

Macroeconomic Factor Analysis of IHSG Movement : A Study on Inflation , Interest Rates, and Exchange Rates

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Abstract. Study This aim For analyze influence factor macroeconomics to movement Composite Stock Price Index (IHSG) on the Indonesia Stock Exchange with focus on inflation , interest rates , and value exchange . IHSG is seen as the main barometer national capital market conditions are influenced by dynamics economy domestic both local and global. Research use approach quantitative with secondary data in the form of report monthly inflation , Bank Indonesia's benchmark interest rate , value Rupiah exchange rate against the US Dollar, as well as IHSG data for the period study certain . Analysis done with multiple linear regression For know significance influence variables macroeconomics the on the JCI. Research results show that inflation influential negative significant towards the JCI. This show that increase inflation lower Power buy society , improve cost production , as well as pressing profitability companies which is reflected in the weakening price shares . Interest rates are found influential negative However No significant against the IHSG, which indicates that although increase interest rates encourage investors to switch to instrument income still , the impact against the IHSG not always strong . Meanwhile that , value Rupiah exchange rate against US Dollar is proven influential negative significant . The weakening of the Rupiah tends to increase cost import , reduce profit company , as well as reduce interest of foreign investors , which ultimately suppressing the JCI. Findings This give implications important for investors to always consider factor macroeconomics in taking decision investment . In addition , the government and authorities monetary need guard stability inflation , interest rates , and value exchange to improve Power attract the Indonesian capital market and strengthen the role of the JCI as indicator economy national .

Keywords : Inflation , Interest Rates, Exchange Rates, IHSG, Capital Markets.

Introduction

The capital market is one of the important pillars in system finance a country that plays a role as means intermediation between the party that owns excess funds with parties who need funds (Fatmawati & Muniah, 2022) . The existence of capital markets allows society , investors, and company For participate in activity investments that are not only give profit financial , but also support growth economy in a way overall . In Indonesia, capital market performance is often measured through Composite Stock Price Index (IHSG) which is indicator main movement price shares and reflects investor confidence in condition economy national . Changes in the IHSG often reflect dynamics macroeconomics , both sourced from domestically and internationally from abroad , so that make it as a barometer for health economy national .

Capital market performance is measured with various indicators , one of which is Composite Stock Price Index (IHSG). IHSG becomes indicator main movement price shares and reflects investor confidence in condition economy in a way national . Research by Hidayat and Kayati underlines the importance of the IHSG as a barometer of health economy , considering IHSG fluctuations often reflect dynamics macroeconomics , good from domestically and internationally abroad (Hidayat & Kayati, 2020) . This show that investors monitor the JCI to make decision investment they , and that changes in the IHSG can influence investment strategy in a way wide . Change in the IHSG also reflects market response to various aspects , including news economy , events politics and policies government . Influence external like foreign capital flows are not Can ignored . As example , research by Lazuardi show that foreign investor optimism can increase capital flow to the Indonesian stock market , which in turn impact on the performance of the JCI (Lazuardi et al., 2022) . If foreign investors believe in the prospect future economy , they will tend For invest , which will increase IHSG value .

The movement of the JCI is not can released from influence various factors , one of which is indicators macroeconomics (Napitupulu, 2023) . Inflation , interest rates , and value swap is variables important that always noticed by market players because can give signal to stability economy . High inflation generally lower Power buy society , improve cost production , and pressing

profit the company that ultimately have an impact on the decline price shares . Interest rates set by the authorities monetary also affects investor interest in determine choice investment , where the increase interest rates usually make instrument investment like deposit more interesting compared to shares . Meanwhile that , value Rupiah exchange rate against foreign currencies , especially the United States Dollar , also become factor crucial Because fluctuations mark swap impact directly on the cost imports , income exports , as well as foreign capital flows in the Indonesian capital market.

