
ANALYSIS OF INFLATION, PURCHASING POWER, AND ECONOMIC GROWTH DURING A PANDEMIC

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Abstract: The purpose of this study to discuss about analysis of inflation, purchasing power, and economic growth during a pandemic. This research uses descriptive qualitative. This research data uses secondary data. Data analysis used qualitative data analysis. The research results show that efforts to control inflation involving the government and all relevant stakeholders managed to keep inflation at the level of 1.68 percent in 2020. Until 2021, inflation is still quite low and prices of basic necessities are quite stable. The national economy will continue to strengthen with gross domestic product in quarters I-II 2022 positive growth. The spread of the new variant of Omicron, which was feared to be a constraint to the national economy, could be overcome by starting the 3rd phase of the vaccine, namely booster. Public purchasing power continues to improve, marked by stronger growth in household consumption and national employment conditions.

INTRODUCTION

Inflation is one of the economic phenomena that is always interesting to discuss, especially with regard to its broad impact on the economy as a whole. From an economic perspective, inflation is a monetary phenomenon in a country where the rise and fall of inflation tends to cause economic turmoil. Another impact caused by inflation is also felt on financial market traffic because it has a direct effect on monetary aggregates. In addition, high inflation will also cause the rate of economic growth to decline or vice versa. Inflation has a considerable influence on the achievement of several macro policy objectives, such as economic growth, employment opportunities, income distribution, and the balance of payments (Pohan, 2013).

The development of the inflation rate that occurs in a country is one measure to measure the merits of the economic problems faced by that country. The increasing inflation in a country, the level of welfare of its people will decrease. High inflation causes a decrease in people's real income (purchasing power), especially for workers who have a fixed income, which results in a decrease in the level of public consumption and an increase in the level of poverty.

National inflation that is not offset by the nominal income of the population will cause people's income to decrease both real income and per capita income. This makes Indonesia re-entered the category of poor countries, and this causes the burden of life for the community, especially the lower economic strata (Nopirin, 2011).

Inflation will cause a decrease in the real income of people who have fixed income. Where with a relatively fixed income, they cannot adjust their income with price increases caused by inflation. Conversely, for those who have a dynamic income, such as traders, they often benefit from the price increase by adjusting the selling price of their products. Thus the income they earn will automatically be adjusted, and often with a larger percentage.

Low purchasing power has resulted in a downward trend in inflation which will have implications for the national economy, especially in 2020. Therefore, the government's role is needed in dealing with problems related to economic growth in Indonesia. One of the central government policies in improving the economy is by providing a stimulus in the form of direct cash assistance, accelerating the distribution of zakat and alms through the city government so that public consumption will increase during the current pandemic.

Economic growth is always a priority because economic growth indicates an increase in per capita income. This is because economic growth enables economic development in many fields. According to Kuznets, economic growth is a long-term increase in the ability of a country to provide more types of economic goods to its population. This capability grows with advances in technology, and the institutional and ideological adjustments it requires. Economic growth is efforts to improve the standard of living of a nation which is often measured by the level of real income per capita. In addition to increasing real national income, the goal of economic development is also to increase productivity (Suparmoko, 2014).

Economic growth is one of the important benchmarks in determining the success of economic development. Where economic growth describes a real impact of development policies implemented. Economic growth is closely related to the process of increasing the production of goods and services in community economic activities. The economy is said to be experiencing growth if the number of real services for the use of production factors in a certain year is greater than the previous year. Economic growth should lead to significantly higher living standards and increased employment (Prasetyo, 2014).

The success of a country in improving the welfare of its people is measured by the level of economic growth that has been achieved. High and stable economic growth from year to year means that economic welfare has increased, while economic growth with a negative value means that the level of welfare in a country has also decreased. The high and low rate of economic growth in a country shows the level of change in the economic welfare of its people (Boediono, 2016).

Economic growth is important in the context of a country's economy because it can be a measure of the nation's economic growth or achievement. For Indonesia as a developing country, economic development is the main instrument for achieving national goals. There are indicators used to measure the success of development, one of which is economic growth as measured by gross domestic product (Dumairy, 2015). The same thing was also stated by Lincoln Arsyad that an important indicator to determine the economic conditions in a country in a certain period is shown by gross domestic product data. The value of gross domestic product will give an idea of how the country's ability to manage and utilize existing resources (Arsyad, 2014).

Economic growth is a long-term problem faced by a country in an effort to increase real national income. Economic growth measures how much success a country has in producing goods and services that are influenced by factors that experience an increase in quantity and quality so that it can improve people's welfare. The level of economic growth achieved by a country is measured by the development of real national income achieved by a country (Sukirno, 2016).

The purpose of this study to discuss about analysis of inflation, purchasing power, and economic growth during a pandemic.

RESEARCH METHODS

This research uses descriptive qualitative. Descriptive qualitative research that aims to provide an explanation of the phenomena that occur in the present, as well as to describe in a systematic, factual and accurate manner the facts or characteristics and the relationship between the phenomena studied (Octiva et al., 2018; Pandiangan, 2018). In a qualitative descriptive research method the results of the analysis do not depend on the amount, but the data are analyzed from various views. The research conducted included data collection activities, data compilation, and data analysis. In qualitative research, theory is not absolutely necessary as a reference for research. Theory as a result of induction and deduction processes from observing facts. Theory is basically the end result of qualitative research which is compiled through the process of collecting data, testing the validity of data, interpreting data and developing theories (Asyraini et al., 2022; Octiva, 2018; Pandiangan, 2015).

