ATLANTIS PRESS

Advances in Economics, Business and Management Research, volume 222

Proceedings of the Eighth Padang International Conference On Economics Education, Economics, Business and Management, Accounting and Entrepreneurship (PICEEBA-8 2021)

Analysis of Economic Growth Determinants and Stock Prices of Emergency Market Countries in ASEAN

Tommy Rakasiwi[1],* Hasdi Aimon[2]

[1,2]*Universitas Negeri Padang, Padang, Indonesia*
[*]*Corresponding author. Email: tommy.rakasiwi90@gmail.com*

ABSTRACT
This study aims to identify and analyse the analysis of economic growth determinants and stock prices of emergency market countries in ASEAN. The research type used is associative and descriptive. The data type used is secondary data using panel data in 4 ASEAN emerging market countries namely Indonesia, Malaysia, Thailand and the Philippines from 2015 Q1 to 2020 Q4. This study uses an error correction model (ECM) analysis tool. The variables in this study are economic growth, stock price index, interest rates, inflation, portfolio investment, foreign direct investment and international trade. The results of this research showed that: Based on the research results (1) Economic growth in the short term had a positive and insignificant effect on foreign direct investment and international trade, while portfolio investment had a negative and significant effect on the economy growth in ASEAN Emerging Market countries. Meanwhile, in the long term, foreign direct investment has a positive and insignificant effect on economic growth, while international trade and portfolio investment have a negative and insignificant effect on economic growth in ASEAN Emerging Market countries (2) The stock price index in the short term is positively and significantly affected by economic growth, while portfolio investment has a positive and insignificant effect, while interest rates have a negative and significant effect and inflation has a negative and insignificant effect on stock price indexes in the ASEAN Emerging Markets countries. While in the long-term Portfolio Investment has a negative and significant effect on the stock price index, while interest rates have a positive and significant effect on the stock price index, while inflation has a positive and insignificant effect and the last, economic growth has a negative and insignificant effect on the Stock Price Index in the ASEAN Market Emerging Countries.

Keywords: *economic growth, stock price, foreign direct investment, international trade, portofolio investment, interest rate, inflation and emerging market.*

1. INTRODUCTION

The global economy is predicted by the International Monetary Fund (IMF) to have an unfavorable future, but this does not apply to emerging market countries. Emerging markets have been an engine for global economic growth over the last decade. The economic landscapes in these countries are also changing [1]. The improvement in the growth of emerging market countries was contributed by the economic recovery in Argentina, Turkey, Iran, Brazil, Mexico, Saudi Arabia, and India.

Asia and the emerging market countries in it are the engines of world economic growth, and emerging market countries in the ASEAN Region are no exception. The growth of industries such as China and India plus a very large population in Asia makes Asia experience a fairly rapid development in the field of economy so that Asia is predicted to become an engine of economic growth in the next few years.

Of the 10 countries whose economy is predicted to accelerate in 2028, there are 4 ASEAN countries, Thailand, Malaysia, Indonesia and the Philippines. Asean which is an area that has very high potential in the field of natural resources, agriculture and tourism plus a large population will also be able to affect economic growth in the world. The following is the economic growth condition of Emerging market countries in the ASEAN region.

From Figure 1 Below, we can see Economic Growth in Emerging Market Countries where from Q1 2015 to Q4 2019 the Philippines became a country with a fairly high rate of economic growth where their average economic growth was above 5%. Meanwhile, Indonesia and Malaysia, their economic growth rate from Q1 2015-Q4 2019 experienced an average Economic Growth of above 4%, stagnant economic growth in Indonesia occurred because Indonesia, which still relied on public consumption to boost economic growth, was affected due to low commodity prices, especially agricultural commodities which made the level of public consumption becomes low, almost the same problem is also experienced by the country of Malaysia. while Thailand is a country with a fairly low growth rate compared to the other 3 countries, this is due to the trade war, political turmoil and the decline in the Bath currency exchange rate.