A phenomenon that has occurred in Indonesia several times year final show relatedness close between factor macroeconomics with IHSG movement . For example , in 2020 when Covid-19 pandemic hits , inflation is at the lowest level in two decades final namely 1.68%, but the JCI experienced weakening significant until touched the 3,900 level due to decline investor confidence (Wahyuni et al., 2023) . In the same period , Bank Indonesia's benchmark interest rate was lowered in a way gradually from 5% to 3.75% to encourage liquidity , however IHSG response is still tend fluctuating Because pressure mark exchange rate for Rupiah which had weaken until touched Rp. 16,000 per USD (Perdana & Setyari, 2023) . Another phenomenon was seen in 2022 , when pressure global inflation due to increase price energy cause inflation domestic increase up to 5.51% and trigger IHSG volatility which had corrected , although at the end year index Still capable closed above 6,800 (Kurniawan et al., 2020) This show that dynamics macroeconomics domestic both local and global have influence significant to investor confidence and the movement of the Indonesian capital market (Purnomo et al., 2020) .

Connection between indicator macroeconomics and the movement of the IHSG show complex dynamics and often results in different findings depending on the conditions economy , period observation and methods analysis used . Research by Moorcy take notes that inflation , interest rates , and value swap in a way simultaneous have influence significant on the JCI (Moorcy et al., 2021) . However , its influence can varies depending on the context specific for example , in situation high inflation , market response to low interest rates Can different compared to with the period in which inflation under control (Nabiilah et al., 2024) . Research by Purwatiningsih and Sriyono take notes that although inflation and products Gross Domestic Product (GDP) influential significant in a way partial against the IHSG, the value rupiah exchange rate shows significant and negative influence (Purwatiningsih & Sriyono, 2024) . Findings This show that movement mark swap impact direct to investor confidence and, therefore , stock market stability . Research This confirm importance understand interaction between variables This in context the Indonesian economy , so that required study more carry on For delve into mechanism existing specifics .

There are differences results study This confirm the need studies more carry on For explore influence the in a way more in-depth and contextual . As stated by Ningsih and Waspada , the analysis deep will help understand how each variable macroeconomics This can contribute to IHSG variability (Ningsih & Waspada, 2018) . Research This aim For add contribution to the literature academic and provide references practical for investors, market players and makers policy in understand interaction complex between indicator macroeconomics and capital markets.

In addition , research by Hijrianti et al. Hijrianti et al. (2024) highlights importance For understand existence relatedness term long between inflation , interest rates , and value swap with the IHSG. Required longitudinal approach and methods diverse analysis For get comprehensive overview about dynamics this . With do study this , it is hoped can increase stability and power attract the Indonesian capital market, as well as give information important for investors in make more decisions Good .

Various study previously show that connection between indicator macroeconomics and the IHSG are dynamic and often results in different findings depending on the conditions economy , period observation , as well as method analysis used . This is push the need study more carry on about How inflation , interest rates , and value swap influential to IHSG movement in Indonesian context . In addition to providing contribution to development literature academic , research this is also expected can become references practical for investors, market players , and maker policy in understand interaction between indicator macroeconomics and capital markets. With Thus , research This No only own mark academic but also the implications practical in effort increase stability and power attract the Indonesian capital market.

Literature Review

Capital Market and IHSG

According to capital market theory, prices share influenced by investor expectations regarding prospects companies and the economy in a way overall (Tandelilin, 2010). Draft market efficiency (Fama, 1970) states that relevant information, including macroeconomic data, will be reflected in price shares. IHSIG as index combination not only influenced by performance company, but also by conditions macroeconomics that provides signal to stability economy national. Some study empirical research in Indonesia (Sudarman, 2015; Hidayat, 2019) shows that variables macroeconomics own influence significant to IHSIG movement, even though strength and direction its influence can be different in each period.

Inflation and the Composite Stock Price Index

Inflation is increase price goods and services in a way general and continuous in something economy. High inflation can lower Power buy society, improve cost production, as well as reduce profit margins company. Condition This will pressing profit clean in the end influential negative to price shares. According to Tandelilin (2010), increase significant inflation can reduce investor interest in investing in the stock market Because level return real become more low. Research Empirical research by Wulandari (2018) found that inflation in Indonesia has an impact negative significant towards the IHSIG, especially during the period crisis economy when price need main increase rapidly.

