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Production and Exchange Rate Impact on Indonesian Industrial Exports Goods

Francisca Sestri Goestjahjanti[1]✉, [2]Betharia Efriani, [3]Winanti, [4]Rahmawati, [5]Istajib Kulla Himmyázz

[1,5]Fakultas Bisnis, Universitas Insan Pembangunan Indonesia, 15810

[2]Program Magister Manajemen, Universitas Insan Pembangunan Indonesia, 15810

[3]Fakultas Ilmu Komputer, Universitas Insan Pembangunan Indonesia,15810

[4]Fakultas Ekonomi Dan Bisnis, Universitas Sebelas Maret Surakarta Indonesia,57126

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Abstract

The Indonesian consumer goods industry has been stagnant for four years 2014 – 2018 with the export average of only 5.5 trillion or equivalents to zero % growth. Since the government has been working hard for economic recovery during Covid 19 pandemic, the growth has grown to 20 trillion in 2021 (after the pandemic). Therefore, this research aimed to describe the influence of production and exchange variables on export growth of consumer goods industry in Indonesia. It used a linier regression method by using quarterly time series data of 2008 – 2021 which have been never studied before. The result showed that there found 78.80 % increase of export (cateris paribus) for 1 % production increase, 41.80 % increase of export for 1 % exchange rate increase, and 1 % of production and exchange rates increases caused 81.90 % increase in exports. Based on the explanation, there found a positive and significant effects between production and exchange rates on the export of consumer goods industry partially and simultaneously. It means that both factors are substantial and needed to be continuously improved in order to increase the export value of Indonesian consumer goods industry which in the end will also have positive impact on its growth.

✉ Corresponding author :
Address: Universitas Insan Pembangunan Indonesia 15810
E-mail: sestri@ipem.ac.id

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INTRODUCTION

The unnatural disasters phenomenon has not been petered out for two years from the end

of 2019. This obviously has affected the world economy which tends to change and decelerate. IMF (International Monetary Fund) concerns about the world 2020 economic growth that has been decelerated into -4.9 %. The decrease in global economic projection from IMF was 3.6 to 3.2 % in 2022 and 3.6 to 2.9% in 2023. Additionally, IMF also predicts the inflation rate for developed countries increases till 6.6% and developing countries till 9.5% (Ministry of Finance, 2022).

IMF adds that even developed countries could not escape from the effect of Covid 19 pandemic. In fact, all countries depend on vaccination to prevent the spread of Covid 19. In 2020, the data show the economic growth of several developed countries, such as Italy and Spain of -12.8%, France of 12.5%, England of -10,20%, USA of -8.0%, Germany of -7.8%, Japan of -5.8%, and Indonesia contracted 3.5%. This condition presses on business world especially those which orient towards export and import activities, while the loss of global economy is equivalent to Rp 168.000 trillion (Lukman Suryadi, 2020).

It goes without saying that the pandemic has never been predicted before. Both developed and developing countries have not been ready yet. Each country must anticipate the spread of this virus by social restriction, such as social distancing, social protection, and economic recovery which urgently needed huge of funds allocation and reduces spending budgets. On the contrary, the macro level of aggregate supply and demand have been stagnant due to downturn production activities (Fahrika and Roy, 2020).

Indonesia with 270.20 million population noticeably has certain challenges to manage the spread of this pandemic. However, Indonesian Central Bank remains optimistic that its economy could be successfully recovered if vaccines are effectively used to prevent the spread of this virus. Furthermore, in economic development sector, COVID-19 also causes poverty increase in Indonesia with the gini ratio from 0.380 to 0.381 in March 2020 (Avisena, 2021).

Government have strongly made several efforts to recover the economic condition by providing Rp 695.20 trillion for all sectors. As a result, in the end of 2020 the economic growth began to rise up to -0.5 % which was better than the world's growth average. In 2021, the recovery and growth were getting better especially the consumption, digital and sustainable economy, health, telecommunication and logistic sectors, although the people must be still vigilant since the new variant namely Omicron XBB struck and urged PPKM level four (the restriction enforcement of social activities) to be applied so that economic activities and export of good consumption rise (Rokom, 2022). Meanwhile, household consumer goods industry still onerously works in procuring materials and capital goods for production operation which highly depends on import (Dutu, 2016). As a result of the decrease in material supply and people's purchasing power during pandemic, the production activities simultaneously decrease (Muhammad Aminul, 2020).

