

Review Article

Economic Growth During the Covid-19 Pandemic

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Abstract - Until the beginning of 2021 the Covid-19 pandemic has not been resolved. In the world there are about 95 million cases and more than 2 million deaths. In Indonesia, people are already talking about the possibility of 1 million cases in the not too distant future, and the death rate is approaching 30,000.

What really needs to be watched out for is our positivity rate which is around 20% and even in a few days to 30%, even though we know the recommendation of WHO (World Health Organization) is only 5%. The positivity rate shows how much transmission occurs in the community. And our figure shows four times or even six times the WHO figure. Corona has a huge impact on the economic and social sectors of the world. And this of course must be tackled with great care.

Keywords - economic growth, pandemic covid 19, health problem, the spread of disease, public purchasing power

I. INTRODUCTION

This is mainly due to declining and weakening production capacity, consumption and investment. This condition does not only occur in Indonesia but also in almost all over the world

Until the second quarter of 2020, Indonesia's economic growth was recorded at negative 5.32 percent. The government has also revised the projection for economic growth in the third quarter of 2020 to a range of -2.9 percent to -1.1 percent. Meanwhile, economic growth throughout 2020 is estimated to be minus 1.7 percent to minus 0.6 percent, which is a revision from the previous projection of 1.1 percent to positive 0.2 percent. Seeing these conditions, the most important thing in dealing with the impact of the current pandemic is how to deal with the health aspect, maintain the level of public consumption, restore the economic sector and revive the business world.

The business world faces very tough challenges. About half of the world's 3.3 billion workers face the risk of lack of money and / or losing their jobs to varying degrees. The informal economy has also been hit hard. Millions of farmers in the world, as well as migrant workers face a tough economic situation with reduced or even loss of their income.

The Director General of WHO in September 2020 stated that the global economy will be able to contract

trillions of US dollars in 2020. Many countries provide various economic stimulus packages, but this large investment does not eliminate the root of the problem. Namely diseases and pandemics that severely burden the health system, disrupt the economy and cause widespread concern and uncertainty.

II. ECONOMICS AND HEALTH

There are three aspects that can be done from an economic and health point of view during the current pandemic. First, this pandemic has become a kind of alarm reminder to all of us that the Universal Health Coverage (UHC) program must be widely implemented in a country, covering at least three areas. First is overcoming unequal health services, including the provision of health workers, health service facilities and the availability of equipment and medicines.

Next is to ensure the availability and sustainability of budgets for health services, as well as areas to promote private sector engagement.

The second aspect in terms of economy and health is the development of digital technology. During the current pandemic, digital health services, consultation via email or WA, telemedisin and various other digital platforms have developed.

After the pandemic ends, it will be good if this digital health technology can continue to be developed, while now it is widely accepted by the community. Of course, the government, private sector and civil society need to prepare themselves from now on so that this momentum can be a kind of lesson behind the health challenges during the pandemic period.

The third aspect of economy and health is again showing the demands of the need for health security (health security). On a national scale this can include the protection and empowerment of all citizens against health problems, especially such as this pandemic.

Also includes activities for social protection, food security and security. Among other things, according to the concept from the garden to the plate (from farm to plate). As well as gender equality and attention to youth in health development.

Of course, in the international scope, the health security process includes the application of International Health Regulations (IHR), health diplomacy and global cooperation for the protection of all countries. This really needs to be done because today's world is very connected to one another. The spread of disease has also proved easy



to occur across countries, so the concept of coping with the Covid-19 pandemic is appropriate, which states that one is safe until everyone is safe.

In general, the Covid-19 pandemic has had a negative impact on the national economy throughout 2020 even though starting in the third quarter of 2020 it started to improve. National economic conditions can be seen from a number of economic indicators, such as economic growth. The national economic growth rate in 2020 is estimated to experience negative growth. In the first quarter of 2020, economic growth still grew 2.97 percent, but entering the second quarter it contracted by 5.32 percent. Various economic policies have been established by the government to withstand the negative effects of Covid-19 throughout 2020.

