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Research Article

Coronanomics: Implications of COVID-19 Pandemic in The Economy in Indonesia

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A B S T R A C T

Coronanomics is the impact of the COVID-19 pandemic on the economy. The purpose of this study is to analyze the impact of the COVID-19 pandemic on the macro economy which includes several macro indicators, namely data on economic growth, inflation rates, interest rates, consumption, and investment in Indonesia as well as government policy responses in overcoming the COVID-19 pandemic. This study uses a literature study by taking data from several kinds of literature that support the research process. This study uses quantitative data that is described qualitatively to analyze the impact on the macro economy. Data collection techniques used by listening and analyzing data using data reduction, data display, and an overview of the literature to be developed in this study. The results showed that the Indonesian economy in the third quarter of 2021 increased by 3.51% (yoy), although it slowed down compared to the previous quarter's achievements, household consumption grew by 1.03% (yoy). Investment growth slowed by 3.74% (yoy), supported by construction investment. The government's consumption performance was 0.66% (yoy), in line with the reallocation of spending to accelerate the national economic recovery program, including the handling of the COVID-19 delta. The inflation rate in October 2021 was 0.93%, a decrease compared to inflation in 2020 of 1.66%. The government's policy responses that have been carried out to overcome the COVID-19 pandemic are divided into two, namely through the COVID-19 Handling Policy and the National Economic Recovery Policy (PC-PEN).

INTRODUCTIONS

The COVID-19 pandemic has resulted in more than 188 million confirmed cases and more than 4 million deaths globally which has fueled fears of an impending economic crisis and recession. Social distancing, self-isolation, and travel restrictions are forcing a reduction in the workforce in all sectors of the economy and causing many jobs to be lost. In addition, the pandemic has also resulted in schools being conducted online and the need for commodities and manufactured products has decreased. On the other hand, the need for medical supplies has increased significantly. The food sector is also experiencing high demand due to panic buying and hoarding of food products. This results in the economic impact of COVID-19 which is called coronanomics or the effect of the COVID-19 pandemic on the economy. Coronanomics is the impact of the COVID-19 pandemic on the economy (Eichengreen, 2020) often referred to as the black swan effect (Petro, 2020).

Baldwin and Tomiura (2020) also argue that the COVID-19 pandemic is a shock to demand and supply that tends to significantly slow down aggregate trade flows and pressure on the manufacturing sector and supply-side contagion will soon occur through the internationalization of supply chain distortions. Beck (2020) focuses on the financial and banking risks posed by the COVID-19 pandemic and its impact on the global economy, fiscal and monetary policy reactions, and banking regulations to overcome financial and banking sector collabs. According to Cecchetti and Schoenholtzon (2020), the banking sector is the sector most vulnerable to economic shocks and challenges to bank runs. Meanwhile, according to Mann (2020), the linkages between global commodity markets, financial markets, public sentiment, and the economy are likely to make the situation worse and we await a response to government policies.

The existence of this pandemic has forced countries to carry out the process of deglobalization by implementing social restrictions, and lockdowns, preventing the flow of goods, capital, people, and businesses as well as closing various production activities. So the macroeconomic impact has been felt by various countries including Indonesia. The COVID-19 pandemic has had a tremendous impact on the economy. The world last year experienced a minus 3.2% contraction in terms of economic growth due to COVID-19 which was then accompanied by restrictions on mobility which created an economic downturn.. In 2020, almost the whole world faces an economic downturn which caused a very deep contraction because almost all countries carry out strict restrictions on mobility. Economic growth is the development of activities in the economy that cause goods and services produced in society to increase so that it can lead to macroeconomic problems in the long term (Sukirno, 2008). Measurement of economic growth can use the value of Gross Domestic Product (GDP or GDP). Gross Domestic Product (GDP) is the value of the production of goods and services created in an economy in one year.

