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Article

Navigating Economic Turbulence: How Key Macro-Economic Factors Shaped the Jakarta Composite Index Over 25 Years

[1] Ferdy Kurniawan and [2] Ahsan Sumantika

[1] Universitas PGRI Yogyakarta, Indonesian
*Corresponding author: ahsansumantika@email.go.id

ABSTRACT

This research investigates the impact of inflation rate, USD/IDR exchange rate, gross domestic product (GDP), Dow Jones Index, and world oil prices on the Jakarta Composite Index (JCI) of the Indonesian Stock Exchange from 1997 to 2022. Employing multiple linear regression analysis using SPSS version 25, the study analyzes annual time series data spanning 25 years. Findings indicate a significant negative correlation between the USD/IDR exchange rate and world oil prices with the Jakarta Composite Index (JCI). However, the inflation rate, GDP, and Dow Jones Index do not exhibit significant influence on the Jakarta Composite Index (JCI). The study achieves an adjusted R-squared value of 0.674, suggesting that 67.4% of JCI movements are explained by the studied variables, leaving 32.6% attributed to external factors beyond this research scope.

Keywords: Jakarta Composite Index (JCI), Inflation, Exchange Rate, Gross Domestic Product, Dow Jones Index, World Oil Prices

JEL Classification: E02, E70

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INTRODUCTION

Understanding the intricate relationship between macroeconomic factors and stock market performance is pivotal for assessing economic stability and investor sentiment. In Indonesia, the Jakarta Composite Index (JCI) serves as a critical gauge of economic health and market confidence, reflecting both domestic and global economic conditions. Over the past 25 years, Indonesia has experienced significant economic fluctuations influenced by various global and domestic macroeconomic factors.

The economic crisis that shook Indonesia in 1998 brought about significant changes in various economic variables, such as interest rates, inflation, exchange rates, and economic growth. In 1998, the rupiah depreciated to Rp 16,900 per US dollar, while inflation soared to 77% per year, and Indonesia's economic growth contracted by -13.7%. This economic turmoil led to a drastic decline in the financial performance of many business entities, with some even experiencing substantial losses.

A similar crisis struck again in 2008, known as the Subprime Mortgage Crisis, originating in the United States. As a result, the US economy contracted by 0.34% in the fourth quarter of 2008 and by 3,07% in 2009. Global economic growth also declined to 2,8% in 2008 from 5,42% in 2007. The 2008 crisis not only impacted the United States but also evolved into a global crisis, affecting economies worldwide.

More recently, the COVID-19 pandemic in early 2020 posed unprecedented challenges to Indonesia's economic resilience. In early 2020, the COVID-19 pandemic exacerbated Indonesia's economic challenges. Government-imposed lockdowns and disruptions to global supply chains led to a contraction of -2.07% in economic growth and a GDP contraction of 2,19% (year-on-year) compared to 2019. The pandemic also had a profound impact on the rupiah exchange rate, which started at Rp 14.265 per US dollar in March 2020 and briefly spiked to Rp 16.575 per US dollar by the month's end. These economic disruptions extended to the capital markets, where the Jakarta Composite Index (JCI) experienced significant volatility, reaching its lowest point of -4,9% at 3,989,52 on March 23, 2020.

