DOI: https://doi.org/10.48024/ijgame2.v1i1.12

International Journal of Global Accounting, Management, Education, and Entrepreneurship (IJGAME2)
URLs: https://jurnal.stiepemuda.ac.id/index.php/ijgame2
P – ISSN : 2723 - 2948
E – ISSN : 2723 - 2204

IMPACT OF SPILLOVER STAGFLATION ON CAPITAL UTILIZATION IN EAST JAVA (IN MACROECONOMIC PERSPECTIVES) 2014-2022

Anggun Wida Prawira[1*], Syamsul Arifin[2], Nuryadi[3]

Sekolah Tinggi Ilmu Ekonomi Pemuda, Surabaya, Indonesia
E-mail: awprawira21@gmail.com[1], syamsularifin.stiepemuda@gmail.com[2], nuryadi.stiepemuda@gmail.com[3]

ABSTRACT

This study intends to examine the implications of stagflation risk on capital utilization in the East Java from a macroeconomic perspective. Non-random, saturated sampling was used in the sampling procedure. The quantitative nature of this study approach allows for the testing of ideas from unbiased perspectives. Using time series secondary data 2014 to 2022 with capital utilization from the One-Stop Investment and Integrated Services Office (DPMPTSP), inflation and open employment rate from the Bank of Indonesia, and Gross Regional Domestic Product (GRDP) from the Central Statistics Agency (BPS). Data analysis techniques using multiple linear regression processed using ordinary least squares (OLS) by EViews12. The findings were as follows: 1). Capital utilization is positively and significantly impacted by the stagflation trap of gross regional domestic product (GRDP). 2). Capital utilization positive effects from the Stagflation trap of inflation, although the effect is insignificant. 3). The open unemployment rate's Stagflation trap has a positive and significant effect on capital utilization. 4). The macroeconomic stagflation trap, which is represented by the gross regional domestic product (GRDP), inflation rate, and open unemployment rate, has a substantial impact on capital utilization simultaneously. This study's findings are statistically in line with previous findings and theoretical literature.

Keyword: *Stagflations, Rate of Gross Regional Domestic Product (GRDP), Rate of Inflation, Rate of Open Unemployment, Capital utilization.*

A. INTRODUCTION

The COVID-19 epidemic is being controlled. Internationally, the COVID-19 problem has resulted in a significant drop in direct investment. The war between Russia and Ukraine has disrupted global trade and supply systems, worsening rising global commodity and food prices. Consistently high global prices combined with poor growth raises concerns about stagflation, which could last for several years. Word Bank, (2022). Stagflation is a combination of stagnation and inflation. The word initially originated in the 1970s as a result of the economic slump, which saw growing inflation and rising unemployment for the first time in modern economic history. These conditions are uncommon, but they can be detrimental to an economy. The real global GDP growth in the global stagflation possibilities would be 0.5 to 2.0 percentage points shorter than the benchmark estimation, falling to 0.7–2.5% in 2022 and then fluctuating between -1.3% and 1.0% in 2023. Inflation will reach 7.2-4.4% globally in 2022 and 5.7-8.3% in 2023. Due to its impact on global real GDP growth, global stagflation is currently seen as the main risk to the world economy, with implications ranging from inflationary pressures to high unemployment. A one-year probability of 22–32% exists for this scenario. (Euromonitor, 2022).

DOI: https://doi.org/10.48024/ijgame2.v1i1.12

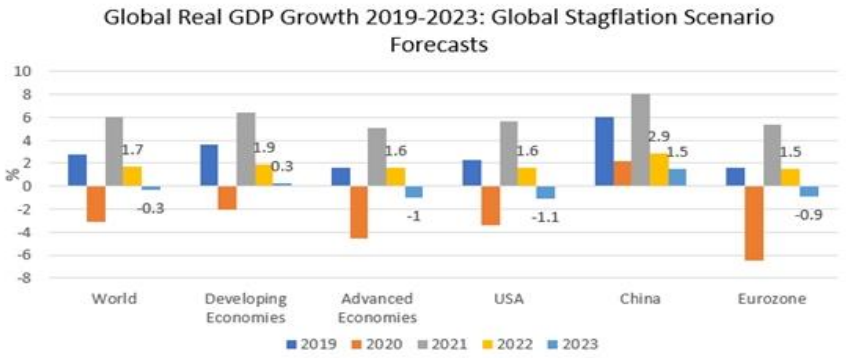


Figure 1. Forecast Scenario of Global Stagflation

The Indonesian economy is predicted to grow by 4.8 to 5.2 percent in 2023, owing to increased domestic household expenditure as well as international and domestic direct investment. Good export performance also helps to drive economic growth. East Java Regional Development Goals for 2022 include 3.42%-5.12% economic growth, 3%-1 inflation, 5.42%-3.83% open unemployment, and 5.42%-3.83% open unemployment. (BPS-Statistics, 2023b)

