

ABSTRACT

This research was conducted to find out the effect that occurs from the relationship between the Indeks Harga Saham Gabungan (IHSG) and its explanatory variables in Indonesia from macroeconomic factors, as well as to see the implications of macroeconomic factors on capital market or Indeks Harga Saham Gabungan (IHSG) performance in 2017-2021 on a short-run and long-run basis. Because during this time period, there was a phase where the capital market experienced a deep decline which was also followed by a decline in Indonesia's macroeconomic performance during the implementation of the social restriction policy.

This research was conducted based on secondary data. Secondary data in this study were taken from 2017-2021, including the level of IHSG, economic growth, exchange rates, BI 7 Days Repo Rate, inflation, exports, and imports. In data processing, the econometric model is processed using the Ordinary Least Square (OLS) and Error Correction Model (ECM) methods.

As a result, it is known that there is an effect that occurs between the relationship between macroeconomic factors and the Indeks Harga Saham Gabungan (IHSG). In the long-run there is the following relationship; The weakening of the exchange rate had a negative effect on the IHSG, an increase in the BI 7 Days Repo Rate had a positive effect on the IHSG, an increase in exports had a positive effect on the IHSG, and an increase in imports had a positive effect on the IHSG. Meanwhile, in the short-run there is the following relationship; Increasing Economic Growth has a positive effect on the IHSG, and Increasing the Exchange Rate has a negative effect on the IHSG.

Keywords : IHSG, Macroeconomics, Ordinary Least Square, Error
Correction Model

JEL Classification : E12, E52