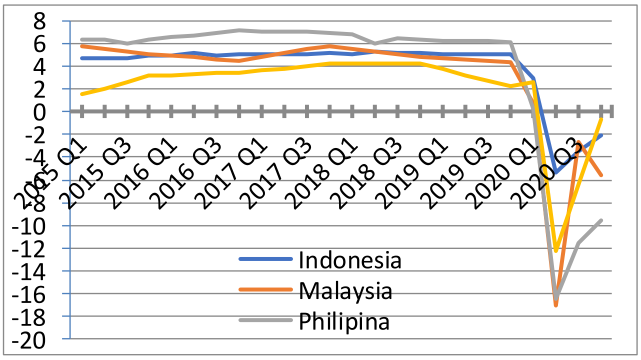

Figure 1. Economic Growth of Emerging Market Countries in ASEAN (%)

Source: IMF and World Bank, 2020

In 2020 almost all countries experienced a decline in the economy this was caused by the Covid-19 pandemic that attacked the whole world. The disruption to the economy caused by the Covid-19 pandemic has also reduced the pace of economic growth in Emerging Market countries in ASEAN. The main sectors contributing to economic growth such as public consumption experienced a very sharp decline, as well as the tourism sector etc. The economic growth rate of Indonesia, Thailand, the Philippines and Malaysia from Q2 2020 to Q4 2020 Experienced minus and almost experienced an economic recession due to continued decline in economic growth.

These different economic growths are influenced by many factors including Interest Rates, Inflation, Portfolio Investment, and Country Stock Prices. First, foreign direct investment (FDI), FDI plays an important role in the economic growth of developing countries. It affects employment scenarios, production, prices, income, imports, exports, the general welfare of the receiving country, and the balance of payments and serves as one of the important sources of economic growth (Hussain and Haque, 2016) [2]. The increase in foreign direct investment, especially targeting the real sector, will have effects such as an increase in company production so that it will increase employment and will increase public consumption.

Second, international trade has a great influence on economic growth, an increase in international trade, especially an increase in exports, will have a positive effect on the business world, an increase in exports will make companies increase their production higher, an increase in production will coincide with an increase in investment and increase in employment. The increase in international trade will also increase the country's foreign exchange reserves, the effect of this trade will directly have a positive effect on economic growth.

Third, Portfolio Investment, Investment is an important role in the growth and development of a country's economy. A lot of investment or in the sense of increasing investment in a country has an impact on the country's capital which will increase and can be used to improve infrastructure, for example. So the role of investment is important to increase economic growth in a country.

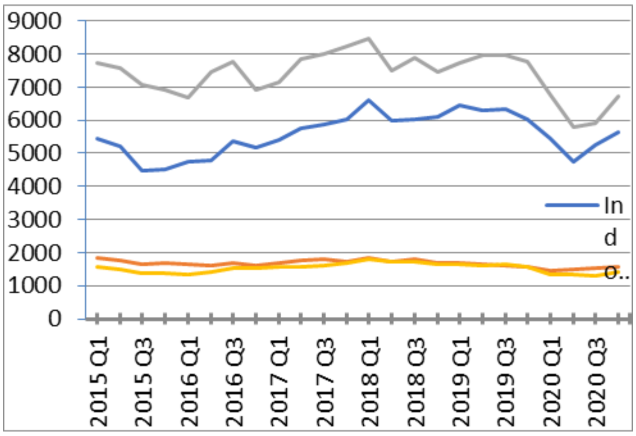

Figure 2. Stock Price Index of Emerging Market Countries in ASEAN

Source: OJK and IMF, 2020

From figure 2 above, it can be seen that changes in the stock price index from one country to another occur simultaneously. These changes include increases or decreases in share prices. In 2015, almost all ASEAN emerging market countries experienced a decline in stock prices this was due to several factors, both domestic factors of each country such as the economic slowdown that almost all ASEAN countries experienced. Meanwhile, external factors are the weakening of the Chinese economy, which began to experience an economic slowdown, so that ASEAN countries, which export the majority to China, have a negative impact from this. The decline in commodity prices also had a decreasing effect on the Stock Price Index, this happened because ASEAN countries still relied on commodities for export purposes. Another factor was the increase in FED interest rates which forced foreign funds out of developing countries.

