International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

The Influence Of Geopolitics And Exchange Levels On Gold Prices In Indonesia

Pocut Ainiah[1], Hayatun Nufus[2]

[1,2]Universitas Islam Aceh

E-mail: pocutainiah.mtg99@gmail.com,hayatun.nufus.m98@gmail.com

Abstract

This study aims to analyze the effects of geopolitical conditions and exchange rates on gold prices in Indonesia during the 2021–2025 period. The research employed a quantitative approach using secondary time-series data obtained from the Geopolitical Risk Index (GPR), Bank Indonesia (JISDOR), and PT Aneka Tambang Tbk (Antam). The data were analyzed using multiple linear regression after fulfilling the classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The findings indicate that geopolitical risk has a positive and significant effect on gold prices in Indonesia. Rising global geopolitical uncertainty encourages investors to shift their investments toward safe-haven assets, thereby increasing the demand for and price of gold. Furthermore, the USD/IDR exchange rate also has a positive and significant effect on domestic gold prices. The depreciation of the Indonesian rupiah against the US dollar leads to higher domestic gold prices because gold is traded internationally in US dollars. Simultaneously, geopolitical conditions and exchange rates explain variations in gold prices in Indonesia during the observation period. These findings imply that investors should consider global geopolitical developments and exchange rate movements when making gold investment decisions, while policymakers should maintain macroeconomic stability to mitigate the impact of global uncertainty on the domestic financial market.

Keywords:Geopolitical Risk, USD/IDR Exchange Rate, Gold Price, Safe Haven, Indonesia.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

INTRODUCTION

Gold is an investment instrument characterized as a safe haven asset, meaning it maintains its value during times of economic uncertainty and financial market volatility. Under these conditions, investors tend to shift their investment portfolios from riskier assets to safer assets, one of which is gold. This characteristic makes the gold price a sensitive indicator of changes in global economic conditions and a popular investment alternative for preserving wealth (World Gold Council, 2023).

Global economic developments in recent years have shown increasing uncertainty due to various geopolitical conflicts, such as the Russia-Ukraine war, conflicts in the Middle East, economic competition between countries, and increasing international security risks. These conditions not only impact global political stability but also impact international financial markets, global trade, and the price movements of various strategic commodities. One commodity experiencing significant changes due to these conditions is gold, which has long been known as an investment instrument with a relatively high level of security when global risks increase (Caldara & Iacoviello, 2022).

Increasing geopolitical risk is driving investors to engage in a flight to quality, shifting investments from high-risk assets to safer assets. Under these conditions, demand for gold increases, driving up gold prices in both international and domestic markets. This phenomenon demonstrates that changing geopolitical conditions are closely linked to gold price dynamics, as investors view gold as a hedge against global economic uncertainty (Baur & Smales, 2021).

Besides geopolitical risks, another macroeconomic factor that significantly influences gold prices in Indonesia is the rupiah exchange rate against the US dollar (USD/IDR). Global gold prices are traded in US dollars, so changes in the rupiah exchange rate directly impact domestic gold prices. When the rupiah depreciates against the US dollar, gold prices in Indonesia tend to rise because the cost of acquiring gold becomes more expensive. Conversely, rupiah appreciation has the potential to depress gold prices if global gold prices remain relatively stable (Mankiw, 2022).

From an open economy perspective, exchange rate fluctuations not only impact international trade activity but also the prices of various global assets and commodities. Exchange rate changes influence the conversion of world gold prices into domestic currency, making exchange rate volatility a key determinant of gold prices in Indonesia. Therefore, the relationship between exchange rates and gold prices is a key focus in macroeconomic and investment studies (Krugman et al., 2023).

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Indonesia, as a country with an open economic system, is not immune to the influence of changing global economic conditions. International geopolitical developments and exchange rate fluctuations also impact domestic economic stability, particularly in the financial and investment sectors. Changes in gold prices in Indonesia during the 2021–2025 period demonstrate dynamics influenced by increasing global geopolitical risks and changes in the rupiah exchange rate against the US dollar. These conditions demonstrate that gold prices are influenced not only by supply and demand mechanisms, but also by macroeconomic factors and global uncertainty (Bank Indonesia, 2024).

Several previous studies have shown that geopolitical risk has a positive relationship with gold prices because increased global uncertainty increases investor demand for safe-haven assets. Furthermore, changes in exchange rates have also been shown to influence domestic gold prices through the mechanism of converting international gold prices into rupiah. However, research simultaneously examining the influence of geopolitics and exchange rates on gold prices in Indonesia using data from 2021–2025 is still relatively limited. Therefore, research that can provide empirical evidence regarding the relationship between these two variables and gold prices in Indonesia is still needed (World Gold Council, 2023).

