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Analysis Influence Exchange Rates and Exports on Economic Growth in Indonesia

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Abstract: *The purpose of this research to know an Influence exchange rates on economic growth in Indonesia, Export influence on economic growth in Indonesia and Influence exchange rates and exports on economic growth in Indonesia. Data obtained from statistic Bank Indonesia from 2005-2014. This research using quantitative descriptive with an analysis multiple linear. The result 1) depreciation currency increase their export dommestic prices of other comodities because cheaper and export will affect economic growth through foreign exchange, 2) increase exports hence able to increase economic growth, 3) exchange rates and exports influential simultaneously on economic growth.*

Keywords: *Exchange rates, exports, economic growth*

I. Introduction

Economic growth can be described as one of welfare indicators a country. The question of what factors influential on economic growth, try explained by theory for example with the theory Keynes that economic growth influenced by consumption, investment, government, exports and imports. But it was factors are have not been able to explain factors that influence indirectly on economic growth as the exchange rate .

The exchange rate remains have been stressed a positive impact on its economic growth (Schnabl, 2007). Research Rogoff in 2008 explained that the exchange rate having influence long-term on economic growth. A source of economic growth is not only related on the exchange rate but government, consumption, and exports. Based on Jung and Marshall (1985) that there are three reasons why the export can affect economic growth. This may hold for several reasons. First, export growth may represent an increase in demand for the country's output and thus serve to increase real GNP. Second, an increase in exports may loosen a binding foreign exchange constraint 5 and allow increases in productive intermediate imports and hence result in the growth of output. Third, export growth may result in enhanced efficiency and thus may lead to greater output.

II. Theoritical Framework

According to Kuznets in Jhingan (2007) that country economic growth as the increase in long-term the ability of a country to provide the numerous species of economic goods; capability of it grows in accordance with technological progress and the adjustment of institutional and ideological needs.

Economic growth according to Keynes influenced by rising consumption, investment, government, exports and imports. Apparently indirectly economic growth can be influenced by the exchange rate through variable exports. Schnabl (2007) stability exchange rates impact on growth for a country weaken the ability to react with flexible if there is a real shocks and extending the probability capital inflow and economic overheating. Exchange rates depreciate able to increase economic growth through exports. Exports grew will be able to affect economic growth. According to the theory David Ricardo about comparative advantage that in Hady (2004) a countries will benefit from international trade and specialization the production and export goods where the country it can be producing relative more efficient and improting goods where the country producing relatively low". According to Jung and Marshall (1985) in research that export can affect economic growth by reason export to represent an increase in demand for the output the state and serves increase the GNP real.

III. Methods

Methods used is the method quantitative and the kind of research used is descriptive. Object of this research is Indonesia, with sample data started from January 2005 until December 2014. Data used the secondary data time series by calculation quarter of the statistics Bank Indonesia.

Research conducted undergone a normality need to test whether the data having the distribution normal or not. The second phase undergone a the classics like a test multikolinearitas, the autocorelation, the heteroskedastisitas. The third stage undergone a linear regression multiple to find how big variable influence exchange rates and exports on economic growth. The next stage, the testing of hypotheses to know the level significance like a test T and the F test.

IV. Result And Discussion

Table: Exchange rates, Export, GDP 2005-2014

Years	Month	Exchange Rates	Exports	GDP
	Jan-March (Q1)	9.302	6733517,667	5,97
2005	April-June (Q2)	9.593	7221078	5,87
	July-Sept (Q3)	10.123	7332122	5,84
	Oct-Dec (Q4)	9.985	7711713,407	5,11
	Jan-March (Q1)	9.233	7753997,667	5,13
2006	April-June (Q2)	9.197	8494689,333	4,93
	July-Sept (Q3)	9.135	9201192,667	5,86
	Oct-Dec (Q4)	9.098	9059382,083	6,06
	Jan-March (Q1)	9.123	8875420,333	6,06
2007	April-June (Q2)	8.988	9734137	6,73
	July-Sept (Q3)	9.244	10002857,67	6,74
	Oct-Dec (Q4)	9.299	10725651,33	5,84
	Jan-March (Q1)	9.186	11470794	6,22
2008	April-June (Q2)	9.259	12448171,67	6,3
	July-Sept (Q3)	9.216	12693618	6,25
	Oct-Dec (Q4)	11.365	9922783	5,28
	Jan-March (Q1)	11.637	8065123,667	4,6
2009	April-June (Q2)	10.426	9385982,333	4,16
	July-Sept (Q3)	9.887	10429607,33	4,18
	Oct-Dec (Q4)	9.475	12001201,33	5,39
	Jan-March (Q1)	9271,666667	11696092	5,59
2010	April-June (Q2)	9091,666667	12481353	6,13
	July-Sept (Q3)	8972,333333	13237494,67	5,8
	Oct-Dec (Q4)	8977,333333	15276557,67	6,89
	Jan-March (Q1)	8863	15300367,33	6,45
2011	April-June (Q2)	8569,333333	17269879,67	6,52
	July-Sept (Q3)	8636,333333	17458708,33	6,49
	Oct-Dec (Q4)	9024,333333	16900219,67	6,5
	Jan-March (Q1)	9088,333333	16117638	6,29
2012	April-June (Q2)	9411,666667	15845973	6,36
	July-Sept (Q3)	9544,333333	15183134	6,16
	Oct-Dec (Q4)	9630	15685374	6,11
	Jan-March (Q1)	9694,666667	14981691,28	6
2013	April-June (Q2)	9817,666667	15081260,25	5,8
	July-Sept (Q3)	10938,33333	14607976,26	5,6
	Oct-Dec (Q4)	11800	16025481,09	5,7
	Jan-March (Q1)	11754,66667	14645718,76	5,21
2014	April-June (Q2)	11704	14834854,18	5,12
	July-Sept (Q3)	11840	14535270,19	4,9
	Oct-Dec (Q4)	12239,33333	14415049,45	5,01

