Impact Of The Covid-19 Pandemic On The Indonesian Economy

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***Abstract**.*
This study aims to determine the impact of the COVID-19 pandemic on the Indonesian economy. Until this research was written, 93 countries were found infected with COVID-19. The spread of the COVID19 pandemic eventually brought very bad risks to the world economy, including Indonesia, especially in terms of tourism, trade, and investment. The method used in this research is a descriptive quantitative method using a secondary data analysis approach. Based on the results of the study, the impact of the COVID-19 pandemic caused low investor sentiment towards the market, which in turn led the market to tend to be negative. Strategic steps related to fiscal and monetary are needed to provide economic stimulation. As the COVID-19 pandemic case developed, the market fluctuated more in a negative direction. Not only that, the slow pace of the global economy, especially Indonesian export activities to China also has a significant impact on the Indonesian economy. This is based on a sensitivity analysis that explains that the current slowdown in the global economy has greatly impacted Indonesia's economic growth.

***Keywords:** Commerce; COVID-19 pandemic; economy of Indonesia; investment; tourism*

I. INTRODUCTION

The current economic development, especially in entering the end of the first quarter of 2020, has become a horror phenomenon for all human beings in the world. Why not, international financial organizations, namely the International Monetary Fund and the World Bank, predict that by the end of the first quarter of 2020 the global economy will enter a recession that is corrected very sharply (Liu et al, 2020). Global economic growth could decline to negative 2.8% or in other words, be dragged up to 6% of global economic growth in the previous period. In fact, the two institutions had previously projected that the global economy at the end of the first quarter of 2020 would grow at a percentage growth of 3% (Carrillo-Larco & Castillo-Cara, 2020). This horror phenomenon occurs because of the emergence of a new virus that is infecting the world today, namely Coronaviruses (CoV). The international health organization, namely the World Health Organization, states that Coronaviruses (Cov) can infect the respiratory tract in humans. The virus has the scientific name COVID-19. COVID-19 can have effects ranging from mild flu to very serious ones equivalent to or even more severe than MERS-CoV and SARS-CoV (Kirigia & Muthuri, 2020). COVID-19 is also known as zoonotic, meaning that it is transmitted through humans and/or animals.

The Ministry of Health of the Republic of Indonesia stated that this pandemic was first detected in Wuhan, China on December 30, 2019, which at that time provided information in the form of "immediate notification of pneumonia treatment of unknown causes". COVID-19 has spread so fast throughout the world and has turned into a horror pandemic for the world community. As of this writing, 93 countries have been infected with COVID-19. The COVID-19 pandemic that has spread has ultimately brought very bad risks to the world economy, including Indonesia, especially in terms of tourism, trade and investment.The largest export activity in the world is held by China (Yang & Ren, 2020). One country that often imports from export activities carried out by China is Indonesia. In addition, China is also one of the largest trading partners owned by Indonesia. The emergence of COVID-19 that infects China has brought China's trade activities in a negative direction so that it has an impact on the flow and the world trade system so that it will also have an impact on Indonesia. The decline in palm oil and coal as well as imports of other raw materials from China will attack export activities in Indonesia so that it will lead to lower prices for mining goods and other commodities (Iswahyudi, 2018).

The impact of COVID-19 not only disrupted Indonesia's export and import sectors, but also attacked the trade sector, namely from tax revenues which also decreased. This has a very serious impact because in tax revenue the trade sector has a major contribution in boosting state revenues, precisely which is the second largest (Sugarda & Rifky, 2017). The Central Statistics Agency (BPS) released data related to oil and gas and non-oil and gas exports which stated that there was a decline in oil and gas and non-oil exports as a result of this pandemic. Not only that, the COVID-19 pandemic has also caused a decline in production produced by China, even though the focus of world goods and the central production of world goods is centered in China. If there is a negative correction in production in China, the world will experience supply chain disruptions which in turn can reduce the world production process whose raw materials are imported from China. Indonesia itself really needs raw materials from China to carry out the production process, especially raw materials for electronic parts, furniture, plastics, textiles and computers.The COVID-19 pandemic also has a dire impact on investment, which makes people choose to be very careful in buying goods and even investing. This pandemic has also greatly affected market projections. Investors may tend not to invest due to changing market assumptions and unclear supply chains (Pepinsky & Wihardja, 2011).