Meanwhile, external factors are the weakening of the Chinese economy, which began to experience an economic slowdown, so that ASEAN countries, which export the majority to China, have a negative impact from this. The decline in commodity prices also had a decreasing effect on the Stock Price Index, this happened because ASEAN countries still relied on commodities for export purposes. Another factor was the increase in FED interest rates which forced foreign funds out of developing countries.

From 2016 to 2017 the Stock Price Index in emerging market countries began to increase, this was due to the improving economy of emerging market countries in ASEAN.

2019 Q2 to 2020 Q2 stock prices of emerging market countries in ASEAN experienced a considerable decline in this case due to the COVID-19 pandemic that hit the whole world and destroyed almost all sectors including the economic sector. As a result, many investors panic sell on the stock exchange so that almost all stock issuers experience a decline. Whereas in 2020 Q3 there was an increase in the stock price index in several countries, this happened when the new normal was implemented in almost all countries so that the economy began to increase again and investor confidence in the stock market began to return so that the stock price index began to increase.

2. LITERATURE REVIEW

2. 1. Economic Growth Theory

The Economic growth is a long-term macroeconomic problem. In each period a society will increase its ability to produce goods and services. This is due to the increase in the prevailing factors of production [3]. Economic growth in other countries can mean increased competition for our domestic exporters and producers, who are clean to compete with foreign exporters (Krugman et al., 2013: 147) [4]. The economic growth of other countries in the world has positive and negative effects on the nation's economy, if other countries experience good economic growth, then on the positive side it will encourage exports of one country to other countries, but there will be competition between exporters and producers.

2.2. Stock Price Index

Stock price index are equity instruments, which are a sign of participation or ownership of a person or business entity in a company or limited liability company (Nor Hadi, 2013) [5]. The stock price index is an indicator or reflection of stock price movements and the index is one of the guidelines for investors to invest in the capital market, especially stocks (idx.co.id). The stock price index is a market trend that describes market conditions at a time whether the market is active or sluggish. Thus, the stock price index describes the performance of stocks, both individually and cumulatively (market performance), so that it can be seen in the context of what actually happened investors and fund channels on a macro basis through the capital market mechanism.

2. 3. The Effect of FDI on Economic Growth

Ram and Zhang (2002) say that FDI can encourage economic growth because FDI can provide financial resources for a country and will increase a country's competitiveness in the global market [6].

If FDI has a positive impact on economic growth, then the host country should encourage FDI flows by offering tax incentives, infrastructure subsidies, import duty exemptions and other measures to attract FDI. On the other hand, if FDI has a negative impact on economic growth, the host country must take precautions to prevent and limit the flow of capital (Lyroudi, Papanastasiou, and Vamvakidis, 2004:99) [7].

2. 4. The Effect of International Trade on Economic Growth

Abendin & Pingfang (2021) Mercantilists claim that growing exports and keeping imports at a minimum level will enable countries to achieve a favourable trade balance, which in turn will contribute to national prosperity and thereby promote economic development [8].

Adam Smith and David Ricardo concluded that countries prosper from foreign trade if they specialize and export commodities (goods) with lower cost advantages and import goods with much higher cost losses. In this view, the main implication of classical theory is that a country benefits from international trade through specialization and effective distribution of resources.

Classical theorists further suggested that trade with other countries would bring new technologies and skills to contribute to higher efficiency and economic development. They also position that engaging in foreign trade leads to economic growth because each country will share the benefits of trade

2. 5. The Effect of Portfolio Investment on Economic Growth

A portfolio has the concept of a person or fund owner who invests in more than one investment instrument. Investors have deposits and stocks or deposits and bonds or bonds and stocks. The portfolio does not only invest in two investment instruments but also in two deposits or two stocks or two bonds. Such a portfolio is known as a portfolio within (within) the instrument.

An increase in portfolio investment will encourage an increase in capital inflows. This capital flow will encourage an increase in the output produced which will result in an increase in economic activity and contribute to increasing economic growth.

2. 6. The Effect of Portfolio Investment on Stock Price Index

Portfolio investment is very influential in the capital market, especially for the stock price index in each country because with an increase in capital invested through portfolio investment, it will increase the existing capital in the stock market so that the demand for shares continues to increase so that it can increase stock prices.