Indonesia experienced a significant contraction in GDP, shrinking by approximately 2.1% in 2020, marking its first recession in over two decades (BPS, 2021). Key sectors such as tourism, manufacturing, and retail faced severe downturns due to lockdown measures and reduced consumer spending (World Bank, 2021). In response, the Indonesian government introduced several stimulus packages totaling around IDR 695.2 trillion (approx. USD 47.6 billion) aimed at supporting healthcare, social protection, and economic recovery (Ministry of Finance, 2020). Bank Indonesia also cut interest rates and provided liquidity support to ensure financial stability and promote economic recovery (Bank Indonesia, 2021). As a result, GDP growth rebounded to an estimated 3.7% in 2021, supported by increased government spending and a gradual recovery in global demand (ADB, 2022). The pandemic also accelerated digital transformation in Indonesia, with significant growth in e-commerce, digital banking, and remote work (Fitzpatrick, 2021).

Comparing Indonesia's experience with other countries reveals both similarities and differences in the economic impact and recovery. Advanced economies like the United States and the European Union faced severe GDP contractions but implemented large-scale stimulus measures. The US economy contracted by 3.5% in 2020, with significant government stimulus measures including the CARES Act which provided over USD 2 trillion in economic relief (IMF, 2021). The US recovery was swift, with GDP growing by 5.7% in 2021 due to robust vaccination rollout and fiscal support. The EU economy shrank by 6.1% in 2020, with the Next Generation EU fund worth EUR 750 billion launched to support recovery, focusing on green and digital transitions (European Commission, 2021). Emerging markets like India and Brazil faced sharper contractions due to stringent lockdowns and limited fiscal capacity. India experienced a GDP contraction of 7.3% in 2020 but rebounded with 9.5% growth in 2021, driven by a large fiscal stimulus package and a rapid vaccination drive (Reserve Bank of India, 2021). Brazil's economy contracted by 4.1% in 2020, with a slower recovery due to political instability and varying effectiveness of measures (IMF, 2021). In Southeast Asia, Malaysia and Thailand also experienced significant economic downturns. Malaysia's GDP contracted by 5.6% in 2020, with a moderate recovery in 2021 (Bank Negara Malaysia, 2021). Thailand's economy contracted by 6.1% in 2020, heavily impacted by the decline in tourism, and showed a slow recovery in 2021 (Bank of Thailand, 2021).

The government notes economic growth in Indonesia in the first quarter of 2020 was 2.97%, the lowest since 2001. The projection of Indonesia's economic growth in the second quarter of 2020 fell to 1.1% and 2.4% in the fourth quarter of 2020. Indonesia's real GDP in the second quarter of 2019 was Rp2 735 trillion, which increased to Rp2,773 trillion in the second quarter of 2021, but experienced a decline in the second quarter of 2020 to Rp2,590 trillion due to the COVID-19 pandemic (BPS, 2021). The decline was marked by deteriorating external environmental conditions and weakening domestic demand in line with declining business and consumer sentiment. The COVID-19 pandemic has had bad implications for the world economy and Indonesia in the 2020-2021 period, which coincided with the decline in commodity prices and financial market turmoil.

Table 1. Gross Domestic Product Growth 2017-2021 at Quarter 3

Year	GDP
2017	5.07
2018	5.17
2019	5.02
2020	-2.07
2021-Q3	3.51

Source: BPS, 2021

The Indonesian economy in October 2021 compared to October 2020 grew by 3.51%, which was supported by an increase in production, health services, and social activities by 14.6%. Meanwhile, there was an increase of 29.16%

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which came from the component of exports of goods and services. Economic growth (y-on-y) in October 2021 experienced an increase in almost all regions, except for groups on the island of Bali and Nusa Tenggara which experienced a growth contraction of 0.09%. However, Java Island with a contribution of 57.55% recorded a growth of 3.03%.

According to Baldwin and di Mauro (2020) several benchmarks can be used to assess the impact of the pandemic on the macroeconomy, namely demand, supply, supply chain, trade, investment, price level, exchange rates, financial stability and risk, economic growth., and international cooperation. Meanwhile, according to Fahrika and Roy (2020), the benchmarks used to assess the impact of the pandemic are economic growth, consumption, inflation rates, investment, and government policies. This study attempts to comprehensively identify the possible current and future economic implications of the COVID-19 pandemic. This research provides a comprehensive and indicative picture of the observed impacts and the possible impacts that may arise in the future.