Indonesian export-import activities have fluctuated up and down. In 2015, the net export was 150,366.30 million USD, in 2016 was 145,186.20 million USD, in 2017 was 168,828.20 million USD, in 2018 was 180,012.70 million USD, in 2019 was 167,683.00 million USD, in 2020 was 163,191.80 million USD, in 2021 was 231,609.50 million USD, and in 2022 was 268,177.90 million USD (bps.go.id). From several international trade activities, export activities will greatly affect state income because it can suppress imports and provide a surplus in the trade balance (Salsabila, 2021).

This research was based on a previous research from Haryanto (2020) which states that 1 % increase in COVID-19 positive case impacts on Rupiah depreciation towards USD of 0.02 %. In addition, it also causes correction to JCI of 0.03 % and 1 % JCI increase leads to Rupiah appreciation towards USD of 0.311 %.

Based on 4 of 6 countries which had the worst cumulative COVID-19 cases including China, France, Germany, and Spain, the stock market reacted more strongly to the cumulative number of COVID-19 cases confirmed

comparing to death and recent cases (Alber, 2020).

Gold price and Rupiah exchange rate variables simultaneously and significantly impacted on JCI for 2006 – 2017. In partial, the gold price variable did not significantly impact on JVI for 2006 – 2017 (Hardiyanti, 2019). Inasmuch as the COVID-19 pandemic had no signs of ending and the condition still depended on vaccination effectiveness, as well as anticipation of preventing the spread of this virus, numerous activities of several industries got the negatives impacts.

During COVID-19 pandemic in 2020, the average of economic growth was -3 %, but the depression of rupiah exchange rate towards USD seemed stable around Rp 14.100 – Rp 14.800. This situation was triggered by external sector of American economy which highlighted on spending in order to improve people affected by COVID-19.

US as the most affected country by COVID-19 then got relatively stable in January and February 2020, reaching an average of Rp 13.732 and Rp 13.776 per USD, rupiah exchange rate began depressed in March 2020 at Rp 15.223 per USD along with COVID-19 which began to spread in Indonesia. Rupiah exchange rate continuously strengthened till May 2020. reaching below Rp 15.000 per USD led by foreign capital and the large supply of foreign currency from domestic players. Additionally, Bank Indonesia has also established bilateral swap and repo line cooperation with several central banks of other countries including US and China.

The stability of currency values either in terms of inflation and exchange rate is very substantial to support sustainable economic development. The success vaccination implementation becomes game changer in national economic recovery. There are breakthroughs that have impacts on value added universally (Rothberg, 2022).

Other factors of exchange rate stability to be a tool for foreign trade are it must be monitored by Bank Indonesia authorities and Financial Services Authority (OJK) concerning consumption goods export still can be competitive in international market (Pezzey, 2015). For Indonesia, international trade has vital role and stimulates domestic production growth which can generate sustainable export significantly. The actors include government, exporters, importers, and multinational companies (Mejaya Saleh et al., 2016)

Further, international economic activities which cover export and import activities are influenced by exchange rate stability of a country and it can be measured how far the fluctuation of exchange rate towards term of trade (TOT). Table 1 provides the growth of consumption industrial export for recent 8 years in 2014 – 2021.

Table 1. Production, Exchange rate, and Consumption Industrial Export (2014 – 2021)

Year	Production (Rp mil)	Exchange Rate (Rp mil)	Export (Rp mil)
2014	1,132,170	12,440	5,039,046
2015	343,902	13,795	5,186,336
2016	1,232,140	13,436	5,435,505
2017	1,258,004	13,548	5,792,055
2018	1,384,915	14,481	6,637,882
2019	1,470,546	13,901	7,093,286
2020	2,956,305	14,105	10,544,031
2021	6,374,472	14,278	20,812,269

Source: Indonesia Stock Exchange, 2022 (processed)

Based on the table, in 2014 – 2018 the export of consumption industry was stagnant in 5 trillion. It happened probably due to problem on procuring materials from abroad for production previously described as well as the total import also decreased. However, BI predicted in 2021, the economic growth would get better so the export of economic consumption increased 98.09 % from 10.54 trillion to 20.81 trillion. Even though production cost became higher and inefficient from 2.96 trillion to 6.37 trillion increasing 117, 58 %, rupiah exchange rate towards USD tended to decline since 2015, and it was 14.278 in 2021. As a result, production cost became higher. This research observes how much influence production and exchange rate

partially in simultaneously towards export of consumption industry in Indonesia.

