



# THE IMPACT OF COVID 19 ON NATIONAL ECONOMIC GROWTH

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## Abstract

*The spread of this virus has resulted in all parts of the world experiencing shocks both mentally and economically. Indonesia is one of the countries that is feeling the bad impact of the spread of COVID-19. Since it was first reported on March 2, 2020, the number of COVID-19 cases in Indonesia has continued to increase. The policies issued by the government have resulted in decreased economic activity thus affecting national economic growth. Slowing Exports of Goods and commodity prices and declining exports of tourism services were one of the factors that slowed the national economic growth. The policies issued by the government to deal with the spread of the COVID-19 virus resulted in many industries going out of business and having to do Termination of Employment (PHK). This has an impact on increasing unemployment in Indonesia which is in line with the decline in the income of the Indonesian people.*

**Keywords:** Economic growth, COVID-19

## 1. INTRODUCTION

COVID-19 or severe acute respiratory syndrome coronavirus 2 (SARS-CoV2) is an infectious disease caused by a newly discovered coronavirus. The new virus and the disease it causes were not known before the outbreak in Wuhan, China, in December 2019. COVID-19 is now a pandemic occurring in many countries around the world.

The spread of this virus has resulted in all parts of the world experiencing shocks both mentally and economically. Indonesia is one of the countries that is feeling the bad impact of the spread of COVID-19. Since it was first reported on March 2, 2020, the number of COVID-19 cases in Indonesia has continued to increase. As of April 22, 2020, 7,417 people in 34 provinces have tested positive for COVID-19. Most spread in DKI Jakarta, West Java, East Java, Central Java and South Sulawesi.

COVID-19, which is a new virus, makes transmission difficult to avoid because vaccine discovery takes a long time. One of the steps taken by the state is by limiting the entry and exit of the country or lockdown. The impact of this policy is to cause economic problems in the country.

As a result of COVID-19, various world economies have lowered global economic projections for 2020. Global economic activity is predicted to slow down due to lockdowns in various countries. The IMF predicts that the global economy is expected to decline in the second quarter and third quarter of 2020. The economy will pick up in 2021, driven by the positive impact of policies adopted by many countries in 2020.

Restraining factors for the global economy and the spread of COVID-19 have an impact on slowing economic growth in Indonesia. Transmission is felt through trade (export and tourism) and investment routes.

When the State implements a lockdown policy to minimize the spread of the COVID-19 virus, it will affect the economy both in the country itself and in other countries. State restrictions will slow down economic activity, decrease productivity, decrease demand (consumption, exports of services, imports of services, investment, export of goods and imports of goods) and these will also have a direct impact on the world's Gross Domestic Product (GDP).

The volume of world trade contracted in line with the global economic slowdown and the spread of the COVID-19 outbreak which subsequently resulted in a decline in world commodity prices, including the prices of Indonesia's main export commodities. Slowing prospects for world economic growth lowered the prospects for growth in Indonesia's exports of goods.



Several countries, such as Malaysia, Singapore, have adopted lockdown policies to minimize the spread of the virus. A lockdown policy is a situation that prohibits residents from entering a place due to an emergency. Lockdown can also mean a country that closes its borders so that no one enters or leaves the country. Meanwhile Indonesia prefers policies to reduce the number of activities outside the home and interactions with other people, reduce direct face-to-face contact or Physical Distancing as a basic reinforcement for the spread of COVID-19.

The policies issued by the government resulted in decreased productivity so that many small companies went out of business resulting in increased unemployment in Indonesia. In addition, the physical distancing policy also causes tourism to decline so that the community around the tourist attraction experiences financial difficulties or income decreases.

Exports of tourism services in Indonesia have been felt from February to March, which recorded a significant decline in line with the decline in hotel occupancy rates. Various airlines have also canceled flights so that the prospects for future service exports are very heavy.

The COVID-19 virus makes the whole world set the right policies to prevent transmission to the world's population to become more and more and the consequences of these policies make it difficult for the country's economy to develop as well as in Indonesia. From the description above, the authors compile a journal with the title: "The Impact of Covid 19 on National Economic Growth".