2.7. The Effect of Interest Rates on Stock Price Index

Interest rate is one of the variables that have a big influence on stock prices. Risks posed by interest rates such as major financial and economic problems that have an impact on stock values. An increase in interest rates has a negative impact on each issuer because it will increase credit interest expenses and reduce net income. A decrease in net income will result in a decrease in earnings per share and ultimately the share price will fall [9]. Samsul (2015)

2.8. The Effect of Inflation on the Stock Price Index

According to (Muh Abdul Halim 2018, 80-81) states that inflation has a positive impact as well as a negative impact depending on the severity or not of inflation. If the inflation is mild, it actually has a positive effect (in the sense that it can be healthy for the economy), namely it can encourage a better economy, which can increase national income and also make everyone excited to work, save and invest. On the other hand, in times of severe inflation, namely when there is uncontrolled inflation (hyperinflation), the economy will become chaotic and will also feel sluggish. With these conditions, people can become less enthusiastic about working, saving, investing and producing because of rising prices that continue to increase rapidly [10].

3. METHOD

The research type used is associative and descriptive. The data type used is secondary data using panel data in 4 ASEAN emerging market countries namely Indonesia, Malaysia, Thailand and the Philippines from 2015 Q1 to 2020 Q4. This study uses an error correction model (ECM) analysis tool. The variables in this study are economic growth, stock price index, interest rates, inflation, portfolio investment, foreign direct investment and international trade.

Error Correction Model is used with second different to estimate the equation of economic growth and stock price index. The model used is as follows:

$$DPE,2_t = \alpha_0 + \alpha_1\, DFDI,2_t + \alpha_2 DPI,2_t + \alpha_3 DINVPORT,2_t + \alpha_5 EC_t \; e_{t1}$$

$$DIHS,2_t = \beta_0 + \beta_1\, DINVPORT,2_t + \beta_2\, DSB,2_t + \beta_3\, DINF,2_t + \beta_4\, DPE,2_t + \beta_5 EC_t e_{t2}$$

4. RESULT

Unit Root Test

This study was conducted to find out at what level of differentiation all variables were stationary. In this study, the degree of integration test also used the Augmented Dickey-Fuller (ADF) test. Variable data that is not stationary at the level will be tested to what level of differentiation will all variables be stationary. The following are the results of the integration degree test using the Augmented Dickey-Fuller (ADF) method on the first and second differences:

Table 1. Unit Root Test with The Augmented Dickey-Fuller (ADF) Test Method at The First Different and Second Different Levels

Variable	First different		Second Different	
	Prob.	Conc.	Prob.	Conc.
PE	0.0000	Stationer	0.0000	Stationer
IHS	0.0010	Stationer	0.0000	Stationer
FDI	0.6837	Not stationer	0.0030	Stationer
PI	0.0000	Stationer	0.0000	Stationer
INVPORT	0.0169	Stationer	0.0000	Stationer
SB	0.0877	Not Stationer	0.0000	Not stationer
INF	0.0001	Stationer	0.0000	Stationer

Based on the table above, the variables of economic growth (PE), stock price index (IHS), foreign direct investment (FDI), international trade (PI), portfolio investment (INVPORT), interest rates (SB) and inflation (INF) have probability values. < 5%, which means that all research data used are stationary at the second different.

Error Correction Model (ECM) Regression Results

Based on the dynamic model of the Domowitz-El Badawi Error Correction Model approach for the stock price index (IHS) equation.

The results of the estimation of the economic growth equation in this study, the ECT (error correction term) value -0.7639551 with a t-statistic value of 6.673884 > t-table 10% df 96 = 1.66088 significant at = 5%. The ECT coefficient value is negative and statistically significant, meaning that the ECM specification model in the study can be said to be valid (Widarjono, 2009:336) [11].

