

Factors Affecting The Economic Recession and its potential in Indonesia Due To Covid-19 Pandemic

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Abstract — This study was conducted to find out what factors caused an economic recession and the potential for an economic recession as a result of the prolonged Covid-19 pandemic. Various strategies are launched, policies are implemented, socialization is carried out until slogans are echoed so that Indonesia can recover faster and rise stronger. For this reason, it is hoped that all parties and elements of society can work well together so that this policy package can run optimally so that the recovery of various aspects, especially the economic aspect, must be immediately restored. These economic recession factors will be reviewed in a SWOT analysis to provide an overview of the success and anticipation of the policies taken by the government.

Keywords : *Economic Recession, SWOT Analysis, Covid-19 Pandemic*

I. INTRODUCTION

A prolonged pandemic can potentially result in unfavorable macro and micro economic conditions that indicate an economic downturn (Firdaus et al., 2020). In macroeconomics, a recession or slump is a condition when gross domestic product (GDP) declines or when real economic growth is negative for two or more quarters of a year. A recession can also be defined as a significant decline in economic activity, lasting for months or years (Anggrainy, 2018; Pramesti & Tulhanifah, 2021). A recession can result in a simultaneous decline in all economic activities such as employment, investment and corporate profits (Anthoni & Yusuf, 2022; Suleman et al., 2020; Yusuf, 2020). Recessions are often associated with falling prices (deflation), or, conversely, sharply rising prices (inflation) in a process known as stagflation (ANITA et al., 2005; Nur, 2021). An economic recession that lasts for a long time is called an economic depression, which is a condition where there is a severe and prolonged decline in economic activity (Thaha, 2020; Yusuf & Anthoni, 2020). A drastic decline in the level of the economy (usually due to a severe depression, or due to hyperinflation) is called economic collapse (Maskurun, 2015). Columnist Sidney J. Harris distinguishes the top terms in this way: "a recession is when your neighbor loses his job; depression is when you lose your job."

Recession is a term that we may often hear in the news related to the economic condition of a country. Most recently, Indonesia itself experienced an economic recession in 2020 due to the Covid-19 pandemic (Agung, 2020). Technically, an economic recession is when economic growth in two consecutive quarters experiences negative annual growth (A. Waluyo, 2017). Meanwhile, quoted from The Balance, a recession is a significant decline in economic activity that lasts for several months, generally for at least two consecutive quarters. A number of indicators that a country can use in a recession include a decline in GDP, a decline in real income, employment, retail sales, and a slump in the manufacturing industry (Suliswati & Razi, 2020). When a recession means, economic growth can reach 0 percent, even minus in the worst conditions (Fauziyanti et al., 2020). Economic growth has been the main indicator in measuring the development and progress of a country. High economic growth is represented by an increase in GDP (Sari & Setyowati, 2022). Many factors affect economic growth. Some of these variables are external factors that are out of control, such as global economic turmoil and market mechanisms (Hidayati, 2014). Some say a country can be said to be in a recession when GDP growth has been negative for two consecutive quarters or more (Mujahida, 2021).

However, a recession can happen if the causative factors have emerged and are visible in the economy of our society. This condition will certainly have the potential to result in huge losses from various aspects. This is a shared responsibility to anticipate the occurrence of an economic recession in Indonesia as a result of the prolonged Covid-19 pandemic.

II. LITERATURE REVIEW

A. Economic Recession

Economist Julius Shiskin in 1974 defined the notion of a recession as a decline in Gross Domestic Product (GDP) that occurred for two consecutive quarters (Nugroho, 2021). This occurs because of a decline in economic activity that lasts for months or even years. In practice, a recession is not only characterized by a decline in real GDP. The UK's National Bureau of Economic Research (NBER) says the set of indicators includes employment levels, gross domestic product (GDI), wholesale retail sales and industrial production (Dadang, 2007; Hasyim, 2017; Nopirin, 2000; D. E. Waluyo, 2019). The following factors cause a recession, namely:

1) Unbalanced production and consumption

The balance between production and consumption or people's purchasing power is the basis of economic growth. However, if production and consumption are not balanced, there will be problems in the economic cycle. If high production is not accompanied by high purchasing power of the people, it will result in a buildup of inventory. On the other hand, if production is low while people's purchasing power is high, causing people's needs to be unfulfilled, the state must import. And this causes a decline in corporate profits and weak capital markets.

2) Excessive debt

When individuals or businesses have too much debt, and are unable to pay their bills, it can lead to bankruptcy and then reverse the economy.

