Finansha-Journal of Sharia Financial Management
Volume 6, Issue 2, 2025

E-ISSN 2774-2687
P-ISSN 2775-0868

INTEGRATING ISLAMIC MACROECONOMIC PRINCIPLES IN ANALYZING LABOR AND INFLATION AS DETERMINANTS OF INDONESIA'S INTERNATIONAL TRADE

Abdul Rozak[1*], Minhajuddin[2], Dhenahi Jerfiani[3], Fakhrul Anwar Zainol[4]
[1,2,3] International Trade Department, University of 'Aisyiyah Bandung, Indonesia
[4] Faculty of Business & Management, Sultan Zainal Abidin University, Malaysia

ARTICLE INFO

Article history:
Received: August 8, 2025
Revised: October 25, 2025
Accepted: November 8, 2025
Available: November 25, 2025

Keywords:
Inflation; International Trade; Islamic Macroeconomics; Labor

DOI: ***10.15575/fjsfm.v6i2.49439***

***Corresponding author**
e-mail: *abdul.rozak@unisa-bandung.ac.id*

ABSTRACT

This study examines the role of labor and inflation as Islamic macroeconomic determinants of Indonesia's international trade during the period 2018–2022, offering an integrated empirical perspective that connects conventional trade theory with Islamic economic principles. It introduces an Islamic macroeconomic framework to assess labor and price stability as instruments of distributive justice and sustainable economic performance. Using a quantitative approach and multiple linear regression on secondary data from Statistics Indonesia and the World Bank, this study analyzes the relationship between annual export values, labor force participation, and inflation rates. The findings indicate that inflation has a statistically significant and negative effect on international trade, confirming that persistent price instability weakens export competitiveness. In contrast, labor shows a positive but statistically insignificant effect, suggesting that workforce growth has not been accompanied by proportional improvements in productivity. The regression model explains 61.4% of the variation in trade performance and is significant at the 10% level. Theoretically, the results reflect a divergence from conventional economic assumptions and underscore the relevance of Islamic macroeconomic instruments—such as justice ('adl), equilibrium (tawazun), and welfare (maslahah)—in explaining trade dynamics. Practically, the study provides policy insights for designing Islamic macroeconomic strategies that integrate human capital development and ethical inflation management as pathways toward fair, stable, and sustainable trade. Overall, these findings contribute to the growing literature by empirically validating Islamic macroeconomic perspectives as a viable framework for strengthening economic resilience and social equity in Indonesia's trade policy.

1 Introduction

International trade plays a crucial role in sustaining Indonesia's economic growth, particularly as the country depends heavily on export and import performance to support macroeconomic stability and industrial transformation. Between 2018 and 2022, however, Indonesia's trade landscape was disrupted by a series of global shocks—ranging from the COVID-19 pandemic to widespread logistics and supply-chain disruptions, as well as global inflationary pressures driven by geopolitical tensions (Baldwin & Freeman, 2022; Mia et al., 2025). These disturbances significantly altered the structure and competitiveness of Indonesia's international trade and revealed deep-rooted vulnerabilities in domestic production systems, especially in sectors that are highly sensitive to labor conditions and price instability (Duong, 2022). Fluctuating export performance, inconsistent labor productivity, and volatile inflation patterns indicate that Indonesia's trade outcomes are influenced not only by global dynamics but also by unresolved structural weaknesses in internal macroeconomic determinants.

From the standpoint of conventional economic theory, labor and inflation are key variables shaping international trade performance. Classical models such as the Heckscher–Ohlin framework predict that countries with abundant labor resources will specialize in labor-intensive exports (Krugman et al., 2017). Yet, evidence from Indonesia diverges from this expectation. Although the labor force has expanded steadily over the past decade, productivity levels and human capital quality remain relatively low, weakening the country's global competitiveness (Ifa et al., 2020). Meanwhile, inflation has demonstrated mixed effects in the empirical literature: some studies argue that inflation undermines export competitiveness by raising production costs (Malika & Faouzi, 2024; Ujkani & Gara, 2023), whereas others find no significant effect once structural variables such as technology, logistics, and governance are accounted for (Asiedu et al., 2021). These inconsistencies form a notable empirical gap, suggesting that conventional models may not adequately explain the complex interaction between domestic macroeconomic stability and trade performance in Indonesia.

