

## PT CRIF STUDY: INDONESIA ECONOMY Q1 AND Q2 2021



It has been almost two years since the COVID-19 pandemic hit Indonesia, during which Indonesia has struggled to improve the order of life, which has had to undergo many changes to keep it running amidst the many restrictions caused by the pandemic. Various policies have been issued by the government to suppress or even stop the spread of this deadly virus. However, these policies are not without negative effects, because in fact, they cause a chain effect starting from a decrease in the level of public consumption, a decline in the performance of various sectors which causes a decrease in the level of production so that it also affects the decline in investment. Until it all leads to the decline of the country's economy.

Throughout 2020, the Indonesian economy experienced a growth contraction of -2.07% compared to 2019. From the production side, the Transportation and Warehousing Business Field experienced the deepest growth contraction of -13.42%. Meanwhile, from the expenditure side, the Export Component of Goods and Services experienced the deepest growth contraction of -7.21%.

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## Indonesia out of recession in Q2/2021

Previously, PT. Visi Globalindo Data Utama (VISI) predicts that the Indonesian economy would still be in the negative zone at least until Q1/2021 and grow positively in Q2/2021. This prediction was proven by the release of data on Indonesia's economic growth by the Statistics Indonesia (BPS) in early August 2021. VISI predicts Indonesia's Gross Domestic Product (GDP) in Q1/2021 to grow -1.43% (y-o-y). Meanwhile, based on BPS data, Indonesia's GDP in Q1/2021 grew better at -0.71% (y-o-y).

Meanwhile, Indonesia's GDP in Q2/2021 grew rapidly at 7.07% compared to the same quarter last year (y-o-y), and grew 3.31% compared to Q1/2021 (q-to-q). Nominally based on constant price calculations, Indonesia's GDP was recorded at IDR 2,684 trillion in Q1/2021 and IDR 2,772 trillion in Q2/2021. Meanwhile, in the same quarter of 2020, it was recorded at IDR 2,703 trillion and IDR 2,589 trillion.

In terms of business field, the transportation and warehousing sector surprisingly became the sector with the highest growth of 25.1% (y-o-y) after previously being the sector with the most corrected growth. Followed by the food and beverage accommodation provider sector with 21.58% (y-o-y) followed by other services 11.97% (y-o-y) and Health services and social activities 11.62% (y-o-y).

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From the expenditure side, the growth of various factors forming gross domestic product (GDP) until Q1/2021 is as follows:

- Household consumption grew -2.22% in Q1/2021, better than Q4/2020 which grew -3.61%.
- Non-Profit Institutions Serving Households (LNPRIT) corrected at -4.03% in Q1/2021 compared to Q4/2020 which grew -2.14%.
- Government consumption grew 2.34% in Q1/2021 or increased compared to Q4/2020 which grew 1.76%.
- Gross Domestic Fixed Capital Formation which is expenditure on capital goods such as buildings, machinery, equipment, vehicles and others grew -0.23% or better than Q4/2020 which grew -6.15%.
- Exports of Goods and Services grew by 7.03% in Q1/2021 or significantly increased compared to Q4/2020 which grew -7.24%.

This positive growth was driven by the vaccination program that the government had started at the beginning of the year, which was considered to provide positive sentiment because people began to believe that the pandemic would end or at least be suppressed. In addition, the moment of Ramadan and Eid al-Fitr is also expected to boost the level of domestic consumption.

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### Indonesia must remain vigilant!

Although based on data, Indonesia has managed to get out of recession, Indonesia still has to be vigilant. It is feared that this high growth will make people and the government too confident that the pandemic is over, thus ignoring various health protocols and will actually make the pandemic condition worse again.

In Q3/2021, VISI predicts that the Indonesian economy will still grow but not as big as this quarter or slow down, which is only around 0.40% (y-o-y). This is inseparable from the Emergency PPKM policy, especially in Java and Bali due to the increasing positive cases of COVID-19. The general public and businessmen are certainly still on guard and seem to be holding back on consumption. In fact, household consumption has been the biggest contributor to national economic growth. Especially if the pandemic conditions still have not improved.

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In addition, Indonesia's Manufacturing Index in July 2021 fell to 40.1 from the previous 53.5 in June 2021, this indicates that Indonesia's manufacturing activity is experiencing a slowdown. Then, the Consumer Confidence Index (IKK) also fell to 80.2 from the previous 107.4 due to declining income and purchasing power. From a price perspective, it can be seen that core inflation tends to slow down in July, which was recorded at 1.40% yoy from the previous 1.49% yoy.