

DOES THE COVID 19 PANDEMIC EFFECT INDONESIA'S ECONOMIC GROWTH

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Abstract

It is known that health is an important aspect to support day to day human activity. The world has experienced many health problems and the most pandemic problem is the Covid 19. It has stated its existence in almost a year. Within a year, it has broken down many aspects of human life. Many nations declare to lockdown their nations in order to protect their citizens. In Indonesia, Large-scale social restriction is executed to limit human interaction and somehow has effected a lot to business and economy sector. This study analyzes the data of economic growth from the four periods taken from the bureau of central statistic (BPS). The result shows the growth in percentage units and it shows how the economic growth is declining.

Keywords: Covid 19 Pandemic, Economic growth

INTRODUCTION

The Covid-19 crisis is oftenly compared with global wars since there were massive exposed news from China, South Korea, and recently from Italy and Spain, unveiling that this new infectious disease is different (Leach et. al., 2021). Corona virus disease known as Covid-19 is an infectious disease. Most people infected with the Covid-19 virus can suffer from low level to moderate respiratory illness and somehow they can get well easily without requiring special treatment. On the contrary, older people and others who have suffer medical problems like heart attack, diabetes, severe respiratory disease, and cancer are easily to have this serious corona virus disease. The existence of this Covid 19 has given massive impact to all nations in all sectors of life.

The spread of this virus has limited human movement and this has also caused many limitations to earn a living and become less productive. Since the human movement is limited this has also caused the economy wheels. Indonesia never uses the term lockdown but somehow it exists in other term which has similar meaning that is to prohibit people to gather (stay away from crowd and isolate themselves at home). This term is known as large-scale social restriction. This restriction has made people stay, study and work from home. Keeping citizen to stay at home has made many business slows down since in the beginning of the social restriction people are afraid to go outside and prefer cooking their own food rather than buying food online. This phenomenon has caused some restaurants lead to big loss. Hotels are closing down at that time and restaurants are also struggling to keep paying their employee even though they receive less/no income.

Less productivity causes less profit and this can effect many things. Many businesses face the same things. People believe that at that time it is best to spend their saving than going

outside to get a job because of the situation. This health problem has given so much attention since lots of Covid 19 victims found in many cities of Indonesia. Java as the main islands of the nation has become the central of corona virus disease's spread. Evidence has confirmed that the spread of Covid -19 was initiated with the crisis in China, Korea, Iran, and Italy, then followed by the United States in which the US government already had more information about the risk related to the Covid-19 spread and somehow implement other countries' experience to mitigate the risk (Leach et al., 2021). Taking care the health problem is as important as handling the economic problems caused by the Covid 19. Many analysis of financial variables according to Covid-19 is done and suggestions are given to give focus on the physical quantities referring to supply and demand imbalances in the labor market. This has given some perspective in knowing how this Covid-19 impacts economic development and growth.

The development of a city even a nation is also affected because of the existence of this pandemic. According to Sharif (2020), development is meant to be a transformation of progressive social, economic and political change and somehow during this pandemic is widely being undone. Furthermore, it is explained that Long-dominant development models are now under challenge, such examples given are economic growth, market freedom, globalization, and many things (Sharif, 2020). Discussing about economic growth, it is well understood that it is a process of gaining more output over time which is an important indicator for evaluating the performance of a country's development.

It is interesting to identify the various factors that influence economy growth, especially the role of government. Government spending as a tangible form of government interference in the economy has become an important object for research. Many research about Covid 19 and its interference on economics problems are conducted. the idea of analyzing the interaction between economic decisions and pandemic has emerged focusing on the inevitable trade-off between the severity of the short-run recession caused by the pandemic and the health consequences of the Covid-19 spread (Eichenbaum et. al, 2020). Other research also discusses about the impact of international economic and financial situation of Covid-19 pandemic with previous epidemic and pandemic events, such as SARS, H1N1, MERS, Ebola 2014, and Zika (Ma et. al., 2020).

THEORITICAL REVIEW

According to Mckibbin and Fernando (2021), s wide cross nation consensus exists that there are necessary phases taken to control the spread of Covid-19 across the world and thus will have significant negative consequences for the global economy. Debating the role of government, this research explore some theories. The basic theory of Neoclassical economic growth implies that there is no influence of the government role on growth in the form of expenses or taxes. Economic growth is only affected by the stock of capital, labor and exogenous technology. The government can influence Indonesia's economic growth. Hence, population growth will affect labor availability but will not have an impact on economic growth. Next, endogenous growth theory explains that investment in physical capital and human capital plays a role in determining long-term economic growth. The contribution of the government to economic growth can be explained by its influence on making changes in consumption or expenditure for public investment and revenue from taxes. This theory group also considers the existence of infrastructure, laws and regulations, political stability, government policies,

bureaucracy, and the basis of international exchange as important factors that also affect economic growth.

Government expenditure as an important instrument of fiscal policy is expected to be able to encourage economic activity and increase economic growth. The government optimizes this role by increasing spending (share) of Gross Domestic Product (GDP). In real terms, government spending has also increased in line with the increase in Gross Domestic Product (GDP). The role of the government in the economy is indicated by spending on the economy as a percentage of total expenditure, which tends to increase. Government expenditure as an instrument of problem formulation.