Table 2. Regression Estimation Results with Error Correction Model Economic Growth Equation Model

Variable	**Coefficient**	**t-Statistic**	**Prob.**
C	0.358357	0.709437	0.4800
D(X1_FDI,2)	0.000357	0.775453	0.4403
D(X2_PI,2)	0.000215	2.094044	0.0393
D(X3_INVPORT,2)	-0.000298	-2.305593	0.0236
ECT_Y1(-1)	-0.763951	-6.673884	0.0000

Source: E-views 9

Based on the dynamic model of the Domowitz-El Badawi Error Correction Model approach for the stock price index (IHS) equation.

Table 3. Regression Estimation Results with Error Correction Model Equation Model of Stock Price Index

Variable	Coefficient	t-Statistic	Prob.
C	13.99024	0.305657	0.7606
D(X3_INVPORT,2)	0.019162	1.625487	0.1079
D(X4_SB,2)	-291.4023	-2.396936	0.0188
D(X5_INF,2)	-74.17816	-1.652402	0.1023
D(Y1_PE,2)	27.04279	2.675245	0.0090
ECT_Y2(-1)	-0.040781	-1.270945	0.2073

Source: E-views 9

The results of the estimation of the economic growth equation in this study, the ECT (error correction term) value -0.040781 with a t-statistic value of 1.270945 < t-table 10% df 96 = 1.66088 not significant at = 5%. The ECT coefficient value is negative even though the probability is not significant. The ECM specification model in this study can be said to be valid (Widarjono, 2009:336).[11].

Short-term model

Table 4. Effects of Short-Term Independent Variables on Economic Growth

Variable	**t-statistik**	**t-tabel 10%**	**Porb.**
D(FDI,2)	0.775453	1.66088	0.4403
D(PI,2)	0.000215	1.66088	0.0393
D(INVPORT,2)	-0.000298	1.66088	0.0236

Source: E-Views 9

Based on the table above, the results of data processing obtained that the t-statistic value for the foreign direct investment variable is 0.775453 < 1.66088, which means that individually in the short term, the foreign direct investment variable does not significantly affect economic growth.

Based on the table above, the results of data processing obtained the t-statistic value for the international trade variable (PI) is 2.094044 > 1.66088, which means that individually in the short term, the international trade variable significantly affects economic growth.

Based on the table above, the results of data processing obtained the t-statistic value for the portfolio investment variable (INVPORT) is 2.305593 > 1.66088 which means that individually in the short term the portfolio investment variable significantly affects economic growth.

The following is a t-statistical test of the ECM model with a degree of confidence 10% of the stock price index (IHS) equation.

Table 5. Effects of Short-Term Independent Variables on Stock Price Index

Variable	**t-statistik**	**t-tabel 10%**	**Porb.**
D(INVPORT,2)	1.625487	1.66088	0.1079
D(SB,2)	-2.396936	1.66088	0.0188
D(INF,2)	-1.652402	1.66088	0.1023
D(PE,2)	2.675245	1.66088	0.0090

Source: E-Views 9

Based on the table above, the results of data processing obtained the t-statistic value for the portfolio investment variable (INVPORT) is 1.625487 < 1.66088 which means that individually in the short term the portfolio investment variable does not significantly affect the stock price index variable.

Based on the table above, the results of data processing obtained the t-statistic value for the interest rate variable (SB) is 2.396936 > 1.66088, which means that individually in the short term the interest rate variable has a significant effect on the stock price index variable.

Based on the table above, the results of data processing obtained the t-statistical value for the inflation variable (INF) is 1.652402 < 1.66088 which means that individually in the short term the inflation variable does not significantly affect the stock price index variable.

Based on the table above, the results of data processing obtained the t-statistic value for the variable economic growth (PE) is 2.675245 > 1.66088, which means that individually in the short term, the variable economic growth has a significant effect on the stock price index variable.

Long-Term Model

The t-statistic test of the long-term model was obtained from the results of the Ordinary Least Square (OLS)) with a degree of confidence of 10% with the following results

Table 6. Effects of Short-Term Independent Variables on Economic Growth

Variable	t-statistik	t-tabel 10%	Porb.
FDI	1.410606	1.66088	0.1617
PI	-0.235318	1.66088	0.8145
INVPORT	-1.354198	1.66088	0.1790

Source: E-views-9

Based on the table above, the results of data processing obtained that the t-statistic value for direct investment (FDI) is 1.410606 < 1.66088, which means that individually in the long term the direct investment variable has no significant effect on economic growth.