III. PUBLIC PURCHASING POWER

The deteriorating economic growth throughout 2020 is inseparable from the purchasing power of the people that was eroded during the pandemic. In fact, household consumption has been the cornerstone of Indonesia's economic growth.

In 2019, household consumption contributed up to 57 percent to economic growth. Throughout 2020, the pandemic has forced millions of workers to lose their jobs or experience a decline in income.

The PSBB policy to prevent the spread of the Covid-19 pandemic has resulted in limited mobility and community activities which have an impact on reducing domestic demand.

In line with these conditions, growth in household consumption in the first quarter of 2020 was recorded at 2.84 percent (yoy), then in the second quarter of 2020 it contracted 5.51 percent (yoy), and in the third quarter it contracted by 4.04 percent (yoy).

The purchasing power of the people has decreased mainly due to reduced income as well as limited activities. In the midst of all the uncertainty, people, especially the middle and upper class, put a brake on the purchase of goods that are considered not essential.

Declining incomes due to the pandemic have caused most business sectors to reduce their activities or shut down completely. The unemployment rate has also increased. The Central Bureau of Statistics in the August 2020 National Labor Force Survey showed that Covid-19 had an impact on the labor sector. As many as 29.12 million people or 14.28 percent of the 203.97 million working age population were affected by the pandemic.

The number of unemployed increased by 2.56 million to 9.77 million people. The number of formal workers decreased by 39.53 percent to 50.77 million people from a total of 128.45 million people who worked. In contrast, the number of informal workers jumped 60.47 percent to 77.68 million people.

Meanwhile, one indicator of weak purchasing power can be seen from the real sales side, which was recorded as experiencing contraction. Real Sales Index (IPR) in November was recorded to have contracted 1.2 percent, better than the contraction in October at 5.3 percent. Improvement occurred in most of the goods category, with

sales of clothing, fuel for motor vehicles, and spare parts and accessories growing positively.

IV. REGULATION OF NATIONAL ECONOMIC RECOVERY

National economic recovery is carried out by adopting comprehensive fiscal and monetary policies. In addition, the government has also allocated APBN 2020 funds for economic recovery of IDR 695.23 trillion.

The national economic recovery is expected to begin in the third quarter of 2020. Although it does not grow positively, it is hoped that the national economy will not contract as much as the second quarter. Furthermore, in the fourth quarter of 2020, it is hoped that the national economy will grow positively so that the 2020 contraction can be minimized as little as possible.

To achieve this goal, the government has implemented three policies, namely increasing domestic consumption, increasing business activity, and maintaining economic stability and monetary expansion. This policy is implemented simultaneously with synergy between fiscal policy holders, monetary policy holders, and related institutions.

Regarding people's purchasing power, the government has allocated a budget of IDR 172.1 trillion to encourage consumption / people's purchasing power. The funds are channeled through direct cash assistance (BLT), Pre-Work Cards, electricity exemption, and others. The government also encourages consumption

ministries / agencies as well as local governments through accelerating the realization of the APBN / APBD. In addition, consumption is also directed towards domestic products so as to provide multiplier effects.

In the business sector, the government is trying to move it through providing incentives / stimuli to MSMEs and corporations. For MSMEs, the government, among others, provides postponement of installments and interest subsidies for bank credit, interest subsidies through People's Business Credit (KUR) and Ultra Micro (Umi), guaranteeing working capital up to Rp 10 billion and providing tax incentives, for example Income Tax (PPH Article 21) borne by the government.

For corporations, the government provides tax incentives, including exemption of Article 22 PPh on imports, reduction of PPh Article 25 installments and preliminary VAT refunds as well as placing government funds in banks for debtor restructuring. The government also provides working capital guarantees for strategic, priority, or labor-intensive corporations.