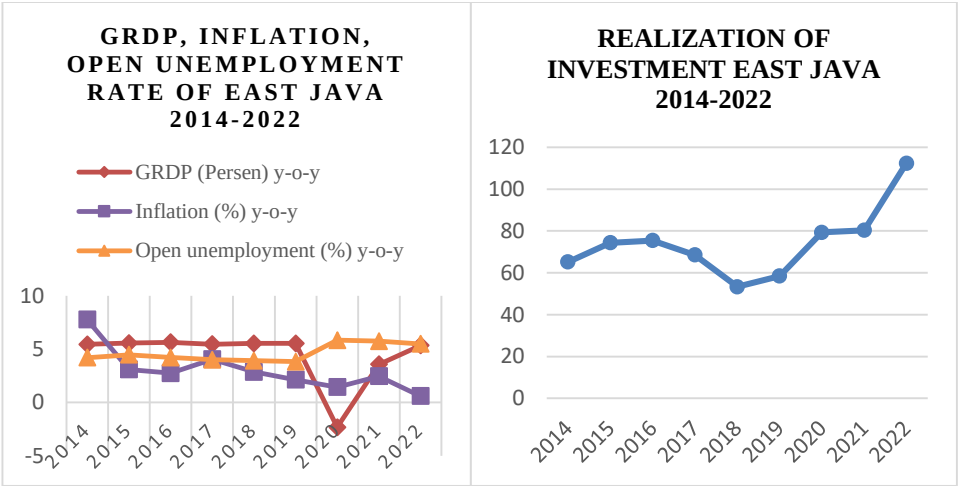


Figure 2. Macroeconomics and Realization of Investment East Java

East Java Province's GRDP climbed by 5.34 percent in 2022, compared to 3.56 percent the previous year. Economic growth has already restored to the pre-pandemic level of 5%. (BPS-Statistics, 2023a). East Java's inflation rate in 2022 will be 6.52%, more than the national average. Inflation is also substantially greater than the 3%-1% objective set by the East Java Provincial Government. The calendar year 2022 inflation rate is substantially greater than the FY 2021 inflation estimate of 2.45%. The graph It also exceeds the 2020 inflation rate of 1.44%. (Perbendaharaan, 2023). In the time series, or from 2014 to 2018, the open unemployment rate in East Java is constant and decreasing. The downward trend did not continue in the following year, 2019, (3.82%), climbed in 2020. The COVID-19 pandemic, which had an impact across all sectors of society, increased the open rate of joblessness. The Open rate of joblessness did, however, decline from 5.84% to 5.74% in 2021 and again in 2022. This achievement is about 1.02% lower than the national achievement, which is about 5.83%. Bapeda East Java, (2022). Employment is the most important factor in a region's development success. Labor, on the other hand, is one of the variables that impedes development and investment when unemployment is high. Global economic pressures will have an impact on the East Java economy, particularly on inflation, decreasing export demand, and rising import values, lowering the rate of GRDP and investment in the region. According to National Single Windows for Investment (NSWI) data, investment realization in East Java in 2022 is still ranked sixth nationally for Foreign Investment with a total of 2,105 projects worth USD 3.13 billion, and domestic investment is ranked third with a total of 15,813 projects worth IDR 65.36 trillion. Part of the reason for this poor investment is logistics and transportation infrastructure.

Reffering research conducted by Prince et al., (2023) proved that a positive and significant association exists between inflation and unemployment in Nigeria, giving rise to an occurrence known as stagflation. Research by Demary & Hüther, (2022) demonstrated that the threat of stagflation could not be outright discarded. Longer-term factors leading to elevated inflation. Another previous research by Victor et al., (2021), In India and the United Kingdom, inflation-unemployment patterns during the recession and COVID-19 periods were studied by researchers. The findings of this study showed that stagflation had been brought on by India's recession using a generalized additive model (GAM). According to Mizanur R. Mizan, (2023), Stagflation can have major economic consequences. Inflationary pressures weaken consumer purchasing power, resulting in a drop-in economic activity. This can make investment and corporate planning difficult because of the uncertainty of expenses and income, which can lead to unemployment. Stagflation also harms investors since it reduces business margins due to rising raw prices and fewer sales. Previous research conducted by Baltussen et al., (2023) Stagflation periods, high-inflation bear markets, or rising inflationary times, and, to a lesser extent, deflationary bear markets are all negative times for investors, according to the definition.

Based on past relevant research, the researchers determined that the Indonesian economy, particularly East Java, is approaching stagflation due to rising inflation and decreasing growth. This is a difficult macroeconomic condition for the government and investors to overcome. Furthermore, there have been few previous studies that explore the topic of stagflation associated to investment in Indonesia, particularly at the province level, such as in East Java. According to the explanation, the spillover effect of stagflation (as understood from a macroeconomic perspective) adds to the flow of investment capital into a country, particularly East Java Province. Global impendence, declining economic growth, high inflation rates, and high open unemployment rates can cause the risk of stagflation threats to the performance of investment achievements in a region, so this condition is interesting to conduct more in-depth research. The problem formulations in this study are:

1. Does the stagflation trap of Gross Regional Domestic Product (GRDP) affect capital utilization?
2. Does the inflation rate stagflation trap affect capital utilization?
3. Does the open unemployment rate stagflation trap affect capital utilization?
4. Does the stagflation trap of Macroeconomics; Gross Regional Domestic Product (GRDP), Inflation Rate and Open unemployment rate affect capital utilization?