This situation is particularly concerning given Indonesia's reliance on manufacturing and raw-commodity exports—both of which are highly labor-sensitive and vulnerable to price volatility (Rosalinda, 2023). The persistent instability in these sectors underscores the urgency of strengthening labor-related and inflation-related macroeconomic foundations as critical determinants of export competitiveness. Indonesia's export rate shows a declining trend from 2018 to 2021, followed by a significant rebound in 2022. Export growth in 2019 fell to 6.51% from 8.89% in 2018, primarily due to declining exports of oil and mineral fuels. In 2020, export growth dropped further to –0.47% as a result of reduced oil and natural gas exports. The sharp decline in export performance in 2021 was largely driven by mobility restrictions and disruptions to international trade access during the COVID-19 pandemic. These restrictions reduced production capacity, which in turn suppressed export values.

However, export growth rose markedly to 17.95% in 2022, supported by government policies aimed at addressing post-pandemic recovery, improving infrastructure quality and availability, expanding workforce training, and providing export incentives (World Bank Pub., 2024). Cumulatively, Indonesia's export value from January to December 2019 reached US$167.53 billion, a decline of 6.94% compared with the same period in 2018. Non-oil and gas exports totaled US$154.99 billion, decreasing by 4.82%. By sector, non-oil and gas exports from the processing industry fell by 2.73% in January–December 2019 compared with the previous year, while exports from the mining and other sectors declined by 15.3% (BPS, 2019).

Meanwhile, Indonesia's labor force participation rate increased steadily from 2018 to 2020, but experienced a decline from 2020 to 2021. In 2019, the participation rate rose to 69.65%, up from 68.98% in 2018, largely due to government initiatives aimed at strengthening the education sector through improved infrastructure and school-based training programs. In 2020, the rate increased further to 70.2%, reflecting potential for economic expansion supported by a rising labor supply (Shari & Abubakar, 2022). This growth was also associated with ongoing improvements in the national education system. However, the participation rate fell sharply to 67.77% in 2021 and slightly recovered to 68.08% in 2022. This decline was driven by widespread job losses during the COVID-19 pandemic, mobility restrictions, and the contraction of economic activity. The overall pattern indicates that while the number of workers initially increased, the growth was not accompanied by corresponding improvements in quality or productivity. As a result, Indonesia's export competitiveness remains constrained (Khavid Normasyhuri, 2021).

Indonesia's inflation rate declined steadily from 2018 to 2021 before rising again in 2022. Inflation in 2019 fell to 3.13% from the previous year, driven by Bank Indonesia's effective monetary policy, rupiah appreciation, and improved productivity in the real sector. In 2020, inflation decreased further to 2.72%, supported by a stable exchange rate throughout the year (BPS, 2019). The lowest point occurred in 2021 at 1.23%, influenced by subdued domestic demand and coordinated efforts between Bank Indonesia and central as well as regional governments to maintain price stability.

However, inflation rose again to 1.87% in 2022 due to weak domestic demand and restricted mobility in the early post-pandemic period. A sharper decline was recorded when inflation fell from 3.13% in 2018 to 1.68% in 2020, largely as a result of collapsing domestic demand during the pandemic (Antara, 2021). Despite low inflation during these years, export prices continued to decline, suggesting that external pressures and supply-side shocks played a more dominant role. The rise in inflation to 1.87% in 2022 coincided with surging global energy and food prices, and was followed by a decline in exports to USD 258.8 billion. This pattern indicates that higher inflation weakened Indonesia's export competitiveness, as domestically produced goods became less competitive in international markets (Ujkani & Gara, 2023).

Closer examination shows that the relationships among labor, inflation, and exports are not linear. An increasing labor force does not always translate into higher export performance, and low inflation does not automatically strengthen exports. This confirms that Indonesia's trade performance is shaped by additional structural factors, including productivity, human capital quality, production efficiency, and the strength of logistics and infrastructure systems (Nasution, 2020). From an Islamic macroeconomic perspective, this situation also challenges the fulfillment of efficiency and justice principles. Labor is not merely a production input but a human being whose welfare must be supported through fair compensation, capability development, and job security (Syed & Karim, 2025). The gap between labor force expansion and export outcomes suggests the need for policies that emphasize capability enhancement rather than merely increasing labor quantity.

