ANALYSIS OF MACRO ECONOMIC INDICATORS AND THEIR INFLUENCE ON STOCK INDEXES IN INDONESIA

Dinda Fadila Asih[1*]
Fitri Dwi Inayah[2]
Nabila Ardini[3]
Nurhidayati Husna[4]
Pinasti Sri Guntari[5]
Mira Dipa[6]

[*1, 2, 3, 4, 5, 6]Universitas Muhammadiyah Sumatera Utara
[*1]*email:* dindafadila819@gmail.com
[2]*email:* fitridewiinayah@gmail.com
[3]***email:*** ardininabila398@gmail.com
[4]***email:*** husnaaa2404@gmail.com
[5]***email:*** pinastysri25@gmail.com
[6]***email:*** miradiva998@gmail.com

Abstract: The inflation variable has a good influence on the Indonesian Sharia Stock Index (ISSI) both in the short and long term. The aim is to find out what happens if inflation occurs due to excess demand compared to the existing supply. This article uses secondary data which collects data sourced from journals and information obtained from various data analyzes taken from the internet. The results of this research are (1) the large influence of foreign capital which will enter the financial markets in developing countries. (2) In the IHSG an investor can see what is happening in the market, whether there is an increase or decrease, to find out the investor's strategic targets. (3) Investors will experience losses if the deposit interest rate will reduce the profits they can get if they invest in the form of deposits. Where the results of our article can provide information about macroeconomic indicators and their influence on stock indices in Indonesia.

Keywords: *Shares, Investors, Interest Rates, Deposits, Macroeconomics*

A. Introduction

Indonesia is included in the category of countries with quite high vulnerability, in terms of economic vulnerability. Economic growth is a macroeconomic indicator that shows the level of welfare of a country's people. As Indonesia continues to develop, economic growth will always be the center of attention when looking at the country's economic level. To achieve a fairly high but still stable economic level is not easy, it must be followed by the ability of macroeconomic variables to overcome any existing problems. In the current economic development, there are more and more efforts to develop their businesses in order to expand their businesses and also increase their business capital. in various ways so that investors get more profits.

The capital market is an effective investment tool and a way to earn profits. The capital market has a strategic role in the Indonesian economy. The business world is expected to obtain some or even all of the long-term financing it needs from the capital market. Complementing production inputs will increase market production targets, thereby enabling companies to optimize profits from production results. If companies produce more, this will encourage society to produce more. Increasing people's income will increase consumption of goods and services. Ultimately, from the perspective of the economy as a whole, increasing capital mobility in the capital market will improve people's welfare. Of course, every investor always expects a certain level of profit from the funds they invest. Investors must perform a series of analyzes to predict possible risks in future investments. The Indonesian capital market is a developing market and its development is very vulnerable to macroeconomic conditions. Macroeconomic impacts do not affect company performance directly, but slowly and in the long term. When macroeconomic changes occur, investors consider the positive and negative impacts on company performance in the coming years.

Stock indices have an important role in supporting the development of the Indonesian capital market. In Indonesia, there has been a significant increase in the use of the BEI (Indonesian Stock Exchange) index as an investment product. With so many shares listed on the capital market, investors are confused about which shares to invest in. BEI (Indonesian Stock Exchange) as the authority holder always disseminates stock price fluctuation data through electronic and print media in order to provide information to potential investors regarding capital market trends. media. The stock index is an indicator that represents stock price fluctuations. Since the Sharia Mutual Fund was founded on July 3 1997, their efforts have encouraged the growth of the Islamic capital market. Since then, other Islamic capital market instruments have emerged. One of them is the Indonesian Sharia Stock Index (ISSI), which is one of the indices on the Indonesia Stock Exchange (BEI) which focuses on sharia-based shares. Launched in May 2011, ISSI is relatively new and covers all shares included in the Sharia Securities List (DES). This is clearly attractive to Indonesians because the majority of people there are Muslim. BEI currently has a number of stock indices, such as the Integrated Stock Price Index (IHSG), industrial index, LQ45 index, Jakarta Islamic Index (JIl), Kompas100 index, BISNIS-27 index, and SRI-KEHATI index. Some of the indices that investors pay most attention to when investing on the Indonesian Stock Exchange (BEI) are the Composite Stock Price Index. This share price index includes price movements of all ordinary shares and preferred shares listed on the IDX.

B. Literature Review

Macroeconomic Indicators

Macroeconomic indicators are a technique for measuring and analyzing the macroeconomic conditions of a country and can play a role in helping predict the development of a country's economic performance, such as preparing a draft state revenue and expenditure budget (RAPBN). These indicators usually include inflation, interest rates, exchange rates, economic growth, commodity prices and capital market conditions.

Composite Stock Price Index

The daily stock price index is calculated using the last stock price (closing price) that occurred on the stock exchange. The Composite Stock Price Index (IHSG) is a combination of a number of sectors, namely agriculture, mining, basic chemical industry, various industries, consumer goods industry, property and real estate, transportation and infrastructure, finance, trade, services and investment. This index covers all price movements of ordinary shares and preference shares listed on the Indonesia Stock Exchange (BEI). Thus, the IHSG is a reflection of capital market activity.