Exchange rate very fluctuating because of improving the economy of United States with the crisis in 2008, so the United States improve the economy of the policies as quantitative easing the stimulus inject funds to fix passion double digit economic crisis. United states increase of money circulation and buy bonds so that the investors many invest fund owned by to developing countries like Indonesia, until the economy of the United States has increased, then get out further policy that is tapering off that is cut off funding a stimulus that finally made value dollars becomes more expensive in developing countries. Due to the exchange rate indonesia increasingly depreciate causing the economy to grow weak and our trade balance a deficit in the state. Apparently exchange rates increasing (depreciation) can influence export performance.

Based on the that has been done, so the authors found the result as follows.

Coefficients[a]

Model		Unstandardized Coefficients B	Standardized Coefficients Beta	t	Sig.	Correlations Zero-order	Correlations Partial	Correlations Part	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	8,984		11,818	,000					
	Nilai_Tukar_Rupiah_terhadap_USD	,000	-,649	-5,840	,000	-,632	-,693	-,648	,998	1,002
	Nilai_Ekspor	7,897E-008	,381	3,432	,001	,352	,491	,381	,998	1,002

a. Dependent Variable: PDB

The coefficients exchange rate a sign negative, namely -0,000426 states that each been an increase in the exchange rate of a unit , so a decline in economic growth rate of 0,000426, in order other variables constant .Based t_{table} of (5,840 > 2,042) or significance t < 5 % (0,000001 < 0.05), stated that the exchange rate having influence negatively on economic growth. Exchange rates improve (depreciation) to affect economic growth through variable export. Goods price domestic of the low, and prices of goods foreign country become more and more expensive, and thus it is very favorable when Indonesia could increase their exports. Exports increased is able to affect economic growth.

The coefficients export worth 7,897E-008 it means 7,897 x 10^{-8} said exports increased a unit, so able to increase economic growth rate of 7,897E-008 unit, in order other variables are constant. Value based on value t_{hitung} > nilai t_{tabel} (3,342 > 2,042) atau sig t < 5 % (0,000001 < 0,05) so concluded that export influenced the growth the economy by influence in line, if export up and economic growth increased. This research according to the theory David Ricardo in the primacy of comparative a country. With export can cause full use of domestic sources and that the division work so promote economic scale; exportation can expand the market both in at home or abroad; exportation is a means of to adopt an idea or new knowledge, new technology, new skills, and expertise other allowing the use of capacity greater and more efficient; export can encourage capital flows from developed countries to developing countries, so as to create economic growth.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,738[a]	,544	,520	,46791	,544	22,086	2	37	,000	,903

a. Predictors: (Constant), Nilai_Ekspor, Nilai_Tukar_Rupiah_terhadap_USD

b. Dependent Variable: PDB

Based on the results analysis, that the value R Square namely 0,544 or 54,40 percent. It means economic growth influenced by the exchange rate and exports by 54,40 percent, while the rest 45,60 percent influenced by the other factors.

V. Conclusion

There are many factors affect the economic growth of Indonesia. Based on the results analysis, variable exchange rates can influence economic growth. Depreciation currency can enhance export domestic prices of other commodities because of the low, while the price of overseas become more expensive. Export activities in a country influenced by demand from foreign countries domestic goods. The export would affect economic growth obtained through foreign exchange. While variable both the export variable can affect economic growth directly, for exports can provide useful foreign exchange of economic development the country.

Exchange rate and export that exert influence over the economic growth, led the government should be able to maintain stability of Rupiah value. For example by investment gold. Because the value of the purchase of gold will always stable, although ever go down does not mean that the price of gold unstable. To make investment required in the long run, able to maintain price stability and secure trade balance. Control the rupiah not should be done stopped credit growth, but with the regulation national cash flow, with consideration relaxation provision for do deepening the foreign exchange market, to lure capital flows entered into the capital inflow). Besides maintain the stability the value of the Rupiah, the government must be able to increase their exports by adding commodities Indonesian exports capable of effecting the foreign exchange the country to improve economic growth.

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