## **2. LITERATURE REVIEW**

### **2.1 COVID-19**

According to the World Health Organization Corona virus is a group of viruses that can cause disease in animals or humans. Several types of corona viruses are known to cause respiratory tract infections in humans ranging from cold coughs to more serious ones such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS).

COVID-19 is an infectious disease caused by a newly discovered type of corona virus. The new virus and the disease it causes were unknown before the outbreak in Wuhan, China began in December 2019.

People can catch COVID-19 from other people who are infected with the virus. COVID-19 can be spread primarily from person to person through droplets from the nose or mouth that come out when an infected person coughs, sneezes or talks. These splashes are relatively heavy, they do not travel far and fall to the ground quickly. People can become infected with COVID-19 if they breathe in the splashes of an infected person. Therefore, it is important for us to maintain a minimum distance of 1 meter from other people. These splashes can stick to objects and other surfaces around people such as tables, door handles, and handrails. People can become infected by touching these objects or surfaces, then touching their eyes, nose or mouth. This is why it's important to wash your hands regularly with soap and clean running water, or clean them with an alcohol-based hand rub. WHO is continuing to review research developments on how COVID-19 is spreading and will share the latest findings.

The vast majority (about 80%) of infected people recover without the need for special treatment. About 1 in 5 people infected with COVID-19 is seriously ill and has difficulty breathing. Older people (seniors) and people with comorbid medical conditions such as high blood pressure, heart and lung problems, diabetes, or cancer are more likely to get more serious. However, anyone can become infected with COVID-19 and become seriously ill. People of all ages who experience fever and / or cough accompanied by difficulty breathing / shortness of breath, chest pain / pressure, or loss of the ability to speak or move should seek medical attention immediately. If possible, it is advisable to contact a health care provider or health facility in advance,

The COVID-19 virus is a new type of coronavirus, MERS and SARS. Has not found a vaccine for this virus, The rapid spread of the virus from humans to other humans results in the need for good and appropriate handling both by government regulations and with self-protection. This requires the government to issue the right policies.



## 2.2 Physical Distancing

Physical distancing can be translated as keeping a distance or maintaining a safe distance and discipline to do it. Physical distancing is a basic strategy to overcome the epidemic of the Corona COVID-19 Virus in Indonesia.

In Indonesia, the Physical Distancing strategy is carried out by using a mask when outside the home, conducting contact tracing (tracing) of positive cases treated using a quick test, educating and preparing isolation independently on some tracing results which show positive or negative test results. With symptoms to do self-isolation, then the last strategy is hospital isolation which is done if self-isolation is not possible, such as because there are clinical signs that need definitive services in the hospital.

In addition to strategic Physical Distancing, the steps and efforts of the Indonesian government in dealing with and dealing with COVID-19 include:

- The Indonesian government, through the Ministry of Health, has taken various steps to prevent the entry of COVID-19 into Indonesian territory,
- The Ministry of Health opens contact services that can be accessed by the public to find information about the corona virus.
- On 2 February 2020, the Government of Indonesia announced:
  - o Postponement of all flights to and from China with effect from 5 February 2020 at 00.00 WIB.
  - o The prohibition of all people from entering and transiting to Indonesia if during the last 14 days they have been in China.
  - o Temporary revocation of free visa and visa on arrival for Chinese citizens.
  - o Temporary suspension of imports of live animals from China.
- As a form of protection, the Indonesian Government has repatriated Indonesian citizens from Hubei Province, PRC, on February 2, 2020.

## 2.3 Economic Activity

Economic activities are all activities carried out by humans in an effort to fulfill their daily needs. Economic activities are activities of production, distribution and consumption of goods or services at all levels of society that can generate money or wealth. The three types of economic activity are connected to one another. Economic activities will not be able to run if there are no 3 types of activities.

### - **Production**

Production is an activity to produce goods or services. Production of goods is the activity of increasing the usefulness of objects by changing their nature and shape. Meanwhile, service production is the activity of adding to the usefulness of objects without changing their nature and shape.

