

# EFFECT OF COVID 19 ON INFLATION

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## Abstract

The Central Statistics Agency (BPS) noted that the COVID-19 pandemic has disrupted the inflation pattern in Indonesia. Until July 2020, BPS stated that the movement of inflation had left its trend as happened in 2019. Head of BPS Suhariyanto stated that one of the proof was seen from July 2020 which experienced inflation of minus 0.1%, aka deflation. This deflation is certainly unusual because it occurs two months after the Ramadan period which ends in May 2020. If it follows the 2019 pattern, deflation will only occur 3 months after

Ramadan. In September 2019 after 3 months from June 2019, for example, there was inflation of minus 0.27%. "I conveyed in the previous release that this year's inflation is very different from the previous year's inflation due to the COVID-19 pandemic," said Suhariyanto in a virtual press conference, Monday (3/8/2020).

The disruption of COVID-19 in Indonesia's previous inflation has also been seen in the low inflation in the month of Ramadan which fell during April-May 2020. Both inflation were recorded at only 0.08 and 0.07%. Ideally, inflation should occur in Ramadan like May-June 2019 in the range of 0.68 and 0.55%. Suhariyanto said conditions for Ramadan 2020 were indeed different because there was not much money in circulation. This is the result of a decrease in demand and money circulation stemming from a decrease in economic activity due to COVID-19. "It is not natural, the situation is not normal," said Suhariyanto.

Keyword ; COVID 19, inflation

## Preliminary

During the Covid-19 pandemic on the Indonesian economy today with the various effects that have occurred on the economy due to the Covid-19 pandemic that is happening at this time, we need to know the effects of the current effects, namely difficulties in finding jobs, it is difficult to fulfill them. daily necessities of life and also do not have income to meet daily needs and there are also many people who are in trouble in all sectors of the economy.

In the midst of the Covid-19 Pandemic, the world economy is under pressure, including Indonesia. The occurrence of inflation in the last few months is evidence that the Covid-19 Pandemic has also influenced the Indonesian economy. Inflation tends to increase in prices for goods and services in general, which is ongoing.

In more detail, the disruption of this pattern can also be seen from expenditure groups that are recorded by BPS periodically. The most obvious thing is the low inflation in education, even though July coincides with the opening of a new school year. Inflation in July 2020 was only 0.16% with a share of 0.01%. One of the components that have received attention from BPS is the increase in elementary school fees with a share of 0.01%. In contrast to July 2018-2019, inflation in the education sub-sector at that time reached 1.29% and 1.16%.

Meanwhile, education supplies inflation for July 2018-2019 was 0.56% and 0.66%. Apart from education, inflation from the food, beverage and tobacco categories also experienced changes. During July 2018 and 2019, this expenditure group experienced inflation of 0.45% and 0.24%. In 2020, inflation was recorded at minus 0.73%, aka deflation with a share of minus 0.19%. The food group is also the same. During July 2019 there was inflation of 0.8% with a share of 0.17%. In the same period in 2020, inflation was recorded at minus 1.06% with a share of minus 0.19%. A number of reasons are related to falling prices for a number of food commodities. Among others, shallots with a deflationary share of 0.11%, chicken meat 0.04%, garlic 0.03%. Then there was a decrease in the prices of rice, cayenne pepper, coconut, and sugar with each share of 0.01%. On the other hand, the highest contributor to inflation in July 2020 was expenditure on personal care and other services. Inflation reaches 0.93% with a share of 0.06%. The two figures are the highest of the 11 indicator groups monitored by BPS. The commodity contributing to inflation in this category was the increase in gold prices that

occurred in 80 of the 90 CPI cities that became the BPS database. The share of gold inflation alone reached 0.05%. In line with that, Antam's gold price also showed an increase to its peak position of Rp1,028 million per gram. Even though during 2019 until before the COVID-19 pandemic in early March 2020, the price fluctuated in the range of IDR 600-700 thousand per gram. A number of causes of the increase in gold prices can be investigated from the decision of some people to invest in assets that are considered safer from inflation and the decline in currency values. Not to mention that the COVID-19 pandemic is feared to continue and the cases are still rising. Also read: When Indonesia Is Not Ready to Face the 2020 Unemployment Spike The Illusion Behind Jokowi's Speech: Beware of Wave II Corna Decreasing Purchasing Power One of the biggest changes caused by COVID-19 to inflation up to semester I 2020 is the movement of inflation which signals a decrease in purchasing power. The annual inflation in July 2020 showed signs of continuing to decline from April to July 2020. Consecutively from 2.67% to 2.19%, 1.96%, and 1.54%. July 2020 calendar year inflation also reached 0.98%. Ideally, inflation in July each year is always above 1%, as in 2019, which is around 2.36%. Suhariyanto said that COVID-19 has caused the inflation trend in Indonesia and various countries to slow down and even lead to deflation.