METHOD

This research aims to identify the economic implications of the COVID-19 pandemic through comprehensive research. This research is qualitative research using quantitative data to predict the impact of the COVID-19-19 pandemic on the macro economy. The data used is secondary data originating from various reliable sources. This research uses literature studies by taking data from several reference sources that support the research. The data collection technique used is listening and analyzing the data using data reduction, data presentation, and concluding so that a conclusion regarding the literature that will be developed in this research is obtained. Data is taken from the websites of Bank Indonesia, the Central Statistics Agency, and the Ministry of Finance regarding National Economic Recovery data which includes data on economic growth, inflation, interest rates, consumption, investment, and government policies. The data is then summarized to see the relationship between the pandemic and its impact on the national economy.

RESULT AND DISCUSSION

Economic Growth

Based on data from the Central Statistics Agency (BPS), the Indonesian economy experienced an increase in October 2021 although it slowed compared to the previous year due to the spread of the COVID-19 delta variant. Indonesia's economy in the third quarter of 2021 grew by 3.51% (yoy), lower than the previous quarter's achievement of 7.07% (yoy). This development was mainly supported by export performance in line with strong demand from major trading partners. Meanwhile, domestic demand grew at a slower pace in line with the mobility restriction policy to deal with the COVID-19 delta variant. In terms of the business field (LU), the performance of the main LU continues to grow positively, although several LUs related to community mobility have contracted.

Table 2. Gross Domestic Product Growth Rate by Expenditure (Percent) 2021

Information	Quarter			
	I	II	III	IV
Cumulative Growth Rate (c-to-c)	-0.71	3.10	3.24	-
Chained Quarterly Growth Rate (q-to-q)	-0.92	3.31	1.55	-
Quarterly Growth Rate against the Same Quarter of the Previous Year (y-on-y)	-0.71	7.07	3.51	-

Source: BPS, 2021

On the expenditure side, all components of GDP grew positively, although at a slower pace than the previous quarter. Household consumption grew by 1.03% (yoy), lower than the achievement in the second quarter of 2021 at 5.96% (yoy), in line with the decline in community mobility in various parts of Indonesia. Investment growth slowed by 3.74% (yoy), supported by construction investment. The government's consumption performance was 0.66% (yoy), in line with the reallocation of spending to accelerate the national economic recovery program, including the handling of the COVID-19 delta. Meanwhile, export performance remained high at 29.16% (yoy) in line with strong global demand. Meanwhile, imports in the third quarter of 2021 recorded a high growth of 30.11% (yoy).

From the LU side, the performance of the major LUs, such as the Manufacturing, Trading, and Mining Industries, grew positively. Meanwhile, some LUs related to mobility, namely the Provision of Accommodation and Food and Drink, as well as Transportation and Warehousing experienced contractions. Spatially, the performance of national economic growth is supported by almost all regions, with the highest growth recorded in the Sulawesi-Maluku-Papua (Sulampua) region, followed by Kalimantan and Sumatra.

Although economic activity in Q3-2021 was still limited due to the implementation of PPKM, the economy still grew positively in almost all regions except Bali and Nusa Tenggara which depend on the tourism sector. The areas of Bali and Nusa Tenggara experienced another contraction due to restrictions on people's mobility, including the absence of flights to tourist destinations from the countries of origin of tourists. In the short term, the COVID-19 pandemic and its variants are still a major challenge for the global economy. Meanwhile, the issue of climate change is also a challenge for the global economy in the long term.

However, various institutions project that economic growth in 2021 and 2022 will begin to recover, with the condition of the global COVID-19 daily case starting to sag, global manufacturing activity continues to grow expansively, Commodity prices have increased in line with global demand, and the economic outlook is predicted to remain solid going forward. However, global economic growth is still overshadowed by the risk of uncertainty. These risks stem from, among other things, the development of COVID-19 and its variants, geopolitical uncertainty, tapering off by the Fed, the energy crisis, and the issue of climate change.

