are used to carry out production activities that can be carried out by only 6 people. Seasonal unemployment occurs at certain times of the year, for example when farmers are waiting for the harvest season. Underemployment occurs when a person works with working hours much lower than normal working hours, such as if someone works less than 20 hours a week or only 3 days a week. Meanwhile, open unemployment occurs when a person does not have a job at all even though he has tried to get a job. Open unemployment is a type of unemployment that is very large in number.

Efforts to Reduce Unemployment Problems

- Education has an important role in developing children's potential to produce competent natural resources through the use of a curriculum according to their wishes.
- The government needs to improve the skills training of job seekers so that they can be independent in creating their own products.
- The government must work with investors to invest funds in Indonesia, so that it can expand employment opportunities and improve people's welfare and reduce the unemployment rate in society.
- Opening job fairs that convey information on job vacancies to the wider community.
- Increasing economic growth to increase job creation opportunities.
- Increasing transmigration to spread the population from densely populated areas to sparsely populated areas.

Table 3 Unemployment in 2003-2022 in Percent

Tahun	Unemployment	Tahun	Unemployment
2003	9.67	2013	6.17
2004	9.86	2014	5.94
2005	11.24	2015	6.18
2006	10.28	2016	5.61
2007	9.11	2017	5.50
2008	8.39	2018	5.30
2009	7.87	2019	5.23
2010	7.14	2020	7.07
2011	7.48	2021	6.49
2012	6.13	2022	5.86

Source: <https://www.bps.go.id/indikator/6/543/2/level-penjaminan-terbuka-according-provinsi.html>

In general, unemployment is caused by an imbalance between the number of jobs available and the rate of population growth. That is, when the number of workers is greater than the number of jobs available, some people cannot get a job.

The Impact of Inflation on Indonesia's Economic Growth According to Mayasari & Mahinshapuri in 2022, inflation can affect consumers by increasing the cost of everyday purchases and can also increase the value of the national currency. On the other hand, inflation can also have a negative impact on producers

because rising production costs can cause financial losses. Therefore, inflation is considered as a factor affecting economic growth.

The Impact of Unemployment on Indonesia's Economic Growth According to Samuelson P.A and W. Nordhaus in 2001, every country seeks to increase the level of prosperity of its people and ensure that the economy achieves stable and sustainable growth. High unemployment can hinder the achievement of this because it has several negative effects on the economy. First, unemployment makes people unable to achieve the maximum level of welfare because the actual output produced is lower than the potential output. Second, unemployment can lead to reduced government tax revenues due to low levels of economic activity. As a result, the government experienced difficulties in carrying out development activities. Third, high unemployment does not encourage companies to invest in the future, thus hindering economic growth. Thus, unemployment does not have a positive impact on economic growth in both the short and long term.

Thinking Framework

According to Noor 2012, the framework of thinking is conceptual about how one theory relates to various factors that have been identified as important to the research problem. Then the framework of thought in this study is as follows:

