

The COVID-19 Pandemic Faces the Indonesian Economy: Inflation Analysis

Nurul Khairunnisa¹, Hendri Hermawan Adinugraha², Ade Gunawan³, Ria Anisatus Sholihah⁴, Yasin Abdillah⁵
^{1,2,3,4} Universitas Islam Negeri K.H. Abdurrahman Wahid Pekalongan, ⁵ Takahashi kikai sangyo kabushikigaisha
Email: nurulkhairunnisa110504@gmail.com¹

ABSTRAK: Pandemi covid yang terjadi di seluruh dunia menyebabkan banyak dampak yang terjadi. Salah satunya yaitu di Indonesia yang menyebabkan naiknya inflasi pada perekonomian. Jenis penelitian yang dilakukan yaitu penelitian kualitatif serta data diperoleh melalui studi literatur, dengan membaca dan menelaah serta menganalisa berbagai literatur, baik berupa dokumen, jurnal, data publikasi dari kementerian keuangan maupun dari website resmi yang mengeluarkan informasi informasi yang relevan terhadap penelitian. Sementara analisa data dilakukan dengan melakukan reduksi, klasifikasi, pemaknaan hingga penarikan kesimpulan. Di Indonesia sendiri mengalami kelambatan perekonomian sebesar 5,04% yang terjadi akibat dampak dari pandemi COVID 19. Inflasi yang terjadi karena menurunnya pertanian serta ekspor impor akibat diterapkannya lock down sehingga orang-orang tidak dapat melakukan aktivitas seperti biasa. Banyak upaya yang telah dilakukan pemerintah untuk mengatasi kenaikan inflasi yang terjadi salah satunya yakni dengan menerapkan tiga langkah stimulus untuk mengatasi tantangan ekonomi, termasuk fiskal, non-fiskal, dan sektor ekonomi.

Kata kunci: COVID 19, Inflasi, Perekonomian Indonesia

ABSTRACT: The COVID pandemic that's happening all over the world has had a lot of impact. One of them is in Indonesia, which has caused inflation to rise in the economy. The type of research carried out is qualitative research as well as data obtained through the study of literature by reading, scrutinizing, and analyzing various pieces of literature, whether in the form of documents, journals, data publications from the Ministry of Finance, or from the official website that issues information relevant to the research. While data analysis is done by doing reduction, classification, and fertilization to draw conclusions, Indonesia itself is experiencing an economic slowdown of 5.04% caused by the impact of the COVID-19 pandemic. The inflation caused by the decline in agriculture as well as imports and exports as a result of its lockdown means that people can't do their normal activities. Many of the efforts that the government has made to tackle rising inflation involve implementing three stimulus measures to address economic challenges, including fiscal, non-fiscal, and economic sectors.

Keywords: COVID 19, Inflation, Indonesian Economy

1. INTRODUCTION

COVID-19 is a widespread health problem all over the world, including in Indonesia. It started when the World Health Organization (WHO) announced on December 31, 2019 that there was a new pneumonia cluster case in Wuhan City, Hubei Province, China. On January 30, 2020, the International Public Health Emergency (PHEIC) declared COVID-19 a pandemic on March 11, 2020. The first positive cases were in Indonesia on March 2, 2020, and the number of such cases continues to rise (Kementerian Keuangan RI, 2020a). The spread of COVID-19 that hit Indonesia was initially dominated by the territory of the country's capital and other major cities in Indonesia. However, as the number of identified cases increased, the influence also spread to the level of the provinces and districts of the Indonesian city. Indonesia has 8,211 positive cases, 689

deaths, and 1,002 recoveries out of 50,563, with 42,352 negative (Kementerian Kesehatan RI, 2020b).

The rise in COVID-19 cases has led countries to impose a “lockdown” policy, which has prevented people from leaving their homes to engage in activities as usual, such as economic activities that could affect the global economy, including Indonesia. The UN has identified a COVID-19 pandemic affecting not only the Indonesian export and import sectors but also the trade sector, i.e., tax receipts that are falling. This is significant because the trade sector is the second-largest component in increasing the country's acceptance (Sugarda, P. P., & Rifky, W. M. 2017).