In the investment sector, China is one of the countries that owns and invests capital in Indonesia. In 2019, the realization of direct investment from China was ranked the second largest after Singapore (Akhmad et al, 2019). For example, an investment from China for one of the regions in Indonesia, namely Sulawesi, worth USD 5 billion, is currently in the implementation stage, but workers from China are still hampered from coming to Indonesia, so the investment is still being postponed. Indonesia itself has made policy restrictions on traveling to and from countries that are included in the red zone of transmission during the COVID-19 pandemic with the aim of breaking the chain of transmission of COVID-19, this step follows the policies that have been implemented by several countries. This restriction policy has an impact on flight schedules, how can some airlines cancel flights and some airlines are forced to continue to carry out flights even though most of the plane seats are not filled for the fulfillment of customer rights. Most of the customers also canceled their flight ticket orders due to the increasing spread of COVID-19.

This situation forced the government to take steps and policies by giving discounts for travelers to Malang, Yogyakarta, Belitung, Manado, Batam, Labuan Bajo, Bintan, Lombok, Denpasar and Lake Toba. Most European countries also make policies or rules that require all airlines to use around 80% of the quota for flights operating outside the European continent so as not to lose quotas from competing airlines. The restriction policy for traveling to countries that are included in the red zone of COVID-19 transmission is not only carried out by Indonesia, but also by Australia, China, Russia, Italy, Singapore and other countries.The impact of COVID-19 on the tourism sector is also not without threats. Data compiled from the Central Statistics Agency explains that in 2019 foreign tourists from China who came to Indonesia touched 2.07 million travelers or 12.8% of the total number of foreign tourists throughout 2019. The COVID-19 pandemic resulted in a decline in tourists coming to Indonesia. Tourism supporting sectors, namely restaurants, hotels and retail entrepreneurs are also affected by the COVID-19 pandemic. Hotel profits have decreased by up to 40% so that it has an impact on hotel operations and threatens the continuity of its business. The decline in foreign visitors also affects the income of restaurants or restaurants whose customers are more dominantly visitors from abroad (Block, 2017).

Weak tourism growth also has an impact on the retail industry. The areas whose retail sector is most affected are Jakarta, Medan, Bangka Belitung, Riau Islands, Manado and Bali. The COVID-19 pandemic is also expected to affect the micro, small and medium business sector, this is because foreign visitors who come to a destination will usually buy souvenirs to take home (Iswahyudi, 2016). If foreign visitors visit decrease, it is certain that the income of micro, small and medium enterprises will also decrease (Saidi et al, 2017). Bank Indonesia has released data in 2016 regarding the micro, small and medium business sector which states that micro, small and medium enterprises are very dominant in business units in Indonesia and this type of micro-enterprise is able to absorb a lot of workers.Indonesia has taken several steps to reduce the effects of the COVID-19 pandemic, including reducing the BI 7-Day Reverse Repo Rate by 25 bps to 4.75%, the Deposit Facility interest rate by 25 bps to 4.00% and the Lending Facility interest rate by 25 bps. to 5.50%. This measure was implemented to stimulate domestic economic growth amidst the delayed prospects of global economic recovery due to the COVID-19 pandemic.

In addition, to keep inflation and external stability under control and to strengthen the momentum of economic growth, Bank Indonesia must be able to observe global and domestic economic developments (Wibowo & Handika, 2017). The COVID-19 pandemic not only has a terrible impact, but can also have a good impact on the Indonesian economy. Among them, new export markets other than China can have great opportunities to enter Indonesia. In addition, the domestic economy will also be boosted because the government will further strengthen domestic production rather than attract foreign profits. The COVID-19 pandemic can also be used as a correction so that investment can be stable even though the global economy is under threat.Countries affected by the COVID-19 pandemic are not only Indonesia, but almost all parts of the world are also affected by this pandemic. The G20 meeting has been held to discuss COVID-19, namely on 22-23 February 2020 in Saudi Arabia. The members of the G20 that have been implemented consist of several countries, namely Indonesia, Argentina, Australia, Brazil, the United States, China, France, Germany, India, the European Union, Saudi Arabia, Britain, Mexico, Russia, South Korea, South Africa, Italy, Turkey, Japan and Canada.