Inflation Rate

The pandemic also affected inflation dynamics in Indonesia. Inflation is a general increase in prices due to disruption of the balance of the flow of goods and the flow of money. Inflation is calculated based on the percentage change in the Consumer Price Index (CPI) at a point in time compared to the previous CPI. Inflation occurs when aggregate expenditure exceeds the ability of the economy to produce goods and services (Sukirno, 2008). Entering the third quarter of 2021, inflation of 0.12% occurred with the Consumer Price Index (CPI) of 106.66.

Inflation occurred due to an increase in prices as indicated by an increase in the entire index of expenditure groups, namely: food, beverages and tobacco by 0.10%; clothing and footwear group by 0.15%; housing, water, electricity, and household fuel groups by 0.08%; household equipment, equipment and routine maintenance group by 0.13%; health group by 0.06%; transportation group by 0.33%; information, communication, and financial services group by 0.04%; recreation, sports, and culture groups by 0.04%; education group by 0.02%; food and beverage or restaurant supply group by 0.12%; and the personal care and other services group by 0.02%.

Table 3. Inflation Data from 2018-2021

Month	2018		2019		2020		2021	
	CPI	**Inflation**	**CPI**	**Inflation**	**CPI**	**Inflation**	**CPI**	**Inflation**
January	132.10	0.62	135.83	0.32	104.33	0.39	105.95	0.26
February	132.32	0.17	135.72	-0.08	104.62	0.28	106.06	0.10
March	132.58	0.20	135.87	0.11	104.72	0.10	106.15	0.08
April	132.71	0.10	136.47	0.44	104.80	0.08	106.29	0.13
May	132.99	0.21	137.40	0.68	104.87	0.07	106.63	0.32
June	133.77	0.59	138.16	0.55	105.06	0.18	106.46	-0.16
July	134.14	0.28	138.59	0.31	104.95	-0.10	106.54	0.08
August	134.07	-0.05	138.75	0.12	104.90	-0.05	106.57	0.03
September	133.83	-0.18	138.37	-0.27	104.85	-0.05	106.53	-0.04
October	134.2	0.28	138.40	0.02	104.92	0.07	106.66	0.12
November	134.56	0.27	138.60	0.14	105.21	0.28		
December	135.39	0.62	139.07	0.34	105.68	0.45		
Inflation Rate		**3.13**		**2.72**		**1.68**		**0.93**

Source: BPS, 2021

From Table 3, the inflation rate for the calendar year (January–October) 2021 is 0.93% and the year-on-year inflation rate (October 2021 to October 2020) is 1.66%. Meanwhile, from Table 4, the inflation rate for the same period of calendar years 2020 and 2019 was 0.95% and 2.22%, respectively, and the year-on-year inflation rate for October 2020 against October 2019 and October 2019 against October 2018 was 1.44. % and 3.13%.

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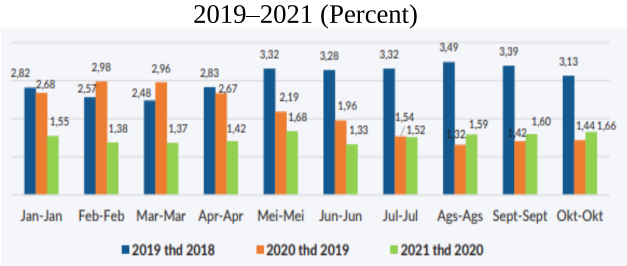
Table 4. Monthly, Calendar Year, and Year-over-Year Inflation Rate 2019–2021 (Percent)

Inflation Rate	2019	2020	2021
October	0.02	0.07	0.12
Calendar year (January-October)	2.22	0.95	0.93
yoy	3.13	1.44	1.66

Source: BPS, 2021

The data above shows an increase in the amount of inflation in Indonesia, which means that in 2021 there will be an increase in the amount of consumption in the community. The COVID-19 pandemic in 2019 had the impact of reducing the inflation rate in Indonesia by 1.69, which was accompanied by a decline in the CPI in 2020 by 33.39. The Consumer Price Index (CPI) in October 2021 experienced 0.12% (mtm) inflation, after recording 0.04% (mtm) deflation in the previous month. This development was influenced by an increase in inflation in the volatile food group and administered prices category, amid a decline in core inflation. From Figure 1, on an annual basis, CPI inflation in October 2021 was recorded at 1.66% (yoy), higher than inflation in the previous month of 1.60% (yoy).