Based on the table above, the results of data processing show that the t-statistic value for the international trade variable (PI) is 0.235318 < 1.66088, which means that individually in the long term, the international trade variable has no significant effect on economic growth.

Based on the table above, the results of data processing obtained the t-statistic value for the portfolio investment variable (INVPORT) is 1.354198 < 1.66088 which means that individually in the long term the portfolio investment variable does not significantly affect economic growth.

Table 7. Effects of Long-Term Independent Variables on Stock Price Index

Variable	t-statistik	t-tabel 10%	Prob.
INVPORT	-9.557799	1.66088	0.0000
SB	1.937270	1.66088	0.0558
INF	0.610838	1.66088	0.5428
PE	-0.598639	1.66088	0.5509

Source: E-Views 9

Based on the table above, the results of data processing obtained the t-statistic value for the portfolio investment variable (INVPORT) is 9.557799 > 1.66088 which means that individually in the long term the portfolio investment variable significantly affects the stock price index variable.

Based on the table above, the results of data processing obtained the t-statistic value for the interest rate variable (SB) is 1.937270 > 1.66088, which means that individually in the long term the interest rate variable directly affects significantly the stock price index variable.

Based on the table above, the results of data processing obtained the t-statistic value for the inflation variable (INF) is 0.610838 < 1.66088, which means that individually in the long term the inflation variable does not significantly affect the stock price index variable.

Based on the table above, the results of data processing obtained the t-statistic value for the variable economic growth (PE) is 0.598639 < 1.66088, which means that individually in the long term the variable economic growth does not significantly affect the stock price index variable.

5. DISCUSSION

The Effect of Foreign Direct Investment on Economic Growth in ASEAN Emerging Market Countries

Foreign direct investment variables have no significant effect in the short term on economic growth in ASEAN emerging market countries. Foreign direct investment variables have no significant long-term effect on economic growth in ASEAN emerging market countries.

The results of this study are in line with Mazenda (2014). These findings imply that foreign direct investment does not have a significant impact on economic growth in the long term. In the short term, foreign direct investment has a positive impact on economic growth while simultaneously suppressing domestic investment. The findings imply that the policies and incentives implemented by the government have only a small impact in attracting foreign direct investment which can increase the significant impact on economic growth in the long term [12]. So it can be concluded that both in the short and long term, foreign investment has a positive and insignificant effect, this happens because foreign investment entering developing countries does not enter the real sector, so that the increase in foreign investment is not directly felt by economic growth.

The Effect of International Trade on Economic Growth in ASEAN Emerging Market Countries

International trade has a significant effect in the short term on economic growth in ASEAN emerging market countries dan international trade variables do not have a significant effect in the long term on economic growth in ASEAN emerging market countries.

So, it can be concluded that in the short-term International Trade has a positive and significant impact on economic growth in emerging market countries because an increase in international trade will increase domestic production and foreign exchange reserves, thereby increasing economic growth.

Meanwhile, in the long term, international trade is due to emerging market countries still exporting raw goods while imports are goods with high technology at very high prices, thereby reducing economic growth.

The Effect of Portfolio Investment on Economic Growth in ASEAN Emerging Market Countries

Portfolio investment variables have a significant effect in the short term on economic growth in ASEAN emerging market countries and portfolio investment variables have no significant long-term effect on economic growth in ASEAN emerging market countries.

In research conducted by Albulescu (2015) found that direct and portfolio investments have an influence on long-term economic growth, the study considers equity instruments and investment funds. The results of this study indicate that the incentive package should be oriented towards both types of investment [13].

So, it can be concluded that in the short term the effect of portfolio investment does not affect economic growth because in some emerging market countries there are still many problems such as high inflation, poor infrastructure and corruption, so that increasing portfolio investment does not have an impact on economic growth.

Meanwhile, in the long term, portfolio investment does not affect economic growth because portfolio investment only targets the investment sector which cannot have a real impact on the economy. Portfolio Investments such as Stocks, Bonds and other Instruments will only benefit Investors personally such as Bond Interest and Dividends that they get.