Inflation is an economic phenomenon that is highly observed by all countries in the world, including Indonesia. Inflation is a rise in prices in general. This inflation has led people to prefer alternative work activities to investing in financial and investment institutions. This is because inflation results in three things: (1) weak production efficiency and productivity; (2) rising capital costs; (3) uncertainty about future costs and revenue. To alleviate the pressure on Indonesian economic growth as a result of the COVID-19 pandemic and the fall in commodity prices, the government has urged the Ministry and institutions (K/L) and the local government (PEMDA) to accelerate spending, especially on the I 2020 tri-month schedule (Kementerian Keuangan RI, 2020a).

The World Bank estimates that Indonesia's economic growth this year will be depressed by 2.1 percent. Moreover, Indonesia's economic growth forecast to be below 5%, or just around 2.5%, has been revised by the Bank of Indonesia. (BI). With commodity prices falling and financial market volatility, the COVID-19 pandemic will have a negative impact on the global economy, including Indonesia. One of the most debated and important topics in the macroeconomic discussions conducted by policymakers, monetary authorities, and macro-economics around the world is the relationship between inflation and economic growth (Wollie, 2018). According to projections, this year's inflation will rise to 3% due to a tight food supply and currency depression, which is expected to be offset by a fall in BBM's non-subsidized prices as well as additional subsidies for electricity and food. However, as stated by A. Ademuyiwa (2019), when the economy is experiencing steady inflation, gross domestic product (GDP) has a running transaction deficit, reaching 2.9 percent of GDP by 2020 (Kementerian Keuangan RI, 2020a), Inflation is expected to return to normal by 2021 at 2.8 percent, which typically rises to 5.02 percent. As a result, real percentage growth, or real GDP, can be achieved by reducing the inflation rate from GDP.

Indonesia has taken several steps to mitigate the impact of the COVID-19 pandemic, including a decrease of the 7-Day Reverse Repo Rate of BI by 25 bps to 4.75%, the deposit facility rate of 25 bps to 4.00%, and the lending facility interest rate of 25 bps to 5.50%. In addition, to keep inflation and external stability under control and to strengthen the momentum of economic growth, the Bank of Indonesia must be able to reflect global and domestic economic developments (Wibowo, A., & Handika, 2017).

In addition, the government is revitalizing the budget by launching fiscal stimulus packages for Tier I and Tier II, which are expected to help the real sector. Generally speaking, strengthening the social security net, supporting the health sector, and rescuing efforts are the main focus of the current government (Kementerian Keuangan RI, 2020a). However, COVID-19 has already had a major impact on Indonesian tourism, exports, and economic growth. Accommodation, transportation, retail, and manufacturing of balance-deficit transactions (CADs) are the areas most affected (Media Indonesia, 2020).

In this writing, the author chose this topic because in the previous research there has been a lot of research. But different themes and research are more significant in terms of the inflation caused by the COVID-19 pandemic. According to a study conducted by Muhammad Hamzah (dkk, 2021) entitled “The Impact of the COVID-19 Pandemic on

the Indonesian Economy: Analysis of Domestic Sector and Inflation Stability," the research was made to find out the impact of COVID-19 on inflation and domestic sectors. In addition, in a study conducted by Dito Aditia Darma Nasution (dkk, 2020) entitled "The Impact of the COVID-19 Pandemic on the Indonesian Economy," research was conducted to determine the impact of COVID-19 on the economy of Indonesia.

The previous research that the researchers conducted was a study conducted by Tomain A. S. (2020) under the title "Reviewing the Inflation of Maluku Province in the COVID-19 Pandemic."

The similarities between the previous study and this study are:

The same is true of the use of literary research in finding information that is relevant to the problems found.

As for the difference,

1. Differences between locations studied
2. Differences in data taken that are only secondary data that comes from the book

Another previous study that the researchers conducted was a study conducted by Revelation Aji Fatma Devi (2020) with the title "The Impact of COVID-19 on Implementation of Online Learning in Elementary Schools."

The similarities between the previous study and this study are:

Data collection is obtained both from news and articles in online journals.

As for the difference,

1. More significant differences in analysis lead to inflation analysis.

Another previous study that the researchers conducted was a study conducted by Sutarmi and Budiarti W. (2020) under the title "Analysis of the Impact of COVID-19 on the Rate of Inflation of Ten Strategic Nutrients in the Traditional Eastern Java Market."