Figure 1. Comparison of Year-to-Year Inflation Rates 2019–2021 (Percent)



Source: BPS, 2021

The COVID-19 pandemic had a multifaceted impact on inflation in Indonesia, initially leading to subdued inflation due to weakened demand and falling global oil prices. During the early stages of the pandemic, lockdown measures and economic uncertainty caused a significant drop in consumer spending, resulting in lower inflation rates as businesses struggled to sell their goods and services. Additionally, plummeting global oil prices further contributed to low inflation by reducing transportation and production costs. However, as the pandemic continued, global supply chains experienced significant disruptions. Restrictions on movement, factory closures, and logistical challenges led to shortages of raw materials and finished goods, causing production delays and increased costs for businesses. These disruptions were eventually passed on to consumers in the form of higher prices, contributing to inflationary pressures.

The recovery in global demand, coupled with ongoing supply chain issues, led to a surge in commodity prices, including food and energy, which impacted consumer prices in Indonesia, especially for essential goods. The increased prices for imported goods also contributed to higher inflation, given Indonesia's reliance on imports for various products. Moreover, government stimulus measures aimed at supporting the economy had inflationary effects. Increased government spending and cash transfers to households boosted demand, which, in turn, put upward pressure on prices.

To address the inflationary pressures exacerbated by the pandemic, the Indonesian government and Bank Indonesia implemented several measures. Bank Indonesia reduced the benchmark interest rate multiple times to a historic low, intending to lower borrowing costs, stimulate economic activity, and support recovery. These rate cuts, along with liquidity support to the banking sector, helped maintain financial stability and supported economic recovery without leading to excessive inflation. The government also took steps to address supply chain disruptions by ensuring the smooth flow of goods and services, streamlining logistics, reducing bottlenecks, and enhancing coordination between different sectors. Measures were taken to support domestic production and reduce reliance on imports, mitigating the impact of global supply chain issues on local prices.

To protect consumers from sharp price increases, the government implemented subsidies and price controls on essential goods such as food and fuel, helping to keep prices stable and ensure affordability for households. Expanded social protection programs, including cash transfers, food assistance, and unemployment benefits, supported households facing economic hardship. These programs aimed to sustain consumption levels and prevent demand from collapsing, thereby avoiding deflationary pressures. By maintaining a certain level of demand, these measures also contributed to stabilizing prices and preventing excessive inflation.

Additionally, the government introduced various fiscal measures to support businesses and maintain economic stability, including tax incentives, subsidies, and financial assistance for small and medium enterprises (SMEs). By supporting business operations and employment, these measures helped sustain economic activity and prevent supply-side inflationary pressures. The government and Bank Indonesia closely monitored inflation trends and economic conditions, with transparent communication of policy measures and economic outlook helping to manage expectations and prevent panic-induced price increases. Regular updates and guidance on inflationary developments provided businesses and consumers with the necessary information to make informed decisions.

Interest Rate

BI Rate or BI seven-day repo rate is an interest rate policy issued by Bank Indonesia as a representation of monetary policy stance and is decided every month to regulate finances by reflecting on the economic conditions of a country. The BI Rate policy is a reference for financial institutions or the public in conducting monetary financial activities. In addition, the BI Rate is the basis for Bank Indonesia transactions with third parties such as the government or foreign parties (Bank Indonesia, 2021). The Bank Indonesia interest rate in October 2021 is 3.50%, the Deposit Facility interest rate is 2.75%, and the Lending Facility interest rate is 4.25%. As seen from the table below, in the period February-October 2021, the BI rate is constant at a value of 3.5%. The decision was taken by Bank Indonesia to maintain exchange rate stability and the financial system against low inflation and to support economic growth.

