



THE INFLUENCE OF THE COVID-19 PANDEMIC ON THE PEOPLE'S ECONOMY IN WEST SUMATRA

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Abstract

This study aims to see how much influence the Covid-19 pandemic has had on the people of West Sumatra. All economic activity has decreased, during the PSBB economic activities were stopped and all activities were restricted, causing unemployment to increase. The impact of the pandemic has had a major impact on income levels. Households with low income have increased and those with middle and upper income have decreased. Of course, as a result of this, income inequality in West Sumatra has slightly decreased. The decline in economic activity affected by the Covid 19 pandemic has different characteristics from the economic crises experienced in 1998 and 2008. The impact that occurred as a result of Covid 19 was a sharp decline in economic activities that required physical interaction. Where economic growth declined sharply, inflation rose and unemployment and poverty also increased. The pandemic directly disrupted the production and spending side of society. The main finding of this study is that West Sumatra is not affected by Covid too much when compared to other regions. However, in the post-covid-19 pandemic period, expectations were quite high for economic improvement in the post-covid1-9 pandemic period.

Keywords: Covid-19, Community Economy, Poverty

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INTRODUCTION

Since being declared a pandemic by the World Health Organization (WHO) on March 11 2020, Covid-19 has had a huge negative impact. From the health and economic side of the people in West Sumatra, the impact of Covid-19 can be seen from the number of positive cases which reached 77,281 cases as of 7 August 2021. Of these cases, the total number of patients who died reached 1,663 people. The Covid-19 pandemic case began in West Sumatra on March 26 2021. So that the current decline in economic activity looks very different from the crisis periods in 1998 and 2008[1][2][3][4].

The Covid 19 pandemic has had an impact on reducing economic activity, especially those that require physical interaction in society. McKibbin & Fernando (2020) and Surico & Galeotti (2020) explain that disease outbreaks (pandemics) can give bad transmission to the economy. The direct impact clearly occurs on the production side which is closely related to labor supply. Likewise on the expenditure side, the main trend is only to fulfill basic needs. Non-essential activities such as tourism, entertainment, sporting events, etc. experienced a sharp decline[5][6].

As the main factor causing the sharp decline in economic activity is the high risk of exposure to Covid 19, efforts to break the chain are absolutely necessary so that the economy can return to growing as it should. Economically, it is seen that there is actually no trade-off between controlling the spread of the virus and economic recovery at both the local and national levels. This means that a new life order (new normal) requires a new standard of living in running the

economy[7][8][9]. The period of the new normal life order (new-normal) is a stage that must be passed by each region after passing the Large-Scale Social Restrictions (PSBB) due to Covid 19. The PSBB period is a period of implementing rescue programs to overcome the health and socio-economic impacts of the community. This was done to minimize the effects caused by Covid 19 starting from the ongoing social, economic and financial crises. Large-Scale Social Restrictions (PSBB) in West Sumatra were implemented earlier and took quite a long time compared to other provinces in Indonesia since the implementation of Social distancing: 15 April 2020, then PSBB I was implemented: 21 April - 5 May 2020 and continued with the implementation of PSBB II: 6 - 29 May 2020 - 7 June 2020. Prohibition of gathering activities, closure of hotels, shopping centers and other places of economic activity, cancellation of flights and closure of access in and out of land routes except for goods transportation[10]-[11][12].



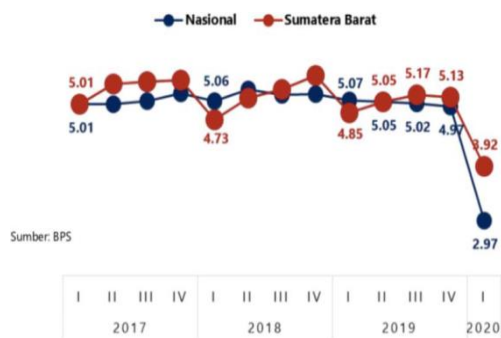


Figure 1. West Sumatra Economic Conditions

In the first quarter of 2020, West Sumatra's economy grew by 3.92% (yoy) above the National and Sumatran growth of 2.97% and 3.25% (yoy), respectively. In the first quarter of 2020, West Sumatra's economy recorded a slowdown compared to GDP growth in the fourth quarter of 2019 of 5.13% (yoy), and also slowed compared to the first quarter of 2019 of 4.85% (yoy) in general as a result of the COVID-19 outbreak.

The main objective of this study is to reveal how much influence the Covid-19 pandemic has had on the economy of the people of West Sumatra. What are the people's expectations of economic activity, purchasing power and business confidence in the new normal period? The main benefit of this study is as an indicator to explain the regional economy in supporting the needs of national economic policies.