Based on the analysis, capital market merger has impact on the increase of stock trading liquidity and various efforts to utilize unutilized assets to make income (Heranto et al., 2014). Nowadays, international marketing is the focus of business in marketing the products and services to as many countries as possible. Thus, it is very critical to develop domestic industrial products to be promoted and sold abroad since it brings many advantages for these countries.

The activities of buying and selling goods and services abroad which happen through ports in all territory of Indonesia either commercial or non-commercial become one of non-oil and gas exports activity, including the consumer goods industry, and mainstay for Indonesia to encourage economic development (Nurmawaddah, 2019).

Consumer goods as production commodity to fulfil foreign market demand will be one of determining factors of Indonesia non-oil and gas export stability (Shofiyya Setyawan et al., 2017). The role of production operation management is substantial as process series in producing something either goods or services in certain period of time and also has added value for company.

The above operational activities require several costs including raw materials, semi-finished goods, packaging, direct employee, and factory overhead cost required until the goods or services are finished or ready for market.

All expenses used, including raw materials, employee costs, and factory cost to make goods and services ready to be sent into warehouse is a measure of production amount in certain period (Citraningtyas, 2021). Production activity is a method to change the use of goods and services with production resources (Assauri, 2011).

Further, a country that organizes overseas marketing will calculate on how much money received from current exchange rate conversion and needs supply for export import activities of raw materials as well as the risks of exchange rate fluctuation that cause production cost increases (Anik Yuesti, 2020). For a country, export is very important to increase economic and income growth as well country output, especially exporting products with efficient production cost and obtainable raw materials. The output increase will lead into domestic excess and export will eventually raise along with employment opportunities. In accordance with decreasing commodity export and employment opportunities (Shabirina, 2021).

For more, in 2021, rupiah exchange rate fluctuated and weakened to Rp 14.278 from previous year Rp 14.105 (Ministry of Financial, 2022). Exchange rate is an agreement between two countries regarding the price level when international trade is run out (Mankiw & Zeldes, 1991). It also has negative impact towards economic growth in Indonesia (Vitriyanti et al., 2021). The estimation result of international trade influence toward rupiah exchange rate is influenced by export, import, interest rated, and inflation rates. As regards, government should pay more attention to productivity level of export and import products in order to redress the balance rupiah exchange rate fluctuation on USD. Moreover, polices regarding exchange rare are also influenced by market prices (Sitorus, 2020).

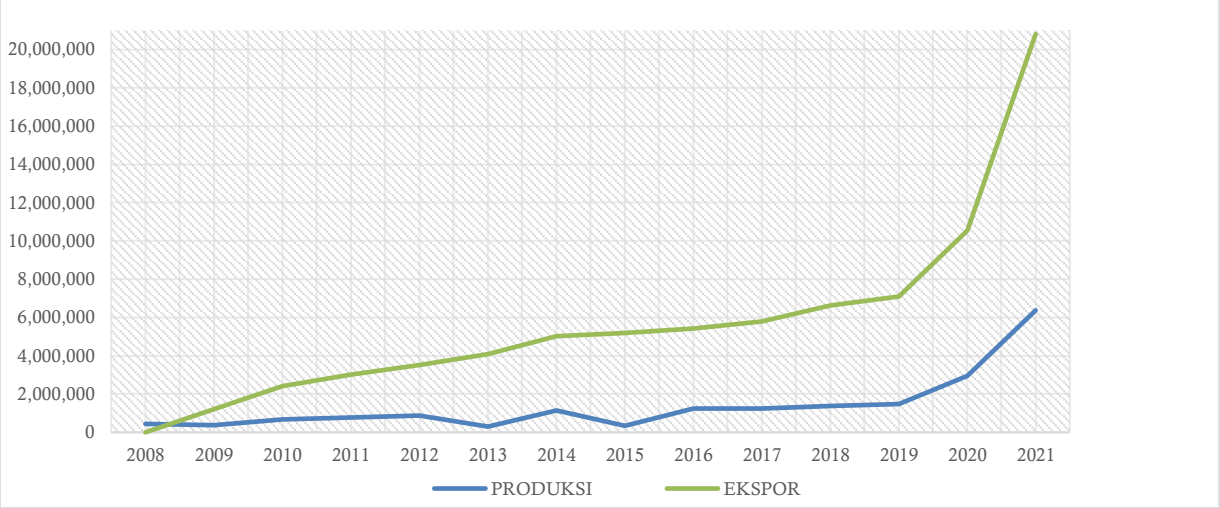

Figure 1. Trends of Indonesian Production, Exchange rate, and Export in 2008 – 2021
Source: Indonesia Stock Exchange and Bank Indonesia 2022 (processed)