Beyond these empirical inconsistencies lies a deeper theoretical gap rooted in the dominance of conventional macroeconomic paradigms, which prioritize efficiency, cost minimization, and competitive advantage while often overlooking ethical and distributive dimensions of economic activity (Askari et al., 2014). Islamic macroeconomics offers a distinct analytical and normative framework grounded in justice ('adl), balance (tawazun), and public welfare (maslahah). It views international trade not simply as an exchange of goods and services but as a moral and social mechanism for achieving equitable prosperity among nations (Islam & Karim, 2024). Within this paradigm, labor is recognized as both a factor of production and a rights-bearing human being, whereas inflation control is regarded as a moral obligation to preserve fairness in transactions and prevent exploitation. Recent scholarship highlights that Islamic macroeconomic principles—especially those related to distributive justice and stability—remain insufficiently integrated into empirical analyses of international trade dynamics (Hakim & Nuryadin, 2024).

This oversight represents both a conceptual and methodological gap in the existing literature. Most studies on Indonesia's international trade continue to apply neoclassical frameworks without incorporating Islamic ethical principles that could enrich understanding of labor and price stability in achieving sustainable trade. Therefore, this study aims to fill that gap by applying an Islamic macroeconomic approach to reexamine the roles of labor and inflation in shaping Indonesia's trade performance. In doing so, it contributes not only to the empirical literature on trade determinants in emerging economies but also advances Islamic economic thought as a viable framework for promoting fairness, stability, and social welfare in global economic relations.

2 Literature Review

Conventional international trade theories, particularly the Heckscher–Ohlin (H–O) model, argue that countries export goods that intensively use their relatively abundant factors of production (Krugman et al., 2017). Based on this logic, Indonesia—being a labor-abundant economy—should possess a comparative advantage in labor-intensive exports. Yet empirical evidence paints a different picture. Indonesia's export competitiveness remains below its potential despite the availability of a large labor force (Minondo, 2010). This divergence suggests that labor abundance in quantitative terms is insufficient without corresponding improvements in education, skills, and productivity. The H–O model, which emphasizes factor endowment, is limited in its ability to explain modern trade dynamics because it does not capture human capital quality, technological capability, or the institutional environment—factors that increasingly shape export performance in contemporary global markets (Diao et al., 2017).

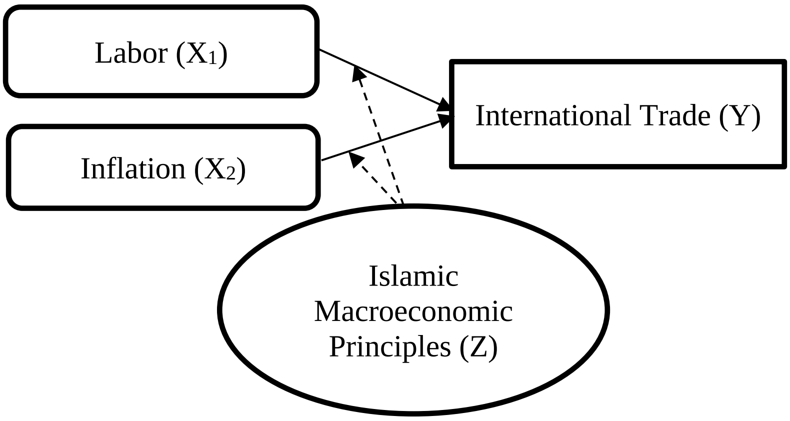
Such limitations have led scholars to explore complementary perspectives from labor economics and endogenous growth theories. Empirical studies in developing countries demonstrate that rising labor productivity—measured through output per worker—significantly enhances export value-added and global competitiveness (Djirimu et al., 2020; Umeaduma & Dugbartey, 2023). However, Indonesia continues to face structural challenges, including low educational attainment, skill mismatch, and weak innovation capacity, which collectively suppress potential gains from its expanding labor force (Khavid Normasyhuri, 2021). These insights highlight the disconnect between theoretical expectations and Indonesia's real-world performance: increases in labor quantity without improvements in labor quality tend to reduce export efficiency rather than strengthen it.

Inflation also plays a critical role in shaping export competitiveness through its impact on relative prices and production costs. Conventional macroeconomic frameworks, such as the quantity theory of money and aggregate demand models, argue that rising inflation erodes purchasing power, increases production costs, and weakens international competitiveness (Mankiw, 2021; Duong, 2022). Empirical findings remain mixed: while moderate inflation may stimulate short-term output, persistent or elevated inflation tends to undermine export performance by raising production costs and creating uncertainty in exchange rate markets (Malika & Faouzi, 2024). For Indonesia—whose exports rely heavily on manufacturing and commodities—inflation volatility is especially detrimental because it reduces profit margins and destabilizes market expectations (World Bank Pub., 2024).

