



The Influence of Inflation and Economic Growth (GDP) on the Stock Prices of Manufacturing Companies in the Jakarta Islamic Index (JII)

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ABSTRACT

Purpose: This study analyses the impact of inflation, economic growth, and previous stock prices on manufacturing companies' stock prices in the Jakarta Islamic Index (JII). Understanding macroeconomic factors that influence the Islamic capital market, particularly in the context of stock price volatility, is urgent.

Design/Method/Approach: The quantitative research method with multiple linear regression analysis. Secondary data were obtained from the Indonesia Stock Exchange (IDX), the Central Bureau of Statistics (BPS), and other online sources, covering the research period from 2021 to 2023. Data analysis was conducted using the E-Views 10 software.

Findings: The research results indicate that inflation does not have a significant partial effect on the stock prices of manufacturing companies in the JII. In contrast, economic growth and previous period stock prices have a positive and significant impact. Simultaneously, inflation, economic development, and previous period stock prices influence stock prices in the JII.

Originality/Values: These findings highlight that investors must consider various economic factors when making investment decisions.

INTRODUCTION

The Islamic capital market is one of the key aspects and primary factors in building Indonesia's economy, particularly in infrastructure and macroeconomic stability.¹ The capital market continues to develop with the presence of the Islamic capital market, as evidenced by the increasing number of companies issuing Islamic securities. The Jakarta Islamic Index (JII) is one of the Islamic stock indices listed on the Indonesia Stock Exchange (BEI).² JII provides an alternative for Muslim investors to participate in the capital market by Islamic principles. JII is influenced by fluctuating stock prices, which can impact investors' profits. Stock price movements indicate the potential returns that can be achieved.³

Investors' ability to understand and predict future macroeconomic conditions is highly beneficial for making profitable investment decisions.⁴ Therefore, investors need to consider several macroeconomic indicators that are often associated with the capital market, such as changes in inflation and GDP growth.⁵ High inflation in a country can reduce the amount of investment flowing into that country. This study analyses the macroeconomic variables, economic growth and inflation. Sukirno (2005) states that inflation and investment are interrelated.

The image below shows the development of the Jakarta Islamic Index (JII), which has continued to increase until 2023. Since its launch, JII has continued to grow and now includes the 30 most liquid Sharia-compliant stocks on the Indonesia Stock Exchange (IDX). Transactions involving financial instruments such as stocks play a crucial role in a country's economic system. Therefore, the capital market can fund companies in need while allowing the public (investors) to invest their capital. The capital market can support a

¹ Irni Sri Cahyanti et al., "The Effect of Interest Rates and Inflation on Islamic Stock Returns in Companies Listed on the Jakarta Islamic Index," *Airlangga International Journal of Islamic Economics and Finance* 7, no. 01 (2024): 15–28, <https://doi.org/10.20473/aijief.v7i01.55610>.

² Zelivieska Bintang Maharani, "Komparasi Faktor Fundamental Mikro Dan Makro Ekonomi in Jakarta Islamic Index Dan Lq-45," *Jurnal Ilmiah Ekonomi Islam* 7, no. 1 (March 2021): 484, <https://doi.org/10.29040/jiei.v7i1.1499>.

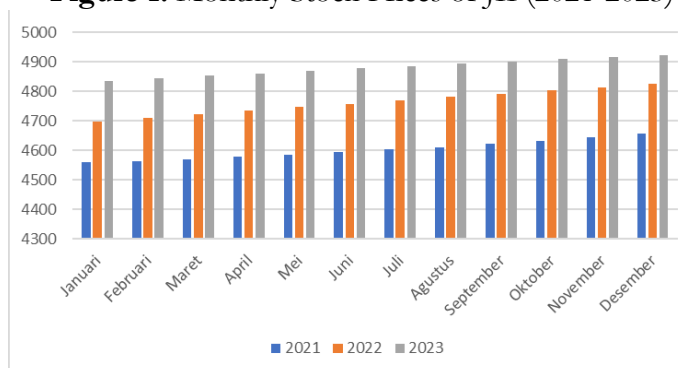
³ Achmad Edwin Mahareza, "Dampak Covid-19 Terhadap Harga Saham Dan Return Saham Syariah (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di Jakarta Islamic Index 70 ...," 2022.