LITERATURE REVIEW

Geopolitics

Geopolitics describes the relationship between political, security, and economic interests between countries, which can impact global economic stability. Geopolitical risk arises from various events, such as armed conflict, war, the threat of terrorism, diplomatic tensions, and political policies that create uncertainty in international economic activity. These conditions often influence investor behavior in making investment decisions due to increased risk in global financial markets.

According to Caldara and Iacoviello (2022), geopolitical risk is a measure of global uncertainty based on the intensity of news coverage of war, military conflict, acts of terrorism, and international political tensions. The Geopolitical Risk Index (GPR), developed by Caldara and Iacoviello, is widely used in empirical research to measure the impact of geopolitical risk on various economic and financial indicators.

Rising geopolitical risks will encourage investors to avoid high-risk assets and shift their investments to safer havens. Under these conditions, demand for gold tends to increase, thus driving up gold prices in both international and domestic markets. This

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

phenomenon demonstrates the close relationship between geopolitical conditions and gold price movements, a relatively stable investment instrument (World Gold Council, 2023).

Thus, the higher the level of global geopolitical risk, the greater the tendency of investors to undertake a flight to quality by investing in assets considered capable of maintaining wealth value, one of which is gold (Caldara & Iacoviello, 2022).

Exchange rate

The exchange rate, or exchange rate, is the price of one currency against another country's currency, and plays a vital role in international trade and global financial transactions. Changes in exchange rates reflect a country's fundamental economic conditions and are influenced by various factors, such as inflation, interest rates, capital flows, and international economic conditions.

According to Mankiw (2022), the exchange rate indicates the amount of domestic currency required to acquire one unit of foreign currency. Exchange rate fluctuations will affect the prices of internationally traded goods and assets, including gold, which is traded in the United States dollar.

In the Indonesian context, changes in the USD/IDR exchange rate have a direct impact on domestic gold prices. When the rupiah depreciates against the US dollar, domestic gold prices tend to rise because a larger amount of rupiah is required to purchase gold priced in US dollars. Conversely, if the rupiah appreciates, domestic gold prices could potentially decline if global gold prices remain relatively stable.

Krugman, Obstfeld, and Melitz (2023) explain that changes in exchange rates affect the prices of various global assets through currency conversion mechanisms. Therefore, exchange rate fluctuations are one of the macroeconomic variables that influence gold prices in various countries, including Indonesia.

Gold Price

Gold is a commodity with high economic value and has long been used as an investment instrument and a means of storing wealth. In addition to its intrinsic value, gold is also known as an asset that can provide protection against inflation and economic uncertainty, making it a frequently chosen investment option during times of financial market volatility.

The World Gold Council (2023) explains that gold prices are influenced by various factors, including supply and demand, global economic conditions, inflation rates,

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

interest rates, exchange rates, and geopolitical risks. Changes in these factors will influence investor behavior, thus impacting gold price fluctuations in both international and domestic markets.

In Indonesia, gold prices generally refer to the gold bar price issued by PT Aneka Tambang Tbk. (Antam). This price is the result of converting the global gold price into rupiah, taking into account changes in the USD/IDR exchange rate. Therefore, in addition to being influenced by global gold market conditions, domestic gold prices are also influenced by the dynamics of the rupiah exchange rate against the US dollar (Bank Indonesia, 2024).

Baur and McDermott (2010) stated that gold functions as a safe haven, an asset that can maintain its value during times of stress in the financial markets. This characteristic makes gold a popular investment instrument for investors during times of economic crisis or increased geopolitical uncertainty.

Conceptual Framework

This research is based on the relationship between geopolitical variables and exchange rates on gold prices in Indonesia. Rising geopolitical risks are expected to increase demand for gold as a safe haven asset, while changes in the USD/IDR exchange rate will affect domestic gold prices because global gold prices are traded in US dollars. Therefore, these two independent variables are suspected to influence changes in gold prices in Indonesia.

RESEARCH METHODS

This study uses a quantitative approach with an associative method to analyze the influence of geopolitics and exchange rates on gold prices in Indonesia. This quantitative approach was chosen because the study aims to examine the relationship between variables through statistical analysis based on numerical data (Sugiyono, 2022).

The research object includes geopolitical variables which are proxied using the Geopolitical Risk Index (GPR) as the first independent variable (X_1), USD/IDR exchange rate as the second independent variable (X_2), and the price of gold in Indonesia as the dependent variable (Y). The study was conducted using time series data for the period 2021-2025, which illustrates the development of each research variable.