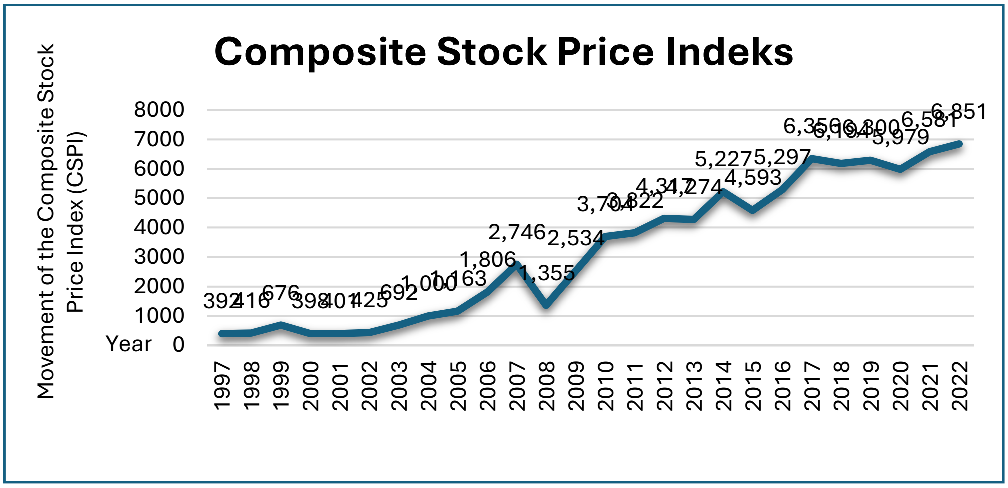

Figure 1
Movement of the Indonesian Jakarta Composite Index Period: 1997-2022

Based on Figure 1, the Jakarta Composite Stock Index (JCI) has shown fluctuating movements with a general upward trend from 1997 to 2022. However, in 2008, the JCI declined sharply to 1335, contracting by -50,64%. During the initial stages of the Covid-19 pandemic in March 2020, the JCI dropped by 28,11% from January to March 2020.

Macroeconomic factors play a crucial role in determining the movement of stock indices. According to Sirucek (2012), world oil prices, as a macroeconomic variable, have a significant impact because they can affect both the real and fiscal sectors. The analysis of economic factors is essential for understanding overall market dynamics, as economic conditions are closely connected with capital market performance (Sudarsana & Candraningrat, 2014). Key macroeconomic elements influencing the JCI include the global economic situation, inflation rate, exchange rate, political stability, and interest rates set by Bank Indonesia.

Inflation is a crucial factor for investors. inflation represents a decrease in a country's currency value, accompanied by a systematic increase in general prices of goods. High inflation can decrease investor interest in investing, leading to a decline in stock prices. In Indonesia, inflation tends to be high, making it an essential indicator for investors. Another influential macroeconomic variable is the exchange rate of the rupiah against the dollar. A weaker rupiah (depreciation) negatively impacts the capital market, reducing investments and leading to a decline in the Jakarta Composite Index.

Gross Domestic Product (GDP) growth also affects stock prices. GDP growth reflects economic development and includes the total consumption of goods, excluding capital goods. Growth in consumption drives economic growth and increases company profits, contributing to higher stock prices and affecting the Jakarta Composite Index (Kewal, 2012). The Dow Jones Index is a significant indicator for developing countries. It reflects the performance of major industries in the United States and influences economic development in countries like Indonesia through exports, direct investment, and capital market participation (Kowanda, 2014). Changes in the Dow Jones Index impact the JCI, with increases indicating economic recovery and decreases leading to declines in the JCI.

World oil prices are crucial for the Indonesian economy. Changes in oil prices significantly impact the capital market. Generally, rising oil prices trigger an increase in the JCI. This is due to Indonesia being both an oil producer and a consumer, meaning fluctuations in oil prices can affect production costs, inflation rates, and overall economic stability. Higher oil prices can lead to increased revenues for oil-exporting companies, thus boosting their stock prices and positively influencing the JCI. Conversely, higher oil prices can also increase production costs for many industries, potentially leading to higher consumer prices and inflation. This complex interplay underscores the significant influence of oil prices on the Indonesian capital market, highlighting the need for investors to closely monitor global oil price trends as a key determinant of market performance.

Several studies have investigated the impact of inflation, exchange rates, GDP, the Dow Jones Index, and world oil prices on the JCI. Kewal (2012) found that inflation and GDP do not significantly impact the JCI, while the exchange rate has a significant negative effect. Inflation and exchange rates do not significantly affect the JCI, but the Dow Jones Index has a significant positive impact. Inflation and world oil prices do not significantly affect the JCI, while the exchange rate has a significant negative effect. Nofdita (2017) found significant negative impacts of inflation and exchange rates on the JCI, with the Dow Jones Index having a significant positive impact. Iqbal & Nadia (2018) reported that inflation and exchange rates do not significantly affect the JCI, while the Dow Jones Index has a significant positive impact. Beureukat and Eka (2021) suggested that world oil prices and the Dow Jones Index significantly positively affect the JCI.