Table 5. Indonesia's Bank Indonesia Rate in 2021

BI Rate	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
	3.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50

Source: Bank Indonesia, 2021

The COVID-19 pandemic significantly impacted the Bank Indonesia (BI) rate, prompting a series of monetary policy adjustments to mitigate economic challenges. As the pandemic disrupted economic activities and caused a sharp contraction in GDP, Bank Indonesia responded by reducing the benchmark interest rate multiple times, bringing it down to historic lows. These rate cuts aimed to lower borrowing costs, stimulate economic activity, and support recovery efforts by making credit more affordable for businesses and consumers.

The central bank also provided liquidity support to ensure financial stability and maintain the flow of credit to sectors in need. Additionally, to further mitigate the impact of the pandemic on the economy, the Indonesian government implemented various fiscal measures, including significant stimulus packages, tax incentives, and subsidies for small and medium enterprises (SMEs). These measures were designed to complement the monetary policy adjustments, sustain economic activity, and prevent a deeper recession. By coordinating fiscal and monetary policies, the Indonesian government and Bank Indonesia worked to stabilize the economy, promote recovery, and ensure that the BI rate adjustments effectively supported broader economic stability.

Consumption

Consumption is the activity of spending on goods and services by households with the aim of meeting needs. Public consumption expenditures consist of food, clothing, and necessities that have been produced to be used by the community to meet their needs (Khairani, 2009). A person's eating habits in choosing the food to consume are influenced by physiological, psychological, and sociocultural factors (Saragih, 2020). However, other influences change eating patterns, such as the current COVID-19 pandemic which makes people move a lot from home. At the beginning of the pandemic in March 2020, the government recommended that they work, study, and worship at home to encourage people to buy food to prevent COVID-19 and other basic needs as stock supplies for some time to come (panic buying phenomenon), increasing material prices. these basic needs. Contractions in the consumption sector, especially household consumption, government, and LNPRT accounted for more than 60% affected movement to increase economic activity. Household consumption recorded a distribution of 53.45% of GDP, government consumption 9.45%, then LNPRT consumption 1.45%.

In the third quarter of 2021, household consumption expenditure only grew by 1.03% (year-on-year or yoy), slowing down from the second quarter of 2021 with a growth of 5.96% (yoy). Consumption of non-profit institutions that serve households (LNPRT) is the same, in the third quarter of 2021 it grew 2.96% (yoy), slowing from the second quarter of 2021 which was 4.15% (yoy). This resulted in lower economic growth in the third quarter of 2021 than the expectations of various parties, including the government. This is due to the depressed consumption aspect, which has a large distribution of gross domestic product (GDP). The depressed household consumption was evident from the slowdown in growth in several sectors, such as food and beverages other than restaurants by 0.79%, clothing, footwear, and maintenance services by -0.46%, and transportation and communications -0.21%. Government consumption which only rose 0.66% shows the ineffectiveness of fiscal policy amid the pandemic, especially when the second wave of COVID-19 due to the delta variant occurred.

Gross fixed capital formation (PMTB) recorded a growth of 3.74% (yoy). This component with a distribution of 31.75% of GDP provides a good boost for economic growth, although it is not sufficient to maintain pressure from the consumption side. Exports in the third quarter of 2021 recorded a growth of 29.16% (yoy) and imports grew by 30.11% (yoy). So the government needs to pay attention to the growth rate of imports which are higher than exports. In addition, the decline in private consumption was also

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due to a decline in tourism, both foreign and domestic. Visits of foreign tourists in January 2020 decreased by 7.6% compared to December 2019 in proportion to the number of domestic tourists which decreased by 3.1% due to the COVID-19 pandemic.

The COVID-19 pandemic had a profound impact on consumption in Indonesia, leading to a significant decline in household spending due to lockdown measures, job losses, and income uncertainty. The sharp reduction in consumer spending was a major contributor to the economic downturn, as businesses faced reduced demand for goods and services. To mitigate the impact on consumption, the Indonesian government implemented several measures aimed at supporting household incomes and maintaining consumption levels. Social protection programs were expanded, including cash transfers, food assistance, and unemployment benefits, to provide direct support to vulnerable households. These measures helped sustain purchasing power and prevent a more severe collapse in demand.