The type of data used is secondary data, obtained from official institutions that have published information relevant to the research needs. Geopolitical data was

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

obtained from the Geopolitical Risk Index (GPR) developed by Caldara and Iacoviello through Policy Uncertainty. Data on the rupiah exchange rate against the United States dollar (USD/IDR) was obtained from Bank Indonesia using the JISDOR (Jakarta Interbank Spot Dollar Rate) middle rate, while gold price data was obtained from PT Aneka Tambang Tbk. (Antam) and supported by World Gold Council publications (Caldara & Iacoviello, 2022).

The data collection method was conducted through documentation, namely by collecting, recording, and processing data published by official institutions. Documentation techniques were used because all research data came from readily available secondary sources and were published regularly, thus maintaining a level of accountable validity (Sugiyono, 2022).

Data analysis was conducted using descriptive statistics to provide an overview of the characteristics of each research variable. Furthermore, tests for normality, multicollinearity, heteroscedasticity, and autocorrelation (classical assumption) were conducted to ensure the regression model met the Best Linear Unbiased Estimator (BLUE) criteria before hypothesis testing (Gujarati & Porter, 2021; Ghozali, 2021).

Testing the effect of independent variables on the dependent variable was conducted using multiple linear regression analysis. This regression model was used to determine the direction and magnitude of the influence of geopolitical and exchange rate variables on gold prices in Indonesia (Gujarati & Porter, 2021).

Next, the hypothesis was tested using a t-test to determine the partial effect of each independent variable on gold prices. The coefficient of determination (R^2) was used to measure the independent variables' ability to explain variations in gold price changes in Indonesia. The testing criteria were set at a 5% significance level ($\alpha = 0.05$). If the significance value is less than 0.05, the research hypothesis is accepted (Ghozali, 2021).

RESULTS AND DISCUSSION

Multiple linear regression analysis was used to determine the influence of geopolitics and exchange rates on gold prices in Indonesia for the 2021–2025 period. The data processing yielded the following regression equation:

Y=-457,728,699+56,937,893X1+77,501X2+eY = -457,728,699 + 56,937,893X_1 + 77,501X_2 + eY=-457,728,699+56,937,893X1+77,501X2+e

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

The equation shows that the geopolitical variables (X_1) and exchange rate (X_2) have a positive relationship with the price of gold in Indonesia, although the level of significance of each variable is different.

Table 1. Results of Multiple Linear Regression Analysis

Variables	Coefficient (B)	Std. Error	t-count	Sig.	Information
Constant	-457,728,699	125,540,818	-3,646	0.001	Significant
Geopolitics (X_1)	56,937,893	59,730,253	0.953	0.349	Not significant
Exchange rate (X_2)	77,501	1,268	6,317	0,000	Significant

Source: SPSS Processed Data (2026).

Table 1 shows that the geopolitical variable has a regression coefficient of 56,937.893 with a significance value of 0.349. This value is greater than the 0.05 level of significance, indicating that geopolitics does not significantly influence gold prices in Indonesia. Although the regression coefficient is positive, the increase in geopolitical risk during the study period has not been able to significantly impact domestic gold prices.

The results of this study differ from the safe haven theory, which states that increased geopolitical risk will increase demand for gold as a hedging asset. According to Caldara and Iacoviello (2022), increased geopolitical risk encourages investors to shift their investments to safer assets, including gold. However, in the Indonesian context, this effect has not been statistically significant. This is likely because domestic gold prices are more influenced by macroeconomic conditions, particularly exchange rate fluctuations, than by global geopolitical dynamics. This finding also aligns with the discussion in this thesis, which states that geopolitical impacts first affect the global market before being transmitted to the domestic market, resulting in a relatively small impact.

In contrast, the exchange rate variable showed a regression coefficient of 77.501 with a significance value of 0.000. This value is less than 0.05, thus concluding that the exchange rate has a positive and significant effect on gold prices in Indonesia. This means that any weakening of the rupiah against the US dollar will increase gold prices in Indonesia.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

These results align with international economic theory proposed by Mankiw (2022) and Krugman, Obstfeld, and Melitz (2023), which states that commodity prices traded in US dollars are affected by changes in exchange rates. When the rupiah depreciates, the price of gold in rupiah increases because a larger amount of rupiah is required to acquire gold on the international market. Thus, the exchange rate is a major factor influencing domestic gold prices. The discussion in this thesis also explains that a weakening exchange rate increases economic uncertainty, leading investors to shift their investments to gold as a store of value.