LITERATURE REVIEW

To comprehensively understand the impact of macroeconomic factors on the JCI, it is essential to review relevant and updated previous studies in the field. This section synthesizes past research findings to identify areas of consensus, unresolved questions, and gaps that warrant further exploration.

Several studies have explored the relationship between inflation and the JCI. Istinganah (2021) and inflation negatively impacts the JCI, aligning with the principles of APT and macroeconomic theory. These studies suggest that high inflation erodes purchasing power, reduces corporate profitability, and depresses stock prices.

Similarly, research on the USD/IDR exchange rate indicates its significant influence on the JCI. A depreciating exchange rate increases production costs, thereby dampening corporate earnings and lowering the JCI. This finding underscores the interconnectedness between currency fluctuations and stock market performance, consistent with contagion effects and APT.

Gross Domestic Product (GDP) has also been extensively studied in relation to the JCI. Tandelilin (2010) and Istighanah (2021) observed that robust GDP growth stimulates consumer demand, enhances corporate profitability, and boosts investor confidence, thereby positively impacting the JCI. These studies underscore GDP's role as a leading economic indicator influencing stock market dynamics.

The Dow Jones Index serves as a crucial international benchmark influencing the JCI. Research by Ernayani (2015) suggests that a rising Dow Jones Index correlates with increased Indonesian exports and foreign investments, thereby positively affecting the JCI. This relationship reflects global market integration and investor sentiment, as posited by APT and contagion effects.

World oil prices, volatile due to global economic and geopolitical factors, exert significant influence on the JCI. Rising oil prices inflate production costs, reduce corporate profitability, and negatively impact the JCI. This finding aligns with APT and macroeconomic theories, highlighting the sensitivity of stock markets to commodity price fluctuations.

While existing studies provide valuable insights into the impact of macroeconomic variables on the JCI, several questions remain unanswered. Variations in methodologies, sample periods, and econometric techniques across studies contribute to mixed findings on the precise magnitude and direction of these relationships. Moreover, the evolving global economic landscape necessitates continuous reevaluation of these dynamics to capture emerging trends and shifts in market behavior.

METHODOLOGY

Data

This study adopts a causality study approach to investigate the influence of independent variables on the Jakarta Composite Index (JCI). Utilizing a quantitative methodology, the study integrates key economic indicators such as the Jakarta Composite Index, inflation rate, exchange rate, gross domestic product (GDP), Dow Jones index, and world oil prices. The dataset comprises annual time series data spanning from 1997 to 2022, sourced through systematic documentation from official websites including www.idx.co.id, finance.yahoo.com, www.bi.go.id, investing.com, bps.go.id, and worldbank.org. The following is the definition of variables and formulas used in this research:

1. Jakarta Composite Index

   The Jakarta Composite Index (JCI), also referred to as the Indonesia Stock Exchange (IDX), serves as a benchmark for evaluating the performance of all stocks listed on IDX's main and development boards. In this study, the authors calculate the change in JCI using the following formula:

   $\%\ JCI = (JCI_{t} / JCI_{t-1}) - 1$

2. Inflation

   Inflation refers to the continuous increase in the prices of goods and services over time. Using Indeks Harga Konsumen (IHS) the authors calculate the change in Inflation using the following formula:

$\% \text{ Inflasi} = (\text{IHK}_t / \text{IHK}_{t-1}) - 1$

3. Exchange Rate

   The exchange rate measures the value of a country's currency relative to another currency. The exchange rate formula is given by:

   $(\text{Exchange rate}_t / \text{Exchange rate}_{t-1}) - 1$

4. Gross Domestic Product

   GDP represents the total monetary value of goods and services produced within a country's borders during a specific time period. The GDP growth rate is calculated using the formula:

   $\% \text{ GDP} = (\text{GDP}_t / \text{GDP}_{t-1}) - 1$

5. Dow Jones Industrial Average (DJIA)

   The Dow Jones Industrial Average (DJIA) is the oldest stock market index in the United States, measuring the performance of 30 major companies. The index change is calculated as:

   $\% \text{ DJIA} = (\text{DJIA}_t / \text{DJIA}_{t-1}) - 1$

6. World oil prices

   World oil prices are pivotal in energy markets, with benchmarks like West Texas Intermediate (WTI) and Brent influencing global trade. The oil price change is calculated as:

   $\% \text{ DJIA} = (\text{Oil Price}_t / \text{Oil Price}_{t-1}) - 1$

Model Development

The proposed model is grounded in theoretical frameworks such as the Arbitrage Pricing Theory (APT) and macroeconomic theories, which elucidate how various economic factors influence stock market dynamics. The model aims to explore the relationship between the Jakarta Composite Index (JCI) as the dependent variable and independent variables including inflation rate, exchange rate, GDP growth, Dow Jones index, and world oil prices. Each variable's impact on the JCI will be quantitatively assessed using multiple regression analysis.