The objectives of this study are derived from the problem formulation:

1. Analyze the impact of the stagflation trap on the gross regional domestic product (GRDP) and capital utilization.
2. Analyze the impact of the stagflation trap on capital utilization.
3. Analyze the impact of the open unemployment rate stagflation trap on capital utilization.
4. Analyze the impact of the stagflation trap on Gross Regional Domestic Product (GRDP), inflation, and the open unemployment rate on capital utilization.

Based on the aims stated above, this study is aimed to give readers and other researchers with information, expertise, or new insights on macroeconomic issues associated to capital utilization development. The peculiarity of this study is in the subject of research, which focuses on the macroeconomic "spillover" impact of the threat of stagflation risk, specifically in the last nine years from 2014 to 2022.

B. LITERATUR REVIEW

Stagflation

Stagflation is defined by Bank Indonesia as an economic slowdown and high inflation, even to the point of "recession" (economic recession and high inflation), increasing uncertainty in global financial markets, increased pressure on foreign capital flows, particularly portfolio investments to emerging economies, and currency depreciation in many countries. (Bank Indonesia, 2022). Stagflation is an economic state characterized by weak economic development and high inflation rates. (Seonjou, 2022). Stagflation implications include low economic growth, excessive inflation, and increased unemployment. (Liu, 2023).

The following diagrams depict the economic impact of stagflation on the economy and labor market.

DOI: https://doi.org/10.48024/ijgame2.v1i1.12

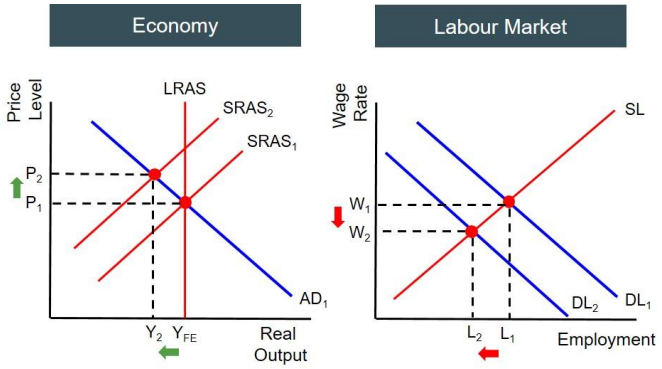


Figure 3. Stagflation graph

As demonstrated in the AD-AS figure above, stagflation is caused by an inward shift in the SRAS curve. This is an example of a supply-side shock, which is typically caused by an increase in manufacturing costs, such as commodity prices or wage expenses. Stagflation can also be referred to as cost push inflation. As a result of stagflation, output has decreased (as a result of enterprises cutting production). This lowers the value of labor to enterprises, causing an inward shift in the labor demand curve in the labor market. Assuming all else is equal, this leads to fewer jobs and an increase in unemployment in the economy. (Matthew, 2018).

Gross Domestic Regional Product

The equilibrium between total supply and demand can increase over time, which would lead to economic growth. Economic growth is defined as an increase in market value that is calculated by dividing the increase in the price of the products and services produced over a specific period by the rate of inflation. Gross domestic product (GDP) growth rate in real terms. (Tenreng & Idrus, 2022). The Gross Domestic Product (GRDP) is the sum of the value added produced by all economic sectors in a nation. There are instances when it is referred to as the entire amount of finished products and services produced by all economic entities over a specific time period, including both resident and non-resident production components. (BPS-Statistics, 2023a).

Inflation Theory

Inflation, according to economics, is the process of continuously rising prices of products or services caused by increased government spending and market liquidity, which stimulates consumption, speculation, and the emergence of barriers to the distribution of goods. (Tenreng & Idrus, 2022). The continuous increase in the cost of commodities and services is referred to as inflation. The value of money falls when the price rises. Thus, inflation can be defined as the weakening of the value of money relative to the value of commodities and services in general. (BPS, 2023).

Open Unemployment Theory

The labor force's availability for work and its percentage of unemployed people is referred to as unemployment. The definitions of work force and unemployment vary per country. (World Bank, 2021). The proportion of unemployed people to the entire work force is known as the open unemployment rate. The government routinely assesses the effectiveness of its performance in the employment sector using the indicator of the open unemployment rate. The number of people of working age who are seeking for work, establishing a business, thinking it's hard to find work, or already have a job is known as the open rate of joblessness. (BPS-Statistics, 2022).

Capital (Investment)

Investing is the process of putting money into the hopes of making more money or profit. Investing entails putting money into a large number of funds that are expected to profit. (Adnyana, 2020). According to economic law or business law, "investment" refers to investment activities carried out directly by local investors, namely PMDN, and foreign investors, namely PMA, as well as indirect investment by foreign parties, namely foreign indirect investment (FII).(Mufti, 2020). Investment is defined as the action of investing in various economic activities (production) in the hope of reaping future rewards. (BPS, 2023).