RESEARCH METHODS

This study is part of a national study designed by assessing the impact of COVID-19 on the economy of the people in West Sumatra. The method used in this study is descriptive analysis with several regional economic indicators used:

- 1) economic growth

- 2) inflation
- 3) unemployment
- 4) poverty.

Data sources use reports from Bank Indonesia, the Central Bureau of Statistics (BPS) and Regional Financial Data. The time period for this study is 2019-2021 which is considered the baseline for economic realization prior to Covid 19. 2020 is considered the economic condition during the pandemic, and 2021 is considered the post-pandemic condition. It is hoped that this research will also produce estimates of economic planning for 2020 to 2022. This study also analyzes people's expectations through surveys on economic activity, people's purchasing power and business confidence in the regional economy. The survey was conducted online in several districts and cities in West Sumatra, most of which are domiciled in Padang City.

RESULTS AND DISCUSSION

Conditions before Covid 19 West Sumatra's economic growth has experienced a slowing trend since 2012 (Even though it had accelerated in 2017, it continued to continue its downward trend until 2019-2020. This research is expected to also produce estimates of economic planning for 2022 to 2023. This study also analyzing people's expectations through surveys on economic activity, people's purchasing power and business confidence in the regional economy. The survey was conducted online in several districts and cities in West Sumatra, most of which are domiciled in Padang City.



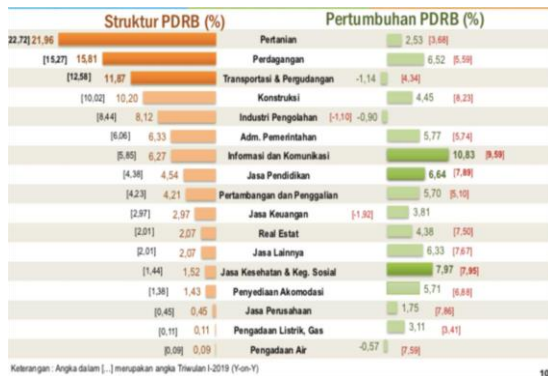


Figure 2. GRDP structure and growth

GRDP structure and growth according to business sector (LU) shows that the agricultural sector (2019) was 2.62% yoy) with a share of 22.35%, while this year 2020 was only able to 0.55% (yoy) with a higher share of 23.38 %. Likewise, the 2019 trade sector grew by 7.58 (yoy) with a share of 15.81 and in 2020 its growth contracted (3.32) with a share increasing to 15.91 (yoy). The construction sector in 2019 grew by 7.58% (yoy) with a share of 9.81% and in 2020 it contracted -5.21% (yoy) with a share increasing to 10.10%. The transportation and warehousing sector had the highest negative impact from Covid 19, where previously in 2019 it grew 6.82% (yoy) with a share of 12.92%, a large contraction in 2020 of -29.37% (yoy) with a share also dropping to 9.18 %.

If seen from the agricultural production side, it grows positively where the production of horticultural crops, fisheries and livestock increases, on the processing industry side it grows negatively where the production of the food and beverage industry decreases as well as on the transportation and warehousing side it contracts negatively where there is a decrease in the number of air transport passengers due to several cancellations

airline. However, when viewed from the information and communication side, it has had a positive impact where there has been a significant increase in demand due to the implementation of work from home (WFH), and on the health services side, social activities have had a positive impact due to the corona-19 virus case both for health care and vitamin intake.

Meanwhile, when viewed from the expenditure side, which also experienced an impact where from the expenditure side, household consumption grew positively due to increased consumption in all expenditure sub-components. . Gross fixed capital formation also grew positively due to increases in cement procurement, realization of government capital expenditure (APBD), and distribution of investment credit. If seen from the export side, it also grew positively where there was an increase in export commodities of rubber, coffee, tea, spices, while on the import side there was a contractionary effect where imports of goods were mainly in fuel, fertilizer, and food industry waste/waste.

Purchasing power decreases if inflation rises, income remains low, inflation remains low and income falls Farmers' Exchange Rate (NTP), West Sumatra's NTP in April 2020 was recorded at 99.62, down 2.08 percent compared to the previous month which was recorded at 101.74 (March 2020). The price index received by farmers (It) decreased by 2.11 percent and the price index paid by farmers (Ib) decreased by 0.03. The West Sumatra Agricultural Household Business Exchange Rate (NTUP) for April 2020 was 101.30, down 2.09 percent compared to the previous month's NTUP.