⁴ Muslim Marpaung Sugianto et al., "The Behavior of Muslim Investors in Investing in Stocks on the Indonesia Stock Exchange during the COVID-19 Pandemic," *Systematic Reviews in Pharmacy* 11, no. 4 (2020): 745–52.

⁵ Ai Rohayani Sriwanti et al., "Inflation, Interest Rates, And Money Supply Against The Jakarta Islamic Index 30," *Conference on Economic and Business Innovation (CEBI)* 3, no. 1 (2023): 666–76, <https://doi.org/10.31328/cebi.v3i1.284>.

country's economic development. Companies issue stocks as one of the options to raise funds. On the other hand, investors often choose stocks as an investment instrument because they offer attractive returns.⁶

Figure 1. Monthly Stock Prices of JII (2021-2023)



Source: investing.com (Processed)

Table 1. Consumer Price Inflation 2021-2023

Month	Year		
	2021	2022	2023
January	0,26	0,56	0,34
February	0,36	0,54	0,50
Maret	0,44	1,20	0,68
April	0,58	2,15	1,01
Mey	0,90	2,56	1,10
Juny	0,74	3,19	1,24
July	0,81	3,85	1,45
Agustus	0,84	3,63	1,43
September	0,80	4,84	1,63
Oktober	0,93	4,73	1,80
November	1,30	4,82	2,19
Desember	1,87	5,51	2,61

Source: Bps.go.id

Table 2. GDP 2021-2023

Month	Year		
	2021	2022	2023
January	-1,50	4,74	5,07
February	-0,77	5,06	5,02

⁶ Cahyanti et al., "The Effect of Interest Rates and Inflation on Islamic Stock Returns in Companies Listed on the Jakarta Islamic Index."

Maret	0,21	5,25	5,01
April	2,38	5,18	5,10
Mey	3,24	5,25	5,11
Juny	3,69	5,31	5,11
July	3,15	5,39	5,06
Agustus	3,23	5,41	5,05
September	3,35	5,41	5,04
Oktober	3,42	5,36	5,04
November	3,66	5,31	5,04
Desember	4,01	5,24	5,06

Source: Bps.go.id

In recent years, stock price movements in the Jakarta Islamic Index (JII) have shown significant fluctuations compared to macroeconomic conditions, such as inflation and economic growth. Based on Table 2, inflation has shown an upward trend during the 2021–2023 periods, particularly in certain months. Meanwhile, economic growth has varied, with some periods experiencing slowdowns, especially in 2021. Conversely, Figure 1 shows that stock prices in JII have instead exhibited an upward trend over the same period. This discrepancy is intriguing for further research to determine whether the increase in JII stock prices is due to growing investor confidence or other factors that keep stock prices moving positively despite inflation and economic growth fluctuations.⁷

Sukirno (2005), as cited by Kamal et.al⁸, stated that inflation and investment are interrelated. High inflation in a country can reduce the amount of investment flowing into that country. However, a study by Bayuni et.al,⁹ which examined the impact of inflation, interest rates, and money supply on the Jakarta Islamic Index, found that inflation does not affect the JII Index. Besides inflation, several studies have also indicated that economic growth influences stock prices. Fauzan et.al¹⁰, who studied the determinants of JII stock price movements, stated that economic growth impacts stock prices. Analysed

⁷ Sugianto et al., “The Behavior of Muslim Investors in Investing in Stocks on the Indonesia Stock Exchange during the COVID-19 Pandemic.”

⁸ Mustafa Kamal et al., “Pengaruh Tingkat Inflasi Dan Nilai Tukar (Kurs) Rupiah Terhadap Indeks Saham Syariah Indonesia (ISSI),” *Jurnal Tabarru': Islamic Banking and Finance* 4, no. 1 (2021).

⁹ Eva Misfah Bayuni and Popon Srisusilawati, “Kontribusi Instrumen Moneter Syariah Terhadap Pengendalian Inflasi Di Indonesia,” *Amwaluna: Jurnal Ekonomi Dan Keuangan Syariah* 2, no. 1 (2018): 18–38, <https://doi.org/10.29313/amwaluna.v2i1.3314>.