This research data uses secondary data. Secondary data is data that is already available in various forms (Jibril et al., 2022; Pandiangan et al., 2018; Pandiangan, 2022). Usually, this data source is mostly statistical data or data that has been processed in such a way that it is ready to be used in statistics, usually available at government offices, data service bureaus, private companies or other bodies related to data use (Octiva et al., 2021; Pandiangan et al., 2021; Pandia et al., 2018).

Data analysis used qualitative data analysis. Qualitative data analysis is the process of describing, classifying, and interconnecting phenomena with the researcher's concept. The phenomenon under study needs to be properly explained. Researchers must be able to interpret and explain data; therefore a conceptual framework needs to be developed and the data classified (Pandiangan et al., 2022; Tobing et al., 2018).

RESULT**Analysis of Inflation, Purchasing Power, and Economic Growth during a Pandemic**

Covid-19 has been the longest outbreak so that it has had a profound negative impact on every country, including Indonesia. Almost all sectors of the economy were affected. Indonesia managed to withstand the economic contraction that occurred in 2020 and continued in early 2021. Entering 2021, the government's efforts to control the pandemic succeeded in boosting the Indonesian economy in the second-fourth quarter of 2021 where economic movement began. Economic growth is supported by government consumption. The economic growth that occurred began to move and encourage an increase in the components of household consumption and investment. Improvements on the economic side continue to be accompanied by improvements on the health side.

The deteriorating health and economic conditions have forced the government to always try to maintain people's purchasing power during the pandemic. Efforts to control inflation involving the government and all relevant stakeholders managed to keep inflation at the level of 1.68 percent in 2020. Until 2021, inflation is still quite low and prices of basic necessities are quite stable.

The information and communication sector has grown positively due to physical distancing restrictions where most activities are carried out at home so that many people rely on cellphones as a means of communication and information which increases the demand for and purchases of credit. Likewise, what happened to the health services sector and social activities which also experienced an increase due to the fact that many people were sick due to the Covid-19 outbreak, this sector experienced a high increase.

Meanwhile in terms of investment, domestic investment and foreign investment showed satisfactory performance because during the pandemic until 2021 it was still growing. Various efforts have been made by the government to encourage investment activities in Indonesia by issuing various policies which in essence can provide convenience for investors in investing in Indonesia, such as providing tax incentives, credit and loan assistance, even to the creation of the Job Creation Law (Omnibus Law), establishment of a special task force for foreign investment, and ease of application for business and investment permits at the Investment Coordinating Board.

Communities and business actors also have a strategic role in Indonesia's economic recovery movement. The government provides convenience in fiscal policy and monetary policy, both of these policies can be welcomed positively by the public and business actors and can move forward according to the government's plan to restore Indonesia's economy which has experienced a contraction.

The government's policy is to allocate funds from the State Revenue and Expenditure Budget for the recovery of the Indonesian economy so that the economy can recover and people's welfare is maintained. This policy was carried out by increasing domestic consumption, increasing business activity, as well as maintaining economic stability and monetary expansion.

The government is more focused on fiscal and monetary policies. Fiscal policies carried out by the government have many variations, one of which is very influential tax incentives. Tax incentives make people feel relieved of their obligations and do not affect the community's economy so that people can still fulfill their daily needs.

At the beginning of 2022 the government is very optimistic that economic growth will be better than in 2021, where global economic indicators show an improvement direction which is expected to be a positive factor driving the performance of the national economy in 2022. The national economy will continue to strengthen with gross domestic product in quarters I-II 2022 positive growth. The spread of the new variant of Omicron, which was feared to be a constraint to the national economy, could be overcome by starting the 3rd phase of the vaccine, namely booster. The success of accelerating vaccination has played a major role in minimizing the impact of this spread on the economy. The external factor that the government needs to watch out for is the impact of increasing world commodity prices, including the escalation due to the Russia-Ukraine conflict. Indonesia's economic performance up to this quarter is an important provision for a stronger economy in 2022 as a whole and in the future.

Public purchasing power continues to improve, marked by stronger growth in household consumption and national employment conditions. In the first quarter of 2022, household consumption was able to grow 4.34 percent (yoy). When compared to quarter IV-2021 (q to q), household consumption, which is the largest contributor to the national gross domestic product, still recorded positive growth.

CONCLUSION

The research results show that efforts to control inflation involving the government and all relevant stakeholders managed to keep inflation at the level of 1.68 percent in 2020. Until 2021, inflation is still quite low and prices of basic necessities are quite stable. The national economy will continue to strengthen with gross domestic product in quarters I-II 2022 positive growth. The spread of the new variant of Omicron, which was feared to be a constraint to the national economy, could be overcome by starting the 3rd phase of the vaccine, namely booster. Public purchasing power continues to improve, marked by stronger growth in household consumption and national employment conditions.

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