The COVID-19 pandemic has become the focus of discussion at the G20 meeting, the countries that are members of the organization convey empathy to the countries and residents affected by COVID-19 (Spagnuolo et al, 2020). The emergence of world pressure on Covid-19 has triggered countries that are members of the G20 to strengthen foreign cooperation. All countries within the organization agreed to increase monitoring of the consequences that arise related to COVID-19. In addition, the world must also begin to be aware of various potential risks and have the same mission, namely implementing effective policies in the form of monetary and fiscal structural policies (Hua & Shaw, 2020).The COVID-19 pandemic was also responded to by activities carried out by the G20 with the theme Realizing The Opportunity of the 21st Century which was held in Saudi Arabia. The very rapid development of technology that changes the global economic order towards a digital economy and finance is the background of this activity (Kickbusch et al., 2020). However, the economy has not been supported by community participation, especially for MSMEs, women, and young groups which are considered not optimal, so a policy is needed to stimulate the economy through the use of technology. In addition, the activity also discussed strengthening the regulation and supervision of the financial sector as well as the development of the domestic capital market. Strengthening the financial system in the financial sector, with the implementation of the financial sector reform agenda and the use of technology is the main goal of the Central Bank Governors of G20 countries and the Minister of Finance (Rusydiana et al, 2019).

Planning for Standard Setting Bodies, the Committee on Payments and Market Infrastructure, and the Financial Stability Board in formulating measures to strengthen the cross-border payment system was also welcomed. The Governor of Bank Indonesia stated that Indonesia fully supports the agenda of the G20 Presidency of Saudi Arabia, especially regarding the transition to the London Interbank Offered Rate and cross border payments. This was done because the world economy, especially Indonesia, was entering a horror phase that arose due to the COVID-19 pandemic, so researchers were interested in seeking more in-depth information regarding the impact of the COVID-19 pandemic on the Indonesian economy. This study aims to determine the impact of the COVID-19 pandemic on the Indonesian economy and it is hoped that the results of this study can contribute to investors, companies and the government so that they can anticipate the impact of the COVID-19 pandemic on the Indonesian economy so that in the future policies can be carried out that can minimize the occurrence of a further economic recession. due to the impact of the COVID-19 pandemic.

II. METHODS

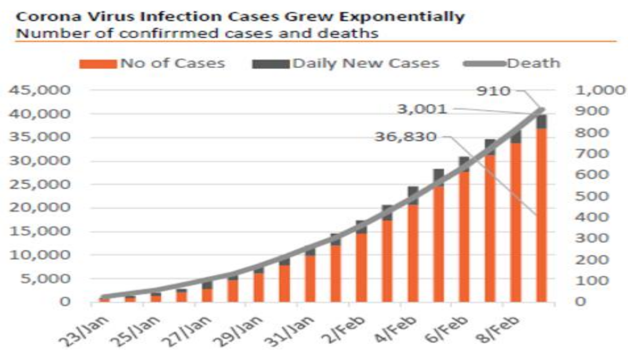
The method used in this research is descriptive quantitative method, which uses an approach called secondary data analysis (Sugiyono, 2016). Secondary data analysis or what is often abbreviated as DAS is a research methodology that uses secondary data as the main data source (Hinrichs et al, 2017). The intended use of secondary data is to use an appropriate statistical test technique to obtain the required information from the data issued by a competent agency or institution to be processed in a systematic and objective manner. The quantitative method according to (Ghozali, 2011) is described as a research method that adheres to positivism, the sampling method is usually carried out by calculating certain appropriate sample techniques, the techniques used to examine certain populations or samples, the process of collecting data with research instruments and data analysis statistical/quantitative in nature to test the established hypotheses, especially for comparative and associative hypotheses (Ghozali, 2016).Data analysis results in quantitative are usually presented with pictograms and piecharts, bar or line graphs and frequency distribution tables (McNabb, 2017). The discussion of the research analysis will be explained in depth and the interpretation of the data presented is straightforward and detailed in order to produce conclusions that contain short answers to the problem formulation based on the data that has been collected.

Meanwhile, in this descriptive study, the research aims to record, describe, interpret and analyze the current situation. Or it can be said that this research has the aim of getting information about current conditions and then analyzing the relationship between existing variables (Moen & Middelthon, 2015). This study does not use a hypothesis, but only describes the information as it is in accordance with the research variables. Secondary data that has been obtained from competent institutions or agencies is then presented on research instruments that have been tested, then processed using certain statistical test techniques. The secondary data used is data related to the global and Indonesian economy which has been processed by a non-bank financial institution, namely PT. Syailendra Capital is the gateway for repatriation funds. This data will then be identified and further analyzed. Bogdan explained that data analysis is a step in systematically compiling and searching for data obtained from field notes and other materials, so that it will be easy to understand, and the findings can be informed to people in need (Minakshi, 2017).