DOI: https://doi.org/10.48024/ijgame2.v1i1.12

This study's framework is represented in Figure 4 below:

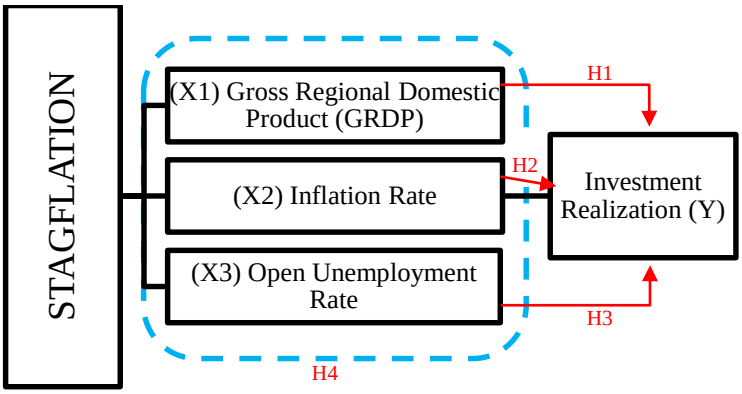


Figure 4. Conceptual Framework Research

The study's hypothesis assumptions are outlined in the literature assessment's executive summary as follows:

H1: It is assumed that the stagflation trap of gross regional domestic product (GRDP) has a positive and considerable impact on capital utilization.

H2: It is assumed that the stagflation trap of inflation has a detrimental impact on capital utilization.

H3: It is assumed that the stagflation trap of the open unemployment rate has a favorable and considerable influence on capital utilization.

H4: It is assumed that the stagflation trap of gross regional domestic product (GRDP), inflation rate, and open unemployment rate all have a favorable and significant impact on capital utilization.

C. RESEARCH METHOD

Research design

This research method is quantitative, employs an objective approach, comprises the gathering and analysis of quantitative data, and employs statistical testing procedures. From an objective standpoint, this research falls into the following categories: Testing Hypotheses are research findings that attempt to explain the nature of a certain relationship or impact, identify differences in a specific relationship or influence, or identify disparities in multiple groups or two components. Differences between multiple groups or between two or more components in a given context. (Fatihudin, 2020). There are four variables: Gross Regional Domestic Product (X1), Inflation rate (X2), Open Employment rate (X3), and Investment Realization (Y).

Population and Sample

All individuals of the population are utilized as samples in the saturation sampling technique (non-probability sampling). (Garaika, 2019). The data investigated are annual secondary data (time series) from 2014 to 2022, 9 data points were collected overall for every variable (year over year).

Data Collection Technique

The documentation study approach is utilized as a methodology in the data collection process. This research employing documentary data is data collecting gathered through records or documents. (Fatihudin, 2020). Data source:

1. Economic GRDP (X1) and open employment rate (X3) variables from the Central Statistics Agency (BPS), official website https://jatim.bps.go.id/
2. Inflation Variable (X2) from Bank of Indonesia (BI), official website https://bi.go.id/
3. Investment Realization Variable (Y) from the One-Stop Investment and Integrated Services Office (DPMPTSP) official website https://dpmptsp.jatimprov.go.id

Data Analysis Methods

This study's data analysis methodologies include: Descriptive Statistics seeks to provide an overview of observed data, which is then analyzed using tables, graphs, or diagrams. A good linear regression model, particularly Multiple Linear Regression Analysis, fits the BLUE (Best Linear Unbiased Estimator) criterion. If the traditional assumption conditions are met, the BLUE criteria can be met. Normality, Multicollinearity, Heteroscedasticity, and Autocorrelation tests are examples of traditional assumption tests. (Digdowiseiso, 2017).

DOI: https://doi.org/10.48024/ijgame2.v1i1.12

Using the Eviews12 program, a hypothesis test was conducted with a partial t test, a simultaneous F test, and a determination variable test. The ordinary least squares (OLS) method is used in the multiple linear regression approach, and the following formula is used:

$Y = \alpha+(\beta1.X1)+(\beta2.X2)+(\beta3.X3)+error.$

Note :

Y	= Investment Realization
α	= Constanta
β1.*X*1	= Gross Regional Domestic Product variables
β2.X2	= Inflation rate variables
β3,X3	= Open unemployment rate variables
e	= Error Term (residual)

D. RESULTS AND DISCUSSION

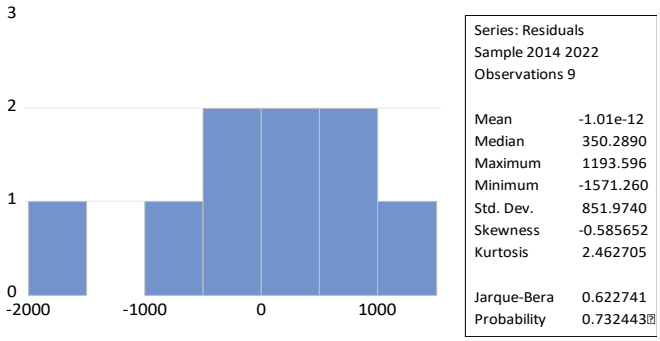
1.1 Classical Assumption Test Results

In multiple linear regression analysis using Ordinary Least Squares (OLS), the classical assumption test is a statistical requirement that must be met. OLS only uses one dependent variable, whereas numerous independent variables are used. According to (Ghozali, 2018) Numerous conventional assumption tests, including the test for normality, multicollinearity test, heteroscedasticity test, and autocorrelation test, must be carried out in order to assess the model's validity.