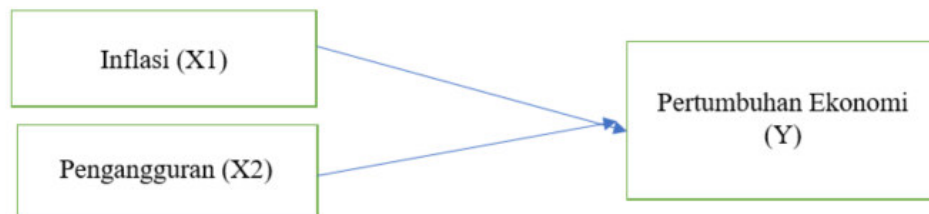


Figure 1. framework

Previous Research

Moh. Arif Novriansyah (2018), Gorontalo development review, The province of Gorontalo as a resultant area of the North Sulawesi Province is certainly faced with unemployment and poverty problems, which is a common development problem faced by every region. the population condition of the area shows that the population in each regency in Gorontalo Province varies from one to another. From the conditions of the population then needs to be analyzed about the effects of unemployment and poverty on economic growth in Gorontalo Province. The purpose of this study is to determine the effect of unemployment and poverty on economic growth in Gorontalo Province. The results show that unemployment and poverty affect economic growth in Gorontalo Province. This is also in accordance with the results of calculations using a simple regression, where the level of significance of the whole one-sided correlation coefficient as measured by the probability yields a figure of 0.019. Since the probability is less than 0.05, the correlation between the variables of unemployment and poverty (Variables X1 and X2) and economic growth (Variable Y) is significant.

Riza Ronaldo (2019) in the Journal of Economics, Macro economics is a study about economic activities in a country. The indicators of macroeconomics are inflation, unemployment, and economic growth. The aim of this research is to analyze. The factors which influence the growth of economics in Indonesia. The factors are inflation and growth of the economy. This research uses multiple regression method Ordinary Least Squares (OLS) which the data took from 2011 – 2015 per semester. Finally, this research shows only the unployment variable influences significantly to economic growth with a probability of 0.0191. While the inflation shows that the probability is 0.1955. It means there is no significant influence between inflation to economic growth.

Erika Feronika Br Simanungkalit (2020) in the journal of management, This study aims to determine the effect of inflation on economic growth in Indonesia since 1983-2014. The analysis used in this research is descriptive analysis and econometric analysis. Econometric analysis in this study uses simple linear regression with the Ordinary Least Square (OLS) method. The results showed that the independent variable influencing the dependent variable was proven from the probability value (F-statistic) smaller than $\alpha = 5\%$. T Test results show that the Inflation variable influences Economic Growth with a probability value smaller than $\alpha = 5\%$. The results of the coefficient of determination test indicate that the dependent variable can be explained by the independent variable by 74.7588% and the remaining 25.2412% is explained by other variables outside the model.

Amir Salim, Fadilla Anggun & Purnamasari (2021) *Economica Sharia: Journal of Islamic Economic Thought and Development*. Developing countries tend to experience inflation, countries with inflation below 3% are still on the normal threshold for a country, but on the other hand countries with high and unstable inflation are a reflection of economic instability which results in an increase in the price level of goods and services in general and continuously in a country and result in higher levels of poverty and unemployment. This study uses a quantitative method using time series data taken in the period 2016 – 2020 with statistical calculations using SPSS. The results showed that inflation has a tcount of 3.532 > ttable of 2.306 with a significant level of 0.039 < 0.05, which means that inflation has an effect on Indonesia's Economic Growth/Gross Domestic Product (GDP).

Novita Pratiwi (2022) *Journal of Student Research*, The purpose of this study was to determine the effect of unemployment and inflation on economic growth in Central Java Province from 2017 to 2021. This research uses a panel data model as research. The results of the study show that from 2017 to 2021, the unemployment rate has a significant influence on economic growth. And the inflation rate also has a significant influence on economic growth. Simultaneously, the variables of unemployment and inflation have a significant effect on economic growth in the province of Central Java for the 2017-2021 period. The coefficient of determination shows the number 0.995547 which means that the variation of the dependent variable can be explained by the variation of the independent variables of 995547 percent. (Suhendra & Wicaksono, 2020).

Yulia Dwi Kartika & Johni Paul Karolus Pasaribu (2023) *Scientific Journal of Management and Entrepreneurship*. This research focuses on analyzing and understanding the impact of inflation on economic growth in Indonesia. The research uses quantitative methods and time series data from the first quarter of 2013 to the fourth quarter of 2021 obtained from the websites of Bank Indonesia and the Central Statistics Agency in percent units. Meanwhile, for data collection using documentation techniques which involve seeking secondary information from reliable sources to be used as input. The data is then tested by simple linear regression analysis with the help of IBM SPSS 25 for Windows and the formulation of the hypothesis using the statement of the null hypothesis (H_0), namely inflation has no positive and significant effect on economic growth, and the alternative hypothesis (H_1), namely inflation has a positive effect and significant to economic growth. The results show that H_1 is acceptable, because the inflation variable has a significance value of 0.004 < 0.05 and has a known t-count value of 3.063 > t-table 2.035 which indicates that the inflation variable has a positive and significant effect on economic growth variables. And with an R Square value of 0.216 which indicates that 21.6% of economic growth is affected by inflation.