METHOD

The method selected for this research is multiple regression analysis. This method is chosen for its ability to test the strength and significance of relationships between multiple independent variables and a dependent variable. The regression model used is structured as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Where:

Y	: Jakarta Composite Index (JCI)
a	: Constant
b_1, b_2, b_3, b_4, b_5	: Regression line coefficients
X_1	: Inflation Rate (%)
X_2	: Exchange Rate (%)
X_3	: Gross Domestic Product (%)
X_4	: Dow Jones Index (%)
X_5	: World Oil Price (%)
e	: Standar error

Thus to determine the accuracy of the model, several classical assumptions need to be tested such as normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The normality test aims to check whether the variables in the regression model have a normal data distribution in both the independent and dependent variables. A good regression model has a normal or near-normal data distribution. The multicollinearity test is used to check whether there is a correlation among the independent variables in the regression model. A good regression model does not have correlations among the independent variables. The heteroscedasticity test aims to check whether there is inequality of variance in the residuals from one observation to another in the regression model. If the residual variance remains constant, it is called homoscedasticity, and a good model is a homoscedastic model. The autocorrelation test aims to check whether there is a correlation between the disturbance errors in the data at period t and the disturbance errors at period t-1 in the linear regression model. A good regression model is free from autocorrelation.

Next, hypothesis testing is conducted using the coefficient of determination (R^2) test to see how well the model can explain the changes in the dependent variable. The coefficient of determination ranges from 0 to 1, with a low R^2 value indicating the limited ability of the independent variables to explain the dependent variable. Essentially, the F-test or ANOVA test indicates whether all the independent variables included in the model simultaneously affect the dependent variable. The t-statistic test shows how much influence one independent variable has partially in explaining the changes in the dependent variable.

RESULT AND DISCUSSION

Results of Classical Assumption Tests

Table 1.
Results of Classical Assumption Tests

Classic assumption test	Basis of Intake Decision	Results Test		
Test Normality	> 0.05	0.059		
Test Heteroscedasticity	> 0.05	Inflation Rate	0.026	
		Exchange rate	0.716	
		GDP	0.136	
		Dow Jones Index	0.250	
		World Oil Prices	0.194	
Multicollinearity Test	t > 0.10 And VIF < 10		*Tolerance*	VIF
		Inflation Rate	0.249	4,022
		Exchange rate	0.834	1,198
		GDP	0.222	4,499
		Dow Jones Index	0.950	1,053
		World Oil Prices	0.741	1,349
Autocorrelation Test	du < d < 4-du	1,872 < 1,917 < 2,128		

Normality Test Results

Based on Table 1, the results of the normality test using the Kolmogorov-Smirnov method indicate that the p-value is 0.059 > 0.05. This means that the data for the variables Inflation Rate, Exchange Rate, Gross Domestic Product, Dow Jones Index, and World Oil Prices are normally distributed.

Multicollinearity Test Results

According to Table 1, the results of the multicollinearity test show that the Tolerance values for the variables Inflation Rate, Exchange Rate, Gross Domestic Product, Dow Jones Index, and World Oil Prices are 0.249, 0.834, 0.222, 0.950, and 0.741, respectively, which are greater than 0.10. Meanwhile, the VIF values are 4.022, 1.198, 0.499, 1.053, and 1.349, respectively, which are less than the VIF threshold of 10.00. Therefore, it can be concluded that there is no multicollinearity issue in the regression model, making the regression model suitable for use.