Figure 1 explains that export and production had positive trend and tended to increase for recent 14 years. It can be seen in 2019 – 2021, production significantly increases in which 2019 the level production was in 1.470,546 billion rupiah, in 2020 increased to 2.956,305 billion, in 2021 increased to 6.374,472 billion. Apparently, the significant increase was supported by significant increase export compared to increase production. It becomes positive sign for international trade performance in Indonesia. It was recorded that in 2019, export level was 7.093,286 billion and significantly increased almost 300% to 20.812,269 million rupiah in 2021.

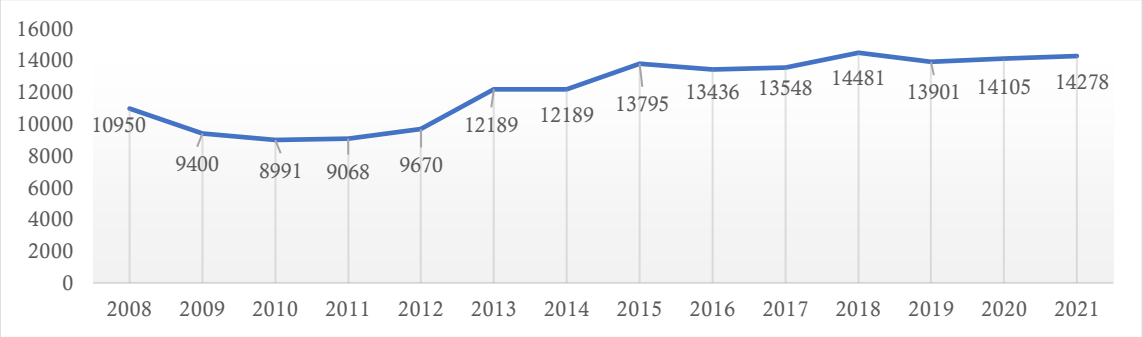

Figure 2. Trends of Exchange Rate Volatility in Indonesia
Source: Bank Indonesia, 2022 (processed)

Figure 2 expresses that as a whole exchange rate in Indonesia has increasing trend, although has decreasing trend in 2009 – 2011. Rupiah exchange rate toward US$ continuously increased and reached highest level in 2018 with 14.481 rupiah per US$ and decreased slightly to 14.278 rupiah per US$ in 2021.

Regarding that explanation, the change of exchange rate seen from appreciation or depreciation causes change in goods prices in market both consumption and raw materials, meanwhile import price greatly influences prices received by consumers (Achsani & Nababan, 2008). The higher exchange rate and weakening rupiah have an impact on the prices of domestic import product and its raw materials and the increasing price of product and decreasing economic growth. Further, based on the research result, exchange rates also bring insignificant negative influence towards economic growth

with t test result sig > α 5 %, p 0,2750 > 0,05 (Wiriani & Mukarramah, 2020). This indication happens because of the higher exchange rate and the weakening rupiah.

Elicited on the previous explanation, the aim of this research can be determined to understand the extent of influence between production and exchange rate towards consumption industrial export in Indonesia. This research was conducted because studies related to consumer goods product export of during pandemic were rarely found.

Previous research conducted by Noviana and Sudarti (2018) concludes that inflation and exchange rate do not have any significant influence towards rubber commodity export in Indonesia, yet production has impact on export. For more, Devi & Mutala (2019) say that inflation and exchange rate have partially positive and significant effect on Indonesia tea exports to Germany. Meanwhile simultaneously, inflation and exchange rates have no significant effect on Indonesia teas exports to Germany. This description becomes the gap with this research.

RESEARCH METHODS

This research used a quantitative descriptive analysis method starting with determining the title, introduction, formulation of problems, benefits and objectives, measurement, determining indicators of research variables as well as data source used as the planning process and implementation of research. This method aims to describe a condition objectively by using numbers starting with collecting data, interpreting data, and describing the result (Arikunto, 2006).