Interest Rates and the Composite Stock Price Index

benchmark interest rate set by Bank Indonesia is one of the instrument important in policy monetary. Increase interest rates usually aim For control inflation, however the impact towards the capital market often negative. According to Mishkin (2016), the increase interest rates cause investors to tend to divert his investment to instrument income still like bond or deposits that are considered more safe, so that request to share decrease. On the contrary, a decrease interest rates can push growth investing in the stock market Because higher capital costs cheap and opportunities profit more high. Research Empirical research by Santosa (2020) shows that the BI Rate has influence negative against the JCI, even though its significance depending on the conditions economy macro in the period certain.

Exchange Rate and IHSIG

Rupiah exchange rate against the US Dollar is variables crucial macroeconomics because Indonesia is still very dependent on imports material raw materials and capital goods. The depreciation of the Rupiah increases cost import so that pressing profitability companies, especially those that have component import high. In addition, the weakening of the Rupiah can reduce interest of foreign investors who contribute significant to liquidity of the Indonesian capital market. The exchange rate pass-through theory (Dornbusch & Fischer, 1994) explains that fluctuations mark swap can in a way direct influence price share through change cost production and expectations company cash flow. Research by Sari (2019) found that mark Rupiah exchange rate has an impact negative significant towards the IHSIG, especially during the period global instability.

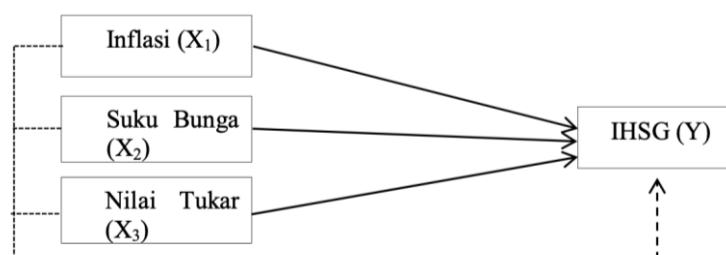


Figure 1 Framework thinking

Method

Study This use approach quantitative with objective For test influence factors macroeconomics to movement Composite Stock Price Index (IHSIG). Approach quantitative chosen Because study This measurement – oriented connection between the stated variables in form numbers, so that can analyzed in a way statistics For get objective conclusions (Sugiyono, 2019).

Type of research used is study associative causal purposeful For know connection cause and effect between variables independent and variable dependent variable independent in study This consists of from inflation, interest rates, and value Rupiah exchange rate against the United States Dollar, while variables dependent is the IHSIG. The data used is secondary data in the form of

monthly data inflation from the Central Statistics Agency (BPS), the benchmark interest rate (BI Rate or BI 7-Day Reverse Repo Rate) from Bank Indonesia, the value exchange Rupiah from report Bank Indonesia finances, as well as monthly IHSG data from the Indonesia Stock Exchange. Period study determined during [e.g. 2015–2023] for catch dynamics macroeconomics latest, including influence global crisis and recovery economy post-pandemic.

Data collection was carried out through documentation with method access publication official from BPS, Bank Indonesia, and the Indonesia Stock Exchange. All data obtained Then processed use device soft statistics, for example SPSS or EViews, for facilitate the testing process. The analysis techniques used is multiple linear regression, which aims For know to what extent inflation, interest rates, and value swap in a way simultaneous and partial influential towards the JCI. Before do analysis regression, especially formerly assumption testing was carried out classical tests which include normality, multicollinearity, heteroscedasticity and autocorrelation tests to ensure that the regression model used fulfil BLUE conditions (Best Linear Unbiased Estimator).

Hypothesis testing done through the t-test for know the influence of each variable independent against the IHSG, as well as the F test for know influence all three in a way simultaneously. In addition, the coefficient determination (R^2) is used For measure how much big variation IHSG movement can explained by inflation, interest rates, and value exchange. The result of analysis This interpreted For answer formulation problem research and interesting conclusion about connection between factors macroeconomics and the movement of the IHSG in Indonesia.

Results and Discussion

Results

Data analysis in study This done For know to what extent the variables macroeconomics consisting of from inflation, interest rates, and value swap influential to movement Composite Stock Price Index (IHSG). Before done testing hypothesis, research data moreover formerly processed use the SPSS program for produce a multiple linear regression model. This model chosen Because capable describe connection between more from One variables independent with variables dependent in a way simultaneous.