Capital market

The capital market can be defined as a market where various long-term financial instruments (securities) are bought and sold in the form of debt issued by private companies and capital owned. Therefore, the capital market is a place where securities issued by institutions and professionals related to securities are traded. The sharia capital market is activities related to public offerings and trading of securities, listed companies related to the issuance of their securities, as well as institutions and professions related to securities, which are carried out in accordance with the principles of sharia law. Of course, the views regarding the capital market above are similar, although they are described in different sentences, but the essence is the same, one party has capital and the other party needs capital, so that buying and selling occurs. Through a market called the capital market. The Indonesian capital market contains diversified investors, this diversification is caused by investment motivation, ability to buy securities, level of investment knowledge and experience, investment behavior, etc. This diversity results in different levels of beliefs and expectations regarding the benefits and risks of investment activities. The presence of variation is what really drives trading.

Inflation

Inflation is a general increase in prices. The price of a group of goods continues to increase. However, not all price increases are called inflation, for example: an increase in the price of a particular item or an increase in prices due to crop failure, an increase in the price of only one or two items (apart from the increase in the price of that item). generally causes an increase in prices of other goods), seasonal goods, and holiday prices. Inflation causes a reduction in competitiveness and the trade balance, thereby causing a decline in exports. There is a negative correlation between inflation and exports. If inflation increases, exports tend to decrease because the overall increase in commodity prices has an impact on the high production costs of exported goods. The main factors causing inflation can be seen from three aspects, namely the demand side, supply side and expectations.

1. Demand Inflation

Demand inflation is inflation caused by long-term interactions between domestic demand and supply. Inflationary pressure from the demand side can also arise if aggregate demand for goods or services for consumption and investment purposes in an economy, which is described by gross domestic product (GDP), cannot be met by aggregate supply. Aggregate supply is the economy's full potential to meet aggregate demand. The difference between aggregate demand and aggregate supply is called the output gap. The output gap can be used as an indicator of whether there is pressure on the inflation rate under normal economic conditions. Inflation can occur due to an imbalance between the demand side and the supply side, where excess demand in an economy cannot be balanced by supply.

2. Supply Inflation

The resulting inflation is often called cost-push inflation or supply shocks. This type of inflation is caused by an increase in the costs of producing goods and services. The inflation in question includes inflation caused by other supply factors which cause an increase in the supply price of goods, including goods that must be imported, as well as an increase in the price of goods controlled by the government such as: world oil prices, fuel oil (BBM) prices. and Basic Electricity Bill (TDL). . Inflation can also be caused by natural factors such as a shortage of crops or excessive harvesting, socio-economic factors such as barriers to marketing goods, and other factors caused by certain policies. Increasing demand for foreign currency can also cause inflation, because excessive demand for foreign currency causes the domestic currency to weaken, resulting in an increase in production costs, especially for companies that import raw materials from abroad.

3. Expectations Inflation

There are more factors that cause inflation than just supply and demand factors. Inflation can also be caused by the expectations of economic actors or what is usually called inflation expectations (Gordon, 1997). Inflation forecasts play an important role in shaping labor prices and wages. If economic actors assume that the inflation rate that occurred in the past will still occur in the future, then economic actors will recalculate production costs and increase the selling price of their products to reduce possible losses. These expectations are often referred to as adaptive inflation expectations, which are formed by economic events in the past period which are expected to continue until now. The development of adaptive inflation expectations (backward expectations) is influenced by several factors, including: persistent demand side in the past, high or recurring supply side, and supply side strengthened by accommodative monetary policy.

Stock

Distributing these securities constitutes a proprietary right. This means that shareholders are the owners of the company. The more shares he owns, the greater the power he has in the company. Profits obtained from shares are called dividends. Dividend distribution is determined by the general meeting of shareholders (GMS). Displays stock type. There are two types of shares

a. Ordinary shares (ordinary shares). For owners of these shares, the right to receive dividends takes precedence over preferred shares, and in the event of company liquidation, rights to assets take precedence over preferred shares. However, shareholders have voting rights
b. Preferred shares are shares that receive dividends and primary rights to assets if the company is liquidated. However, shareholders do not have voting rights.

Share value can be seen from four concepts: Nominal value (state value) refers to the value per share related to accounting and law; second, book value per share, namely the total share capital divided by the number of shares outstanding. Third, market value, the value of a share is determined by the supply and demand for shares on the stock exchange. The fourth fundamental (intrinsic) value reflects the actual share price.

Investment

One way to increase company value is through investment (Fama, 1978). Investment is the activity of spending current funds with the hope of obtaining larger funds (return) in the future (Sukamulja, 2019). Bank Indonesia says investment is capital investment, usually the purchase of long-term fixed assets or the purchase of shares and other securities to make a profit. According to Markowitz (1968) from the journal Risman et al. (2017) stated that investment decisions consider two parameters, namely risk and expected income (return) from acquiring assets, and the optimal investment portfolio is an investment that provides maximum returns at a certain level of risk, or an investment that provides profits. certain return with minimum risk. Investment is measured using the ratio of capital expenditures to the book value of assets. Quoting Sukamulja (2019), he said that investment is never free from risk factors because investment does not always produce profits. There is always uncertainty and the possibility of loss in every investment. If there is an element of reward, then there is also an element of risk. There is a theory of "high risk, high return" in the investment community, namely that the greater the investment profit, the greater the risk, and vice versa it is called "low risk, low return".