¹⁰ Rahmat Daim Harahap Fauzan Fahmi Hasibuan, Andri Soemitra, “Pengaruh Inflasi, Nilai Tukar, Harga Minyak Dunia Dan Harga Emas Dunia Terhadap Indeks Saham Syariah Indonesia,” *Jurnal Manajemen Akuntansi (JUMSI)* 3, no. 1 (2023): 707–17.

fundamental micro and macroeconomic factors in the Jakarta Islamic Index and LQ-45, concluded that macroeconomic factors do not significantly affect the Jakarta Islamic Index.

Previous studies have examined the relationship between macroeconomic variables such as inflation, interest rates, money supply, and the Jakarta Islamic Index (JII). For instance, Bayuni et al. concluded that inflation does not significantly influence the JII, while Fauzan et al. found that economic growth does affect JII stock price movements. Other studies have focused on broader Islamic stock indices, often analysing aggregated market data without isolating specific sectors or types of companies.

This study differs by narrowing the focus to manufacturing companies in the Jakarta Islamic Index, providing a more sector-specific insight. Additionally, while earlier studies have often used quarterly or annual data, this research employs monthly data from 2021 to 2023, allowing for a more detailed and dynamic observation of stock price behaviour. Furthermore, this study also incorporates the influence of previous stock prices as an internal factor, which is rarely included in prior models, to better capture momentum and investor sentiment in the Islamic capital market.

The objective of this study is to analyse the impact of macroeconomic factors, namely inflation, economic growth, and previous stock prices, on the stock prices of manufacturing companies listed in the Jakarta Islamic Index on the Indonesia Stock Exchange.

LITERATURE REVIEW

Stock Prices of Manufacturing Companies

Stock price refers to the value formed through the capital market mechanism based on supply and demand for a particular stock.¹¹ The level of stock prices is influenced by two main factors: microeconomic and macroeconomic variables.¹² Internal factors may include financial ratios, tools used to measure a company's economic performance. According to the theory of supply and demand, stock prices are determined by the interaction of demand and supply in the capital market. The hypothesis that economic and company fundamentals influence stock prices is based on the contradiction

¹¹ Hildana Aprilia and Eni Wuryani, "Pengaruh Good Corporate Governance Terhadap Kinerja Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2017-2019," *Jurnal Ilmu Komputer, Ekonomi Dan Manajemen (JIEM)* 1, no. 1 (2021): 42–61.

¹² Elsyé Fatmawati and Nanda Hermafiani, "Analisis Pengaruh Makroekonomi Dan Faktor Fundamental Terhadap Harga Saham," *Jurnal Perspektif Manajerial Dan Kewirausahaan (JPMK)* 3, no. 1 (2022): 17–26.

between theory and empirical facts.

A manufacturing company is a business that processes raw materials into finished or semi-finished goods through production activities such as assembly, processing, or refining. A company is categorised as a manufacturing firm if its operational activities involve an input-process-output system to produce goods. Manufacturing is a branch of industry that applies equipment and processing media to transform raw materials into finished products for sale.¹³

Inflation

According to Putong (2013), inflation is defined as a continuous increase in the prices of goods and services over a relatively long period.¹⁴ Indonesia is among the countries with a wide variety of markets.¹⁵ Campbell R. McConnell and Stanley L. Brue define inflation as a general and continuous price increase. Inflation is considered a monetary phenomenon because it decreases the value of currency units relative to commodities. Unstable inflation disrupts economic growth and, consequently, investment activities.

Inflation refers to the price changes of various goods and services over a given period, resulting in either an increase or decrease in value.¹⁶ There are three main inflation theories: the quantity theory, the Keynesian theory, and the structural theory. The quantity theory explains that inflation arises from excess demand, increasing the money supply. This theory categorises the sources of inflation into demand-pull, cost-push, and imported. The Keynesian theory posits that inflation can occur when a particular segment of society excessively demands goods and services. Meanwhile, the structural theory explains that inflation may also result from producers' inability to respond quickly to rising demand due to population growth.

Economic Growth

¹³ Veny Mayasari, "Pengaruh Inflasi Dan Tingkat Suku Sbi Terhadap Harga Saham Pada Perusahaan Manufaktur Sub Sektor Food and Beverage Yang Go Public Di Bursa Efek Indonesia," *Akuntansi Dan Manajemen* 14, no. 2 (2019): 32–49.