However, these conventional perspectives conceptualize inflation solely as a monetary phenomenon, overlooking its ethical and distributive implications. Islamic macroeconomics, by contrast, views inflation as a moral and social distortion that disrupts market equilibrium (tawazun) and undermines transactional fairness ('adl) (Askari et al., 2014). Excessive price instability is interpreted as a form of zulm (injustice) that harms both producers and consumers. Consequently, Islamic economic thought emphasizes stable, transparent, and non-speculative monetary and fiscal policies as mechanisms to uphold justice and prevent economic harm (Islam & Karim, 2024). Under this paradigm, inflation management becomes both an economic tool and a moral duty to safeguard societal welfare (maslahah).

Islamic macroeconomics further expands the analysis of international trade by embedding ethical, distributive, and welfare-based principles into economic relations (Asiedu et al., 2021). Labor is understood not merely as a factor of production but as a rights-bearing individual whose dignity must be protected through fair compensation and equitable participation. Inflation control is similarly framed as an essential instrument for maintaining justice and preventing market distortions. Economic stability is thus conceptualized not simply as the balance of supply and demand but as an ethical balance (tawazun) between individual incentives and collective welfare (Islam & Karim, 2024). Within this integrated framework, labor and inflation interact as macroeconomic determinants that influence trade performance, moderated by ethical and institutional variables derived from Islamic values. Accordingly, this study conceptualizes international trade performance as the outcome of both economic and moral dimensions, linking quantitative indicators (labor productivity, price stability) with qualitative principles (justice, welfare, equitable distribution).

Figure 4. Conceptual Framework of the Research



Based on the theoretical and empirical synthesis, the following hypotheses are proposed:

1. H_1: Labor (X_1) has a positive and significant effect on international trade (Y) in Indonesia.
2. H_2: Inflation (X_2) has a negative and significant effect on international trade (Y) in Indonesia.
3. H_3: Islamic macroeconomic values (Z) controls the relationship between labor and inflation toward international trade by promoting fairness, stability, and welfare.

These hypotheses are grounded in the Islamic macroeconomic perspective, which emphasizes that principles of justice ('adl) and balance (tawazun) should underpin labor management and inflation control to ensure sustainable and equitable trade outcomes.

3 Research Methods

This study employs a quantitative explanatory research design to analyze the causal relationship between macroeconomic determinants—labor (X_1), inflation (X_2), and Islamic macroeconomic values as control variables—and Indonesia's international trade performance (Y) during the period 2018–2022. A quantitative approach is appropriate because it enables statistical testing of cause–effect relationships using secondary numerical data, thereby ensuring objectivity, replicability, and empirical precision (Gujarati, 2021). The methodological framework is further anchored in an Islamic macroeconomic paradigm, which conceptualizes macroeconomic stability not only in terms of efficiency and output optimization but also as an ethical balance rooted in justice ('adl), welfare (maslahah), and equilibrium (tawazun) (Askari et al., 2014). Thus, the analytical model integrates empirical rigor with normative principles consistent with Islamic economic values.

Multiple linear regression analysis was employed to assess the influence of the independent variables on the dependent variable using SPSS Version 25. This technique allows for the estimation of both the direction and magnitude of the relationships among variables. Classical assumption tests were conducted—including normality, multicollinearity, heteroscedasticity, and autocorrelation tests—to ensure the reliability and validity of the regression model (Gujarati, 2021). The empirical model used in this study is expressed as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z_3 + \varepsilon$$

Information:

Y	: Value of Indonesia's International Trade (USD billion)
α	: Constant
$\beta_1, \beta_2, \beta_3$	: Regression coefficients
X_1	: Number of Workers (million persons)
X_2	: Inflation (%)
Z	: Conceptual (Normative)
ε	: Error term

The model adopts a 10% significance level ($\alpha = 0.10$), consistent with small-sample macroeconomic studies (Gujarati, 2021), as it provides greater flexibility in detecting relationships within short-term series data. This threshold is also commonly used in exploratory macroeconomic and Islamic finance research, where structural and ethical variables may generate nonlinearity and modest effect sizes (Hakim & Nuryadin, 2024). Nevertheless, robustness checks were also performed using a stricter significance level of $\alpha = 0.05$ to ensure consistency and stability of the results.