Testing done through two stages, namely testing in a way partial (t-test) for see the influence of each variable independent against the IHSG, and testing in a way simultaneous (F test) for know whether third variables the in a way together influential towards the JCI. In addition, the coefficient determination (R^2) is used For explain how much big contribution variables independent in influence changes in the IHSG.

Test results statistics displayed in form table that includes mark coefficient regression, t-count, F-count, level significance (p-value), as well as R^2 value. Next, the results the interpreted For answer formulation problem study at a time test hypothesis that has been submitted previously. With method this, obtained description empirical about connection between factor macroeconomics and the movement of the IHSG in Indonesia.

Table 1. t-Test Results

Variables Independent	Coefficient (B)	Std. Error	t- count	Sig.
Constant	7,521	2,134	3,523	0.001
Inflation (X_1)	-0.284	0.112	-2,536	0.014
Interest Rate (X_2)	-0.157	0.095	-1,648	0.103
Exchange Rate (X_3)	-0.421	0.128	-3,289	0.002

Table 2. F Test Results

Source Variation	Sum of Squares	df	Mean Square	F- count	Sig.
Regression	145,823	3	48,608	12,374	0.000
Residual	283,452	72	3,938		
Total	429,275	75			

Table 3. R^2 Test Results

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	0.583	0.340	0.310	1,984

Based on results analysis multiple linear regression shown in Table 1, obtained information about the influence of each variable macroeconomics to IHSG movement. Variables inflation show mark coefficient negative of -0.284 with The t- value is -2.536 and the significance is 0.014. This means inflation influential negative significant against the IHSG at the level significance of 5%. With thus, the increase inflation proven can lower IHSG movement because weakening Power buy society and increasing cost production which has an impact on decreasing profit company.

Variables interest rates have coefficient regression negative of -0.157 with The t- value is -1.648 and the significance is 0.103. These results show that interest rates have an effect negative but No significant against the JCI. This means that, even though increase interest rates tend to reduce investor interest in invest capital in the stock market and switch to instrument income still, its influence to IHSG movement in study This No Enough strong in a way statistics.

Temporary that, variable mark swap show coefficient negative of -0.421 with The t- value is -3.289 and the significance is 0.002. This is prove that mark Rupiah exchange rate against US Dollar has an effect negative significant against the JCI. Rupiah depreciation tends to pressing IHSG movement because cost import increasing profitability company decreased, and foreign investor confidence towards the Indonesian capital market weaken.

Furthermore, the results of the F test shown in Table 2 show F- value count amounting to 12,374 with level significance of 0.000. This result prove that variables inflation, interest rates, and value swap in a way simultaneous influential significant to IHSG movement. With Thus, the regression model used in study This stated worthy For explain connection between variables macroeconomics and the IHSG.

Based on coefficient test results determination (R^2) in Table 3, obtained Adjusted R^2 value of 0.310. This means that by 31% variation IHSG movement can explained by variables inflation, interest rates, and value exchange, whereas The remaining 69% is influenced by other factors outside the research model. These other factors can in the form of condition politics, global sentiment, prices commodities international, as well as fundamental performance of the company.

Discussion

Research result This show that factor macroeconomics, in particular inflation, interest rates, and value exchange, have close relationship with movement The Composite Stock Price Index (IHSG) in Indonesia. Third variables the play a role important in reflect stability economy national at a time become consideration main for investors in take decision investment in the capital market.

Testing in a way partial show that inflation own influence negative significant against the JCI. This result in line with theory economics which states that increase inflation will lower Power buy society, improve cost production, as well as squeeze profit margins company (Tandelilin, 2010). Conditions This impact on the decline investor confidence in prospects profit company, which then pressing price shares. The phenomenon in Indonesia in 2022 can made into example real, when inflation reached 5.51% due to increase price energy and food, the JCI experienced sufficient volatility sharp although Still closed positive at the end year. This is confirm that the capital market is very sensitive to dynamics inflation, especially in term short.