Additionally, the government encouraged digital and e-commerce platforms, which saw significant growth during the pandemic, by enhancing digital infrastructure and promoting digital literacy. This shift towards digital consumption provided an alternative means for households to continue purchasing goods and services. The combination of direct financial support and the promotion of digital commerce helped stabilize consumption levels, supporting overall economic recovery and mitigating the adverse effects of the pandemic on household spending.

Investment

Investment is the expenditure or expenditure of investors to buy capital goods and production equipment to increase the ability to produce goods and services available in the economy to produce more goods and services in the future (Sukirno, 2008). Investments are made by investors to earn profits. Investment is a positive addition of capital goods. Investment consists of two types, namely real investment and financial investment. Real investment is an investment in capital goods that will be used in the production process. Financial investment is an investment in securities, for example, the purchase of shares, bonds, and other debt proof (Helen et al, 2017). Investment realization data for Quarter III-2021 or the July-September period reached Rp216.7 trillion, up 3.7% compared to the same period in 2020 which was recorded at Rp209 trillion due to an increase in the COVID-19 positivity rate from July to August 2021. which forced the government to restrict economic activities, especially in Java, which resulted in a slowdown in investment activities.

Realization of Domestic Investment (PMDN) investment in Quarter III-2021 amounted to Rp113.5 trillion or 52.4% of the total realization of investment achievement, with the absorption of Indonesian workers as many as 133,972 people. There was an increase in the realization of domestic investment in Quarter III-2021 when compared to the same period in 2020, which was 10.3% from Rp102.9 trillion. The largest contributor to domestic investment came from housing, industrial estates, and offices, amounting to Rp20.6 trillion or 18.2%. As for the project location, the largest investment realization was in West Java with an investment figure of IDR 17.1 trillion or 15.1%.

Meanwhile, the realization of foreign direct investment (PMA) in Quarter III-2021 reached Rp. 103.2 trillion or 47.6% of the total realization of investment, with the absorption of Indonesian workers as many as 154,715 people. When compared to the same period in 2020, there was a slight slowdown of 2.7%, from Rp106.1 trillion to Rp103.2 trillion. The sector that contributed the most to the realization of FDI came from the basic metal, metal goods, non-machinery, and equipment industries, amounting to Rp. 21.5 trillion or 20.9%. Investment realization performance outside Java Island was higher than Java Island due to the implementation of Level 3 and Level 4 PPKM in Java and Bali, while investment realization outside Java and Bali continued to run with some PPKM levels 1 and 2.

The COVID-19 pandemic had a significant adverse impact on investment in Indonesia, leading to delays, cancellations of projects, and a decline in foreign direct investment (FDI) inflows due to heightened uncertainty and reduced economic activity. The pandemic-induced economic slowdown caused businesses to postpone expansion plans and cut back on capital expenditures, further exacerbating the decline in investment. In response, the Indonesian government implemented a range of measures to mitigate these effects and stimulate investment. One key initiative was the introduction of the Omnibus Law on Job Creation, which aimed to streamline regulations, reduce bureaucratic hurdles, and create a more favorable investment climate.

The government also offered various tax incentives and financial support to attract and retain investors, particularly in strategic sectors. Additionally, infrastructure projects were prioritized to boost economic activity and provide long-term growth opportunities. Efforts to enhance digital infrastructure and promote the digital economy were accelerated, recognizing the growing importance of technology in driving investment and economic resilience. By improving the regulatory environment, offering financial incentives, and focusing on infrastructure development, the Indonesian government aimed to restore investor confidence, encourage capital inflows, and support a sustainable economic recovery post-pandemic.

Government Policy

The trend of the delta variant of COVID-19 cases which decreased in July 2021 made people start increasing mobility which caused the Indonesian economy to grow by 3.51% (yoy) in October 2021. This growth occurred in various sectors, namely manufacturing, mining, retail, and construction creating optimism that Indonesia's economic recovery will continue. In addition, strengthening the social protection program (Perlinsos) that focuses on the poor and vulnerable can help maintain the fulfillment of basic needs and support fiscal incentives from the government for taxpayers affected by COVID-19. Business actors, both corporations and MSMEs, can take advantage of these incentives to minimize costs so they can focus on running their business operations during the pandemic.