¹⁴ Isnaini Harahap and Khairina Tambunan, "The Effect of SBI and SBIS as Monetary Instruments on the Indonesian Economy," *Share: Jurnal Ekonomi Dan Keuangan Islam* 11, no. 1 (2022): 1, <https://doi.org/10.22373/share.v11i1.8603>.

¹⁵ Nurlaila, Nurbaiti, and M.Lathief Ilhamy Nasution, "The Impact Of COVID-19 Pandemic On The Income Of Traditional Market Traders In Indonesia," *Journal of Positive School Psychology* 6, no. 9 (2022): 2141–50.

¹⁶ Anggun Maisarah, Imsar, and Muhammad Ikhsan Harahap, "Pengaruh Inflasi Dan Kurs Terhadap Volume Produksi Ekspor Karet Di Indonesia Dalam Perspektif Ekonomi Islam: Studi Kasus Provinsi Sumatera Utara Tahun 2013-2022," *JAMBURA ECONOMIC EDUCATION JOURNAL* 6, no. 1 (2024).

Economic growth (GDP) refers to increased economic activities that result in higher production of goods and services, thereby improving public welfare.¹⁷ A country's economic development is generally reflected through economic growth, measured by the Gross Domestic Product (GDP) indicator. The economy can be assessed based on the total value of goods and services produced, either from the consumption or production side. These production and service values serve as the basis for calculating GDP. Economic growth is often linked to economic development, aiming to improve social welfare. According to Sukirno, the main difference between economic development and growth lies in the increase in per capita income. In economic development, per capita income continues to rise, whereas in economic growth, the increase is not always consistent.

Kuncoro stated that several factors influence economic growth, with human and natural resources being the most dominant elements supporting the growth process.¹⁸ In the long term, investment becomes the most influential variable in GDP growth.¹⁹ Economic growth is a vital reference for investors in allocating capital, as stable growth indicates fast money circulation and better investment potential. Therefore, GDP is one of the key factors influencing stock price fluctuations.²⁰

Jakarta Islamic Index (JII)

The Jakarta Islamic Index (JII) is the first Islamic stock index launched in the Sharia capital market. JII is one index type within the broader Indonesia Sharia Stock Index (ISSI). It was first introduced in the Indonesian capital market on July 3, 2000. According to Fitriyanto,²¹ the movement of ISSI is

¹⁷ Aqwa Naser Daulay Dandi Ibnu Sutowo, Andri Soemitra, "Pengaruh Bi 7-Day (Reverse) Repo Rate, Inflasi Dan Kurs Terhadap Harga Saham Pt United Tractors Yang Listing Di Jakarta Islamic Index," *Studia Economica: Jurnal Ekonomi Islam* 8, no. 1 (2022): 47–65.

¹⁸ K Hasibuan, M., Nawawi, ZM, & Tambunan, "Analysis of the Contribution of Pedicab Drivers Tourism in Increasing Sharia Tourism in Padangsidempuan City with an Approach Quadruple Helix," *JUREKSI (Journal of Islamic Economics and Finance)* 6, no. 1 (2024): 654–68.

¹⁹ Imsar, Nurhayati, and Isnaini Harahap, "Analysis Of Digital Economic Interactions, Economic Openness, Islamic Human Development Index (I-HDI) And Investment On Indonesia's GDP Growth," *Edukasi Islami: Jurnal Pendidikan Islam* 12 (2023): 753–72.

²⁰ U. Sulia Sukmawati, Iwan Kusnadi, and Sri Ayuni, "Pengaruh Inflasi, Pertumbuhan Ekonomi Dan Nilai Tukar Rupiah Terhadap Harga Saham Syariah Pada Jakarta Islamic Index Yang Listing Di Bursa Efek Indonesia Tahun 2015-2019," *Alwatzikhoebillah: Kajian Islam* 6 (2020): 5469.

²¹ Nur Fitriyanto et al., "Dinamika Hubungan Foreign Direct Investment (Fdi), Makroekonomi Dan Return Indeks Saham Syariah Di Empat Negara Asean," *An-Nisbah: Jurnal Ekonomi Syariah* 8, no. 2 (2021): 322–65, <https://doi.org/10.21274/an.v8i2.4471>.

influenced by Indonesia's economic growth, as economic fluctuations affect investor activity and trading volumes in the Sharia capital market.