The similarities between the previous study and this study are:

Together, we analyze the impact of COVID-19 on inflation.

As for the difference,

1. More significant differences in analysis lead to inflation analysis.
2. Differences in methods of research using the method of research studies in literature

From the previous research, the author was interested in studying the inflation that occurred as a result of the COVID-19 pandemic in Indonesia because it more significantly discussed the rate of inflation caused by the COVID-19 pandemic. That way, everyone can know what inflation is happening and how to cope with a high inflation rate.

2. METHOD

2.1 Type Of Research

Qualitative research is a method of collecting and analyzing non-quantitative data with the aim of exploring social relationships and the descriptions of realities experienced by responses (Saraclaers, 1993). But according to Sugiyono (2005) Qualitative research is research intended to understand phenomena of what is experienced by the subject of research, such as behavior, perception, motivation, actions, etc., holistically and by means of description in the form of words and language, in a specific context that is natural and using various natural methods.

2.2 Data Sources

There are two categories of research data sources used in libraries: primary and secondary sources (Tilleczek, 2020). The primary source of this research is journals, articles, and relevant books that are relevant to studying the potential, opportunities, challenges, roles, and impact of Islamic social finance in empowering the people in Indonesia. Meanwhile, secondary sources in this study are used to supplement and support primary sources by providing documentation and news on issues related to research.

2.3 Data Collection Method

The data is obtained through the study of literature, by reading, scrutinizing, and analyzing various pieces of literature, whether in the form of documents, journals, data publications from the Ministry of Finance, or from the official website that issues information relevant to the research. While the data analysis is carried out by doing reduction, classification, and digestion to draw conclusions.

2.4 Data Analysis Techniques

In this study, researchers chose to use the type of descriptive research, that is, to describe an event whose operationalization revolves around data collection, data processing, and data interpretation given meaning rationally while keeping logical principles so that a holistic conclusion is formed.

3. RESULT AND DISCUSSION

3.1 COVID 19 Theory

The coronavirus itself is a large family of viruses that cause diseases ranging from mild to severe symptoms. Coronavirus Diseases 2019 (COVID-19) is a new type of disease that has never been previously identified in humans. Common signs and symptoms of COVID-19 infection include symptoms of acute respiratory disorders such as fever, cough, and shortness of breath. The average incubation time is 5 to 6 days, with the longest incubation time of 14 days. On January 30, 2020, the WHO declared it a global public health crisis (Yurianto, Ahmad, Bambang Wibowo, 2020).

SARS-CoV-2, commonly referred to as COVID-19 or Corona, is a virus that has a negative impact on health and primarily attacks the respiratory system. There are two indications of COVID-19: mild and severe. Middle East Respiratory Syndrome (MERS) and severe acute respiratory syndrome (SARS) are examples of diseases with severe indications. COVID-19 passed through the droplet, which is spread through a spark of cough between humans (R, N. Putri, 2020).

3.2 Inflation Theory

The inflation rate is an important indicator of the evolution of the prices of goods and services in a society, which has an important impact on the cost of living and the level of purchasing power of a society. Quantity theory states that inflation occurs because of excessive demand, so that the amount of money circulating in society increases (BPS Kepulauan Riau, 2022). The Consumer Price Index (CIP) measures the comparison of current consumer values with the previous year's. The result of the comparison of the value of the IHK will show the figure of inflation or deflation. The percentage of inflation is generally divided into three categories: month-to-month inflation (m-t-m), which is the ratio of the value of an observed month to the previous month; year-to-date inflation (y-t-d), which represents a ratio between the values of the observed year at the end of the year and a certain point in the current year; and year-on-year inflation ("y-o-y"), which is a comparison

of the valuation of an observed month to a value of the previous year in the same month (UGM, 2017).

According to Sadono (2016) Inflation is a process of price rise that occurs in an economy. But the concept of inflation, according to Gilarso (2007) is the general price rise, which is the source of the disturbance of the balance between the cash flow and the flow of goods. According to (Putong, 2013) There are two main causes of inflation: (1) Demand-pull inflation. This inflation arises from the existence of demand that is not balanced with the conditions of increasing the level of production; consequently, according to the law of demand, if demand is high while supply is stable, then prices will rise.

