

## ABSTRACT

### **The Influence of Macroeconomic Variables to Investment Interest in Medium and Large Scale Manufacturing Industry in East Java**

The objectives of this study are: (1) to determine priority of investment in medium and large scale manufacturing industries in East Java, (2) to analysis the influence of macroeconomic variables on investment interest both foreign and domestic investment. To determine the priority of investment has been used mathematical analysis, (I-O), using combination among Backward linkage, Forward linkage, Gross Value Added and Export, while in analyzing the influence macroeconomic variables, Economic growth in t-1 period, Inflation in t-1 period , Interest rate in t period , Investment in t-1 period, and Exchange rate in t period, has been used multiple regression analysis.

The finding of this study are: (1) Economic development which has been based on growth pole model has positive effect in increase economic growth but, in the other hand, those model has created industries, especially medium and large scale industry, agglomeration and the wider income gap among sectors, among regencies, and among Development Area Units (SWP) in East Java; (2) In some regency, there has been shifting the role of income contribution of industry to total industries income; (3) From regression analysis found that there are only four macroeconomic variables studied:  $f_{(t-1)}$ ,  $I_{(t-1)}$ , and  $NT_t$ , which have significant influence, both for foreign investment (PMA) and domestic investment (PMDN), to dependent variable ( $I_t$ ).

The result of I-O analysis show that there are eight medium and large scale industries sectors need to be given priority, those are: Leather Processing industry, Fertilizer and Pesticide industry, Paper and Cartoon goods industry, Other Chemical industry, Oil Refinery industry, Flour mill industry, Paper industry, and Metal Good industry. Furthermore, it was known, partially, that variable which has dominant role to Foreign Investment Interest is  $I_{(t-1)}$ , while which has dominant role to Domestic Investment Interest is  $Inf_{(t-1)}$ .

**Keywords :** Investment interest, Industry, Priority of Investment, Macroeconomic