3. METHOD

This research is a quantitative research with secondary data collection methods to explain the phenomena between variables. Variables obtained based on secondary data come from Publication reports on inflation, unemployment, and economic growth in Indonesia. The source of this research is from the Central Bureau of Statistics (BPS). This research is to measure the influence of inflation and unemployment on economic growth in Indonesia. The type of data used is time series data in the period 2003-2022.

The data analysis method used is multiple linear regression while the analysis technique used is the classical assumption test, namely: normality test, heteroscedasticity test, multicollinearity test and autocorrelation test. The research aid used in data processing is SPSS version 26.

4. RESULTS & DISCUSSION

In analyzing Time Series data, a series of observations on the selected variables is carried out discretely and it is assumed that the time sequence can be decomposed and identified into a number of related components or factors (Sinulingga, 2013). In this study, the dependent variable is economic growth, while inflation and unemployment are the independent variables. The following are the results of multiple linear regression tests performed using SPSS.

Classic assumption test

A. Normality Test

The Normality Test is used to evaluate whether the Independent variable and the Dependent variable have a normal distribution or not. A good regression model should have a normal or close to normal distribution allocation (Ghozali, 2018). Through the Normality test, the results are sig. of 0.087 > 0.050 and 0.531 > 0.050, of course it means that the data is normally distributed.

Table 3. Coefficients^a

Coefficients ^a		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	4.839	1.647		2.937	.009
	inflasi	.239	.132	.494	1.818	.087
	pengangguran	-.168	.262	-.174	-.640	.531