Temporary that, variable interest rates show influence negative However No significant against the JCI. This result show that although increase Bank Indonesia's benchmark interest rate can encourage investors to switch to instrument more investment safe like deposits and bonds, their impact against the IHSG not always direct felt. This is can understood because investors in the capital market do not only consider level interest rates, but also prospects growth economy, performance issuers, as well as long-term return expectations long. Research Previously, Santosa (2020) also found that that influence interest rates on the IHSG do not always significant, depending on stability accompanying macroeconomics. With Thus, the relationship between interest rates and the IHSG in Indonesia tend to nature No consistent and influenced by factors addition like market liquidity and investor expectations.

Variables mark swap show influence negative significant against the JCI. This result consistent with exchange rate pass-through theory (Dornbusch & Fischer, 1994) which explains that depreciation domestic currency can increase cost import and press profitability companies that depend on raw materials standard imports. Rupiah depreciation also often occurs interpreted as weakening stability economy, so that reduce foreign investor confidence that has role dominant in transactions on the Indonesia Stock Exchange. For example, in 2020 when the Rupiah weakened drastic until breaking through Rp. 16,000 per USD, the JCI had jump free to level 3,900 because

action sell massive from foreign investors . Findings This emphasize that mark swap is variables highly influential macroeconomics to capital market movements in Indonesia.

simultaneous test (F test) also prove that that inflation , interest rates , and value swap in a way together influential significant towards the JCI. This show that third variables macroeconomics the No can viewed in a way separated Because the interaction in a way collective capable explain direction capital market movements . However Thus , the value coefficient determination (Adjusted R²) which is only by 31% indicates that Still there is other variables outside the model that influence IHS movement . These other factors Can in the form of price global commodities such as oil raw and coal, stability political domestic , financial market conditions international , as well as performance finance issuers listed on the IDX.

In a way theoretical , findings study This in line with efficient market hypothesis (Fama, 1970) which states that price share will reflect available information , including information macroeconomics . However , the inconsistency influence interest rates against the IHS also confirms that the Indonesian capital market has not yet fully efficient in absorb information , especially in conditions uncertainty economy . This is open room for study more carry on For explore variables additional that can be strengthen understanding about determinant IHS movement .

With Thus , the results study This own implications important practicalities . For investors , monitoring to indicator macroeconomics , in particular inflation and value exchange , is step crucial in investment strategy Because variables the proven own influence significant towards the JCI. For the government and authorities monetary , maintaining stability price and value swap become key in increase market confidence and maintaining Power pull investment in the capital market. Ultimately , stability macroeconomics No only functioning as foundation for growth economy national , but also as determining factors sustainability development of the Indonesian capital market.

Closing

Study This aim For analyze influence variables macroeconomics consisting of from inflation , interest rates , and value swap to movement The Composite Stock Price Index (IHS) on the Indonesia Stock Exchange . Based on results analysis multiple linear regression , obtained findings that inflation influential negative significant against the IHS, which shows that increase inflation can pressing Power buy society , improve cost production , as well as reduce profitability company so that impact on weakening price shares . The Rupiah exchange rate against the US Dollar is also proven influential negative significant against the JCI, where the Rupiah tends to depreciate lower interest of foreign investors and increase cost imports . On the other hand , interest rates have influence negative but No significant against the IHS, which means the impact on the stock market Still relatively weak compared to variables other .

In a way simultaneous , third variables macroeconomics the influential significant against the JCI, even though coefficient determination show that Still there is other factors outside the model that also influence capital market movements , such as condition politics , prices global commodities , as well as fundamental performance of issuers . Findings This confirm that the JCI as Indonesian capital market indicators are greatly influenced by stability macroeconomics , so that role government and authorities monetary become important in guard stability inflation , interest rates , and value swap For strengthen Power pull investment in the capital market.

From the side practical , results study This give implications that investors need notice dynamics macroeconomics , in particular inflation and value exchange , in take decision investing in the stock market . For stock makers policy , maintaining balance between growth economy and stability monetary become step strategic For ensure sustainability of the Indonesian capital market. Research furthermore expected can expand room scope with enter other variables such as price world oil , foreign capital flows , and factor global politics in order to give a clearer picture comprehensive about determinant IHS movement .

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