Inflation is a state of an economy in which there is a tendency to increase the prices of goods and services in general over a long period of time (continuously) due to imbalances in the flow of money and goods (Samuelson, 2001). The factors that influence inflation are:

1. Inflation due to demand-pull inflation This is inflation on the demand side caused by the increase in aggregate demand (pengeluaran rumah tangga konsumen, investasi, pengeluaran pemerintah, and sektor luar negeri ekspor minus impor).
2. Cost-push Inflation is either inflation on the supply side caused by cost push or distortion of distribution due to monopolistic-oligopolistic market structures, both of which will hinder aggregate supply.

Inflation can be classified into four categories: mild, moderate, severe, and hyperinflation. During the COVID-19 pandemic, it affected the business sector, especially the tourism and manufacturing sectors.

According to the Islamic economist Al-Maqrizi, inflation is classified into two causes: natural inflation and human error inflation. (Inflasi disebabkan kesalahan manusia). According to Al-Maqrizi, this economic crisis is due to three reasons: political corruption, rising land prices, and the circulation of money.

As far as natural inflation is concerned, it is difficult for humans to avoid it. According to Al-Maqrizi, when a natural disaster or disease outbreak occurs, various foodstuffs and other products of the earth fail to be harvested, so that the supplies of such goods fall drastically and there is a shortage. Whereas the determinants of inflation are human error, corruption, poor administration, excessive taxation, and increased currency circulation, inflation can be minimized through the compensation of human error factors such as corruption and the circulation of currencies. (JUB).

The cause of inflation during this pandemic is natural inflation, which is inflation caused by natural causes over which humans have no control (in the case of preventing it). This inflation is the result of the decline of aggregate supply (AS) or the rise of aggregate demand (AD).

3.3 Covid 19 Pandemic Phenomenon

The world is in the midst of a coronavirus outbreak. The coronavirus itself is a large family of viruses that cause diseases ranging from mild to severe symptoms. There are at least two types of coronavirus known to cause diseases that can cause severe symptoms. Coronavirus Diseases 2019 (COVID-19) is a new type of disease that has never been previously identified in humans. Common signs and symptoms of COVID-19 infection include symptoms of acute respiratory disorders such as fever, cough, and shortness of breath. The average incubation time is 5 to 6 days, with the longest incubation time of 14 days. On January 30, 2020, the WHO declared it a global public health crisis. As of March 2, 2020, Indonesia had two confirmed cases of COVID-19. As of March 16, 2020, there are 10 people diagnosed with coronavirus.

3.4 The Impact Of The Covid 19 Pandemic

The pandemic has caused global economic crises, including a fall in the stock exchange index and a decline in the rupee exchange rate as many foreign investors leave the Indonesian financial markets, which has affected the domestic economy. The strengthening of the US dollar is caused by panic in the global markets as well as oil market turmoil, which makes the rupee exchange rate likely to continue to weaken.

Health risks are rising, which affects the productivity levels of workers who are affected by the rising costs of care. Besides, lockdown efforts slow the economy down. The shortage of goods is caused by a decline in consumption, food supply, and need.

Inflation is also rising as a result of the COVID-19 pandemic. The first is inflation caused by natural phenomena that can't be prevented by man; the second is infection caused either by the decline in aggregate supply (US) or by the rise in aggregate demand (AD) due to the decrease in the level of aggregated supply (USA) production as a result of paces, wars, embargoes, or boycotts.

3.5 Inflation Factors In The Indonesian Economy

Inflation in the Indonesian economy is happening as it is in other developing countries, continuing to be one of many macroeconomic "sicknesses" that are very disturbing to governments and the general public. Indeed, by the end of the New Order's rule (before the monetary crisis), annual inflation figures could be pushed down to a single digit, but it's still surprising how much inflation affects most of the poor in society, especially after the ongoing monetary crises followed by the economic crisis, which was one of the reasons for the fall of a New Order government. So, although inflation in Indonesia belongs to the high category, we can say that inflation has entered the early stages of hyperinflation in Indonesia. This is because most people in the lower economy are affected by the impact of high inflation.