Heteroscedasticity Test Results

Based on Table 1, the results of the heteroscedasticity test show that each variable, including the inflation rate, exchange rate, gross domestic product, Dow Jones index, and world oil prices, has a significance value greater than 0.05. Thus, it can be concluded that there is no heteroscedasticity in the research model.

Autocorrelation Test Results

According to Table 1, the results of the autocorrelation test using a significance level of 0.05, with 5 independent variables (k=5) and 26 data points (n=26), yield a Durbin Watson value of 1.917. The Durbin Watson table values for k=5 and n=26 are dL = 0.979 and dU = 1.872. The values for 4-dL and 4-dU are 3.021 and 2.128, respectively. Using the Durbin Watson test criteria (dU < d < 4-dU), the result is 1.872 < 1.917 < 2.128. Therefore, the null hypothesis is accepted, indicating that there is no autocorrelation.

Table 2
Test results Hypothesis

	B	Std. Error	t	Sig.	R	Adjusted R Square
(Constant)	824,751	159.133	,5,183	,000		
Inflation Rate	-1,207	,4,003	,302	,766		
Exchange rate	-38,320	,11,845	-3,235	-,004		
GDP	-,220	,158	-1,398	,177		
Dow Jones Index	-,014	,015	,897	,380		
World Oil Price	-,034	,011	-,3,211	-,004		
Test F statistics				0,000		
Coefficient Test Determination					0.674	0.592

Source: Results from *Outputs* SPSS Version 25 (data processed, 2024)

Results of t-test (Partial)

Based on Table 2 above, the partial t-test with coefficient probability values shows that the inflation rate variable has a coefficient probability of 0.766 > 0.05, gross domestic product 0.177 > 0.05, and Dow Jones index 0.380 > 0.05. This means that H1, H2, and H3 are rejected. Therefore, it can be concluded that the inflation rate, Dow Jones index, and world oil prices do not affect the movement of the JCI. However, for the Dow Jones index and world oil prices variables with coefficients of 0.004 < 0.05, this means that H2 and H5 are accepted. Thus, it can be concluded that the exchange rate and world oil prices significantly affect the movement of the JCI.

Results of F-test (Simultaneous)

Based on Table 2 above, the ANOVA or F-test indicates that the calculated F-value is 8.257, which is greater than the table F-value of 2.84, with a significance level of 0.000 < 0.05. Therefore, it can be concluded that the variables Inflation Rate, Exchange Rate, Gross Domestic Product, Dow Jones Index, and World Oil Prices collectively influence the JCI. Hence, H0 is rejected.

Coefficient of Determination (R^2)

Test Results: Based on Table 2 above, the coefficient of determination test, which indicates the extent of influence collectively exerted by the independent variables on the dependent variable, shows that the variation in the Jakarta Composite Index (JCI) explained by Inflation Rate, Exchange Rate, Gross Domestic Product, Dow Jones Index, and World Oil Prices is 67.4%. The remaining 32.6% is explained by other variables not included in this study. The Adjusted R Squared is 0.592 or 59.2%.

DISCUSSION

In this section, the researcher will elaborate on the overall results of hypothesis testing, presenting partial significance tests such as t-tests, simultaneous significance tests such as F-tests, and testing the coefficient of determination R2R^2R2.

Impact of Inflation Rate on Jakarta Composite Index Movement Period 1997-2022

Based on the testing, the coefficient value of the Inflation Rate is 0.766 with significance above 0.05 ($0.766 > 0.05$), hence it can be concluded that inflation rate does not negatively influence the movement of the Jakarta Composite Index (JCI) individually. The hypothesis was not consistent with the research outcome as H1 was rejected. The negative direction between inflation and the Jakarta Composite Index (JCI) movement indicates that higher inflation leads to a decrease in the JCI movement.

The influence of inflation on the movement of the Jakarta Composite Index (JCI) indicates that there is no significant relationship between inflation and the movement of the JCI. This implies that inflation does not directly affect investor decisions to invest in stocks on the Indonesia Stock Exchange (IDX). Furthermore, due to the low inflation rate (<10%), no correlation is observed between inflation and JCI movement. As long as inflation remains below 10% or lower, the JCI will continue to grow unaffected by inflation. This research aligns with studies conducted by Sumaryoto (2021), Siskawati (2020), and Zabidi (2018), indicating that inflation does not negatively affect the movement of the Jakarta Composite Index (JCI).