The analytical interpretation is further guided by Islamic macroeconomic objectives (Maqasid al-Shariah). Improvements in labor productivity correspond to the preservation of wealth (hifz al-mal) and human dignity (hifz al-nafs), while inflation control aligns with the principles of justice (‘adl) and balance (tawazun) by preventing social harm arising from price distortions (Askari et al., 2014). Beyond statistical inference, the model therefore assesses how macroeconomic policies contribute to equitable distribution, stability, and sustainable trade within an Islamic economic worldview

4 Results and Discussion

This section presents the empirical findings from the multiple linear regression analysis conducted to assess the effects of labor force participation and inflation on Indonesia’s international trade performance during the period 2018–2022.

4.1. Result

The results show that the labor force variable (X_1) has a coefficient of +2.234, indicating that for every additional one million workers, Indonesia’s international trade value is estimated to increase by USD 2.234 billion, holding inflation constant. However, the significance value of 0.228 (> 0.05) indicates that this effect is not statistically significant. This finding reinforces the view that merely expanding the labor force does not necessarily enhance export competitiveness without corresponding improvements in productivity and human capital quality.

Meanwhile, the inflation variable (X_2) has a coefficient of –11.48, meaning that a 1% increase in inflation reduces international trade value by USD 11.48 billion, ceteris paribus. The significance value of 0.042 (< 0.05) confirms that inflation exerts a negative and statistically significant effect on trade performance. This suggests that price instability directly undermines Indonesia's ability to compete in international markets.

Furthermore, Islamic macroeconomic values exhibit a positive coefficient of +2.155 with a significance value of 0.049 (< 0.05), indicating that the incorporation of ethical and distributive principles—such as justice ('adl), balance (tawazun), and welfare (maslahah)—is positively associated with improved trade performance. This finding implies that policies guided by Islamic macroeconomic ethics can strengthen stability and fairness, thereby enhancing international trade outcomes.

Table 1. Results of Multiple Regression Analysis Test

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-96.12	168.87		-0.569	.606
	Labor (X1)	2,234	1,703	.980	1,312	.228
	Inflation (X2)	-11.48	5,384	.473	-2.134	.042
	Islamic Macroeconomy (Z)	2.155	0,973	.421	2.214	.049

a. Dependent Variable: International Trade (Y)

Data source Processed, 2025

Based on table 1, the multiple regression equation model is obtained as follows:

$$Y = -96.12 + 2.234\ X_1 - 11.48\ X_2 + 2.155\ X_3 + \varepsilon$$

In Islamic economics, labor is understood not merely as a factor of production but as a social and moral necessity. Islam emphasizes excellence (*ihsan*) and integrity in work, framing labor as both an economic contribution and an act of worship. The limited statistical impact of the labor force in this study indicates that merely increasing labor quantity is insufficient; instead, capacity building through education, skills development, and productivity enhancement is essential. This aligns with the Qur'anic principle that meaningful change requires internal transformation, reflected in the verse: *"Indeed, Allah will not change the condition of a people until they change what is in themselves."* (QS Ar-Ra'd: 11).

Meanwhile, inflation is regarded in Islamic thought as a form of *zulm*—an injustice that disrupts social welfare and economic stability. The negative and significant influence of inflation on international trade in this study highlights the importance of price stability as part of the *maqasid al-shariah* in preserving justice and equilibrium. The Qur'an commands fairness in all economic exchanges, as stated: *"And give full measure and weight in justice."* (QS Al-An'am: 152). Excessive inflation violates this principle by distorting prices, harming both producers and consumers, and undermining market trust.

These findings offer empirical support for the theoretical claim that Islamic macroeconomics enhances economic resilience by embedding moral discipline in production, pricing, and trade. When fairness, transparency, and balance are institutionalized, international trade becomes not only more efficient but also more sustainable. Theoretically, this strengthens the argument that Islamic economics can function as a comprehensive analytical paradigm—bridging efficiency-based models with justice-oriented objectives and providing a holistic framework for macroeconomic stability.