The realization of the National Economic Acceleration program has reached Rp483.91 trillion or 65% of the total budget ceiling of Rp744.77 trillion. Support for increasing access to financing for MSMEs is carried out through the People's Business Credit policy by increasing the KUR financing ceiling in 2021 to IDR 285 trillion and relaxing the KUR policy to facilitate financing for MSMEs during the pandemic, adding the Super Micro KUR scheme for laid-off workers and housewives. The realization of KUR distribution in 2021 increased significantly and has approached the normal pattern with the realization reaching Rp244.22 trillion (85.69% of the change in the target of Rp285 trillion) and was given to 6.45 million debtors.

To maintain people's purchasing power during the pandemic, the government issued the Pre-Employment Card Program as a semi-social assistance to encourage the improvement of participants' abilities to help increase employment. The realization of incentives from the National Pre-Employment Card has reached Rp. 10.7 trillion, with a total of 5.6 million recipients of incentives. In addition, as a post-pandemic structural reform, the Job Creation Act was also launched to realize high economic growth, increase employment and community welfare, and get out of the middle-income trap. The expansion of business fields for investment accompanied by fiscal and non-fiscal incentives is carried out to encourage the creation of new jobs.

The COVID-19 pandemic necessitated significant adjustments in government policy in Indonesia to address the widespread economic and social disruptions. The government swiftly implemented comprehensive policy measures aimed at mitigating the pandemic's impact on the economy and society. Key initiatives included large-scale fiscal stimulus packages totaling around IDR 695.2 trillion (approximately USD 47.6 billion), which were directed toward healthcare, social protection, and economic recovery. To support households and maintain consumption, the government expanded social protection programs, including cash transfers and food assistance. For businesses, particularly small and medium enterprises (SMEs), tax incentives, subsidies, and financial aid were introduced to sustain operations and preserve jobs. The government also focused on accelerating digital transformation by enhancing digital infrastructure and promoting digital literacy, recognizing the pandemic's acceleration of digital trends. The Omnibus Law on Job Creation was another critical policy implemented to streamline regulations, attract investment, and foster a more business-friendly environment. The Indonesian government's multi-faceted approach, combining fiscal stimulus, regulatory reforms, and support for digitalization, aimed to stabilize the economy, protect vulnerable populations, and pave the way for a resilient post-pandemic recovery. These policies were coordinated with monetary measures by Bank Indonesia to ensure a comprehensive response to the crisis.

CONCLUSION

The COVID-19 pandemic had profound implications for the Indonesian economy, impacting various aspects such as economic growth, inflation, interest rates, consumption, investment, and government policies. The initial economic contraction due to the pandemic was severe, with GDP shrinking by approximately 2.1% in 2020. This downturn was driven by lockdown measures, reduced consumer spending, and disruptions in key sectors like tourism and manufacturing. Inflation rates were initially subdued due to weak demand and falling global oil prices but later rose due to supply chain disruptions and increasing commodity prices. In response, Bank Indonesia cut interest rates to historic lows to lower borrowing costs and stimulate economic activity, while also providing liquidity support to maintain financial stability.

Consumer spending, a major driver of economic growth, declined sharply as households faced income uncertainty and job losses. The government mitigated this by expanding social protection programs, including cash transfers and food assistance, and promoting digital and e-commerce platforms. Investment also suffered, with delays and cancellations of projects and a decline in foreign direct investment. The government addressed this through the Omnibus Law on Job Creation, tax incentives, and prioritizing infrastructure projects to attract and retain investment.

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The Indonesian government's policy response to the pandemic was comprehensive, involving significant fiscal stimulus, regulatory reforms, and support for digitalization. These measures aimed to stabilize the economy, protect vulnerable populations, and foster a resilient recovery. The coordinated efforts of fiscal and monetary authorities played a crucial role in mitigating the pandemic's adverse effects and setting the stage for sustainable economic growth in the post-pandemic era.

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