Sugiono (2017) expresses that quantitative data aim to examine the hypotheses assigned. This research used quarterly data which used data from 2014 – 2021 and secondary data with production factor (X1) and exchange rate (X2) as independent variables and consumption product export as dependent variable (Y).

Table 2. Variable Operational Definition

Variable	Definition	Unit	Data Source
PROD	Production, amount of expenses incurred to produce consumption product (IDX, 2021)	Billion rupiah	Indonesia Stock Exchange
EXC	Exchange rate, rupiah exchange rate towards USD (BI, 2021)	Middle exchange rate average	Bank Indonesia
ECI	Export of Consumer goods Industry (IDX, 2021)	Million rupiah	Indonesia Stock Exchange

Source: Data Processed, 2022

The qualitative data source of this research were production of consumer goods in certain time from Indonesia Exchange Stock (IDX), exchange rate from BI in rupiah namely average middle exchange rate, export of consumer goods product in billion rupiah from IDX. This research was conducted for three months from June – August 2022. The secondary data were quarterly data Q1 of 2008 – Q4 of 2021. The time series data were the number of observation n = 56 set. Meanwhile, the analysis technique of this research was linier regression analysis with statistic program SPSS-22 and E-views-12. The analysis was begun with classical assumption test (BLUE test; best linear unbiased estimation) as prerequisite for linier regression analysis (Bauwens et al., 2006).

Normality test was conducted by using one-sample Kolmogorov-Smirnov test. If the result was Asymp. Sig. (2-tailed) > 0,05, so the research data were normally distributed. Following this test, the heteroscedasticity test with a Glesjer method was done to dependent variable Abs Res. The test result was the

probability Sig. > with p value > α = 0,05, so the model used in this current research had no heteroscedasticity elements.

Autocorrelation test was conducted by using Runs test. If the Asymp. Sig (2-tiled) > p value > α = 0,05, so model studied was free from autocorrelation. After that, linearity test was conducted to prove that the model had linear independent variables (Damodar N. Gujarati, 2006, 69). It meant that there was not any multicollinear relation with the provision (1) F count > F table and (2) Sig. on F count < 0,05. Then the following tests were conducted namely correlation, determination coefficient, regression, and hypothesis test, and ordinary least square (ALS) model assumption. The regression equation of this research is described as follows (Pezzey, 2015).

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

The equation 1 uses OLS model as model basis to conduct multiple regression analysis of this research. Meanwhile, the econometric model used in this research is described as follows:

$$Y = \beta_0 + \beta_1 PROD + \beta_2 EXC + \varepsilon \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where, Y is Export, β0 is constant, β1 & β2 is regression coefficient, PROD is production level, EXC is exchange rate, and ε is error term.

Research paradigm as a rationale in a research that is able to provide directions for method and ideas so as to create a meaningful research (Handi et al., 201). In addition, hypothesis proven through the results of statistic are the temporary answers to research problems (Sugiono, 2011). The hypotheses of this research are: 1) hypothesis 1: there is a significant effect between production (X1) and consumer goods industrial exports in Indonesia, 2) there is a significant effect between exchange rate (X2) and consumer goods industry in Indonesia, and 3) there is a significant effect between production (X1) and exchange rate (X2) on the consumer goods industrial exports in Indonesia.

RESULTS AND DISCUSSION

This research was conducted by collection several production data, exchange rates, export of consumption industry to be analyzed to test the verity of three variables mentioned.

The descriptive statistical analysis test of quantitative research was conducted by processing secondary data openly and as it was. The result of initial test namely normality test described that the data were normally distributed. Based on the autocorrelation test, there found no autocorrelation or the result was adequate. Heteroscedasticity test found heteroscedasticity symptoms. Similar thing was obtained in the multicollinearity test that there was no multicollinearity, or the regression was adequate. The tests of the variables are presented in table 3.

Table 3. Descriptive Statistic Analysis

Variables	Obs	Mean	Min	Max	Std. Dev	Kurtosis	Skewness
PROD	56	2.579885	2.359128	2.751608	0.071180	4.286129	-0.413877
EXC	56	2.238258	2.203777	2.272437	0.020558	1.533657	-0.316822
ECI	56	14.71058	13.11864	16.85105	0.836869	2.623061	0.205697

Source: Data Processed, 2022

Table 3 explains that the 56 set data production had the minimum value of 3.36 % in quartal I in 2008 and maximum value of 2.75 % in quartal IV in 2021 with an average of 2.58 % and standard deviation of 0,07 %. Minimum exchange rate was in 2,20 %, maximum value of 2,27 %, and average of 2,24 % with standard deviation of 0,02 %. Then export of consumer goods industry was 13,12 % for minimum value, 16,58 % for maximum values, and 14,17 precent for the mean with standard deviation of 0,84 %. This result meant that for 14 years from 2008 – 2021, production and exchange rate factors were able to lead the export figure of 14,71 % greater than the average of production and exchange rate variables.