1.1.1 Normality Test Result

The normality test, according to the standard OLS assumptions, applies to the residual (data) produced by a normal distribution linear regression model rather than the independent or dependent variable. In this study, the Jarque-Bera Test is used to determine if the residuals are regularly distributed or not. If the Jarque-Bera probability value ≥ 0.05 then the data is normally distributed. And vice versa.

Table 1. Normality Test Result.



Output analysis: Jarque-Bera probability value 0.732443 ≥ 0.05, a properly distributed linear regression model's residual (data).

1.1.2 Autocorrelation Test Result

Because the data used to estimate the linear regression model contains time series data, an autocorrelation-free assumption is required. We can use the Brusch-Godfrey approach or the LM (Lagrange Multiplier) Test to assess a linear regression model's autocorrelation-freeness. If the Prob Chi-Square value > 0.05 then the data is free from autocorrelation problems. And vice versa.

Table 2. Autocorrelation Test Result

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	1.474720	Prob. F(2,3)	0.3581
Obs*R-squared	4.461758	Prob. Chi-Square(2)	0.1074

Analyzing results: Prob Chi-Square value 0.1074 > 0.05 then there is no autocorrelation.

DOI: https://doi.org/10.48024/ijgame2.v1i1.12

1.1.3 Heteroscedasticity Test Results

Heteroscedasticity happens when the residuals and expected values have a correlation or connection pattern. This relationship pattern is not restricted to a linear relationship; other patterns are also feasible. The Glejser Test was employed in the present study. If the Prob Chi-Square value > 0.05 then there is no heteroscedasticity. And the other way around.

Table 3. Heteroscedasticity Test Result

Heteroskedasticity Test: Glejser
Null hypothesis: Homoskedasticity

F-statistic	1.640057	Prob. F(3,5)	0.2929
Obs*R-squared	4.463787	Prob. Chi-Square(3)	0.2155
Scaled explained SS	2.172547	Prob. Chi-Square(3)	0.5374

Output analysis: Prob Chi-Square value 0.2155 > 0.05 then there is no autocorrelation.

1.1.4 Multicollinearity Test Result

The multicollinearity test analyzes whether a relationship within the independent variables was discovered by the regression model. In this study using covariance analysis, with the condition that if the output value of each variable < 1 then there is no multicollinearity.

Table 4. Multicollinearity Test Result

	X1	X2	X3	Y
X1	1	0.31444880...	-0.6893767...	-0.1651031...
X2	0.31444880...	1	-0.4783344...	-0.4880011...
X3	-0.6893767...	-0.4783344...	1	0.71941371...
Y	-0.1651031...	-0.4880011...	0.71941371...	1

Output analysis: the number outside the diagonal line is less than 1 then there is no multicollinearity.

The classical assumption test is fulfilled, so multiple linear regression analysis can be continued.

1.2 Multiple Linear Regression Test Result

Testing with Eviews12 to obtain hypothesis results with traditional assumption testing outcomes fulfilled. (Garaika, 2019). Table 5 shows the results:

Table 5. Multiple Linear Regression

Dependent Variable: Y
Method: Least Squares
Date: 07/30/23 Time: 13:33
Sample: 2014 2022
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4183.935	4108.063	-1.018469	0.3552
X1	407.6303	201.4483	2.023499	0.0489
X2	-145.5377	213.0478	-0.683122	0.5249
X3	2210.731	692.0408	3.194510	0.0241

R-squared	0.749520	Mean dependent var	7413.889
Adjusted R-squared	0.599232	S.D. dependent var	1702.315
S.E. of regression	1077.671	Akaike info criterion	17.10409
Sum squared resid	5806878.	Schwarz criterion	17.19175
Log likelihood	-72.96843	Hannan-Quinn criter.	16.91493
F-statistic	4.987226	Durbin-Watson stat	2.109913
Prob(F-statistic)	0.050933		

The calculation formula for the bivariate regression model was obtained:

Y = -4183.93474159 + 407.630346749*X1 - 145.537714086*X2 + 2210.73142411*X3

According to the regression equation:

a) The constant coefficient value () = -4183.935, which means that if Gross Regional Domestic Product (X1), Inflation Rate (X2), and Open Unemployment Rate are all constant, Capital Utilization (Y) is 4183.935.
b) The coefficient value of GRDP X1 of 407.6303 shows that if GRDP increases by 1 percent, Capital Utilization will increase by 407.6303, provided all other variables remain constant.
c) A coefficient value of X2 Inflation of -145.5377 shows that if inflation rises by one percent, Capital Utilization falls by 145.5377, assuming all other variables remain constant.
d) The coefficient value of X3 Open Unemployment Rate of 2210.731 shows that if the open unemployment rate rises by one percent, Capital Utilization will rise by 2210.731, provided all other variables remain constant.

