

## The Economic Growth of Countries in the South East Asia Region in the Covid-19 Pandemic Era

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### **Keywords**

*COVID-19; Economy;  
Social Restrictions;  
New Normal*

### **Abstract**

The COVID-19 pandemic has caused a decline in the economy and activity in various sectors and regions in Indonesia. Although the economic shock caused by the COVID-19 pandemic has gradually subsided as the domestic financial market stabilized and several economic sectors expanded. However, given the nature of the blow to both the supply and demand sides of the economy, recovery efforts still need more time. At the same time, the spread of the virus also shows no signs of ending as the trend of confirmed cases and deaths continues to increase. On the one hand, demands for the resumption of various social and economic activities are getting stronger, marked by the loosening of social restrictions in many areas. On the other hand, the existing public health infrastructure is still inadequate. So there is a high risk of re-activating the various wheels of social and economic activities to normal. With these limitations, the new normal is a must. The new normal is also an opportunity to strengthen the economy as long as it is accompanied by transparent priority setting and proper policy coordination and synchronization.

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### **INTRODUCTION**

The COVID-19 pandemic is a test of the resilience of a nation. Quoting Singapore's Minister of Foreign Affairs, Vivian Balakrishnan, the COVID-19 pandemic is an acid test (rapid feasibility test) for the resilience of public health, social capital and governance systems<sup>2</sup>. This multidimensional crisis due to the COVID-19 pandemic has come so quickly and has exposed the fragility of a country in various fields. In the health sector, this pandemic, for example, shows how inadequate and evenly distributed health facilities are in

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many countries, including the United States and Italy, which were previously considered to be quite advanced in public health facilities. Not only in terms of the availability of hospitals and medical personnel, this crisis has also exposed the facts of the lack and uneven distribution of facilities in the fields of health laboratories, testing and vaccination in many countries.

In the economic field, the crisis caused by the COVID-19 pandemic has developed in such a way and caused a contraction of the global economy. Unlike previous crises, it hit not only the demand side of the economy, but also the supply side of the economy. So that its pressure on growth is felt in many countries (Balakrishnan, 2020). Various world financial bodies estimate that the COVID-19 pandemic will cause the world economy to contract by - 2.0% to 2.8% in 2020, from previously growing by an average of 2.9% in Balakrishnan (2020), the impact of COVID-19 19 on Singapore, our region, and the world, Interview with CNBC Asia, CNBC Exclusive, 11 March 2020. Contrasting, but also proven to trigger social conflict in a country. Especially countries where there are seeds of discrimination and sharp social and political inequalities, which are vulnerable to conflicts and clashes between social classes in society. The protracted social unrest that has occurred in the United States is a testament to that. This riot, although framed by racial issues, was actually also triggered by the economic crisis due to an explosion in unemployment of more than 33 million people and hundreds of thousands of deaths due to the COVID-19 pandemic in the country (Cheung, 2020).

This short article will explore the ramifications and impacts of the COVID-19 pandemic in Indonesia by reviewing various aspects of economic development, public health and regional preparedness. This article will also review some of the priorities towards a new normal or “living in peace” with COVID-19 that must be taken and prepared. This article will then identify the challenges faced and the steps taken to not only recover but also emerge from the crisis caused by this Pandemic stronger and grow sustainably.

## **METHODS**

The study of this research uses a literature review where the literature is taken in accordance with the subject matter and analyzed in depth so that conclusions and findings can be drawn in the study. Literature taken from books, journal articles both nationally and internationally and other literature. (Phillippi & Lauderdale, 2018; Marshall et al., 2013; Bengtsson, 2016).

## **RESULTS AND DISCUSSIONS**

### **COVID-19 and the Indonesian Economy**

As an open country, the Indonesian economy is not immune to the world turmoil caused by the COVID-19 pandemic. Various international economic bodies such as the