Meanwhile a previous research conducted by Kurniawati & D Suresmiathi, 2015) delivers

that USD exchange rate has a significant and negative impact towards the import of industrial raw materials in which gross domestic products become independent variables with dominant influence on it in Indonesia. This result was analyzed by using beta coefficient standardized analysis result. Descriptively, table 4 reflects the condition that used these two variables that successfully generate high exports.

Table 4. Model classical Assumption Test

	Testing Methods	**Value**	**Result**
Normality	Kosmogorov Smirnov Test	Asymp 2-tiled 0,109 > α 0,05	Data Normally distributed
Heteroscedasticity	Glestjer Test	Prob. PROD (0,216) & EXC (0,359) > α 0,05	No Heteroscedasticity
Autocorrelation	Run Test	Prob. 0,418 > α 0,05	No Autocorrelation
Linearity	Linearity Test	Logarithmic (Ln)	Linear

Source: Data Processed, 2022

The result of classical assumption test with SPSS-22 showed that (1) the result of normality test by using Kosmogorov Smirnov was the value of Asymp 2-tiled 0,109 > p value 0,05 which meant that data of production, exchange rate, ans export of consumption industry were normally distributes. (2) Heteroscedasticity test with Glesjer method conducted between production and exchange rate variables towards Abresid obtained Sig. 0,216 and 0,359 which both of them had Sig. > 0,05, shortly there was not any heteroscedasticity symptoms in this research.

After that, autocorrelation test which was conducted by using Run test showed 0,418 and > 0,05 found no correlation between independent variables namely production and exchange rate. Meanwhile linearity test and statistic measurement by using secondary data were analyzed and evaluated in Ln form to obtain the valid research result. Previously, the raw data were changed into Natural Logarithm forms (Berg et al., 2012).

Table 5. Multiple Regression Analysis Result

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	-3.092	2.517		-1.229	.225
PROD	.690	.064	.768	10.829	.000
EXC	.924	.309	.212	2.994	.004
R-Square	0,819				
F-Statistics	119.869				
F-probs	0.00000				

Source: Data Processed, 2022

As pictured in table 5, the result of multiple linear regression estimation showed that the negative influence of constant value was described by the multiple regression equation below:

$Y = -3{,}092 + 0{,}690\ X_1 + 0{,}924\ X_2$ ..... (1)

Production X1 and exchange rate X2 were in the same direction with prediction of consumption industrial export in Indonesia (Y). Further, the interpretation of this regression model explained that if X1 and X2 = 0, so Y^ value would be negative as same as the constant -3,092. If constant dan X2 = 0, so export was predicted (Y^) changed into = 0,690X1. Then if constant and X1 = 0, so export was predicted to be 0,924X2. Hence, other factors which were included were assumed constant (cateris paribus).

For more, Fcount = 119,869, n = 5, k = 2, α = 0,05, so Ftable = 3,16 with Fcount > Ftable and significant test resulted Sig. = 0,000 < p value 005. Shortly this model was positively and simultaneously significant. In model 3 which Ho was rejected and Ha was accepted meant that there was positive and significant influence between production (X1) and exchange rate (X2) towards export of consumer goods industry in Indonesia (Y). Therefore, those factors were feasible to be used and need to be continuously improved to increase the export of consumption industry in Indonesia.

In line with the results of this research, Thorebecke & Kate (2012) who analysed same topic in Japan found that the volatility of exchange rate tends to continuously increase as well as the export of consumer goods industry. It was strengthened by Lucey et al (2019) that exchange rate would be stronger and have impact on the decrease of export of consumption industry of a country. The empirical evidence in Pakistan which referred to condition of increasing export in long term becomes one of triggers for depression of exchange rate of a country (Brub et al., 2022). Mayer added that exchange rate is able to influence the elasticity of commodity export in aggregate level.