1.2.1 Results of Hypothesis Test

1.2.1.1 Partial Test Results (t-Test)

The t-Test is utilized to test hypotheses and evaluate how the independent variable influences the dependent variable using the following criteria: (1). Based on the probability value with $\alpha = 0.05$, if the Prob value ≤ 0.05 then H0 is rejected and Ha is accepted, if the Prob value > 0.05 then H0 is accepted and Ha is rejected. (Zahriyah et al., 2021).

Table 6. Partial Test Results (t-Test)

Variable	t-Statistic	Prob.
C	-1.018469	0.3552
X1	2.023499	0.0489
X2	-0.683122	0.5249
X3	3.194510	0.0241

Based on table 6, interpretations are made:

a) First Hypothesis. Output analysis Prob value $0.0489 \leq 0.05$, partially the GRDP variable has a significant influence on Capital Utilization.
b) Second Hypothesis. Output analysis Prob value $0.5249 > 0.05$, partially the Inflation variable has no significant influence on Capital Utilization.
c) Third Hypothesis. Output analysis: Prob value $0.0241 \leq 0.05$, partially the Open Unemployment Rate variable has a significant influence on Capital Utilization.

1.2.1.2 Results of Simultaneous Tests (F test)

Hypothesis testing F-test to identify the direction and degree of the association between predictor factors and the response variable at the same time. The basis for decision making is taken by looking at the Prob(F-statistic) value, (Ha) is accepted if the Prob(F-statistic) value is ≤ 0.05 and (Ha) is rejected if the Prob(F-statistic) value is > 0.05.

Table 7. Simultaneous Test Result (F-test)

F-statistic	**4.987226**
Prob(F-statistic)	0.050933

Based on table 7, the Prob (F-statistic) analysis output is $0.05 \leq 0.05$, It is determined that the Gross Regional Domestic Product (X1), Inflation Rate (X2), and Open Unemployment Rate (X3) all have a significant (simultaneous) effect on Capital Utilization (Y).

1.2.1.3 Coefficient of Determination Test Result

The coefficient of determination indicates how the independent factors' effects on the dependent variable vary. R-Square or Adjusted R-Square values can be used to calculate the coefficient of determination. According to the bivariate regression results, the R Squared value is 0.7495, indicating that the stagflation trap gross regional domestic product, inflation rate, and open unemployment rate all have a positive and substantial effect on investment realization with a value of 74.95%. The remainder (25.5%) is due to the influence of other variables not included in the formulation of multiple linear regression models or external variables that are not the object.

The outcomes of this study reveal that there is a considerable influence between the stagflation trap of GRDP and Capital utilization, implying that the first hypothesis in this study is accepted. In accordance with research conducted by Rafiq & Kazmi., (2017), that a country's FDI in African and Asian economies is positively and significantly affected by GDP. The findings of the study contradict the conclusions of Bjelić et al., (2022) who discovered that while GDP is statistically negligible, it has a positive regression coefficient on European Union investment. In other study Bjelić et al., (2021) demonstrate although investment growth is consistent with GDP growth, the minor impact coefficient (less than 0.1%) on Balkan investment growth was not statistically significant. The fact that all factors are, nevertheless, trending in the same direction suggests that more advanced and dynamic economies might anticipate increased investments. The role of investment in macroeconomics is a critical variable. Economic growth (GRDP) and the sustainability of investment in East Java are inextricably linked. Where the level of economic growth is determined by investment realization. The drop in corporate earnings (investment value) is influenced by the slowing of economic growth, which implies a drop in GRDP figures. Equity prices are affected later, and the advent of low inflation may lead to a lengthier period of stagflation. This situation must be remedied by employing the appropriate method. Overall, East Java's economic performance has improved. The careful handling of Covid-19, economic recovery measures that boost externalization productivity, and efforts to complete national strategic projects (PSN) all contribute to this acceleration. East Java's public consumption and investment increased as a result of this.

This analysis' findings show that there is no significant association between the inflation rate and capital utilization, meaning that the second hypothesis in this study is rejected. The findings are congruent with prior research undertaken by Bjelić et al., (2022) that the inflation rate has no substantial effect but has a negative influence on investment. In the study by Jacob, T. ., Raphael, R., & M. V., (2022) demonstrates that the inflation rate has no substantial effect on foreign investment in China. The study results by Mohammed et al., (2021) show that in Ghana, there is a short-term negative association between inflation and investment and a long-term positive link between inflation and investment. Investors might consider investing in overseas investment portfolios in order to address global inflation shocks.

The findings of this study reveal that open unemployment rate stagflation trap has a significant impact on investment, implying that the third hypothesis in this study has been validated.