The JII consists of the 30 most liquid Sharia-compliant stocks listed on the Indonesia Stock Exchange (IDX), making it one of Sharia investors' most frequently used benchmarks. Similar to the ISSI, the constituents of JII are reviewed twice a year in May and November, following the review schedule of the Sharia Securities List (DES) by the Financial Services Authority (OJK). The IDX selects and updates the JII components accordingly (Indonesia Stock Exchange, accessed 2024).

RESEARCH METHOD

This study employs a quantitative research method. Quantitative research is used to investigate specific populations or samples systematically and objectively. The sampling technique is typically random, data is collected using research instruments, and data analysis is performed statistically to test pre-established hypotheses. Hardani says quantitative methods involve numerical data and statistical calculations to draw valid conclusions. In this study, statistical testing is conducted using a multiple linear regression analysis model.

Data and Data Collection Procedure

The data used in this study is secondary data obtained from various sources, including the Indonesia Stock Exchange (IDX), the Central Bureau of Statistics (BPS), the official IDX website, and the Investing.com website. The data collected includes:

1. Average stock prices of manufacturing companies listed in the Jakarta Islamic Index (JII),
2. Consumer price inflation,
3. Economic growth figures.

Data is collected every month from 2021 to 2023.

Data processing and analysis are performed using E-Views 10 software.

Data Filtering

As of the effective research period (December 2, 2024, to May 28, 2025), 17 manufacturing companies were listed in the JII, most of which operated in the mining sector. However, only companies that had gone public on the IDX by 2021 were included in the sample. After applying this filter, 14 companies met the research criteria.

The study included the stock codes ADRO, ANTM, ASII, BRMS, CPIN, ICBP, INCO, INDF, INKP, KLPF, PANI, SMGR, TPIA, and UNVR.

Meanwhile, companies with stock codes ADMR, AMMN, and MBMA were excluded as they had not yet gone public by 2021.

Data Analysis Approach

This study utilises a multiple linear regression model to analyse the influence of independent variables on the dependent variable.

The regression equation applied in this research is as follows:

$$\underline{Y = a + b_1x_1 + b_2x_2 + b_3Y(-1) + e}$$

Where:

Y: Manufacturing stock prices in JII

X₁ : Inflation

X₂ : Economic Growth

Y(-1): Previous Period Stock Prices

a: Constant

b₁, b₂, b₃ : Coefficients of each independent variable

e: Error term

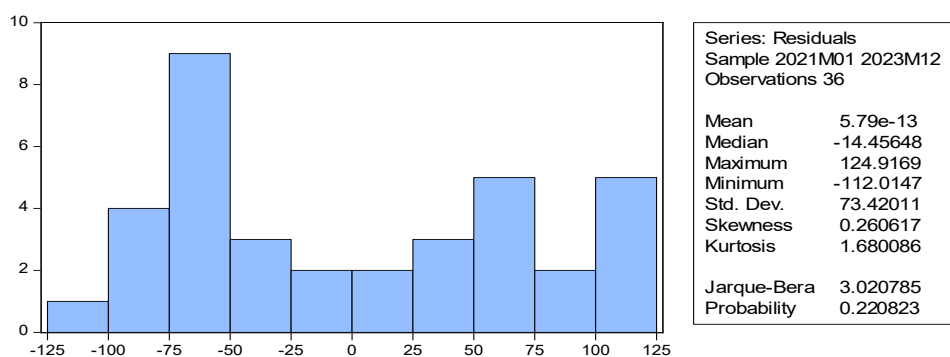
RESULT AND DISCUSSION

RESULT

Statistical Test Results

Normality Test ($\alpha = 0.05$)

Figure 2. Normality Test



Source: Processed Data from EViews 10

The test results showed that the Jarque-Bera probability value was 0.220, greater than 0.05. This indicates that the data is normally distributed or has passed the normality test.

Multicollinearity Test

Table 3. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1870.028	11.77515	NA
X1	103.9938	3.404628	1.374318
X2	121.3089	15.76015	1.374318

Source: Processed Data from EViews 10

The independent variables' Variance Inflation Factor (VIF) value was 1.374, less than 10.00. This indicates that the multicollinearity assumption is met, and the model has passed the multicollinearity test.