The Effect of Portfolio Investment on Stock Price Index in ASEAN Emerging Market Countries

The portfolio investment variable has no significant effect in the short term on economic growth in ASEAN emerging market countries. Portfolio investment has a significant long-term effect on economic growth in ASEAN emerging market countries.

So, it can be concluded that in the short term the effect of the stock price index on economic growth is positive and not significant, this is because initially the increase in the stock index is also followed by an increase in transactions in the capital market, this increase in transactions will provide income to the state in the form of taxes from each transaction, but This income from the capital market has not yet given a big influence on economic growth.

Whereas in the long term the stock price index actually reduces growth, this is because if the index growth is high in the long term, investors in the capital market will reduce transactions because high price increases worry investors about overvalued stock prices (stock prices in the market are higher). of intrinsic value) so that stock investors will reduce transactions so as to reduce taxes received by the government from a decrease in transactions in the capital market.

The Effect of Interest Rates on Stock Price Index in ASEAN Emerging Market Countries

Interest rate variables have a significant effect in the short term on economic growth in ASEAN emerging market countries. Interest rate variables have a significant long-term effect on economic growth in ASEAN emerging market countries.

Deny Rohmanda (2014) suggests that interest rates have a significant positive effect on the JCI in the property sector. This means that the higher the interest rate, the higher the JCI. This is indicated by the investment decisions of investors involving technical and psychological factors and in the period of this study there was a situation that was not cateris paribus, so that it was possible to have a discrepancy between reality and the existing theory. [14]

In the short term there is a negative and significant effect. This relationship can be explained by the effect that when interest rates rise, people prefer to invest in the treasury market and other fixed income markets, thereby shifting funds away from the stock market; and a decrease in stock demand will push the stock price down.

While in the long term it has a positive and significant effect, this occurs when interest rates rise, this will increase the income of banking issuers in the long term, so that it will increase the stock price index due to the large number of capitalist banking shares in the capital market.

Effect of Inflation on Stock Price Index in ASEAN Emerging Market Countries

Inflation variable has no significant effect in the short term on economic growth in ASEAN emerging market countries. Inflation variable has no significant effect in the long term on economic growth in ASEAN emerging market countries.

Inflation is the most important macroeconomic factor that can affect stock market performance. The impact of inflation on stock market performance can be positive or negative. Inflation has direct and indirect impacts on every sector of the economy (Geetha et al, 2011) [15].

So, it can be concluded that in the short term inflation has a negative and insignificant effect on the stock price index because the increase in inflation makes prices increase so that it will reduce demand so that it will reduce the income of companies so that it will reduce investor interest in buying shares and make the Stock Price Index decrease.

Whereas in the long term it has a positive and insignificant effect on the stock price index because in the long term an increase in prices does not affect sales and even gives profits to the company so that income can continue to increase and increase its share price in the long term and can increase the stock price index in the long term.

The Effect of Economic Growth on Stock Price Index in ASEAN Emerging Market Countries

Economic growth has a significant effect in the short term on economic growth in ASEAN emerging market countries. Economic growth variable has no significant effect in the long term on stock price index variables in ASEAN emerging market countries.

Soedarsa (2016) This study aims to determine and analyze the effect of inflation, GDP growth, firm size, leverage and profitability on stock prices in the property and real estate sectors listed on the Indonesia Stock Exchange 2005-2013. The results show that partially GDP growth has no effect on stock prices [16]. In the short term, economic growth has a positive and significant effect, this happens because the increase in economic growth in emerging market countries will make investors optimistic so that in the short term there will be an increase in stock index prices.

Whereas in the long-term economic growth has a negative and insignificant effect on economic growth, this happens because the average economic growth in emerging market countries is contributed by public consumption so that the increase in economic growth is not responded significantly by capital market investors so that it does not affect stock prices in stock price index.