### - **Distribution**

Distribution is an activity to distribute goods from producers to consumers. The agency or person who does this is known as a distributor. Without a distributor, it will be difficult for goods from producers to reach consumers.

### - **Consumption**

Consumption is an activity to use or spend goods / services to meet needs or survival.

Economic activities in Indonesia include:

- Agricultural economic activities are economic activities carried out by utilizing natural conditions. Examples are in the fields of agriculture, livestock, fisheries, plantations, and also forestry.
- Non-linear economic activities, namely non-linear economic activities, are usually more developed in urban areas because the activities carried out such as trade, industry, and various services also occur in cities. The following is a complete explanation of various non-agricultural economic activities, as follows:
  - o Trading



Trade is one of the most common economic activities carried out by people in Indonesia, namely the process of buying and selling transactions. This activity aims to get the maximum possible benefit.

- Industry  
The scope of industry in Indonesia is quite broad in processing raw products into finished products.
- Mining  
Indonesia has very diverse resources. So it is not surprising that mining is one of the economic activities carried out by many people. Mining activities can be considered as a way to extract wealth that has high use value. In Indonesia, there are many types of mining, namely gold, coal, oil, and so on.
- Services  
Services are one example of economic activities that provide services to everyone in need. Types of businesses engaged in services include travel, transportation, delivery of goods, and so on.

## 2.4 Economic growth

Economic growth is a state of the country's economy during a certain period which is better or better than the previous period based on several indicators. Another definition of economic growth is an increase in national income in a certain period, economic growth shows an increase in production and service capacity in a certain period of time.

Economic growth can be a benchmark for seeing the progress of a country and how the results of development are carried out during a certain period. If the development is carried out by the government effectively and successfully, then you will see significant economic growth in society. Another thing that can be seen from economic growth is based on per capita income or the average income of the population of a country.

There are two components that can be used in measuring economic growth in a country, namely:

a. Gross National Product (GNP) or Gross National Product (GNP)

Income received by the state within a certain period of time or within a period of one year, based on the income received by its citizens, is called the gross national product (GNP). This means that the income of Indonesian citizens abroad is included in GNP, but the income of foreigners who are in Indonesia is not included from GNP.

To calculate the economic growth of this GNP is to compare the GNP in this period with the previous GNP period.

b. Gross Domestic Product (GDP) or Gross Domestic Product (GDP)

If GNP is calculated based on the income of a country from the income earned by its citizens wherever located, the Gross Domestic Product (GDP) or Gross Domestic Product (GDP) is seen from the country's income based on its territorial or territorial boundaries. So all economic production that is carried out and occurs in a country, be it by its citizens or foreign nationals, is included in the GDP calculation. And conversely, the income or production made by citizens who are abroad is not included in the GDP calculation.

The formula for calculating economic growth based on GDP is basically the same as using GNP, where the comparison between GDP in that period and GDP in the previous period is seen.

## 3. RESEARCH METHODS

Based on the problem under study, the method used in this research is a descriptive study through a qualitative approach. Descriptive research method is a method used to analyze events that occurred during the research. What is meant by descriptive research is a method of research carried out to obtain a picture of the situation that is happening in the present or is ongoing.



## 4. RESEARCH AND DISCUSSION RESULTS

### 4.1 Slowing Exports of Goods and Commodity Prices

The impact of the spread of the COVID-19 outbreak in the world resulted in a slowing contraction in the volume of world trade which then resulted in a decline in world commodity prices, including the prices of Indonesia's main export commodities (IHKEI)

**Table 1. Indonesian Export Commodity Price Index (IHKEI)**

Commodities	2016	2017	2018	2019	2020 (YTD) *
Copper	-10.5	27.1	6.7	-7.8	-6.3
Coal	6.8	48.2	2.5	-8.6	-1.2
CPO	21.3	5.7	-19.2	-2.3	16.4
Rubber	-2.2	28.1	-16.8	12.4	-5.9
Nickel	-15.4	8.9	27.8	7.0	-14.0
Lead	13.1	13.1	0.5	-7.5	-8.4
Aluminum	-3.5	22.9	7.4	-14.1	-5.1
Coffee	4.3	-2.9	-15.4	-11.8	7.2
Others	1.0	6.8	1.2	-0.7	-1.5
<b>IHKEI</b>	<b>5.4</b>	<b>21.7</b>	<b>-2.8</b>	<b>-3.0</b>	<b>0.9</b>