Heteroscedasticity Test ($\alpha = 0.05$)

Table 4. Heteroscedasticity Test

F-statistic	2.046622	Prob. F(2,33)	0.1452
Obs*R-squared	3.972604	Prob. Chi-Square(2)	0.1372
Scaled explained SS	0.882595	Prob. Chi-Square(2)	0.6432

Source: Processed Data from EViews 10

From the heteroscedasticity test results, the Obs*R-Squared probability value was 0.137, greater than 0.05. This indicates that the heteroscedasticity assumption is met, and the model has passed the test.

Autocorrelation Test

Table 5. Durbin-Watson Test

DU	DW-Test	4-DU	Keterangan
1,583	1,892	2,417	Tidak ada Autokorelasi

Source: Processed Data from EViews 10

Based on the Durbin-Watson value of 1.892, it can be concluded that $dU < DW < (4-dU)$ with the values $1.583 < 1.892 < 2.417$. This indicates that no autocorrelation is present in the model.

Table 6. Statistical Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	162.7721	44.59492	3.650014	0.0010
X1	-0.651444	0.609856	-1.068193	0.2937

X2	3.792587	1.002228	3.784157	0.0007
Y(-1)	0.964582	0.010045	96.03083	0.0000
R-squared	0.698668	Mean dependent var	4753.543	
Adjusted R-squared	0.698539	S.D. dependent var	118.0766	
S.E. of regression	4.513750	Akaike info criterion	5.959344	
Sum squared resid	631.5920	Schwarz criterion	6.137098	
Log likelihood	-100.2885	Hannan-Quinn criterion.	6.020705	
F-statistic	7745.175	Durbin-Watson stat	1.892750	
Prob(F-statistic)	0.000000			

Source: Processed Data from EViews 10

Regression Equation Analysis

$$\underline{Y = 162,77 - 0,65X1 + 3,79X2 + 0,96Y(-1) + e}$$

- The constant value obtained is 162.77, which means that if the independent variables increase by one per cent on average, the dependent variable will increase by 162.77 per cent.
- The regression coefficient for X1 (Inflation) is negative, indicating that Y (Stock Prices) will decrease by 0.65 per cent if inflation increases, and vice versa.
- The regression coefficient for X2 (GDP Growth) is positive, meaning that if GDP growth increases, Y (Stock Prices) will increase by 3.79 per cent, and vice versa.
- The regression coefficient for Y(-1) (Previous Period Stock Price) is positive, meaning that if the previous stock price increases by one per cent, the Manufacturing Stock Prices in JII (Y) will increase by 0.96 per cent.

T-Test (Partial Test)

Table 6. T-Test (Partial Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	162.7721	44.59492	3.650014	0.0010
X1	-0.651444	0.609856	-1.068193	0.2937
X2	3.792587	1.002228	3.784157	0.0007
Y(-1)	0.964582	0.010045	96.03083	0.0000

Source: Processed Data from EViews 10

In the T-test results table, the probability value for X1 (Inflation) is 0.2937, which is greater than 0.05. Meanwhile, the probability value for X2 (Economic Growth) is 0.0007, and for Y (-1) (Previous Period Stock Price), it is 0.0000, both of which are less than 0.05.

This indicates that inflation does not significantly affect Y (Manufacturing Stock Prices in JII) on a partial basis. However, economic growth and previous stock prices significantly impact stock prices.

F-Test (Simultaneous Test)

Table 7. F-Test

R-squared	0.698668	Mean dependent var	4753.543
Adjusted R-squared	0.698539	S.D. dependent var	118.0766
S.E. of regression	4.513750	Akaike info criterion	5.959344
Sum squared resid	631.5920	Schwarz criterion	6.137098
Log likelihood	-100.2885	Hannan-Quinn criterion.	6.020705
F-statistic	7745.175	Durbin-Watson stat	1.892750
Prob(F-statistic)	0.000000		

Source: Processed Data from EViews 10

In the statistical test table, the F-statistic value is 7745.175, and the Prob. F-statistic is 0.000 (< 0.05). This indicates that, simultaneously, the variables X1 (Inflation), X2 (Economic Growth), and Y (-1) (Previous Period Stock Price) have a significant influence on Y (Manufacturing Stock Prices in JII). Therefore, it can be concluded that inflation, economic growth, and previous stock prices collectively impact the stock prices of manufacturing companies in JII.

