

Quo Vadis Indonesian Economy Post Covid-19

Harris Turino Kurniawan

harris.turino@ipmi.ac.id

Sekolah Tinggi Manajemen IPMI, Jakarta, Indonesia

Adhi Setyo Santoso

adhi.setyo@president.ac.id

Business Administration Study Program, Faculty of Business
President University, Cikarang, Indonesia

Abstract

CNN Indonesia, on 24 July 2020, reported that "BI predicted Indonesia to enter recession gap in the third quarter of 2020". Several online media immediately grabbed with the more bombastic article entitled, "Indonesia's economy is on the brink destruction." In the 2/2020 quarter, the conditions got worse. Singapore is a country the earliest reported 2/2020 quarter growth of - 41.2%, lowest throughout the history of the country's founding. Its annual growth becomes- 12.6% (yoy). Singapore's economy, which is supported by international trade and infrastructure, is under severe pressure. Malaysia hasn't reported its economic growth but is forecast to experience contraction amounted to 9.7%. Indonesia itself is also predicted to enter negative growth in 2/2020 quarter of - 3.8%. The question is whether the Indonesian economy is so bad? Indonesia's economic quo Vadis?

Keyword: *Post COVID-19, Indonesian Economy, Economic Business Cycle, GDP Projection, Economic Growth*

Abstrak

CNN Indonesia tanggal 24 Juli 2020 mengabarkan bahwa "BI ramal Indonesia masuk jurang resesi pada kuartal III 2020". Beberapa media online langsung menyambar dengan artikel yang berjudul lebih bombastis "Ekonomi Indonesia berada di jurang kehancuran". Memasuki kuartal 2/2020 kondisinya semakin memburuk. Singapura adalah negara yang paling awal melaporkan pertumbuhan kuartal 2/2020 sebesar - 41.2%, terendah sepanjang sejarah berdirinya negara tersebut. Pertumbuhan tahunannya menjadi - 12.6% (yoy). Ekonomi Singapura yang ditopang oleh perdagangan internasional dan infrastruktur memang mengalami tekanan yang cukup parah. Malaysia belum melaporkan pertumbuhan ekonominya, tetapi diramalkan mengalami kontraksi sebesar 9.7%. Indonesia sendiri juga diprediksi memasuki pertumbuhan yang negatif di kuartal 2/2020 sebesar - 3.8%. Yang menjadi pertanyaan adalah benarkah ekonomi Indonesia sedemikian parah? Quo vadis ekonomi Indonesia?

Kata Kunci: *Paska COVID-19, Ekonomi Indonesia, Siklus Business Ekonomi, Proyeksi GDP, Pertumbuhan Ekonomi*

INTRODUCTION

CNN Indonesia, on 24 July 2020, reported that "BI predicted Indonesia to enter recession gap in the third quarter of 2020". Several online media immediately grabbed with the more bombastic article entitled, "Indonesia's economy is on the brink destruction." The question is whether the Indonesian economy is so bad? Indonesia's economic quo Vadis?

Data shows that the 1/2020 quarter of the Indonesian economy grew by 2.97%. This figure is much lower than the economic growth at that time normal around 5.0 - 5.5%. China, as the second-largest economy in the world, is growing negative - 6.80% in Q1/2020, while America also posted a negative growth - 4.4%, lower than expected growth of -3.5%. Japan grew - 0.6%, while our neighbor Singapore contracted - 0.7%, Malaysia is still enjoying positive growth of 0.7%. From this data, it was concluded that although growth is slowing down, in the quarter 1/2020 is still in the positive zone, while many other countries even have entered negative growth.

ANALYSIS AND DISCUSSION

Prediction of Indonesian Economy Post COVID-19

In the 2/2020 quarter, the conditions got worse. Singapore is a country the earliest reported 2/2020 quarter growth of - 41.2%, lowest throughout the history of the country's founding. Its annual growth becomes - 12.6% (yoy). Singapore's economy, which is supported by international trade and infrastructure, is under severe pressure. Malaysia hasn't reported its economic growth but is forecast to experience contraction amounted to 9.7%. Indonesia itself is also predicted to enter negative growth in 2/2020 quarter of - 3.8%. This figure is much better than Singapore and Malaysia because the Indonesian economy has so far been supported more by domestic consumption.

The implementation of the PSBB has indeed reduced the people's disposable income. At the stage early and for certain groups of people, this will decrease disposable income compensated by the disbursement of public savings. It should be noted that Indonesian people tend to have household aggregate savings (savings household), which is quite large at around 36%. This is triggered by factors the uncertainty of the future is relatively high, compared to the number of social security and security of the future that many countries advanced, both by the government and by the insurance system—disbursement of government assistance for people who are at the bottom and affected layers of the pyramid. The Covid-19 pandemic has also contributed to the collapse of private consumption. These factors cause Indonesia's economic resilience to be relatively better in comparison with our neighboring countries. Several parties, including Bank Indonesia, predicted that economic growth in Indonesia in quarter 3/2020 will still be in the negative zone. This prediction can happen.