a. Dependent Variable: pe

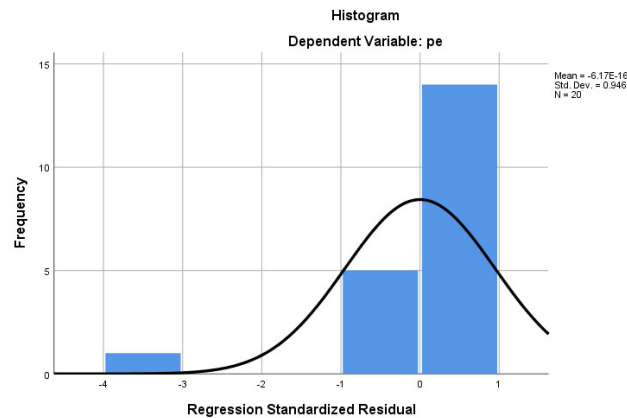


Figure 2. Histogram Coefficients^a

Normal P-P Plot of Regression Standardized Residual

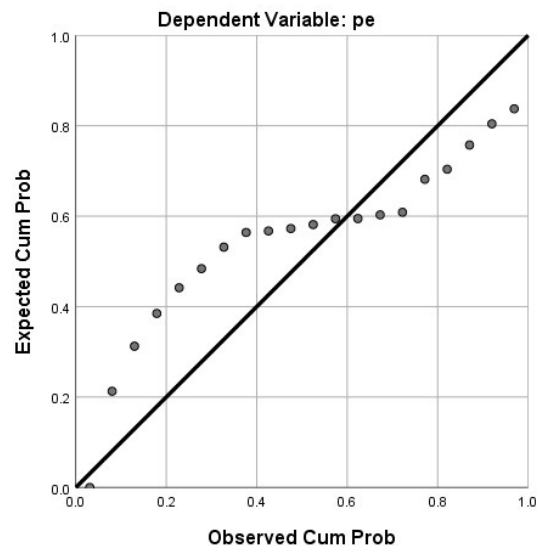


Figure 3. Normality Test

B. Multicollinearity Test

According to a statement from Imam Ghozali (2011), if the tolerance value is > 0.100 and the VIF value is < 10.00 , then there are no symptoms of multicollinearity. From these data, the tolerance value for the inflation variable is $0.659 > 0.100$ and for the unemployment variable is $0.659 > 0.100$. In addition, the VIF value for the inflation variable is $1.517 < 10.00$ and for the unemployment variable it is $1.517 < 10.00$. Therefore, it can be concluded that there are no symptoms of multicollinearity in the data.

Table 4. Multicollinearity Test

Coefficients ^a		Unstandardized Coefficients		Standardized Coefficients		Correlations			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance VIF
1	(Constant)	4.839	1.647		2.937	.009				
	inflasi	.239	.132	.494	1.818	.087	.392	.403	.401	.659 1.517
	pengangguran	-.168	.262	-.174	-.640	.531	.114	-.153	-.141	.659 1.517

a. Dependent Variable: pe

C. Heteroscedasticity Test

From the Glejser test results, the sig. the inflation variable is $0.087 > 0.05$ and the unemployment variable is $0.531 > 0.05$. Therefore, it can be concluded that the regression model does not experience symptoms of heteroscedasticity.

Table 5. Heteroscedasticity Test

Coefficients ^a		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.839	1.647		2.937	.009
	inflasi	.239	.132	.494	1.818	.087
	pengangguran	-.168	.262	-.174	-.640	.531

a. Dependent Variable: pe

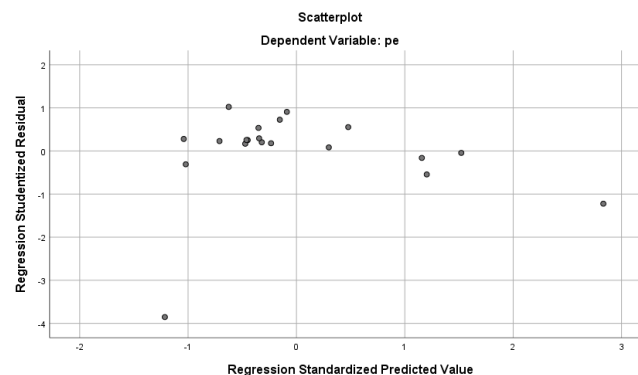


Figure 4. Heteroscedasticity Test

D. Autocorrelation Test

According to Ghazali (2011: 111), if Durbin Watson's value is between DU to (4-DU), then there are no signs of autocorrelation. In this case, the Durbin Watson result is 1.823, and the DU value obtained from the table is 1.41073. The formula is $DU < DW < 4-DU$. Therefore, it can be concluded that $1.41073 < 1.823 < 2.58927$, so there are no signs of autocorrelation.

Table 6. Autocorrelation Test

Model Summary ^b		Adjusted R Square		R Std. Error of the Estimate	Durbin-Watson
Model	R	R Square	Square		
1	.417 ^a	.174	.077	1.70434	1.823

a. Predictors: (Constant), pengangguran, inflasi

b. Dependent Variable: pe

DISCUSSION

A. Effect of Inflation on Economic Growth

In accordance with existing theory, according to Suryamin, the head of BPS noted that inflation has occurred since March 2013 due to rising prices for various commodities followed by an increase in subsidized fuel prices in June. This price increase was uncontrollable, especially until September 2013. In 2022, the inflation rate was 5.51% due to the increase in fuel prices which increased monthly inflation in September 2022. However, in the following months, inflationary pressures slowly decreased again. The impact of the fuel price increase on inflation in the food category was volatile and core inflation was low. This positive development is the result of close policy synergy and coordination through the Central and Regional Inflation Control Teams and the National Movement for Food Inflation Control in encouraging supply availability, smooth distribution, price stability, and effective communication. The impact of the fuel price increase on core inflation was also low in line with subdued inflation expectations and inflationary pressure from the demand side. These developments further encouraged inflation expectations and monthly inflation continues to decline, although it is still high. The CPI inflation rate in 2022 was recorded at 5.51% which was the lowest inflation rate in 2020 of 1.68%.