Theoretically, the volatility of exchange rate has a huge impact on international trade performance of a country (Durusu-çiftçi, 2022). Apparently, the results of this research contradicted to a researchs by Setyorini (2018) which states that the relation between exchange rate and export is negative. This is in accordance with the theory when exchange rate is appreciated so the expore will decrease. Zakariya (2015) confirms the negative and significant relation between exchange rate and export of cocoa beans in Indonesia.

Zhu et al. (2022) by using Fully Modified Ordinary Leat Squares (FMOLS) state that the undervalued exchange rate is able to increase the export as well brings positive impacts to economic growth. Dai et al. (2021) asserts that the depreciated domestic exchange is interested in international market, consequently the prices of domestic products tend to low so export value will increase. Eventually, the exchange rate has critical and central role in international trading relation since it is possibly able to compare the prices of goods and services of a country (Wahyu et al., 2020).

In accordance with the result of this research, Svensson (2016) confirms that production has positive impacts on export supply of a commodity. Hamzah & Santoso (2020) explain that in consumer goods industry, the increasing export will run linearly with production level if the level of demand has positive trend. The empirical evidence in Indonesia has successfully proven by Zakariya (2015) obtaining that the export of cacao beans continuously increases along with its production level.

According to Sankaran et al. (2021) manufacture added value is a foremost component in providing the relation of production and performance of consumption industrial commodity export. Further, Saltarelli et al. (2020) add that export is also able to increase domestic production. The empirical evidence found by Kiendrebeogo (2014) supports that industrial productivity is also able to increase export performance by considering several aspects including volatility of domestic exchange rate, the level of domestic and global commodity supply, and stability of destination country. Lipsey & Weiss (2008) strongly recommend to accelerate the mechanism of economy, encourage methods to reduce supply rigidities and labour market imperfection, and support small and medium business and other enterprises to find new alternatives for long term investments of domestic supply and advocate foreigners.

Additionally, Alfulailah et al. (2019) describe that the positive and significant impacts of production and exchange rate in Indonesia assign significant movement which has impact on increasing commodity transaction, money flow, and state income. The output movement which is influenced by export and processing industry can increase the export value of Indonesia with fluctuating movements. A price is very critical in open economy and balance of demand and supply in international market and

exchange rate must be in from of nominal and real.

Afterwards, food and beverage industry continuously grew up during Covid 19 pandemic and forcefully survived by the fact that the industry share of 38,05 % on non-oil and gas processing industry or 6,6 % of national GDP reaching Rp 16,97 quadrillion. It was positively better than previous year which only grew 1,58 % although lower than before pandemic happened which grew about a above 7 %. Indeed, food and beverage industry becomes one of 9 subsectors of non-oil and gas processing industry and other 8 subindustries from 17 sectors that experienced contraction. The GDP growth of food and beverage industry went along with the growth of public consumption spending for food and beverage needs (besides restaurants by 1,44 % last year compared to the previous year) (Kusnandar 2022).

The contribution of food and beverage industry in the first quarter of 2022 was more than a third (37,77 %) of GDP of on-oil and gas processing industry. Furthermore, the investment realization of this industry reached 19,17 trillion. Due to the importance of this industry on nation economy, it is necessary to enrich the competitiveness of industry and enlarge partnership between government and private parties

CONCLUSION

Regarding previous description of analysis result, it can be concluded that partially there is a positive and significant influence of production to export of consumer goods industry in Indonesia. It means that the smoother supply of raw materials and capital of import for production activities, the greater chances to increase export of consumption industry come owing to the fact that every 1 % of consumption goods production, the export would increase 78,80 %, while for 1 % increase of exchange rate was only able to increase the export 41,80 %. These facts are quite good since on one hand, the raw material and capital goods are imported from abroad, so it obviously needs to strengthen in rupiah in order to reduce the production cost efficiently and does not hinder the increase of export of consumption industry. Moreover, simultaneously this research obtained that there is a significant and great influence between production and exchange rate on export of consumer goods industry in Indonesia of 81,90 %, meaning that 1 % increase of production and exchange rate will increase the export of 81,90 %.

Shortly, this condition becomes good opportunities for businesses to continuously improve their production efficiently, monitor the fluctuation of exchange rate, and carry out hedging, so the export of consumption industry would have high competitiveness and continuously increase after Covid 19 pandemic. Indeed, the export of consumption industry must be improved to increase employment opportunities in Indonesia. Significant movements which have positive impacts, increasing commodity transaction, and money flow must be done so the state revenues created at one price in this current global economy.

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