III. RESULT AND DISCUSSION

The impact of the COVID-19 pandemic caused low investor sentiment towards the market which in turn led the market to tend to be negative. However, after the phase 1 agreement was reached in January 2020, the trade war between the United States and China began to appear to decline. Monthly Bulletin February 2020 edition published by PT. Syailendra Capital reports that today Indonesia is still in a stable economic situation. Strategic measures related to fiscal and monetary are also expected to still have room to provide economic stimulation if needed. However, as cases of the COVID-19 pandemic developed, the market did fluctuate more in a negative direction.

Fig 1. Corona Virus Infection Cases Grew Exponentially



The COVID-19 pandemic, which rose significantly from the end of January 2020, has infected 28,000 thousand people. As of February 24, 2020, it was recorded that 79,930 people had contracted COVID-19 and as many as 2,469 people were recorded as having died in this pandemic. The COVID19 pandemic has also had a significant impact on the bond and stock markets. The impact of the COVID-19 pandemic on bonds and the stock market can be seen in the performance of the Jakarta Composite Index and government bonds in the last 10 years.

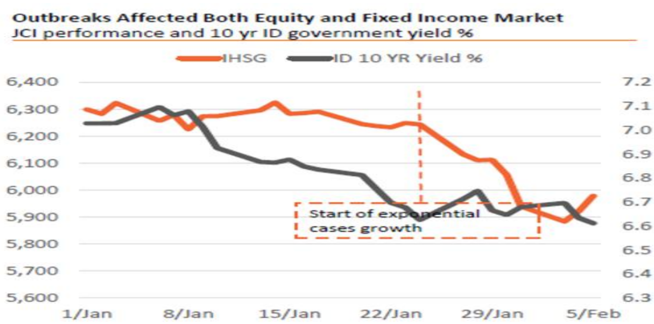


Fig 2. Outbreaks Affected Both Equity and Fixed Income Market

In the image it can be seen that the market fluctuated in a negative direction with the pace of the spread of COVID-19. The COVID-19 pandemic also has a very large impact when compared to the cases caused by the SARS virus.

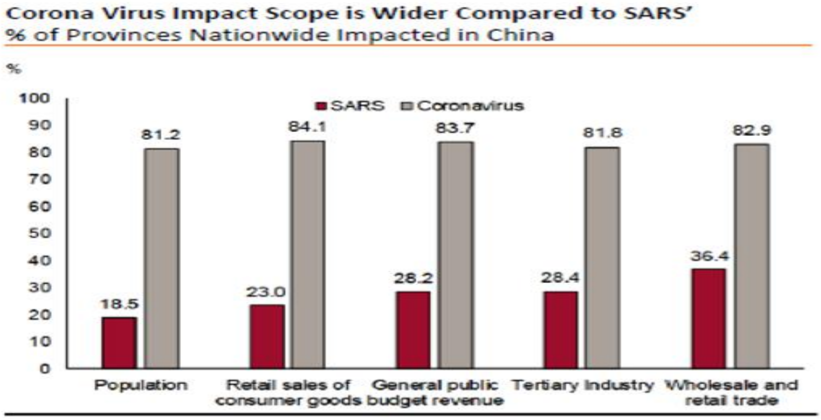


Fig 3. Corona Virus Impact Scope is Wider Compared to SARS

The country of China has a wider coverage of the spread of the pandemic when compared to the case of the spread of the SARS virus, the domestic connectivity in China at this time is very high when compared to 2003 ago. The number of areas in China exposed to COVID-19 is 3 to 4 times greater than the SARS virus.