3) Asset bubble

Asset bubble occurs when an investment is driven by emotion. For example in the 1990s when the stock market made big profits. Former FED Leader Alan Greenspan often coined the term "irrational excitement." This emotion-driven investment inflates the stock market, so when the bubble bursts, there will be panic selling which of course can destroy the market and cause a recession.

4) Inflation

Inflation is a price trend that is stable and rising over time. Inflation is not a bad thing for the economy. But excessive inflation can jeopardize a recession. The Central Bank of the United States and Bank Indonesia generally raise interest rates to suppress economic activity. Uncontrolled inflation was a problem the United States had experienced in the 1970s.

5) Deflation

Deflation is when prices fall over time, which causes wages to shrink, which further depresses prices. When deflation spirals out of control, people and businesses stop spending, which has an impact on a country's economy. Japan has experienced uncontrollable deflation which caused a recession. Japan struggled throughout the 1990s to get out of the recession.

B. Impact of the Economic Recession

According to the National Bureau of Economic Research (NBER), a recession occurs when a country enters a period of falling economic activity, spreads across all sectors of the economy, and has lasted for more than a few months, generally more than 3 months. The economic impact during a recession is very pronounced and the effect is domino on economic activity (Darmastuti et al., 2021; Hamid, 2009). For example, when investment plummets during a recession, it will automatically lose a number of jobs which makes the number of layoffs rise significantly. Production of goods and services also declines, lowering national GDP. If not addressed immediately, the domino effect of the recession will spread to various sectors, such as bank credit jams and inflation that is difficult to control, or vice versa, deflation occurs.

Then the trade balance is minus and has a direct impact on foreign exchange reserves (Yusuf & Widyastutik, 2007). On a real scale, many people lose their homes because they are unable to pay their installments, their purchasing power weakens. Then many businesses were forced to go out of business. The difference between a recession and an economic depression It can be said that there is no standard definition of the difference between a recession and an economic depression. However, economic depression is usually described as a more severe condition of the economic downturn and lasts for a very long time or months (Nugroho, 2021).

The difference between an economic depression and a recession is that it can be seen from the level of decline in GDP and the time period. Depression means a worsening of economic conditions that is more severe than a recession (Lestari, 2020). Recession means that it occurs when GDP falls in the range of minus 0.3 to 5.1 percent. Meanwhile, the depression in GDP decline was at minus 14.7 percent to 38.1 percent (Arianto, 2020). When viewed from the time frame, the duration of the recession lasts for at least two consecutive quarters of up to 18 months. While the economic depression can last more than 18 months (Lestari, 2020). In real terms, depression can be seen when the unemployment rate increases due to negative economic growth for a long time.

The definition of a recession and an economic depression is also different. Recessions are often confined to one country. While depression is usually quite severe and can have a global impact (Suleman et al., 2020). The Indonesian recession occurred in 1998 which led to the fall of President Soeharto or the New Order. Indonesia's latest recession was in 2021 or after GDP slumped in successive quarters after being hit by the Covid-19 pandemic.

III. METHOD

This research method is carried out by using a SWOT analysis approach. This analysis stands for Strengths (strengths), Weaknesses (weaknesses), Opportunities (opportunities), and Threats (threats). A SWOT analysis organizes the main strengths, weaknesses, opportunities and threats into an organized list and is usually presented in the scope of a simple grid (Djufri & Lukman, 2020; Kristanto et al., 2017).

1. Strength Analysis

Strength or Strength is the internal and positive points of the company. These are things that are within your control. How strengths (strengths) are able to take advantage of an existing opportunity (opportunities).

2. Weakness Analysis (Weaknesses)

Weaknesses are negative factors that reduce your strengths. These are things you may need to improve on to be more competitive. How to overcome weaknesses (weaknesses) that prevent profits.

3. Opportunities Analysis (Opportunities)

Opportunities are external factors in your business environment that are likely to contribute to business success. How strengths (strengths) are able to deal with existing threats (threats).

4. Threats Analysis (Threats)

Threats are external factors that you have no control over. You still have to consider this to put in place a contingency plan in dealing with problems that occur. How to overcome the weaknesses (weaknesses) that can make threats (threats) become real or create a new threat.

IV. RESULT

This research was conducted by descriptive quantitative method with secondary data analysis approach. Secondary data analysis is data analysis that is carried out on existing data without the need to conduct interviews, surveys, observations and certain other data collection techniques. Secondary data sources come from data from BPS, institutions, Bappenas, company monthly reports. The secondary data sources include government documents, technical reports, scientific journals, reference books, databases, libraries.