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World Bank estimate that this pandemic will erode national economic growth to only be in the range of -3.5% to 2.1% in 2020. In line with the World Bank, the IMF also projects Indonesia's economic growth of 0.5% in 2020. This is clearly a sharp correction from the growth rate of 5.02% recorded in 2019. Likewise, from a socio-economic perspective, several institutions estimate that there will be an additional 1.16 million (+0.44%) to 9.6 million (+3.6%) of the poor in 2020, which depends on the degree of economic damage that will occur. Likewise, the number of unemployed is expected to increase by 2.91 million (2.17% of the workforce) to 5.23 million (3.79% of the workforce) in 2020 (Indonesia, 2020). The domestic financial market has not been spared the shocks caused by the COVID-19 pandemic. This can be seen from the swift capital outflow which was recorded at Rp.159.6 trillion between January and April 2020. The amount of capital outflow in this short time span was the largest that Indonesia has experienced since 2009. At the same time, domestic financial volatility also recorded an increase as indicated by the weakening of the Composite Stock Price Index (JCI) above 33% in March 2020, and the depreciation of the rupiah to touch the level of IDR 16,505 per USD, although now it has decreased to the level of IDR 15,000 per USD. The yield (Yield) of the Republic of Indonesia government bonds with a tenor of 10 years also rose to a level above 8% in March 2020.

From the release of Indonesia's economic growth in quarter 1-2020 issued by the Central Statistics Agency (BPS) it is clear that the damage to the economy caused by the COVID-19 pandemic is clear. Indonesia's Gross Domestic Product (GDP) growth rate in the first quarter of 2020 was recorded at only 2.97% (year-on-year), which is the lowest growth rate since 2001. This figure is also much lower than the predictions of the Ministry of Finance and Bank Indonesia, which previously still predicted growth in the range of 4%-5% in the first quarter of 2020. Meanwhile, the Indonesian economy in the first quarter of 2020 against the fourth quarter of 2019 has recorded a contraction of -2.41%. In other words, there has been a decline in the size of the national economic pie due to the COVID-19 pandemic. Although it cannot be said to be a technical recession, which by definition is a decline in GDP for two consecutive quarters, this decline can certainly continue in Q2-2020 considering that the peak of social restrictions occurred in April and May 2020, which will only be recorded in the data for the 2nd quarter of 2020.

On the expenditure side, the largest GDP contraction was recorded in household consumption spending, which worsened by 2.84%, the largest consumption contraction since 1999. The sharp decline in consumer household spending was due to at least two things: First, the increase in unemployment which had a direct impact on decrease in income and household consumption expenditure. Second, the increased uncertainty due to the COVID-19 pandemic has led to the diversion of consumption to savings (precautionary savings) by households whose incomes have not been heavily affected by the crisis caused by this pandemic.

Of course, not all sectors in the economy have heterogeneity of impact. Some sectors that were hit very strongly were the transportation sector (1.27% from the previous

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7.55%), the construction sector (-2.41%), and the manufacturing industry (-1.47%). The heavy blow felt by these various sectors could actually be predicted beforehand from various other indicators, for example from the indicator of a decrease in the number of foreign tourist arrivals which reached 64.11% between March 2019 and March 2020, as well as Bank Indonesia's Prompt Manufacturing Index in April 2020 which was recorded at 27.5 which is the lowest number in history<sup>6</sup>. Meanwhile, other sectors that are still relatively safe are the financial sector, health sector and social work which still grew dominantly at 10.67% y-y (previous: 8.49% y-y), and 10.39% y-y (previous: 7.82 y-y), respectively (BPS, 2020).

### **When and How Will the Pandemic End?**

The damage that is almost evenly distributed in various sectors caused by the COVID-19 Pandemic is basically due to the nature of uncertainty and the fatal risk it causes. Where as long as massive tests have not been carried out and an effective vaccine is found, which is the cause of asymmetric information, all social activities and activities will be surrounded by uncertainty and have risks. This risk in Indonesia has not shown any signs of abating. The latest data until June 4, 2020 shows that both the number of confirmed cases and deaths due to COVID-19 in Indonesia continues to show an increase. Even for the number of confirmed cases, Indonesia is among the highest in the Southeast Asia region, in the second top position after Singapore (Warjiyo, 2020).