Source: Bloomberg, per Mar'20 (processed)

Slowing prospects for world economic growth lowered the growth prospects for Indonesia's export of goods, which if cumulative from January to March 2020 decreased -34.15% (yoy).

### 4.2 Tourism Exports Decreased

The policy of closing flights to and from China led to a decrease in the number of foreign tourists from China. The decline in foreign tourism, especially to Indonesia, will affect foreign exchange earnings from tourism, which is estimated to be around USD 1.3 billion.

The impact on the tourism route has been felt from February 2020 to March and has recorded a significant decline in line with hotel occupancy. Various airlines have also made flight cancellations so that the prospect of future service exports is very heavy.

**Table 2. Data on foreign tourist visits to Indonesia**

Airport	February 2020 decline (YoY%)	March 2020 drop (YoY%)
Ngurah rai	-19.8	-62.5
Seokarno Hatta	-22.4	-69.5
Mop. Batam	-25.8	-89.7
Mop. Tj. Gray hair	-69.1	-85.1
Kualanamu	-30.6	-54.3
Juanda	-19.8	-69.9
Sam Ratulangi	-85.4	-19.9
Adi Cipto	-21.6	-20.1
BIL	16.6	-41.4
Ahmad Yani	-10.4	-61.7
Sultan Hasanudin	-2.2	-100
Hang Nadim	-21.6	-70.5
Adi Sumarmo	-14.2	-82.4

Source: BPS

### 4.3 The Indonesian economy is projected to be low

Indonesia's economic growth due to the widespread spread of COVID-19 is projected to be lower than before. In the medium scenario, Bank Indonesia data projects that Indonesia's GDP will be



in the range of 4.2 -4.6% (yoy). In a very tough scenario, the Ministry of Finance projects Indonesia's GDP to reach -0.4 with all components slowing down. On a worst note, consumption grew at a very low level, investment grew negatively, exports and imports also experienced a deep contrast.

The assumption of Bank Indonesia in the moderate scenario that Indonesia's economic growth in 2020 is predicted to experience pressure due to the weakening global economic outlook due to the widespread spread of the COVID-19 virus. The impact on the domestic economy is through the channels of demand, supply and the confidence of economic actors.

In addition, various data on survey indicators conducted by Bank Indonesia illustrate the slowdown in household consumption, which is confirmed by a decrease in non-cash transactions in the form of debit ATMs, credit cards and electronic money. This can be seen from the decline in the transaction value of ATM Debit Cards due to the decrease in transfers. The value of credit card transactions decreased slightly, especially for shopping transactions, the same thing with electronic money transactions too.

## 5. CONCLUSIONS

### 5.1 Conclusions

Based on the results of research and discussion, it can be concluded:

1. The surging spread of the COVID-19 virus in Indonesia has had a major impact on national economic growth. This can be seen from the decline in prices for Indonesia's main export commodities, exports of Indonesian tourism services, thereby reducing foreign exchange and decreasing consumer interest in shopping due to the large-scale social restrictions (PSBB) policy in several regions in Indonesia.
2. The policies issued by the government to deal with the spread of the COVID-19 virus resulted in many industries going out of business and having to do Termination of Employment (PHK). This has an impact on increasing unemployment in Indonesia which is in line with the decline in the income of the Indonesian people.

### 5.2 Suggestions

1. The public should have full awareness that the COVID-19 virus is real and people must be able to look after each other. Keep using a mask when leaving the house. Always adhere to health protocols and support policies that have been implemented by the government.
2. For the Government to continue to supervise community actions in order to continue to follow health protocols, as well as supervise direct assistance to the right target community.

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