To support the national economic recovery, Bank Indonesia strives to maintain stabilization of the rupiah exchange rate, lower interest rates, purchase government securities (SBN), and maintain macroeconomic and financial system stability. The objective of lowering interest rates is to increase financial liquidity to stimulate business activities.

V. NATIONAL ECONOMIC RECOVERY POLICY STRATEGY 2021

The government believes that 2021 will be a turning point for the Indonesian economy. To revive the economy, the government continues the national economic recovery program (PEN). Through this PEN, it is hoped that it can boost people's purchasing power in 2021 as well as to expand job creation in Indonesia.

The PEN strategy for 2021 will focus on four activities. First, health spending will be the first priority, including the procurement of testing, medicines, medical devices, incentives for health workers and hospitals, and ensuring the availability of vaccines.

Second, continuing the fiscal stimulus, both ministries / agencies (K / L) and non-K / L in sectors that have a high multiplier impact on job creation and economic growth.

Third, government spending will be directed towards the purchase of domestically produced goods so that it can have a major impact on domestic demand for goods.

Fourth, spending on social assistance, cash for work programs, basic food programs, PKH, labor subsidies in both the formal and informal sectors, so as to increase the purchasing power of low-income groups which in turn can encourage public consumption.

On January 26, 2021, Coordinating Minister for the Economy Airlangga Hartarto stated that the budget for the 2021 PEN program was set at IDR 553.09 trillion. This value is almost equivalent to the realization of the 2020 PEN budget, which is IDR 579.78 trillion.

The budget will focus on four aspects, namely health Rp. 104.7 trillion, social protection Rp. 150.96 trillion, priority program Rp. 141.36 trillion, and support for MSMEs and corporate financing of Rp. 156.06 trillion.

On the monetary side, the Governor of Bank Indonesia specifically emphasized five policies to strengthen the national economic recovery, namely the opening of productive and safe sectors, accelerating the realization of fiscal stimulus, increasing credit / financing to the business world, continuing monetary and macroprudential stimulus, and digitizing the economy and finance. especially UMKM.

Bank Indonesia supports the national economic recovery through monetary policy stimulus that will be continued in 2021. This policy includes maintaining stability in the rupiah exchange rate according to market fundamentals and mechanisms, keeping interest rates low until signs of rising inflationary pressure appear, and continuing the purchase of SBN from the primary market to finance the 2021 State Budget as a non-competitive

bidder, as well as macroprudential policies which will also remain accommodative in 2021.

The Financial Services Authority (OJK) has prepared six strategic policy initiatives in 2021 to face various developments and challenges in the financial services sector, including accelerating national economic recovery. The six strategic 2021 initiatives include the direction of development and supervision of the Financial Services Sector (SJK), sharpening information technology-based integrated FSS supervision, accelerating digitalization and optimization of the digital ecosystem and digital literacy, expanding financial access, strengthening FSS resilience and competitiveness, and developing sustainable finance.

VI. CONCLUSION

In fact, the development of a pandemic has not been able to be overcome by the government so that the economic recovery process will be difficult and difficult. It is impossible to complete the economic recovery if we cannot overcome the pandemic.

Estimates of economic development from the Institute for Development of Economics and Finance (INDEF) show that there are serious problems in coping with this pandemic, which will have a crucial impact on the economy in 2021.

The government predicts next year as the year of economic recovery after the Pandemic. These are all our hopes, but seeing what the government is doing in terms of handling Covid-19, this hope is covered by a black cloud because we do not see uncertain developments when Covid can be resolved or at least show a tendency for cases to decline.

The root of the problem and the origins of the current recession and global economic crisis in Indonesia is a single factor, the Covid-19 pandemic. Therefore, policies that make sense and must work in the field are policies and programs to overcome covid-19. Other economic policies are second so that the top priority is controlling Covid-19. This does not mean that economic policies should be abandoned. But overcoming covid-19 is a prerequisite for overcoming an economic recession.

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