He said

that during this period the inflation rate recorded a disturbance resulting from a surge in layoffs and a change in the work scheme to WFH, hitting demand which had an impact on supply. According to him, the weakening purchasing power was also evident from the drop in core inflation. In July 2020 the figure was only 0.16% with a share of 0.11%, whereas in 2019 it was 0.33% with a share of 0.2%. "Core inflation is still weak even though there was an increase in June 2020. This shows that we must strive to continue to increase people's purchasing power," said Suhariyanto.

## Theory Foundation

### Definition of Inflation

Inflation is a process of increasing prices in general and continuously (continue), an increase in the price of one or two goods alone cannot be called inflation unless the increase extends (or results in price increases) on other goods. [1] [2] Inflation is related to market mechanisms which can be caused by various factors, including: increased public consumption, excess liquidity in the market that triggers consumption or even speculation, to include the result of an uneasy distribution of goods. In addition, economic instability and the level of sales also lead to inflation. [4] In other words, inflation is also a process of continuously decreasing the value of the currency.

Inflation is a process of an event, not the level of prices. This means that a price level that is considered high does not necessarily indicate inflation. Inflation is an indicator to see the rate of change, and is considered to occur if the process of price increases takes place continuously and affects each other. The term inflation is also used to mean an increase in the money supply which is sometimes seen as the cause of rising prices. [5] There are many ways to measure the rate of inflation, two of the most commonly used

#### Cause

In general, inflation was caused by an increase in the Consumer Price Index (CPI). [6] Not only that, inflation is also influenced by rising prices of basic commodities. [7] The existence of demand pull (excess liquidity / money / exchange instruments), as well as pressure (pressure) on production or distribution (lack of production (product or service) and / or also including lack of distribution) are also causes of inflation. influenced by the role of the state in monetary policy (Central Bank), while for the second reason it is more influenced by the role of the state in executor policy which in this case is held by the Government (Government) such as fiscal (taxation / levies / incentives / disincentives), infrastructure development policies, regulations, etc.

Demand inflation (Ingg: demand pull inflation) occurs as a result of excessive total demand which is usually triggered by a flood of liquidity in the market resulting in high demand and triggering changes in the price level. The increase in the volume of the medium of exchange or liquidity associated with the demand for goods and services results

## RESEARCH METHODOLOGY

In this study, a qualitative method was used, namely data from sources on the internet which were then processed and concluded by the researcher.

## RESEARCH RESULTS AND DISCUSSION

In November 2020, there was an inflation of 0.28 percent with the Consumer Price Index (CPI) of 105.21. Of the 90 CPI cities, 83 cities experienced inflation and 7 cities experienced deflation. The highest inflation occurred in Tual at 1.15 percent with a CPI of 106.83 and the lowest was in Bima at 0.01 percent with a CPI of 104.48. Meanwhile, the highest deflation occurred in Kendari at 0.22 percent with the CPI of 104.81 and the lowest occurred in Meulaboh and Palopo at 0.01 percent with CPI of 108.02 and 104.21 respectively.

Inflation occurred due to price increases as indicated by increases in the index for most of the expenditure group, namely: the food, beverage and tobacco group by 0.86 percent; clothing and footwear group by 0.14 percent; equipment, tools and household routine maintenance group by 0.08 percent; the health group of 0.32 percent; the transportation group by 0.30 percent; the information, communication and financial services group of 0.02 percent; the recreation, sports, and culture group by 0.04 percent; the education group of 0.12 percent; and the food and beverage / restaurant supply group by 0.11 percent. Meanwhile, the expenditure group that experienced a decrease in index were the housing, water, electricity and household fuel group by 0.04 percent and the personal care and other services group by 0.23 percent.

The inflation rate for the calendar year (January – November) 2020 is 1.23 percent and the year-on-year inflation rate (November 2020 against November 2019) is 1.59 percent.

The core component in November 2020 experienced inflation of 0.06 percent. The inflation rate for the core components of the calendar year (January– November) 2020 was 1.55 percent and the year-on-year core component inflation rate (November 2020 against November 2019) was 1.67 percent.

## CONCLUSION

COVID-19 has caused the trend of inflation in Indonesia and various countries to slow down and even lead to deflation and many say that during this period the inflation rate recorded disruptions caused by a surge in layoffs and a change in work schemes to WFH, hitting demand which had an impact on supply.

The influence of inflation on the economy of a country is quite large. That's why the country is so afraid of not being able to control the rate of inflation. Core inflation is still weak even though there was an increase in June 2020. This shows that we must strive to continue to increase people's purchasing power, "

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