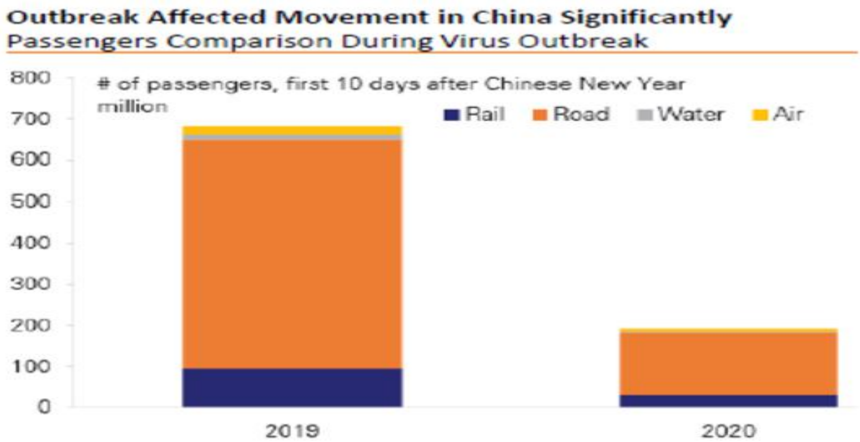


Fig 4. Outbreak Affected Movement in China Significantly

The COVID-19 pandemic also has an impact on the decline in the number of transportation customers this year when compared to last year, the calculation is carried out within 10 days after the Lunar New Year. The decline in the number of transportation customers occurs in almost every mode of transportation, starting from air, land, water and rail transportation. The decline in transportation customers is very clear when compared to normal times in previous years. However, in early February the distribution of new cases related to COVID-19 seemed to begin to decline. The decline occurred in cases of infection to the number of victims who died.

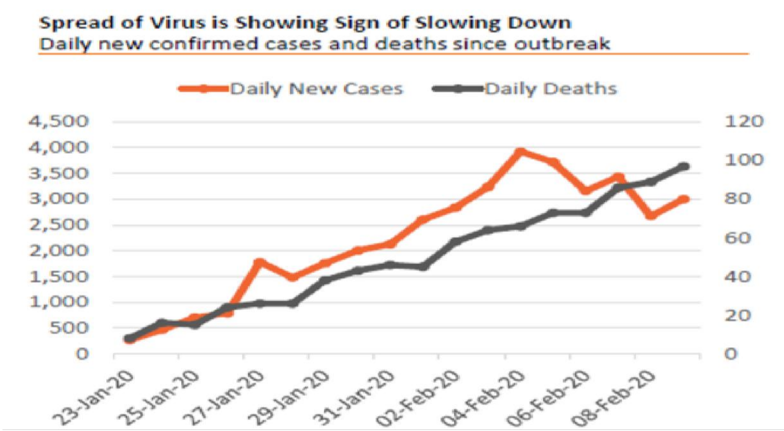


Fig 5. Spread of Virus is Showing Sign of Slowing Down

Fig 6. China GDP is Expected to Recover in Following Quarters

The decline in retail sales growth was previously predicted by Syailendra Capital which stated that the COVID-19 pandemic will have a significant impact on China's economic growth from 0.5 to 1 percent in the first quarter of 2020. Not only that, the slowdown in export activities Indonesia to China will also have a significant impact on the national economy. The slowdown in the global economy has greatly impacted Indonesia's economic growth. This can be seen in the sensitivity analysis of the Indonesian economy. Based on the sensitivity analysis, it was found that when there is a 1% slowdown in the Chinese economy, it will affect and have an impact on the rate of economic growth in Indonesia, which is -0.09%. In line with the further sensitivity analysis where, every 1% of the economic slowdown in the European Union will have an impact on the rate of economic growth in Indonesia by -0.07%, India (-0.02%), Japan (-0.05%) and America. United States (-0.06%). The same picture also occurs in most commodities, namely every 10% decline in the price of crude palm oil (CPO) will have an impact on the Indonesian economy by 0.08%, positive oil 0.02%, and coal by -0.07 %.

Slowdown in Global Growth Impact ID's GDP Growth
Sensitivity analysis of impact to ID's GDP

		Impact to ID's Growth
Every 1% growth decrease	China	-0.09%
	EU	-0.07%
	US	-0.06%
	Japan	-0.05%
	India	-0.02%
Every 10% price decrease	CPO	-0.08%
	Coal	-0.07%
	Oil	0.02%

Fig 7. Slowdown in Global Growth Impact ID's GDP Growth

Slowing stimulus in the Chinese economy will also have a very large impact on the slowdown in the world economy and also on some commodity prices which will also greatly affect the pace of the economy in Indonesia.

Fig 8. In Yield % Medium-Term Lending Facility

Seeing this condition, the Chinese government considered this condition by cooperating with the Central Bank of China to implement all means to boost the global economy. Syailendra Capital analyzes that the Central Bank of China will soon implement a policy of cutting its benchmark interest rate by 100 basis points. The cuts are possible to be carried out this February until the second quarter of 2020. Syailendra Capital also analyzes that the Central Bank of China will also soon reduce its medium-term lending facility rates by 10 to up to 15 basis points and the loan prime rate (LPR).) is also expected to be lowered again soon, which is possible by 30 basis points or even more.