The inflation rate in Indonesia is mainly influenced by the prices of foodstuffs. This is due, among other things, to structural rigidity in the agricultural sector, which has resulted in an inelastic supply of foodstuffs. The Indonesian economy is heavily dependent on the agricultural sector, as demonstrated by its large value-added role, its high labor absorption capacity, and its high population burden. As a result, food prices are rising rapidly. In most cases, an increase in the number of people in need of food cannot be offset by increases in agricultural output, especially food, resulting in excess demand that can lead to inflation gaps. On the contrary, food production is slow for various reasons. Some of them are low levels of modernization of technology and agricultural methods; external factors, such as natural disasters and climate change; industrialization shifting agricultural labor to non-agricultural sectors; and increasingly fewer agricultural lands due to functional shifts.

3.6 The Impact Of The Covid 19 Pandemic On Inflation On The Indonesian Economy

Economic growth in Indonesia in 2020 has been delayed by 5.04 percent, a delay caused by the outbreak of the coronavirus that has caused the Chinese economy to stall, followed by the implementation of Indonesian government policies that restrict exports and imports to China. Growth will be 4.84% for moderate cases and only reach 4.74% if the panic continues, but the raise only affects the first round.

The government has banned travel abroad and shut down a number of tourism sectors, reducing the number of foreign tourists and making the tourist sector the first to be affected, with a potential loss of foreign exchange income of up

to \$2 billion. In addition, it is projected that the Indonesian trade sector will experience some decline. Approximately 495 commodities are projected to be imported and exported, and about 499 commodity types are projected to shrink or disappear from the Indonesian market. Strategic consumer goods will have a major impact on Indonesian inflation. To mitigate the negative effects of economic weakening, the strategic step that needs to be taken is to give flexibility to small and medium-sized enterprises. (UMKM). As a result, production drops, the price of rare goods rises, and inflation rises, leading to a decline in public purchasing power and lower incomes.

Besides, technology spreads panic in society and changes behavior, as well as creating an imbalance between supply and demand. Poverty has many aspects, including economic, social, and cultural (Sopah, F., Kusumawati, W., & Wahyudi, 2020). The Indonesian government has issued three incentives to keep economic growth smooth, namely fiscal, non-fiscal, and economic sector stimulus.

1. Fiscal stimulus The fiscal stimulus intended to stimulate local economic growth includes:
 - a. Temporary exemption from income tax, or PPh Article 21, for the processing industry for 6 months, which allows industrial workers to maintain their purchasing power. This regulation comes into force from April to September 2020.
 - b. Delay in payment of import income, or PPH Article 22, for six months; this regulation starts in effect from April until September 2020.
 - c. The expected delay in PPh tax article 25 by 60 percent for a six-month period (April to September 2020) will give room for money for the industry due to the tax delay that is in force between April and September 2020.
 - d. This policy applies to 10 tourist destinations and 33 towns and districts.
 - e. Promptly implement social assistance, people's housing subsidies, and workers' cards.
 - f. Up to 50% discount on flight tickets for every 25 aircraft seats and from and to ten major tourist destinations.
 - g. Insurance and compensation for medical personnel who treat patients infected with the coronavirus.
 - h. For six months, the refund for value-added tax, or VAT, has been accelerated. It is expected that this will help the liquidity of companies affected by the COVID-19 pandemic.
3. Non-fiscal stimulus
Non-fiscal incentives related to exports and imports include:
 - a. Accelerating export and import processes for reputable companies;
 - b. Accelerating import and export processes with the national logistics system;
 - c. Simplifying or reducing restricted restrictions on export activities so that export activities can run smoothly and improve export competitiveness;
 - d. Simplification or reduction of restricted import restrictions for companies with a good reputation.
4. Economic sector
Incentives for the financial sector, such as:
 - a. Relaxation or relaxation for credit restructuring,
 - b. Relaxing or relaxing for the issuer to buy-back shares without through shareholder general meeting mechanisms,

- c. Relaxed or relaxed for payment of social security scheme allowances for the labor force working in the sector affected by COVID-19,
- d. Expansion of the provisions of BI to underlying transactions for foreign investors, which can provide an alternative to protect the value of the rupiah exchange rate,
- e. A decrease in Indonesia's reference interest rate of 50 BPS and mandatory minimum turnover of Rupiah as well as foreign currency.