Impact of Exchange Rate on Jakarta Composite Index Movement Period 1997-2022

Based on the testing, the coefficient value of the Exchange Rate is 0.004 with significance below 0.05 ($0.004 < 0.05$), hence it can be concluded that the Exchange Rate partially affects the movement of the Jakarta Composite Index (JCI). According to the research findings, the Exchange Rate has a negative partial impact on the movement of the Jakarta Composite Index (JCI) during the period 1997-2022. The hypothesis was consistent with the research outcome as H2 was accepted. The negative direction between the Exchange Rate and the JCI movement indicates that a decrease in the Exchange Rate leads to a decrease in the JCI movement.

When the domestic currency depreciates, there is usually an increase in export volumes. If demand from the international market is relatively elastic, this can lead to increased cash flow for domestic companies, ultimately increasing stock prices reflected in the JCI. Conversely, if investors prefer to buy domestic products and hold debts in dollars, stock prices may decline. Currency depreciation can increase stock prices reflected in the JCI in an inflationary economic situation (Kewal, 2012). This research aligns with studies conducted by Desfiandi (2017) and Ratnaningrum (2022) showing that the US Dollar (USD)/Rupiah (IDR) exchange rate has a significant negative impact on the movement of the Jakarta Composite Index (JCI), as a weaker rupiah makes investors reluctant to invest in the capital market.

Impact of Gross Domestic Product on Jakarta Composite Index Movement Period 1997-2022

Based on the testing, the coefficient value of Gross Domestic Product (GDP) is 0.177 with significance above 0.05 (0.177 > 0.05), hence it can be concluded that Gross Domestic Product does not positively influence the movement of the Jakarta Composite Index (JCI) individually. According to the research findings, Gross Domestic Product does not positively influence the movement of the Jakarta Composite Index (JCI) during the period 1997-2022. The hypothesis was not consistent with the research outcome as H3 was rejected.

In this context, investment patterns in the stock market may not be influenced by GDP growth because investors pay more attention to other factors related to individual per capita income and higher investment return potential. For example, if economic growth is not supported by an increase in per capita income or if other factors such as high inflation or political uncertainty affect investment prospects, investors may adjust their investment strategies without focusing too much on GDP figures. Therefore, despite an increase in a country's GDP, investment patterns in the stock market may not be significantly affected because investors consider other factors such as economic stability, monetary policy, global market conditions, and higher investment returns in specific sectors. This research aligns with studies conducted by Kewal (2012), indicating that Gross Domestic Product does not have a positive influence on the movement of the Jakarta Composite Index (JCI).

Impact of Dow Jones Index on Jakarta Composite Index Movement Period 1997-2022

Based on the testing, the coefficient value of the Dow Jones Index is 0.380 with significance above 0.05 (0.380 > 0.05), hence it can be concluded that the Dow Jones Index does not positively influence the movement of the Jakarta Composite Index (JCI) individually. According to the research findings, the Dow Jones Index does not positively influence the movement of the Jakarta Composite Index (JCI) during the period 1997-2022. The hypothesis was not consistent with the research outcome as H4 was rejected.

The relationship between the Dow Jones Index and JCI is very weak, as an increase in the Dow Jones Index does not affect the JCI. However, an increase in the Dow Jones Index has a negative impact on the economy and capital markets in Indonesia. This is because the economic conditions in developed countries experience growth, but do not affect the economy in Indonesia through export activities. The decline in the JCI is not only influenced by economic conditions but also by non-economic conditions such as politics and security, which affect investors.

According to Handiani (2014), one of the reasons for the decline in the JCI is the massive withdrawal of foreign funds from the Indonesian stock market, caused by the Federal Reserve reducing quantitative easing to restore the US economy. As a result, many investors allocate their funds to the United States rather than the Indonesian stock market, causing the Dow Jones Index to rise and the JCI to decline. This research aligns with studies conducted by Hanif (2012), indicating that the Dow Jones Index does not positively influence the movement of the Jakarta Composite Index (JCI).