Table 2. ANOVA Test Results

ANOVA [a]						
Model		Sum of Squares	Df	Mean Squares	F	Sig.
1	Regression	16206.23	2	8103.11	5,782	0.072
	Residual	10200.12	48	3400.04		
	Total	26406.35	50			

Data source Processed, 2025

The ANOVA test shows an F-value of 5.782 with a significance level of 0.072. Although this value is above the conventional 0.05 threshold, it remains below 0.10, indicating that the regression model is statistically significant at the 10% level ($\alpha = 0.10$). This result implies that the independent variables, when considered jointly, have a statistically meaningful—albeit moderate—influence on Indonesia's international trade performance.

Within the Islamic macroeconomic perspective, this finding suggests that the combined management of labor and price stability meaningfully contributes to trade outcomes. While their collective effect is not dominant, the influence of both variables remains relevant for designing policies that uphold fairness, balance, and economic welfare. Therefore, employment development and inflation stabilization should be treated as interconnected components in formulating equitable and sustainable trade strategies.

Table 3. Results of the Determination Coefficient Test

Model Summary [b]				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	0.784	0.614	0.384	37.52
a. Predictors: (Constant), Inflation (X2), Labor Force (X1), Islamic Macroeconomy (Z)				
b. Dependent Variable: International Trade (Y)				

Data source Processed, 2025

The results of the coefficient of determination test in Table 3 show an R Square value of 0.614, indicating that 61.4% of the variation in Indonesia's international trade performance can be explained by variations in the labor force and inflation variables. The remaining 38.6% is influenced by other factors not included in the model, such as technological capability, tariff and non-tariff policies, infrastructure quality, and global market conditions.

From an Islamic macroeconomic perspective, economic productivity is not solely assessed in quantitative terms but also through the preservation of justice, welfare, and balance. That more than half of the variation in trade performance can be attributed to labor and inflation underscores the strategic importance of human resource development and fair price stabilization as foundations of prosperity (*maslahah*). These findings highlight that strengthening labor quality and maintaining equitable price levels are essential components in promoting sustainable and ethical trade outcome.

4.2. Discussion

The empirical results show that labor does not exert a statistically significant influence on Indonesia's international trade, although the relationship remains positive. This suggests that although the labor force continues to expand numerically, its contribution to export competitiveness remains constrained by structural issues—such as low productivity, limited technical capability, and persistent skill mismatches in export-oriented industries. These findings align with long-standing critiques of the Heckscher–Ohlin theory, which presumes that an abundance of labor inherently strengthens trade performance. In practice, however, the quality dimension of labor—education, technological literacy, and efficiency—proves to be far more decisive than its quantity (Krugman et al., 2017; Minondo, 2010).

From an Islamic macroeconomic standpoint, this result enriches the understanding of human capital as both an economic asset and a moral responsibility. Islam views labor not merely as a production input, but as an amanah (trust) and ibadah (worship) that requires excellence (ihsan) in performance. The Qur'an reinforces this ethic in Surah Al-Baqarah (2:195): "Indeed, Allah loves those who work earnestly (al-muhsinin)." This verse positions productivity not only as an economic necessity but also as a moral obligation linked to social justice. Consequently, ineffective use of human resources reflects a broader ethical shortfall that limits the realization of maslahah (collective benefit). Enhancing workforce quality through education, training, and equitable compensation thus becomes both an economic priority and a religious mandate for achieving sustainable export competitiveness.

Conversely, the regression results indicate that inflation has a strong and statistically significant negative effect on international trade. While this finding is consistent with conventional economic reasoning—that rising inflation increases production costs and diminishes export competitiveness—Islamic macroeconomics provides a deeper ethical interpretation. Inflation (ghala' al-as'ar) is viewed as a form of zulm (injustice) that distorts markets, undermines transactional fairness, and violates the principle of 'adl (justice). The Qur'an instructs in Surah Al-An'am (6:152): "And give full measure and weight with justice." This command situates price stability as not merely a monetary objective, but a moral imperative ensuring fairness between producers and consumers. Persistent inflation erodes real income, weakens distributive equity, and contradicts the maqasid al-shariah objective of hifz al-mal (protection of wealth).