Theoretically, the decline in gross domestic product for two quarters successively, it is said that an economy enters a recession stage. Many people think that the recession is something very frightening as if the economy will be destroyed and even the country dissolves because of the recession. There are described the current condition as much worse than the economic crisis and the political crisis in 1998. If we look closely, that picture is not correct. Currently, the economic conditions are much more resilient (resistant to shocks) compared to 1998. There was no decline in the value of the rupiah currency reached more than 75% of the level of Rp. 2,500 per USD to Rp. 17,000 per USD, no inflation reaches a level above 40%, the stock market is also relatively good to get out of the red zone. So comparing the current conditions with crisis conditions, the economy of 1998 is a misrepresentation and baseless. Three institutions of the world, namely the ADB, World Bank, and IMF, even predicted economic growth Indonesia is much better off than many other countries, as you can see in the following image.

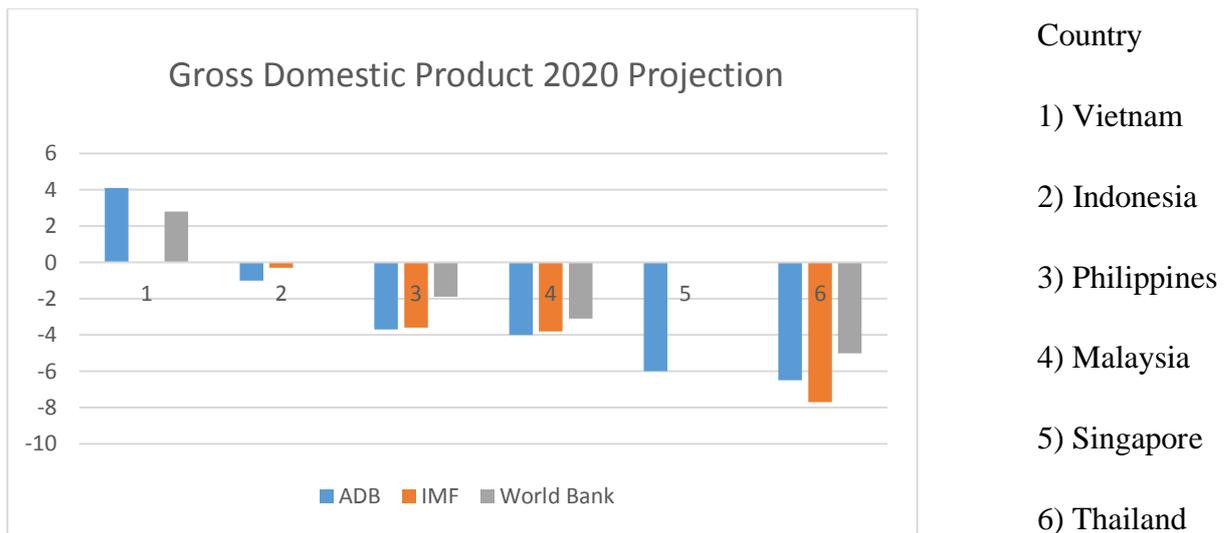


Figure 1. Percentage of GDP 2020 growth projection (Kimura et al., 2020)

With the success of controlling the spread of this virus, it is accompanied by the realization on time and on target, especially budget allocations for products that have high local content, then economic recession is expected Indonesia (if this happens), it will not be prolonged. The only recession will be part of the normal economic growth cycle.