The results of the data analysis show that the inflation variable has a positive and significant influence on economic growth for the 2003-2022 period. Results from previous research by Amir Salim, Fadilla Anggun & Purnamasari (2021) *Economica Sharia: Journal of Islamic Economic Thought and Development*. Developing countries tend to experience inflation, countries with inflation below 3% are still on the normal threshold for a country, but on the other hand countries with high and unstable inflation are a reflection of economic instability which results in an increase in the price level of goods and services in general and continuously in a country

B. The Effect of Unemployment on Economic Growth

In general, unemployment is caused by an imbalance between the number of jobs available and the rate of population growth. That is, when the number of workers is greater than the number of jobs available, some people cannot get a job.

According to Samuelson P.A and W. Nordhaus in 2001, every country seeks to increase the level of prosperity of its people and ensure that the economy achieves stable and sustainable growth. High unemployment can hinder the achievement of this because it has several negative effects on the economy. First, unemployment makes people unable to achieve the maximum level of welfare because the actual output produced is lower than the potential output. Second, unemployment can lead to reduced government tax revenues due to low levels of economic activity. As a result, the government experienced difficulties in carrying out development activities. Third, high unemployment does not encourage companies to invest in the future, thus hindering economic growth. Thus, unemployment does not have a positive impact on economic growth in both the short and long term.

The results of the data analysis show that the unemployment variable has a positive and significant influence on economic growth in the 2003-2022 period. The results from Umi Kalsum's previous research (2017), the unemployment variable has a significant value of 0.010, less than 0.05, so it can be concluded that unemployment has a significant effect on economic growth. The t-count results in the table above show -2.593 with a t-table of 2.89. This means that t-count is smaller than t-table, so it can be concluded that unemployment has a significant effect on economic growth. The explanation above proves that unemployment shows a decrease in economic growth every year.

5. CONCLUSION

Inflation has a positive and significant effect on economic growth in Indonesia, this shows that according to Suryamin, the head of BPS noted that inflation has occurred since March 2013 due to rising prices for various commodities followed by an increase in subsidized fuel prices in June. This price increase was uncontrollable, especially until September 2013. In 2022, the inflation rate was 5.51% due to the increase in fuel prices which increased monthly inflation in September 2022. However, in the following months, inflationary pressures slowly decreased again. The impact of the increase in fuel prices on inflation in the food category was volatile and core inflation was low. This positive development is the result of close policy synergy and coordination through the Central and Regional Inflation Control Teams and the National Movement for Food Inflation Control in encouraging supply availability, smooth distribution, price stability, and effective communication. The impact of the fuel price increase on core inflation was also low in line with subdued inflation expectations and inflationary pressure from the demand side. These developments further encouraged inflation expectations and monthly inflation continues to decline, although it is still

high. The CPI inflation rate in 2022 was recorded at 5.51% which was the lowest inflation rate in 2020 of 1.68%.

Unemployment has a positive and significant effect on economic growth in Indonesia, this shows that according to Samuelson P.A and W. Nordhaus in 2001, each country seeks to increase the level of prosperity of its people and ensure the economy achieves stable and sustainable growth. High unemployment can hinder the achievement of this because it has several negative effects on the economy. First, unemployment makes people unable to achieve the maximum level of welfare because the actual output produced is lower than the potential output. Second, unemployment can lead to reduced government tax revenues due to low levels of economic activity. As a result, the government experienced difficulties in carrying out development activities. Third, high unemployment does not encourage companies to invest in the future, thus hindering economic growth. Thus, unemployment does not have a positive impact on economic growth in both the short and long term.

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