In the midst of a pandemic, the rate of national economic growth has also fluctuated. The following is economic growth data sourced from the Central Statistics Agency:

Table 1. Economic Growth

Period	Growth (%)
1st Quarter 2020	2,97%
2nd Quarter 2020	-5,32%
3rd Quarter 2020	-3,45%
Quarter 4 2020	-2,19%
1st Quarter 2021	-0,74%
2nd Quarter 2021	7,07%
3rd Quarter 2021	3,24%
Quarter 4 2021	5,02%
1st Quarter 2022	5,01%
2nd Quarter 2022	5,44%

Source: Central Bureau of Statistics (2022)

1. Strength Analysis

Looking at the data from the Central Statistics Agency above about national economic growth from year to year, it is known that from the Covid-19 pandemic, it entered Indonesia in 2020 to 2022, it recorded 4 times or as many as 4 quarters of economic growth, which decreased, namely from the 2nd quarter of 2020 to the second quarter of 2020. 1 in 2021. Since the second quarter of 2022, national economic growth has slowly

rebounded by recording positive growth figures, although the growth stability has not been significant. This certainly strengthens as well as indicates that the economic recession has the potential to be anticipated so that it does not come to Indonesia. The government encourages and formulates strategies as well as policies for better economic growth with the slogan recover faster and rise stronger.

2. Weakness Analysis

The potential for an economic recession in 2020 or during the early days of Covid-19 hit Indonesia until the first quarter of 2021. Where Indonesia's economic growth recorded a downward trend until it reached a negative number. Consecutively starting from 2.97%, then dropping to -5.32%, then back to minus the figure of -3.45% until the final quarter of 2020, national economic growth was still recorded at minus 2.19%. It is in this quarter's range that the potential for an economic recession occurs with a strong indication that the national economic growth factor experienced a sharp decline. The government as part of the executive branch is responsible for bringing national economic growth out of this minus zone. Various strategies were carried out to stimulate economic growth in a better direction.

3. Opportunities Analysis

Currently, Indonesia's opportunity to rise and restore economic conditions and encourage economic growth in a better direction is very wide open. This is indicated by the statements of the International Monetary Fund (IMF) and the World Bank which stated that in the Asian region there were only three countries that were able to survive the attack of the corona virus pandemic (Covid-19). The three countries are Indonesia, China and India. This was stated by the Minister of Finance Sri Mulyani Indrawati. According to him, the impact of the Covid-19 pandemic has made various countries combine handling policies and large economic stimulus. This is because the escalation of its spread also has an impact on global and Indonesian economic growth. According to Sri Mulyani, steps taken by all countries usually consist of fiscal instruments, whether it is providing tax incentives or tax breaks.

4. Threats Analysis

This threat has the potential to occur if the strategies and policies implemented by the government are not carried out properly by all institutions, agencies, associations, to the general public. Starting from the simplest, namely the application of disciplined and regular health protocols, then support for vaccine socialization as an anticipatory and preventive measure. So that the spread of Covid-19 can be controlled very well. However, do not let the opposite happen that is not expected.

V. CONCLUSION

Based on the description and SWOT analysis that has been stated previously, the results of this study can be concluded as follows:

1. Economic growth since the COVID-19 pandemic hit, from the 1st quarter of 2020 to the 2nd quarter of 2022 recorded 4 times the economic growth rate experiencing negative growth rates. The rest, as much as 6 times the rate of economic growth in the positive area. So this indicates that the economic recession that is indicated to occur can be anticipated properly.
2. The potential for a very large economic recession occurs during 2020 to the first quarter of 2021 where economic growth shows a negative trend. This is the potential for a very large recession if it is not properly anticipated by the government. Various policies, strategies, and stimulus were implemented to restore economic conditions.
3. Among the many countries affected by the Covid-19 pandemic, Indonesia is one of the countries that are predicted to survive the onslaught of the COVID-19 pandemic, according to the IMF and World Bank statements stated by the Minister of Finance Sri Mulyani. So that this momentum is an opportunity for Indonesia to be able to recover economic conditions and bounce back towards better growth. This is in accordance with the slogan recover faster and rise stronger.
4. Discipline and regularity in the application of health protocols and support for the socialization of vaccination programs are important keys in restoring Indonesia's economic condition. Do not let your guard down and decline from discipline, order and support for policies and programs launched by the government.

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