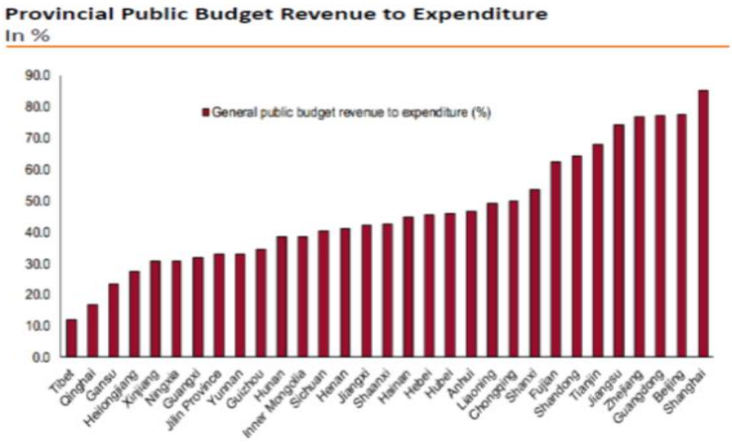


Fig 9. Provincial Public Budget Revenue to Expenditure

Policies from all Chinese authorities and government implemented to support the war on the impact of the COVID-19 pandemic on the real economy, are considered to be actively implemented by Chinese local governments. The researcher believes that there should be an effort to provide fiscal stimulus with a larger percentage to stimulate the global economy due to being suppressed by the COVID-19 pandemic, however, at this time it is only given to the local government level when in fact their country's fiscal situation is also already tight. In the tourism sector, the impact of economic growth in Indonesia is considered limited. Especially when the number of tourists from China who come to Indonesia is not as big as tourists from other foreign countries.

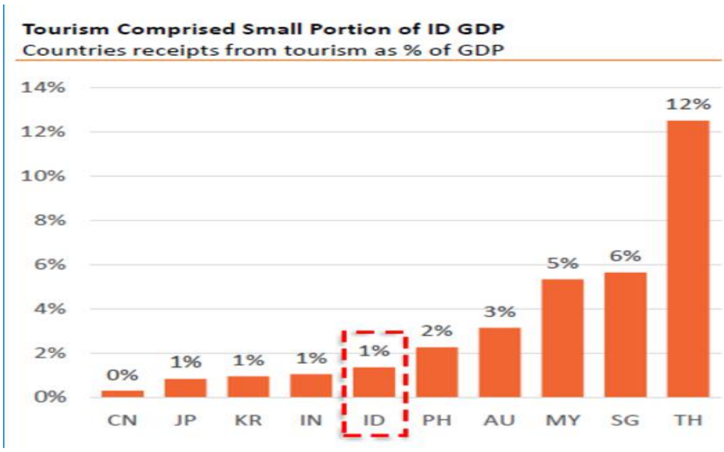


Fig 10. Tourism Comprised Small Portion of ID GDP

Based on the analysis, it was noted that the tourism sector only contributed 1% of Indonesia's gross domestic product. This situation is very inversely proportional to other countries such as the Philippines which has a contribution of 2%, Malaysia 5%, Thailand 12%, Singapore 6%, and Australia 3%.

IV. CONCLUSION

The impact of the COVID-19 pandemic caused low investor sentiment towards the market which in turn led the market to tend to be negative. Strategic measures related to fiscal and monetary are urgently needed to provide economic stimulation. As cases of the COVID-19 pandemic developed, the market fluctuated more in a negative direction. Not only that, the slow pace of Indonesia's exports to China also has a significant impact on the Indonesian economy. The current slowdown in the global economy has had a major impact on Indonesia's economic growth. This can be seen in the sensitivity analysis of the Indonesian economy.

Based on the sensitivity analysis, it was found that when there is a 1% slowdown in the Chinese economy, it will affect and have an impact on the rate of economic growth in Indonesia, which is -0.09%. In line with the further sensitivity analysis where, every 1% of the economic slowdown in the European Union will have an impact on the rate of economic growth in Indonesia, namely -0.07%, India (-0.02%), Japan (-0.05%) and United States (-0.06%). The same picture also occurs in most commodities, namely every 10% decline in the price of crude palm oil (CPO) will have an impact on the Indonesian economy by 0.08%, positive oil by 0.02%, and coal by -0 ,07 %.

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