Interest rate

The SBI interest rate is the interest rate set by Bank Indonesia for the production of Bank Indonesia Certificates (SBI). Bank Indonesia Certificates (SBI) are securities issued by Indonesian banks using a discount/interest system to remind short-term debt (1-3 months). The interest rate (BI interest rate) set by Bank Indonesia (BI) is a monetary regulation that regulates the level of inflation in Indonesia which also provides a signal for investors to invest in the Indonesian capital market. in order to get good returns, and the results will be greater, the risks will be smaller, and ultimately the increase in SBI interest rates will cause investors to switch from the capital market to the banking industry, so that investors' investments will be greater. Interest rates have a significant negative impact on the JCI.

The Effect of Inflation Rates on the Composite Stock Price Index

If inflation is high, business profitability will fall, and dividend distribution and people's purchasing power will also fall, according to Sunariyah (2011). Equity markets are experiencing the negative impact of high inflation.

The Influence of the SSE Index on the Composite Stock Price Index

The Shanghai Stock Exchange index is the largest index in China. Apart from that, the Shanghai Stock Exchange (SSE) Index is the indicator most often used to describe the performance of the capital market on the China Stock Exchange (Triyono & Santoso, 2016). Relations between Indonesia and China in the economic sector are very close. China is Indonesia's second largest export destination (www.bps.go.id). Such as the Nikkei 225 Index, where improving the world economy will have an impact on Indonesia's growth, especially on export activities and capital inflow (Sunariyah, 2011).

C. Method

In this article we analyze economic growth, inflation, interest rates, and stock indices. The aim is to find out what would happen if inflation occurred due to excess demand compared to existing supply. This article uses secondary data which collects data sourced from journals and information obtained from various data analyzes taken from the internet.

D. Result and Conclusion

Result

1. The alternative hypothesis for the first research equation is accepted. As a result, the composite stock price index is strongly influenced by inflation and the composite stock price index is also strongly influenced by inflation. Not all price increases are called inflation. For example, an increase in the price of a particular item, an increase due to crop failure, or an increase in the price of just one or two goods (unless the increase is widespread, causing an increase in the price of other goods) and an increase in the price of other goods. Seasonal and daily. Because an increase in overall commodity prices results in higher production costs for exported goods, exports tend to decrease if inflation increases.
2. The Influence of the SSE Index on the Composite Stock Price Index
   The alternative hypothesis for the similarity of these two studies is accepted. As a result, the Shanghai Stock Exchange (SSE) influences the composite stock price index. The Shanghai Composite Stock Price Index helps the Composite Stock Price Index (IHSG) both in the short and long term. The economies of Indonesia and China are very close. Indonesia has the second largest exports to China.

Conclusion

Based on the results of the research and discussion, it can be stated that both partially and simultaneously there is a significant influence between each independent variable on the dependent variable. Where the independent variables in this research consist of Inflation (X1) and SSE (X2) in Indonesia, while the dependent variable in this research is the stock index (Y) in Indonesia. Except in (X1) where inflation has no effect on the stock index in Indonesia (Y), and this is found to be a lack of synchronization between theory and facts for the case in Indonesia, due to several reasons; Mistakes in implementing policies will reduce dividend distribution and people's purchasing power will also decrease. What causes high inflation has a negative relationship with the equity market.

References

Aditya Krisma, PW (2013). stock index in Indonesia. *influence of inflation, rupiah exchange rate, SBI interest rate on the composite stock price index on the BEI* , 421-435.

Citra Puspa Permata, Ma (2019). stock index in Indonesia. *The role of capital markets in the Indonesian economy* .

Elsih, r. (2021). stock index in Indonesia. *the influence of macroeconomic factors on the movement of the composite stock price index on the Indonesian stock exchange for the 2017-2020 period* , 139-152.

ginting, am (nd). stock index in Indonesia. *analysis of the influence of exports on Indonesian economic growth* .

Luciana, w. (2006). stock index in Indonesia. *Factors that influence interest rates on term deposits at commercial banks in Indonesia* .

Muhammad Ikhsan H, s. (2023). stock index in Indonesia. *influence of inflation, interest rates and sharia bank financing on Indonesian exports* , 121-128.

Oktarina, D. (2016). stock index in Indonesia. *influence of several global stock indices and macroeconomic indicators on JCI movements* , 163-182.

Paramita, A. (2016). Indonesian stock index. *analysis of macroeconomic influences, composite stock price index* .

paska, ds (2023). stock index in Indonesia. *analysis of stock index determinants in companies listed on the Jakarta Islamic Index* , 153-165.

Saputri, OB (2021). stock index in Indonesia. *The influence of macroeconomic indicators on the profitability of Islamic banking in Indonesia* .

Surya Darmawan, MS (2022). Indonesian stock index. *analysis of macroeconomic influences, global stock indices* .