METHOD

This study reviewed secondary data in 2020 of 4 periods consist of three months. The use of data per period showed a more realistic connection due to the greater number of observations. The rate of economic growth in 2020 was presented to relate how it affected the way society reacted in their day to day economic activities. Using secondary data of economic growth from BPS periods, researchers explained how the economic growth in year 2020 for each three month period of time have reflected the economic condition during pandemic. Data from BPS exhibited either there were any changes in each period. This qualitative research also analyzed journals which mostly taken in 2020 which discuss about COVID 19 pandemic and its economic impacts.

DISCUSSION

How the Covid 19 pandemic situation affects the Indonesia's Economics Growth?

How pandemic affect the economy has witnessed the existence of a global outbreak of avian influenza, the measure of economic impact has taken high consideration along with national border closures and global and local movement restrictions since the World Bank predicted that the impact could be up to 4.8 percent of global GDP in the first year at that time (Burns et. al., 2006). Other evidence showed that the Spanish influenza happened in 1918 also resulted in major economic destruction globally, but in four year struggle, and somehow the economy was smaller and so much far connected (Barry, 2006). Those two incidents have shown how health problem really did matter to economic problems. Those economic problems were also categorized risky since the economic recovery to overcome that problem must be supervised by government and given much attention. Considering what has happened globally about Covid 19, it is obvious in discussing government spending which significantly affect economic growth. It is interesting to find out whether this pandemic situation affect economic growth significantly. This research is aimed to analyze the effect of government spending on economic growth.

The Covid-19 pandemic which began to emerge in early 2020 in China and spread to various countries, including Indonesia, affected Indonesia's economic growth in the first quarter of 2020. Indonesia's economic growth was recorded at 2.97% in the first quarter of 2020, slowing down compared to the achievements the previous quarter was 4.97%. China as the second-largest economy claimed a reduction of 6.8% in the first quarter (Bradsher, 2020). The uncertainty because of this pandemic situation on the global growth forecast by the International

Monetary Fund (IMF) in 2020 is expected to decline by 3%, and by 6.1% for advanced economies (Währungsfonds, 2020).

The impact of Covid-19 on Indonesia's economic growth, especially on the decline in domestic demand, amid the positive performance of the external sector. Consequently, Bank Indonesia keep paying close attention to the movement of Covid-19's expansion and its impact on the Indonesian economy. It also continuously elaborates coordination with the Government and the needed authorities to maintain macroeconomic and financial system stability, as well as to enhance national economic recovery. the Covid-19 has raised the scale of economic impact which is not only in terms of loss of economic activity but also in the requirements for credit and loan finance to keep businesses functioning (Tooze, 2020). Across nation, the investors' perception of corona virus risk also shape the US economic anxiety, the economic policy uncertainty and the stock market behavior (Leach, 2021). We do understand that during the emerge of this corona virus, many government across nation focuses on how to keep their own citizen safe. Many nations has implemented lockdowns explicitly. The Indonesia government itself prohibit other country's nation crossing its nation to keep the nation free from the spread of this virus. Even many country focuses on how healing their infected citizens. Many investments are blocked and of course this affect economic growth. From the expenditure side, the decline of economic growth in the first quarter of 2020 was mainly influenced by lower domestic demand. The lockdown measures have also increased telework and telecommuting, cancelled operations, as well as restricted supply and demand (Shrestha, 2020).

Table 1. The Indonesia's Economic Growth Year 2020

Three-month period	GROWTH (%)
I	2.97
II	- 5.32
III	- 3.49
IV	- 2.19
Average	- 2.0075

Source : *Badan Pusat Statistik*, Feb 8, 2021

Based on table 1., The average of economic growth in Indonesia remained negative, around 2 %. Indonesia's economic growth was noted at 2.97% in the first three month period of 2020. The next percentage reached at negative 5.32% then going up into negative 3.49 % and negative 2.19 % . The whole year's economic growth in 2020 showed how Economic activity has stalled due to the Covid 19 pandemic. In the tourism, trade and industrial sectors, agriculture which usually contributes has decreased. The 3rd and 4th period has showed a slight growth. What surprising was that Indonesia was not experiencing a recession with the foreign exchange rate which is still around Rp.14,000 and can be said to be stable. In terms of the business sector, the economic slowdown was mainly driven by slowing activities in the trade and accommodation provision as well as transportation and warehousing areas due to reduced community mobility as a result of implementing measures to mitigate COVID-19. In addition, the productivity in agricultural sector declined due to less favorable weather developments. This results in the

government issuing funds to community in the under economic class with the stimulus expectation of fund as stimulator to grow the economy (micro business, small enterprises).

CONCLUSION

Pandemic happens quite often on this earth that threaten human life. Many cases happen and those reflected how health can give impact not only in local, nation but international scope too. The COVID-19 pandemic represents a fundamental challenge to the global socio-economic system (Katz, 2020). This COVID 19 has limited human movement and interaction. Somehow, it can simultaneously further massive impact. Late experiences related with the COVID-19 lockdowns indicate how labor is core to economies and is low-paid, precarious and carried out by women, ethnic minorities and migrants (Meadway, 2020). Lockdowns have made business move slowly and this directly reflect the economics growths. government have to maintain macro economic and financial system stability to overcome this economic problem.

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