Table 2. Results of the Determination Coefficient (R^2) Test

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	0.816	0.666	0.641	215,523,52371

Source: SPSS Processed Data (2026).

The Adjusted R Square value of 0.641 indicates that geopolitical and exchange rate variables together explain 64.1% of the variation in gold prices in Indonesia. Meanwhile, the remaining 33.4% is influenced by other factors not included in the research model, such as inflation, interest rates, global economic conditions, and gold supply and demand in the international market. Thus, the regression model used has a fairly good ability to explain changes in gold prices in Indonesia.

Overall, the research results show that the exchange rate is the most dominant variable influencing gold prices in Indonesia, compared to geopolitics. This is evidenced by the positive regression coefficient with a high level of significance for the exchange rate variable, while the geopolitical variable only shows a positive but insignificant relationship. These findings indicate that during the 2021–2025 period, changes in gold prices in Indonesia are more influenced by the dynamics of the rupiah exchange rate against the US dollar than by increasing global geopolitical risks.

CONCLUSION

Based on the analysis and discussion, it can be concluded that geopolitics had a positive, but insignificant, effect on gold prices in Indonesia during the 2021–2025 period. This finding indicates that increasing global geopolitical risks have not significantly impacted gold prices in Indonesia. This indicates that domestic gold price

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

movements are not solely influenced by international geopolitical dynamics but also by other economic factors that have a greater impact on the Indonesian gold market.

Furthermore, the USD/IDR exchange rate has a positive and significant effect on gold prices in Indonesia. The weakening of the rupiah against the US dollar has been shown to increase domestic gold prices because global gold prices are traded in US dollars. This finding indicates that exchange rate fluctuations were a more dominant factor influencing gold price fluctuations in Indonesia than geopolitical risks during the study period.

Furthermore, the results of the coefficient of determination analysis indicate that the regression model used is able to explain most of the variation in gold prices in Indonesia, while the remainder is influenced by other factors outside the research model. Thus, this study provides empirical evidence that the exchange rate is the variable with the strongest influence on gold prices in Indonesia, while geopolitics has not shown a significant influence. The results of this study are expected to serve as a reference for investors in considering exchange rate changes before making gold investment decisions, as well as provide input for academics to develop further research by adding other variables, such as inflation, interest rates, world oil prices, and monetary policy to be able to provide a more comprehensive explanation of the factors that influence gold prices in Indonesia.

REFERENCES

Agnew, J. (2022). *Globalization and sovereignty: Rethinking territorial politics*. Rowman & Littlefield.

Bank Indonesia. (2024). *Laporan perekonomian Indonesia 2024*. Bank Indonesia.

Baur, D. G., & Smales, L. A. (2021). *Safe haven assets and financial market uncertainty*. Journal of International Financial Markets, Institutions and Money.

Caldara, D., & Iacoviello, M. (2022). Measuring geopolitical risk. Federal Reserve Board. https://www.matteoiacoviello.com/gpr.htm

Dodds, K. (2021). Geopolitics: A very short introduction (3rd ed.). Oxford University Press.

Ghozali, I. (2021). Aplikasi analisis multivariate dengan program IBM SPSS (10th ed.). Badan Penerbit Universitas Diponegoro.

Gujarati, D. N., & Porter, D. C. (2021). Basic econometrics (6th ed.). McGraw-Hill Education.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Monetary Fund. (2023). World economic outlook 2023. International Monetary Fund.

Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2023). International economics: Theory and policy (12th ed.). Pearson.

Kumari, S., & Veena, R. (2024). Inflation and gold investment: Evidence from emerging economies. International Journal of Economics and Finance.

Mankiw, N. G. (2022). Principles of economics (10th ed.). Cengage Learning.

Pratama, A., dkk. (2023). Pengaruh pelemahan nilai tukar terhadap permintaan emas di Indonesia. Jurnal Ekonomi dan Bisnis.

PT Aneka Tambang Tbk. (2025). Harga emas Logam Mulia Antam. https://www.logammulia.com

Salvatore, D. (2016). International economics (12th ed.). John Wiley & Sons.

Sekaran, U., & Bougie, R. (2021). Research methods for business: A skill-building approach (9th ed.). Wiley.

Sugiyono. (2022). Metode penelitian kuantitatif, kualitatif, dan R&D (2nd ed.). Alfabeta.

Wahyuli, dkk. (2025). Prediksi harga emas di Indonesia berdasarkan pergerakan nilai tukar. Jurnal Ekonomi dan Keuangan.

World Gold Council. (2023). Gold demand trends 2023.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.