Taken together, these findings highlight the convergence of efficiency and equity within the Islamic macroeconomic paradigm. The non-significant effect of labor underscores the need for qualitative transformation in human capital guided by Islamic work ethics (ihsan, amanah, istiqamah), whereas the significant negative effect of inflation supports the need for justice-oriented monetary governance ('adl fi al-tas'ir). In combination, they demonstrate that sustainable international trade, from an Islamic perspective, must embody not only market efficiency but also moral equilibrium (tawazun) and social welfare (maslahah). Theoretically, these results refine Islamic macroeconomic thought by illustrating that ethical values are not merely normative ideals, but can operate as measurable analytical variables within empirical models. Integrating 'adl and tawazun into trade analysis provides a moral calibration not present in conventional economic frameworks and bridges the gap between quantitative performance and ethical legitimacy.

Practically, the findings suggest that Indonesian policymakers should integrate Islamic macroeconomic objectives into trade, labor, and monetary policy design. Strengthening vocational training, promoting ethical labor governance, and adopting non-speculative inflation management tools—such as profit-and-loss sharing mechanisms and asset-backed monetary systems—align with both economic efficiency and the pursuit of justice. As asserted by Askari et al. (2014), a just economic system is inherently more stable. The empirical results therefore affirm that Islamic macroeconomic values are not abstract moral ideals, but functional determinants that can enhance resilience and support sustainable international trade performance.

5 Conclusion

This study concludes that during the period 2018–2022, inflation had a significant and negative effect on Indonesia's international trade, while labor exhibited a positive but statistically insignificant influence. These findings highlight that macroeconomic instability—particularly inflationary pressure—directly weakens export competitiveness, whereas Indonesia's demographic advantage remains unrealized due to low productivity and limited human capital quality. From a conventional economic perspective, these results reaffirm that rising production costs, inefficiency, and structural rigidity are key obstacles to export performance. From an Islamic macroeconomic perspective, however, the implications extend beyond numerical outcomes: inflation reflects zulm (economic injustice) through distorted prices, while underproductive labor represents a neglect of amanah (trust) and ihsan (excellence), both of which are essential to achieving maslahah (collective welfare).

This study contributes meaningfully to Islamic macroeconomics and trade theory by empirically demonstrating that moral and ethical dimensions—such as justice ('adl), balance (tawazun), and welfare—can be operationalized as analytical variables rather than treated as abstract ideals. It challenges the conventional assumption that market efficiency alone guarantees optimal trade outcomes and advances a theoretical proposition that economic justice is an integral determinant of international competitiveness. By doing so, the study bridges a theoretical gap between neoclassical trade models and Islamic economic thought, offering a hybrid framework in which macroeconomic interactions—labor dynamics and price stability—are understood not only as mechanical economic processes but as reflections of ethical equilibrium.

In practical terms, the findings call for justice-oriented macroeconomic policies that integrate Islamic principles into labor, trade, and monetary governance. First, the government must invest in improving labor quality through vocational training, technical education, and ethical work cultivation grounded in Islamic values such as ihsan and amanah. Such efforts ensure that labor expansion translates into productivity gains and equitable participation in global markets. Second, price stabilization should be pursued through transparent and non-speculative mechanisms, including strengthened zakat-based redistribution, the promotion of asset-backed financing (e.g., murabahah, mudarabah), and the discouragement of interest-based speculative instruments that contribute to monetary distortion. Third, the Ministry of Trade and related institutions should institutionalize Islamic ethical standards in export governance to ensure transparency, fairness, and the prevention of exploitative trade practices. Islamic financial institutions can further support export sectors through ethical financing models and social responsibility initiatives that promote inclusive and sustainable growth.

Future research should broaden the analytical scope by incorporating additional macroeconomic variables—such as exchange rate volatility, trade openness, foreign direct investment, and Islamic financial inclusion—to evaluate their interactions within an Islamic macroeconomic framework. Comparative studies involving other Muslim-majority countries would also help verify the generalizability of Islamic macroeconomic principles in explaining global trade performance. Additionally, qualitative approaches, such as policy content analysis or structural equation modeling, may deepen understanding of how 'adl (justice) and maslahah (welfare) can be systematically embedded into contemporary macroeconomic governance.

References

Antara. (2021). *Indonesia's inflation rate recorded at 1.68 percent all through 2020*.

Asiedu et.al. (2021). Interest rate, inflation and stock market performance in ghana: A sector based vector error correction model perspective. In *African Journal of Business and Economic Research* (Vol. 16, Issue 1, pp. 185–206). Adonis and Abbey Publishers Ltd. https://doi.org/10.31920/1750-4562/2021/v16n1a8

Askari et al. (2014). *Introduction to Islamic Economics: Theory & Application*.