The economic business cycle

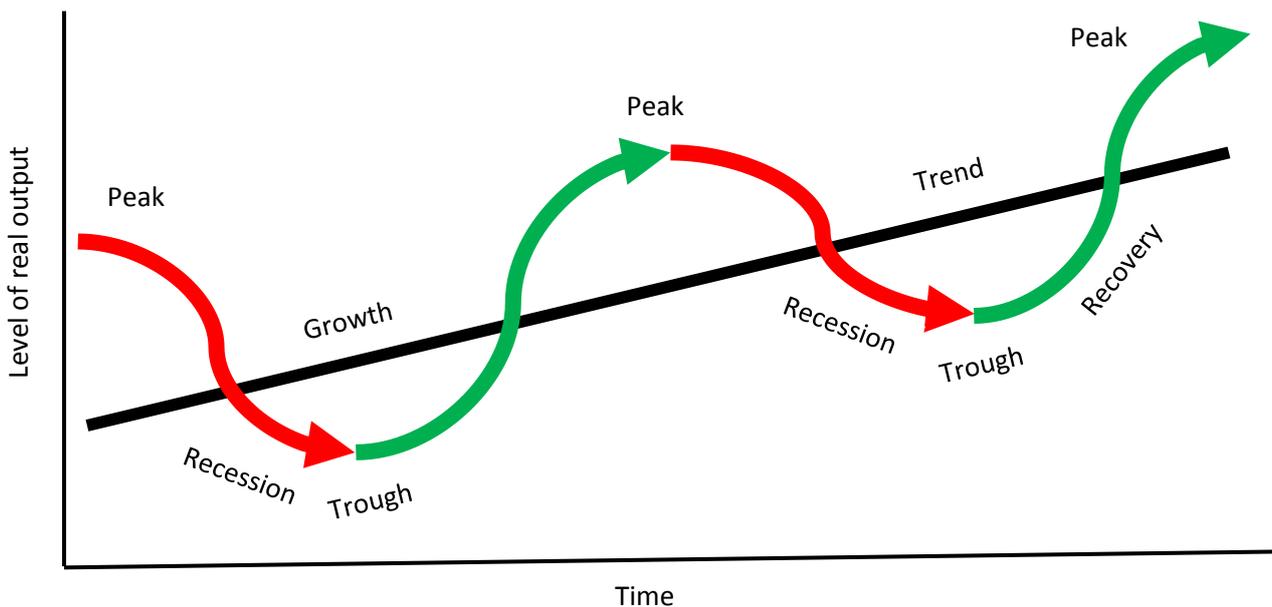


Figure 2. Economic Business Cycle (Batra, 2002)

CONCLUSION

Relaxation of the PSBB by starting the economic opening in areas that are not included in the COVID-19 pandemic red zone will help economic growth. Of course, this relaxation must be balanced with control of the spread of the virus through testing, tracking, and treatment

capabilities. Mass testing allows us to know more precisely the factors transmission, so tracking can be done to isolate the infected person viruses through contact tracing. Meanwhile, people who experience symptoms of health problems can be handled in the available health facilities. This economic relaxation is a necessity. This relaxation can be started from non-labor intensive industrial sectors such as basic industry, industry pharmaceutical, textile industry, and plantation sector. As for the labor-intensive sector, relaxation should be done gradually to minimize the spread of the virus. So, on the one hand, we must rush to seize opportunities in global competition, and on the other hand, certainty, especially legal uncertainties, must be eliminated to support the economic recovery. The economy is expected to recover in the 4/2020 quarter significant growth in 2021. Even the World Bank and IMF estimate that Indonesia will become the fifth largest country in 2024.

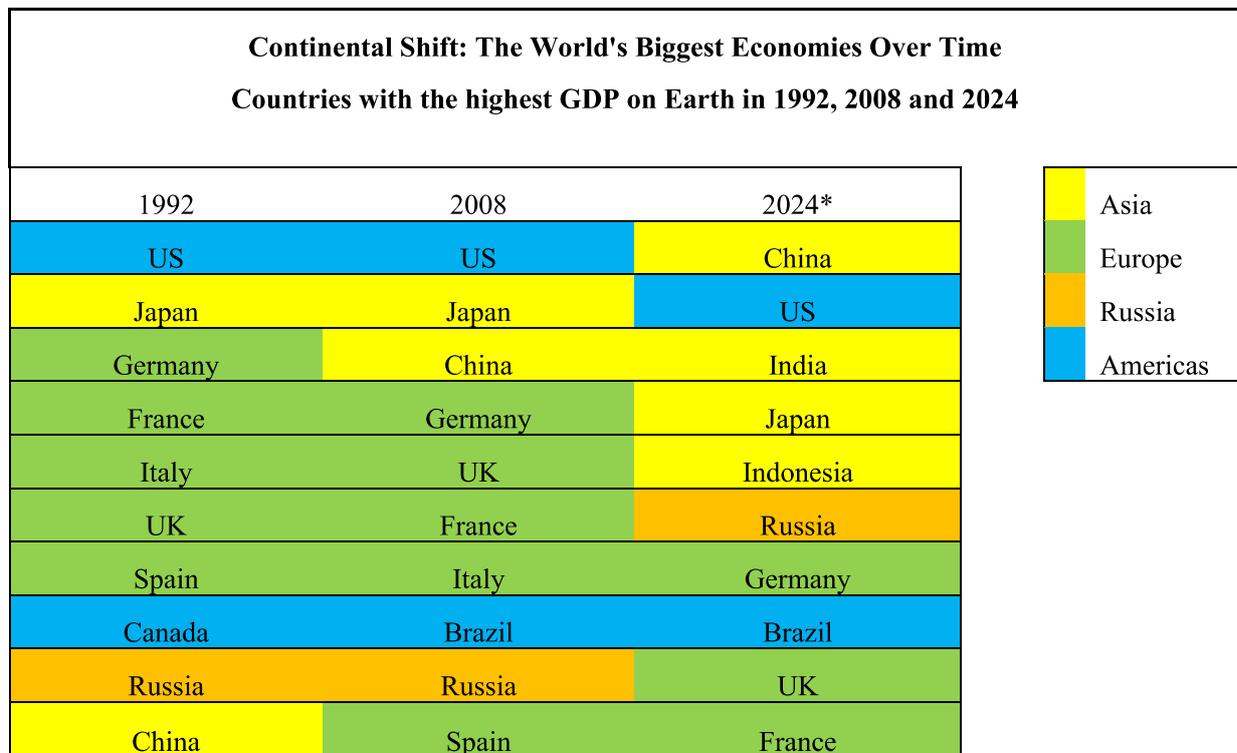


Figure 3. GDP shift overtime (Buchholz, 2020)

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