6. CONCLUSION

Based on the results of research and analysis that have been carried out on the determinants and causality of foreign direct investment and the current account balance of lower middle-income countries in ASEAN using the error correction model (ECM) approach, the following conclusions can be drawn:

1. Economic growth in the short term is positively and not significantly influenced by foreign direct investment and international trade, while portfolio investment has a negative and significant impact on economic growth in ASEAN Emerging Market countries. Meanwhile, in the long term, foreign direct investment has a positive and insignificant effect on economic growth, while international trade and portfolio investment have a negative and insignificant effect on economic growth in ASEAN Emerging Market countries.
2. The stock price index in the short term is positively and significantly affected by economic growth, while portfolio investment has a positive and insignificant effect, while interest rates have a negative and significant effect and inflation has a negative and insignificant effect on the stock price index in the ASEAN Emerging Market countries. While in the long-term Portfolio Investment has a negative and significant effect on the stock price index, while interest rates have a positive and significant effect on the stock price index, while inflation has a positive and not significant effect and the last, economic growth has a negative and insignificant effect on the Stock Price Index in Emerging Countries. ASEAN markets.

REFERENCES

[1] Wu, S. Qhingzhong P. "Economic Growth in Emerging Market Countries". Global Jurnal of Emerging Market Economies, vol. 13(2) 192-215. 2021.

[2] Saymeh, A. A. F. Marwan, M. A. O. "The Effect of Interest Rate, Inflation Rate GDP on Real Economic Growth Rate in Jordan". Asian Economic and Financial Review. Vol, 3(3) 341-354. 2013.

[3] Sukirno, S. *Makro Ekonomi Modern*, Jakarta: Raja Grafindo Persada. 2000.

[4. Krugman, P. R. International Economics: Theory and Policy. 9th Edition.Pearson: Boston. 2012.

[5] Nor, H. Pasar Modal: *Acuan Teoritis dan Praktis Investasi di Instrumen Keuangan Pasar Modal,* (Yogyakarta: Graha Ilmu, 2013), hal. 67

[6] Ram, R. and Zhang, K. "Foreign direct investment and economic growth: evidence form cross-country data for the 1990s". Economic Development and Cultural Change, vol. 51 (1), pp 205 – 215. (2002).

[7] Lyroudi, K., Papanastasiou, A., and Vamvakidis, A. The Importance of FDI on Economic Growth: Evidence from Transition Economies, South-Eastern Europe Journal of Economics 1, 97-110. (2004).

[8] Abendin, S. and Pingfang. D. International trade and economic growth in Africa: the role of the digital economy. Cogent economics and finance 9:1. 2021

[9] Samsul, M. Pasar Modal Dan Manajemen Portofolio. Penerbit. Erlangga. 2006.

[10] Abdul, H. *Teori Ekonomi Makro* Edisi 3. Jakarta: Mitra Wacana Media. 2018.

[11] Agus, W. *Ekonometrika Pengantar dan Aplikasinya, Edisi Ketiga.* Yogyakarta: Ekonesia 2009.

[12] Mazenda, A. The Effect of Foreign Direct Investment on Economic Growth: Evidence from South Africa. Mediterranean Journal of Social Sciences. 2014.

[13] Albulescu, C. T. Do Foreign Direct and Portfolio Investments Affect Long-Term Economic Growth in Central and Eastern Europe. Procedia Economics and Finance. 23. 507-512. 2015.

[14] Rohmanda, D. Effect of Rupiah Exchange Rate, Inflation and BI Rate on Stock Prices, Jurnal Administrasi Bisnis (JAB), Vol. 13 No. 1. 2014.

[15] Geetha, C., et.al. The Relationship Between Inflation and Stock Market: Evidence From Malaysia, United States and China. International Journal of Economics and Management Sciences Vol. 1, No. 2, 2011, pp. 01-16. 2011.

[16] Soedarsa, H. G. and Prita, R. A. *Pengaruh Tingkat Inflasi, Pertumbuhan Pdb, Ukuran Perusahaan, Leverage, Dan Profitabilitas Terhadap Harga Saham Pada Perusahaan Sektor Properti Dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia Periode 2005-2013*. JURNAL Akuntansi & Keuangan Vol. 7, No. 1, Maret 2016. Halaman 87-102. 2016.