During the pandemic, people's purchasing power continued to decline compared to the previous period. Inflation In July 2020, Padang City experienced deflation of -0.11% (mtm) and Bukittinggi -0.39% (mtm) above the national average of -0.10% (mtm). Previously, June 2020 also experienced deflation of -0.16 (mtm), or decreased compared to May 2020 which experienced inflation of 0.63% (mtm). The deflation in June 2020 was driven by lower prices for several basic commodities, air and inter-city land transportation. On an annual basis, inflation in June 2020 was 0.18% (yoy). Low annual inflation below the average of the last 3 years (3.93% yoy) indicates low public purchasing power amid the Covid 19 pandemic.

The poverty line (GK) is the sum of the food poverty line (GKM) and the non-food poverty line (GKNM). Residents who have an average monthly per capita expenditure below the poverty line are categorized as poor.

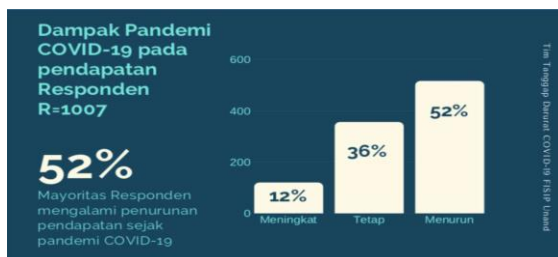


Figure 3. Poverty Line (GK)

Not a single provincial government has been able to achieve 50% budget absorption by the end of semester I. The impact is that local government funds have settled in banks reaching Rp. 170 Trillion. The hope for each provincial government is to be able to boost budget absorption to face the economy in the next new-normal period. On the supply side, the government

provides tax reduction policies and assistance to the business world in reducing costs is a positive thing from the business world side.

However, the problem that has occurred is that the demand for goods and services in various sectors has remained low during the pandemic and has provided incentives to business units to continue to reduce or even stop production. Evaluation and policy recommendations in dealing with the new order of life for the next 3 (three) months, 6 (six months) and 1 (one) year in West Sumatra Province: First, there is actually no trade-off between health management and economic recovery due to by the Covid 19 pandemic in the new-normal period. Second, health management is a new necessary condition for accelerating economic recovery to be carried out. The government needs to ensure that the Covid 19 protocol is properly implemented for individuals, households, communities, markets, schools, offices and tourist facilities and other public facilities. Third, the economic recovery carried out using an approach on the demand side and the supply side is a return to economic performance as before the Covid 19 pandemic. Fourth, the further stimulus needed on the demand side is the allocation of the government's Direct Cash Assistance (BLT) which requires a distribution pattern at one door. so that there is no overlapping in the recipient household. Criteria that can be used are the occurrence of termination of employment / layoffs, loss of livelihoods and decreased purchasing power in fulfilling basic needs. Local governments in real-time must continue to update data-based poverty. Fifth, further stimulus that is also needed on the supply side is the acceleration of





regional economic and financial stimulus with a focus on allocations to strengthen the agricultural sector. The government is also strengthening economic and financial stimulus for micro, small enterprises (UMK) based on agriculture and tourism. Economic and financial stimulus is also provided to develop appropriate economic digitalization for MSEs engaged in the agriculture and tourism sectors. Sixth, Agriculture is the main buffer sector against the Covid 19 pandemic in West Sumatra. It is necessary to take advantage of the pandemic momentum to meet local food needs and food self-sufficiency as well as strengthen distribution channels to meet local and provincial needs both conventionally and by utilizing the digitized economy. Seventh, Strengthening the tourism sector and its supporting economic sectors such as accommodation and food and drink , trade and transportation.

The feasibility of nature, culture and community entrepreneurial spirit can be used as the main spirit in the development of the tourism sector in West Sumatra. Eighth, the processing industry is still an economic potential with a focus on the leading commodity sector. CPO and its processed products are still driving the economy of West Sumatra province. The creative economy, sharia economic development and economic digitalization are also deemed necessary in supporting the regional economy to recover quickly, especially in facing a new period of life

CONCLUSION

Indonesia has had several economic crises with various triggering factors. In the face of the Covid 19 pandemic, West Sumatra Province appears to have more

economic resilience compared to other provinces. The decline in economic performance occurred but was not as severe as that experienced by other provinces. In entering a new order of life, West Sumatra Province has high hopes for the regional economy. This expectation is a great energy that can encourage the regional economy to recover more quickly from the crisis with new conditions to always ensure that individuals, households, communities and other public facilities use the Covid 19 protocol in carrying out economic activities. This study has limitations in terms of the analytical method used which is still descriptive in nature. In the future, it is hoped that research will explain the impact of the pandemic on the economy of West Sumatra with analysis on various economic sectors.

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