4. CONCLUSION

Coronavirus is the main virus that causes severe symptoms ranging from fever to cough. COVID-19 is a new virus that has not been identified in humans. The virus spreads between humans and other animals, with symptoms ranging from 5–6 days to 14 days. The WHO confirmed a case of COVID-19 in Indonesia on March 2, 2020.

Pandemics have caused global economic crises, including rising interest rates and falling currency exchange rates due to investor pressure and fluctuations in global markets. The risks involved include rising health problems, increased labor productivity, regional quarantine measures, food shortages, and inflation. Inflation was also a significant problem during the pandemic due to two factors: pandemics and aggregate supply constraints.

Inflation in Indonesia, which is a significant macroeconomic issue, has become a major concern for the government and the general public. Despite recent inflation rises, inflation still reaches hyperinflation, as most of the population is affected by rising inflation. Indonesia's inflation rate is mainly affected by commodity prices, which are influenced by structural changes in the manufacturing sector. Factors contributing to this include technological advances, external factors such as climate change, industrialization, and the functional nature of the manufacturing sector.

Indonesia's economic growth in 2020 reached 5.04% due to the COVID-19 pandemic, which affected the Chinese economy. The government aims to address this by reducing poverty and increasing consumption, with 495 commodities allocated for production and export and 499 commodities for distribution. Technology also plays a role in reducing poverty and improving communication between the government and society. The government has implemented three stimulus measures to address economic challenges, including fiscal, non-fiscal, and economic sectors.

5. REFERENCES

- Gilarso, T. (2007). *Pengantar Ilmu Ekonomi Mikro*. Kanisius.
- Indonesia, M. (2020). *Mengantisipasi Dampak Covid-19 ke Perekonomian Nasional*.
- Putong, I. (2013). *Economics Pengantar Mikro dan Makro*. Mitra Wacana Media.
- Putri, R. N. (2020). Indonesia dalam Menghadapi Pandemi Covid-19. *Jurnal Ilmiah Universitas Batanghari Jambi*, 20, 705–709.
- RI, K. K. (n.d.-a). *Menjaga Ekonomi Indonesia Terhadap Dampak Negatif Pandemi COVID-19*.
- RI, K. K. (n.d.-b). *Situasi terkini Perkembangan Coronavirus Disease (COVID-19) 25*

The 1st International Conference on Islamic Economics (ICIE) 2024

april 2020.

- Riau, B. K. (n.d.). Inflasi Provinsi Kepulauan Riau 2021. In *BPS Kepulauan Riau*.
- Sadono, S. dan. (2016). *Makro Ekonomi Teori Pengantar*. PT. Raja Grafindo.
- Samuelson, P. A. (2001). *Ilmu Mikro Ekonomi (17 ed)*. PT. Salemba Empat.
- Saraclaers, S. (1993). *Social Research*. Macmillan Education.
- Sopah, F., Kusumawati, W., & Wahyudi, K. (2020). Implementasi Kebijakan Pengentasan Kemiskinan Melalui Pemberdayaan Umkm Di Kabupaten Sidoarjo. *Syntax*, 2, 27.
- Sugarda, P. P., & Rifky, W. M. (2017). Strengthening Indonesia's Economic Resilience through Regulatory reforms in Banking, Investment, and Competition Law. *Jurnal of Economic & Management Perspectives*, hlm. 1093-1103.
- Sugiyono. (2005). *Penelitian Kualitatif*.
- Tilleczek, K. C. (2020). Qualitative Methodology in Adolescent Research. *The Encyclopedia of Child and Adolescent Development*.
- UGM, F. E. dan B. (2017). Macroeconomic Dashboard. *Fakultas Ekonomika Dan Bisnis UGM*.
- Wibowo, A., & Handika, R. F. (2017). The Strategy of The Banking Industry in Indonesia : Following Institutional Theory or Resource-Based View? *Jurnal Siasat Bisnis*, 131–141.
- Wollie, G. (2018). The Relationship between Inflation and Economic Growth in Ethiopia. *Budapest International Research and Critics Institute-Jurnal*, 264–271.
- Yurianto, Ahmad, Bambang Wibowo, K. P. (2020). Pedoman Pencegahan dan Pengendalian Coronavirus Disease (COVID-19). *M. I. Listiana Azizah, Adistikah Aqmarina*.