Coefficient of Determination Test

Table 8. Coefficient of Determination Test

R-squared	0.698668
Adjusted R-squared	0.698539

Source: Processed Data from EViews 10

The multiple coefficients of determination test results between Inflation (X1) and GDP (X2) indicate a strong relationship, as the R-value is greater than 0.5, signifying a significant correlation. Based on the calculations, the adjusted R^2 value is 0.698, meaning that Inflation, GDP Growth, and Previous-Period Stock Prices can explain 69.8% of the changes in stock prices. Meanwhile, the remaining 30.2% is influenced by other factors not included in this research model.

DISCUSSION

The test results found that inflation does not significantly affect the stock prices of manufacturing companies in JII. Andini et al. support this finding.²², which states that inflation does not significantly impact Islamic stock prices in JII. This is mainly due to investor psychology. According to Anwar²³ Unstable inflation disrupts economic growth, which in turn affects investment activities. Over the past three years, inflation in Indonesia has remained under control. It falls into the category of mild inflation, with the lowest rate recorded at 0.26% in 2021 and the highest at 5.51% in 2022. These figures are still considered mild inflation since they remain below 10%²⁴. This stability is one reason inflation does not significantly impact stock prices, as investors perceive inflation levels to be relatively stable.²⁵. This result is also in line with Kamal et.al.²⁶, which suggests a short-term relationship between inflation and the Jakarta Islamic Index (JII).

However, this study contradicts Kamal et.al. who found a significant relationship between inflation and the JII stock price index. The fluctuations in inflation during the research period did not significantly influence investment decisions or investor behaviour. While inflation may impact the stock price index, it does not necessarily directly affect individual stock prices. Investors consider other factors, such as government policies and responses to inflation or deflation, which influence market confidence²⁷. Additionally, this study explicitly examines stock prices, particularly those of manufacturing companies predominantly in the mining sector. In this study, mining stocks are popular among investors due to their high returns, reducing inflation's influence on manufacturing stock prices.²⁸ This difference in focus and industry

²² Marisa Ayu Andini and Tika Widiastuti, "Pengaruh SBIS Dan PUAS Terhadap Tingkat Inflasi Melalui Operasi Moneter Syariah Pada Periode 2011-2015.," 2016, 474–89.

²³ S Anwar, "Analisis Pengaruh Inflasi Dan Kurs Terhadap Indeks Saham Syariah Indonesia (Issi) Tahun 2014-2018.," *I-Finance: A Research Journal on Islamic Finance* 6, no. 1 (2020): 7–14.

²⁴ N. Gregory Mankiw, *Pengantar Ilmu Ekonomi Makro (Teori & Soal) Edisi Baru* (Jakarta: Gramedia Pustaka Utama, 2011).

²⁵ Purnama Ramadani Silalahi et al., "Psychology of Muslim Investors in Stock Investment During Covid-19 Pandemic," *Tazkia Islamic Finance and Business Review* 14, no. 1 (2021): 65–90, <https://doi.org/10.30993/tifbr.v14i1.223>.

²⁶ Kamal et al., "Pengaruh Tingkat Inflasi Dan Nilai Tukar (Kurs) Rupiah Terhadap Indeks Saham Syariah Indonesia (ISSI)."

²⁷ Syaista Nur and Nur Fatwa, "Analisis Pengaruh Indikator Makroekonomi Terhadap Indeks Saham Syariah Indonesia," *Jurnal Tabarru': Islamic Banking and Finance* 5, no. 1 (2022).

²⁸ Shierly, "Emas Untuk Lindung Nilai Atas Inflasi (Inflation Hedge)?," in *Finansialku.Com*, n.d.

characteristics may explain the discrepancy between this research and previous studies.