A high unemployment rate has important economic consequences, one of which is a decrease in investment, as businesses (investors) are reluctant about the uncertainty of future economic prospects and will not invest in new projects or expand their operations as a result. Neoclassical growth theory implies full employment and that investment has no effect on unemployment, however New-Keynesian models imply that such a relationship exists only in the short term at business cycle frequencies. In the study by, Hoon et al., (2023) It is discovered that there is a statistically significant negative association: when investment falls over decades, unemployment rises. The others study from Dehnavi et al., (2023) the results of optimization and simulation, there is a direct correlation between stagflation and government spending, oil revenue, and inflation expectations. There is also an inverse relationship between productivity shocks and stagflation. The rise in the misery index, which is calculated by adding the unemployment rate and inflation, may well represent the country's developing stagflation. Knowing the influence of stagflation on East Java's unemployment rate, it is hoped that the East Java government's policies will be in line with societal needs.

The outcomes of this study reveal a macroeconomic stagflation trap; GRDP, inflation rate, and open unemployment rate all have significant impacts on Investment Realization at the same time.

In the last nine years, the East Java economy has shown signs of global stagflation risk (a combination of weakening GRDP, rising inflationary pressures, and rising open unemployment rates), as well as a positive trend in investment realization (both foreign investment and foreign investment), indicating that investor confidence is still high despite the global crisis. According to Wagdi et al., (2021) reveals that economic policy has a considerable impact on stock market performance during times of economic stagflation. When investing during periods of stagflation, innovative and imaginative portfolio management is necessary, along with a diverse

asset mix. In the face of high inflation and an economic downturn, this can create possibilities for investors to allocate capital and make maximum returns.

Liu's, (2023) research findings demonstrate the various approaches that countries might take to avoid stagflation. Strengthening supply-side strategies, focusing on contractionary monetary policy, and developing price control mechanisms are among these initiatives. These tactics can provide specific answers to countries, making it easier for them to deal with stagflation. According to Development Planning Agency (Bappeda), 2022) East Java's stagflation-fighting methods and policies are visible in: Covid19 handling initiatives, one of which is the enactment of the PEN (National Economic Recovery) scheme, which is projected to strengthen the community's economy and have an impact on workforce expansion. Efforts to minimize unemployment through enhancing the workforce's productivity, skills, and competencies through vocational education and job training programs, as well as providing employment to vulnerable groups. Controlling inflation is essential for preserving people's purchasing power. Economic recovery measures are being carried out through re-energizing the East Java tourism sector, mobilizing the trade and retail sectors that were affected during the Pandemic period, and focusing on farming communities in rural areas.

E. CONCLUSION

The conclusion of this study, that during 2014 to 2022 in East Java are:

1) Capital utilization is positively and significantly impacted by the stagflation trap of gross regional domestic product (GRDP).
2) Capital utilization positive effects from the Stagflation trap of inflation, although the effect is insignificant.
3) The open unemployment rate's Stagflation trap has a positive and significant effect on capital utilization.
4) The macroeconomic stagflation trap, which is represented by the gross regional domestic product (GRDP), inflation rate, and open unemployment rate, has a substantial impact on capital utilization simultaneously. In the end, this study's findings are statistically in line with previous findings and theoretical literature.

.

F. LIBRARY LIST

Bappeda, D. P. A. (2022). RAT Rencana Aksi Tahunan Penanggulangan Kemiskinan Provinsi Jawa Timur Tahun 2023. *Pemerintah Jawa Timur*.

Adnyana, I. M. (2020). Manajemen Investasi dan Protofolio. In *Lembaga Penerbitan Universitas Nasional (LPU-UNAS)*. Lembaga Penerbitan Universitas Nasional (LPU-UNAS).

Baltussen, G., Swinkels, L., van Vliet, B., & van Vliet, P. (2023). Investing in Deflation, Inflation, and Stagflation Regimes. *Financial Analysts Journal*, *0*(0), 1–28. https://doi.org/10.1080/0015198X.2023.2185066

Bank Indonesia. (2022). LAPORAN PEREKONOMIAN INDONESIA 2022. In *Bank Indonesia* (Issue 1, pp. 104–116). Bank Indonesia.

Bjelić, J., Erić, O., & Kovačević, S. (2021). Macroeconomic Determinants of Investment in the Balkan Countries. *Acta Economica*, *19*(35), 19–33. https://doi.org/10.7251/ace2135019b

Bjelić, J., Kovačević, S., & Eric, O. (2022). Macroeconomic Stability and European Union Investments. *Acta Economica*, *20*(37), 29–47. https://doi.org/10.7251/ace2237029b

BPS-Statistics. (2022). Laporan Eksekutif Keadaan Angkatan Kerja Provinsi Jawa Timur. *BPS*, *13*(1), 104–116.

BPS-Statistics. (2023a). *GROSS REGIONAL DOMESTIC PRODUCT OF JAWA TIMUR PROVINCE BY INDUSTRY 2018-2022*. 3.

BPS-Statistics. (2023b). *Jawa Timur Province in Figures 2023*.

BPS. (2023). *Inflasi*. Badan Pusat Statistik. https://www.bps.go.id/subject/3/inflasi.html#subjekViewTab1

Dehnavi, R. J., Roodi, M. Z., Jalaee, S. A., & Raeispour, A. (2023). Optimization and Simulation of the Effects of Productivity Shocks on Stagflation in Iran. *Islamic Azad University, Science and Research Branch*.