In this case, risk factors and uncertainty can be minimized by carrying out a series of 3Ts (testing, tracing, and treatment) on those suspected of suffering from COVID-19. Unfortunately, in these three respects, Indonesia is still very far behind. For example, in conducting tests, Figure 5 shows that the number of COVID-19 tests per 1,000 population carried out by Indonesia is still far below other countries, even compared to neighboring countries in Asia. One thing, of course, is far from ideal, where with a relatively high number of confirmed deaths, Indonesia should conduct more tests on those suspected of having COVID-19. In the future, this is of course a priority for improvement considering the epicenter of the multidimensional crisis caused. With a series of damages inflicted on various sectors, the question that arises then is when will this COVID-19 pandemic end? From the history of pandemics that occurred in the world, it will end for two reasons: medical reasons and social reasons. One pandemic ended for medical reasons with the discovery of a vaccine that could provide immunity against this virus or an effective way of avoiding it. Meanwhile, socially, the pandemic will end when the community has reached a stage where the exhaustion of the fear caused by the pandemic has occurred, so it is decided to then adapt to living with the risks (Kolata, 2020).

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Today there have been tens or even hundreds of efforts made by various countries, including Indonesia, to find a vaccine that can provide protection against COVID-19. The optimistic estimate is that laboratory and clinically tested vaccines will be available in early 2021. However, another problem that will then arise is how to mass produce and distribute them to nearly 8 billion people in the world. The next issue is an ethical issue, such as which country and which community group has the right to get it first? Furthermore, another question is whether this vaccine is classified as a public good, which means that the responsibility for procurement and distribution rests with the state. Some things are of course not easy to answer (Christensen, 2020).

In addition, if we go back to history, the optimism about finding and distributing a vaccine to ward off COVID-19 seems to have to be recalibrated as well. The track record of conflict between viruses and existing medical innovation capabilities shows that the majority of pandemics end more not for medical reasons, with the invention of vaccines, but the majority end due to a social agreement. An article published recently by Gina Kolata, American Pulitzer Prize-winning science journalist, describes how major pandemics that killed hundreds of thousands to millions of people such as the Bubonic Plague (Black Death), the Spanish Flu of 1918, and the Hong Kong Flu of 1968 ended socially as with the passage of time, without ever found an effective vaccine against it that until now<sup>9</sup>. The virus that caused the 1968 Hong Kong Flu pandemic is still circulating in the world today as a seasonal flu, for which a vaccine that is truly effective against it has not been found. But socially, humans have been able to adapt and do not have an excessive fear of this flu.

Likewise with the COVID-19 pandemic, indications in various countries indicate that this pandemic will end socially rather than medically. Many countries are gradually starting to open up and relax from their social distancing and quarantine policies. Frustration and exhaustion with the fear of this virus socially seems to have reached its peak, so the impulse to return to normal activities as social and economic beings is difficult to resist. Including in Indonesia, easing or more precisely, the violation of social distancing rules has become something that has been commonly seen in recent times.

Of course, there is still a hot debate between public health experts who reject the easing and several elements in society, especially from the business community, who advocate for an immediate end to the existing social restrictions. A complicated debate, where both sides have equally strong reasons. Of course, this debate can only end with a firm decision taken by the national policy makers. And in this case, reflecting also on existing history, social and economic arguments are won almost every time in a public policy debate (Kolata, 2020).

So, what needs to be prepared to minimize the risk of ending this pandemic socially is to strengthen public health capacity in conducting 3T (testing, tracing and treatment) and ensuring the availability of medical personnel evenly in various regions in Indonesia. In this regard, Indonesia still has many limitations. For example, the availability of hospitals and

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ventilators to treat COVID-19 sufferers is still relatively small compared to the existing needs. Its presence is also more centered in Java, although currently the center of the COVID-19 pandemic has spread to many other areas outside Java<sup>10</sup>. To see the extent of the impact of the COVID-19 pandemic in various regions in Indonesia, the next part of this article will review the heterogeneity of impacts and readiness to recover and strengthen the economy in various regions in Indonesia.

## CONCLUSION

With the start of the new normal phase in Indonesia, a plan for various socio-economic aspects of the community should be available. Various government institutions such as Bappenas have also prepared a Safe Productive Protocol as a protocol for the community in carrying out various socio-economic activities during the Pandemic, which refers to the criteria of the World Health Organization (WHO).

However, these protocols alone are not enough. Because his presence is intended to be limited to implementing preventive measures for the spread of the COVID-19 virus, which ultimately aims to save people's lives and livelihoods, by regulating the pattern of socio-economic activities carried out. These protocols are similar to policies issued by the government, which should be coordinated across agencies as well as between central, provincial and regional governments. This is to prevent overlapping of policies horizontally and vertically, which in turn will lead to public confusion and ineffectiveness in their implementation.

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