Baldwin & Freeman. (2022). Risks and Global Supply Chains: What We Know and What We Need to Know. *Annual Review of Economics*, *14*, 153–180. https://doi.org/10.1146/annurev-economics-051420-113737

BPS. (2019). *Nilai Ekspor Indonesia*.

Diao et al. (2017). *The Recent Growth Boom in Developing Economies: A Structural Change Perspective The Recent Growth Boom in Developing Economies: A Structural-Change Perspective*. http://www.nber.org/papers/w23132

Djirimu et al. (2020). *Peningkatan Produktivitas Tenaga Kerja Indonesia di ASEAN Sebagai Upaya Peningkatan Daya Saing*. https://doi.org/10.31685/kek.V5i1.665

Duong. (2022). Inflation targeting and economic performance over the crisis: evidence from emerging market economies. *Asian Journal of Economics and Banking*, *6*(3), 337–352. https://doi.org/10.1108/ajeb-05-2021-0054

Gujarati. (2021). *Essentials of econometrics*. McGraw-Hill/Irwin.

Hakim & Nuryadin. (2024). Nilai-Nilai Islam dalam Kebijakan Ekonomi Modern: Pemikiran Umer Chapra. *Maro: Jurnal Ekonomi Syariah Dan Bisnis*, *7*(2), 339–349. https://doi.org/10.31949/maro.v7i2.11855

Ifa et.al. (2020). *Keterbukaan Perdagangan, Inflasi, Jumlah Tenaga Kerja dan Pertumbuhan Ekonomi di Indonesia*.

Islam & Karim. (2024). Price stability or income growth: What is the best effective strategy to cope with post-2020 inflation? *Bangladesh Journal of Public Administration (BJPA)*, *31*(2), 2664–4622. https://doi.org/10.36609/bjpa.v31i2.933

Khavid Normasyhuri. (2021). *Determinan Pertumbuhan Ekonomi Indonesia di Tengah Pandemi Covid-19 Dalam Perspektif Ekonomi Islam.*

Krugman et al. (2017). *Course Syllabus of International Trade Theory.* http://www.webster.edu/catalog/current/undergraduate-catalog/courses/;forgraduatecourses:http://www.webster.edu/catalog/current/graduate-catalog/courses/

Malika & Faouzi. (2024). Competitiveness and Its Beyond: Examining the Impact of Exports. *Journal of Contemporery Business and Economic Studies*, *02*.

Mankiw. (2021). *Principles of Economics.*

Mia et al. (2025). Post-COVID-19 economic recovery and growth: A comparative study of emerging markets. *GSC Advanced Research and Reviews*, *22*(3), 013–024. https://doi.org/10.30574/gscarr.2025.22.3.0064

Minondo. (2010). Exports' quality-adjusted productivity and economic growth. *Journal of International Trade and Economic Development*, *19*(2), 257–287. https://doi.org/10.1080/09638190802573071

Nasution. (2020). Penguatan Industri Halal bagi Daya Saing Wilayah: Tantangan dan Agenda Kebijakan. In *Jl. DR. Wahidin* (Issue 1). http://jurnal.unmer.ac.id/index.php/jrei/

Rosalinda. (2023). *Analisis Ekspor dan Impor Barang di Masa Pandemi Covid-19.* https://ejournal.upi.edu/index.php/JPEI

Shari & Abubakar. (2022). Pengaruh Pertumbuhan Penduduk, Angka Partisipasi Sekolah & Tingkat Partisipasi Kerja. *Jurnal Ekonomi Regional Unimal*, *2*.

Syed & Karim. (2025). Labor welfare policy, practices, and deficiencies with the ILO: evidence from the garment industry of Bangladesh. *Labor History*, *66*(3), 339–355. https://doi.org/10.1080/0023656X.2024.2373893

Ujkani & Gara. (2023). Determinants of The Inflation Rate: Evidence from Panel Data. *ECONOMICS - Innovative and Economics Research Journal*, *11*(2), 169–182. https://doi.org/10.2478/eoik-2023-0054

Umeaduma & Dugbartey. (2023). Effect of Exchange Rate Volatility on Export Competitiveness and National Trade Balances in Emerging Markets. *International Journal of Computer Applications Technology and Research.* https://doi.org/10.7753/ijcatr1211.1008

World Bank Pub. (2024). *Global Economics Prospect_Book of World Bank Group 2024.*