The findings indicate that economic growth and previous period stock prices have a positive and significant partial effect on the stock prices of manufacturing companies in JII. Over the past three years, Indonesia's economic growth, measured by GDP, has steadily increased and remained around 5%, following recovery efforts from the COVID-19 crisis, which had previously caused negative growth. A country's economic growth is a key indicator for investors, suggesting rapid money circulation and business expansion. Investors tend to favour countries with stable economic growth.²⁹ This result aligns with Andini et.al.³⁰, which reports that economic growth has a positive and significant impact on stock prices, Kamal et.al.³¹ Similarly, another study found that economic growth affects stock prices by 31.9%.

Although inflation does not show a significant partial effect, a significant impact is observed when analysed with economic growth and previous stock prices. This finding highlights the importance of considering multiple factors simultaneously when analysing stock price movements. For investors, these results emphasise that economic growth, inflation, and stock price trends should be considered when making investment decisions.

This study's empirical findings contribute to knowledge development in Islamic capital markets, particularly concerning the interaction between macroeconomic variables and stock price movements.

The insignificant effect of inflation on manufacturing stock prices listed in the JII confirms that in a stable inflation environment, stock prices become less sensitive to inflationary pressures. This supports theories suggesting that in conditions of mild inflation, investor behaviour is influenced more by expectations and external market stability rather than direct price level changes.

Furthermore, the positive and significant relationship between economic growth and stock prices validates classical investment theories that economic expansion drives stock market performance. Additionally, the strong influence of previous stock prices ($Y(-1)$) highlights the relevance of behavioural finance

²⁹ U. Sulia Sukmawati, Iwan Kusnadi, and Sri Ayuni, "Pengaruh Inflasi, Pertumbuhan Ekonomi Dan Nilai Tukar Rupiah Terhadap Harga Saham Syariah Pada Jakarta Islamic Index Yang Listing Di Bursa Efek Indonesia Tahun 2015-2019," *Alwatzikhoebillah: Kajian Islam* 6 (2020): 5469.

³⁰ Andini and Widiastuti, "Pengaruh SBIS Dan PUAS Terhadap Tingkat Inflasi Melalui Operasi Moneter Syariah Pada Periode 2011-2015."

³¹ Kamal et al., "Pengaruh Tingkat Inflasi Dan Nilai Tukar (Kurs) Rupiah Terhadap Indeks Saham Syariah Indonesia (ISSI)."

theories, suggesting that past trends and investor sentiment significantly impact current investment decisions.

For investors, the findings emphasise the importance of prioritising economic growth indicators and historical price trends when making investment decisions in the Jakarta Islamic Index. Investors should not overreact to inflation figures, especially when inflation remains mild and stable.

For policymakers, maintaining macroeconomic stability, particularly sustainable GDP growth, is crucial to fostering a conducive investment climate in the Islamic capital market.

Companies, especially those in the manufacturing sector listed in JII, should recognise that while inflation fluctuations may not directly impact stock prices, their performance remains highly sensitive to broader economic trends and investor sentiment based on past performance.

CONCLUSION

This study examines the impact of inflation, economic growth, and previous stock prices on manufacturing companies' stock prices in the Jakarta Islamic Index (JII). The findings reveal that economic growth and previous stock prices significantly influence stock price movements, while inflation does not have a statistically significant partial effect. However, all three variables—inflation, economic growth, and past stock prices—collectively influence stock prices in the JII. This underscores the multifaceted nature of the stock market, where both internal and external factors interact to shape investor behaviour and market performance.

This research contributes to the growing body of literature on Islamic capital markets by specifically highlighting the role of macroeconomic variables and historical price behaviour in determining stock prices within a Sharia-compliant index. This study extends traditional models by incorporating previous stock prices as a predictor. It emphasises the relevance of time-series memory effects in stock price forecasting, especially in emerging markets like Indonesia.

The findings suggest that monitoring economic growth trends and historical price movements can enhance decision-making in the JII stock market. Investors are advised to integrate macroeconomic indicators, particularly GDP growth, into their investment analysis frameworks. For policymakers, the results highlight the importance of maintaining macroeconomic stability to sustain investor confidence and support long-term stock market development.

This study is subject to several limitations. First, the data is limited to 2021–2023, which may not capture long-term cyclical trends or the impact of unusual economic shocks. Second, the focus is restricted to manufacturing companies within the JII, potentially limiting the generalizability of the results to other sectors or indices. Additionally, only a few macroeconomic variables were considered, which may overlook other influential factors such as interest rates, exchange rates, or political stability.■

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