Demary, M., & Hüther, M. (2022). How Large Is the Risk of Stagflation in the Eurozone? *Intereconomics*, *57*(1), 34–39. https://doi.org/10.1007/s10272-022-1025-x

Digdowiseiso, K. (2017). Metode Penelitian Ekonomi dan Bisnis. In *Universitas Pendidikan Indonesia* (Vol. 1, Issue Metodologi Penelitian).

Euromonitor. (2022). *Stagflation is the Main Downside Risk for The Global Economy*. https://www.euromonitor.com/article/stagflation-is-the-main-downside-risk-for-the-global-economy

Fatihudin, D. (2020). METODE PENELITIAN UNTUK ILMU EKONOMI, MANAJEMEN DAN AKUNTANSI Dari Teori ke Praktek. In *Zifatama Publisher*. Zifatama Publisher. zifatama@gmail.com

Garaika, D. (2019). Metodologi Penelitian. In *CV HIRA TECH*.

Ghozali, I. (2018). Aplikasi Analisis Multivariate dengan Program IBM SPSS 25. In *Badan Penerbit Universitas Diponegoro: Semarang* (9th ed.). Badan Penerbit Universitas Diponegoro: Semarang.

Hoon, H. T., Katsimi, M., & Zoega, G. (2023). Investment and the long swings of unemployment. *Economics of Transition and Institutional Change*, *31*(3), 611–632. https://doi.org/10.1111/ecot.12350

Jacob, T. ., Raphael, R., & M. V., S. (2022). Impact of Exchange Volatility on Foreign Direct Investment in China: An Empirical Analysis. *SJCC Management Research Review*, *11(3)*, 41–54. https://doi.org/https://doi.org/10.35737/sjccmrr/v11/i3/2021/144

Liu, Y. (2023). Detailed Review of Stagflation and Recession. *SHS Web of Conferences*, *169*, 01057. https://doi.org/10.1051/shsconf/202316901057

Matthew, J. (2018). Stagflation. In *EzyEducation*. https://www.ezyeducation.co.uk/ezybusinessdetails/ezybusiness-news/entry/business-studies-year-13-revision-day-4-pestle-analysis-part-1.html

Mizanur R. Mizan. (2023). *Stagflation: What is Stagflation? Understanding its Origins, Effects, and Remedies*.

Mohammed, J., Ntim, D. O., & Adjei, P. (2021). Inflation and Investment in Ghana. *Empirical Economics Letters*, *5*(May).

Mufti, A. (2020). Praktik Investasi Emas Secara Angsuran di PT. Pegadaian. *Az Zarqa' Jurnal Hukum Bisnis Islam*, *12*(1), 194–196.

Perbendaharaan, D. (2023). *Ekonomi dan Meningkatkan Kesejahteraan Masyarakat Jawa Timur*.

Prince, H., Nzidee, W. A., Jp, P. D., Harcourt, P., State, R., Harcourt, P., State, R., Nzidee, P. A., & Chukwuwnweike, U. M. (2023). INFLATION AND UNEMPLOYMENT TRADE-OFF IN NIGERIA : AN EXAMINATION OF PHILIP ' S CURVE. *Advance Journal of Economics and Marketing Research*, 1–8.

Rafiq, M. A., & Kazmi., S. M. (2017). Impact of Aid, Export, and GDP Per Capita on The Foreign Direct Investment (Panel Data Analysis Of Twenty African And Asian Economies). *Journal of ISOSS*, *3*(1), 73–80.

Seonjou, K. (2022). The G20 Bali Summit: Coping with Geopolitical Crisis and Saving Global Governance. *Insititute of Foreign Affairs and National Security*, *IF2022-30E*, 19–20.

Tenreng, M., & Idrus, A. (2022). Ekonomi Makro. In Fahmi Jalaluddin (Ed.), *Syakir Media Press* (Vol. 21, Issue 1). Syakir Media Press. http://journal.um-surabaya.ac.id/index.php/JKM/article/view/2203

Victor, V., Karakunnel, J. J., Loganathan, S., & Meyer, D. F. (2021). From a recession to the COVID-19 pandemic: Inflation-unemployment comparison between the UK and India. *Economies*, *9*(2). https://doi.org/10.3390/economies9020073

Wagdi, O., Abdelbaset, A., & Sharihan, S. (2021). Stock Market Return and Stagflation Under Two Control Variables: International Evidence. *SSRN Electronic Journal*, *06*, 120–140. https://doi.org/10.2139/ssrn.3864984

Word Bank. (2022). *Trade for Growth and Economic Transformation*.

World Bank. (2021). Metadata Glossary. In *World Bank*. https://databank.worldbank.org/metadataglossary/statistical-capacity-indicators/series/5.51.01.10.gdp

Zahriyah, A., Suprianik, Parmono, A., & Mustofa. (2021). Ekonometrika. In *Mandala Press*. Mandala Press.