Impact of World Oil Price on Jakarta Composite Index Movement Period 1997-2022

Based on the testing, the coefficient value of World Oil Price is 0.004 with significance below 0.05 (0.004 < 0.05), hence it can be concluded that World Oil Price partially has a negative impact on the movement of the Jakarta Composite Index (JCI). According to the research findings, World Oil Price has a negative partial impact on the movement of the Jakarta Composite Index (JCI) during the period 1997-2022. The hypothesis was consistent with the research outcome as H5 was accepted. The negative direction between World Oil Price and the movement of the Jakarta Composite Index (JCI) indicates that higher World Oil Prices lead to a decrease in the JCI movement.

The increase in world oil prices tends to have a greater negative impact on the Jakarta Composite Index (JCI), as governments find it difficult to consistently maintain oil fuel subsidies. In response, governments often raise fuel prices. This increase in fuel prices can create economic uncertainty domestically by causing inflation to rise and reducing purchasing power for goods among the public. This impact causes the stock prices of companies (issuers) to decline, ultimately leading to a decrease in the Jakarta Composite Index (Adhi Yunanto, 2012).

World crude oil, like currency, is an important indicator in the global economy due to its volatility influenced by economic and political events in a country (Basit, 2020). Fluctuations in world oil prices have the potential to affect the capital markets of a country. An increase in oil prices can trigger an increase in prices for other essential goods. This research aligns with studies conducted by Handiani (2014), indicating that World Oil Price has a negative impact on the movement of the Jakarta Composite Index (JCI).

CONCLUSION AND RECOMMENDATION

Based on the research results and discussions, the conclusions drawn by the researcher are summarized as follows:

1. **Inflation Rate**: With a coefficient of 0.766 and significance above 0.05 (0.766 > 0.05), it is concluded that inflation rate does not negatively influence the Jakarta Composite Index (JCI) individually. Hypothesis H1 was rejected. Based on the research findings, inflation does not significantly affect the Jakarta Composite Index (JCI) during the period 1997-2022.
2. **Exchange Rate**: With a coefficient of 0.004 and significance below 0.05 (0.004 < 0.05), it is concluded that the Exchange Rate partially has a negative impact on the movement of the Jakarta Composite Index (JCI). Hypothesis H2 was accepted. Based on the research findings, the Exchange Rate partially influences the the Jakarta Composite Index (JCI) during the period 1997-2022.
3. **Gross Domestic Product (GDP)**: With a coefficient of 0.177 and significance above 0.05 (0.177 > 0.05), it is concluded that Gross Domestic Product does not positively influence the movement of the Jakarta Composite Index (JCI) individually. Hypothesis H3 was rejected. Based on the research findings, Gross Domestic Product does not influence the Jakarta Composite Index (JCI) during the period 1997-2022.
4. **Dow Jones Index**: With a coefficient of 0.380 and significance above 0.05 (0.380 > 0.05), it is concluded that the Dow Jones Index does not positively influence the Jakarta Composite Index (JCI) individually. Hypothesis H4 was rejected. Based on the research findings, the Dow Jones Index does not influence the

Jakarta Composite Index (JCI) on the Indonesia Stock Exchange during the period 1997-2022.

5. **World Oil Price**: With a coefficient of 0.004 and significance below 0.05 (0.004 < 0.05), it is concluded that World Oil Price partially has a negative impact on the Jakarta Composite Index (JCI). Hypothesis H5 was accepted. Based on the research findings, World Oil Price partially influences the Jakarta Composite Index (JCI) on the Indonesia Stock Exchange during the period 1997-2022.

Based on the analysis and conclusions outlined earlier, the researcher proposes the following recommendations:

1. For investors, before making investment decisions, it is crucial to analyze and evaluate the global economic situation and macroeconomic factors such as the exchange rate of the rupiah and world oil prices. This is aimed at reducing potential investment losses, as this study shows that world oil prices and the exchange rate of the rupiah significantly impact the movement of the Jakarta Composite Index (JCI).
2. The researcher acknowledges that this study is far from perfect; therefore, for future research, it is recommended to focus more on or add variables related to the Jakarta Composite Index (JCI) and company performance. This is expected to result in more accurate and in-depth research. This study is limited to the JCI and therefore cannot provide a comprehensive overview. Future research could also extend the timeframe or use daily or quarterly data to obtain more varied results.

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