

PT CRIF STUDY: INDONESIAN ECONOMY, EVEN THOUGH IT IS PREDICTED TO RISE, WE MUST REMAIN VIGILANT



In 2022, it is predicted that many parties will be the momentum of national economic revival. This growth is in line with the decline in the level of Community Activity Restrictions (PPKM) to levels 2 and 1 in most parts of Indonesia, especially Java and Bali. This will certainly make activities in various sectors recover gradually due to the easing provided by the government. For example, allowing 50-100% of office or industrial employees to work from the office or work from office (WFO). Then, malls or shopping centers are allowed to open until 21.00 with a visitor capacity limitation of 50% in level 3 areas and 75% in level 1 and 2 areas. Furthermore, restaurants and cafes are allowed to open until 21.00 with a maximum visitor capacity of 50% and other restrictions. With this easing, it will certainly make the economy move up due to increased mobility and public consumption. This will also improve performance in terms of production and distribution.

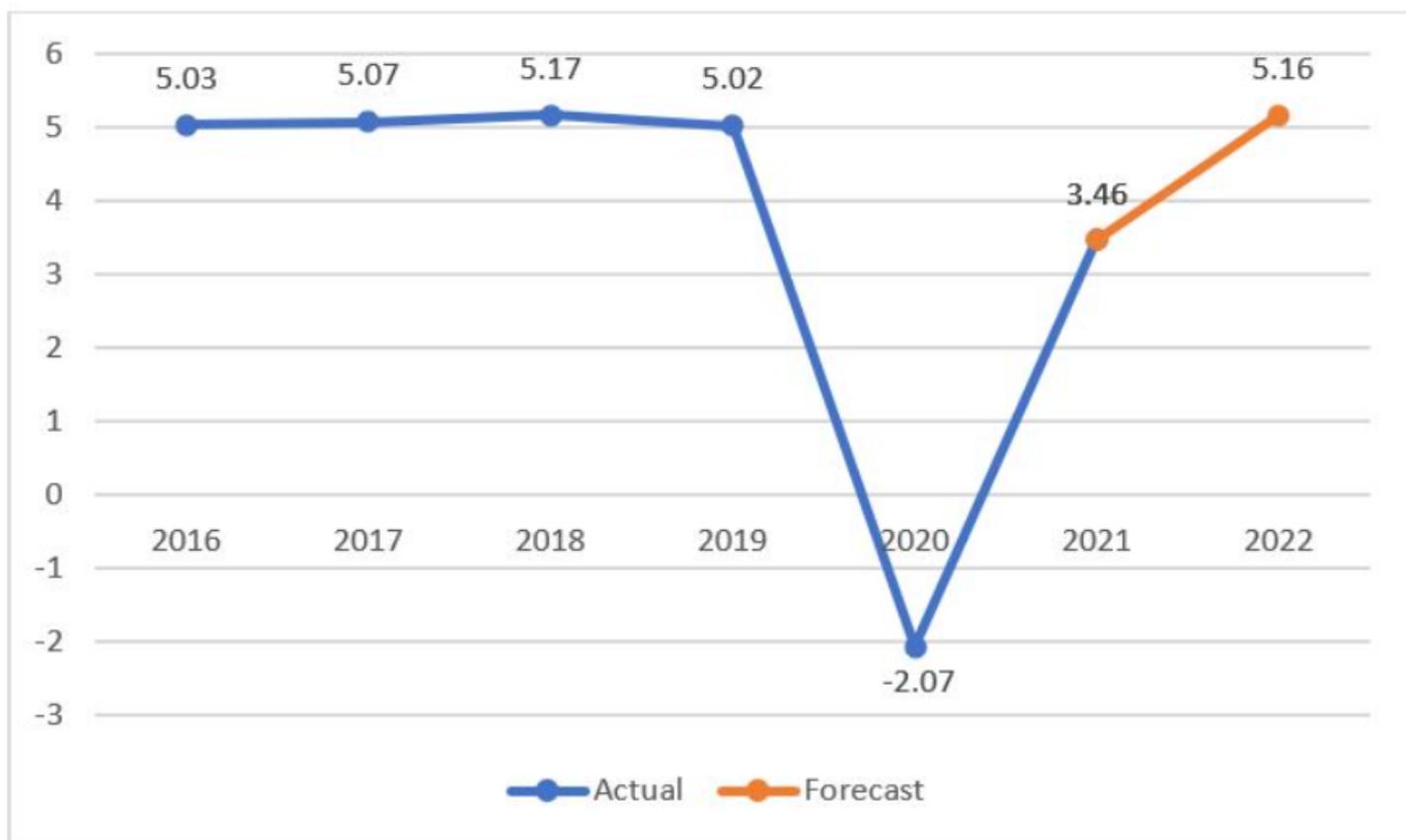
Bank Indonesia projects that economic growth in 2022 will be around 4.7%-5.5%. This is in line with the optimism of the Minister of Finance Sri Mulyani who believes that economic growth in 2022 will be better than 2021 in line with the decline in Covid-19 cases and Indonesia's recovery from the pandemic. The government predicts that the Indonesian economy will grow at 5.2%.

Meanwhile, PT. Visi Globalindo Data Utama predicts that the Indonesian economy will grow 5.16% (y-o-y) or it can be said to have returned to what it was before the pandemic occurred.

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Graphic 1. Indonesia GDP Growth (y-on-y) (%)



Source: BPS data reprocessed by VISI

This prediction value is lower than the government's prediction because it is based on a number of factors, one of which is the uncertainty of the emergence of a new variant of the Covid-19 virus that could cause a third wave of pandemics. As we all know, there is currently an outbreak of the Omicron variant of the Covid-19 case. Since it was first detected in South Africa last November 2021, this new variant of the virus has spread with a high transmission rate and 90% of sufferers are asymptomatic.

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In Indonesia alone, there are currently around 400 confirmed cases. Therefore, it is hoped that the public and the government will not let their guard down, one of which is by continuing to comply with the health protocol. So that the Covid-19 case does not rise again, either due to uncontrolled spread or the entry of new variants.

In terms of growth, it is predicted that there will only be 3 sectors that will support Indonesia economic growth in 2022. First, the industrial sector, based on data from the Statistics Indonesia (BPS) per Q3/2021, this sector is the largest contributor to Indonesia's GDP, namely 17.33%. During January-September 2021, the realization of investment in the manufacturing sector was recorded at IDR 236.79 trillion. This figure is up 17.3% when compared to the realization of investment in the same period in 2020 of IDR 201.87 trillion. In terms of the achievement of export value, the contribution of the manufacturing industry continues to increase even in the midst of the crush of the pandemic. The export value of the manufacturing industry in January-November 2021 reached USD 160 billion or contributed 76.51% of total national exports. This figure has exceeded the achievement of manufacturing exports throughout 2020 of IDR 131 billion, and even higher than the achievement of exports in 2019. Meanwhile, from the achievement of Indonesia's manufacturing Purchasing Managers Index (PMI), throughout 2021 in general it was at an expansive level, namely at 57.2 as of October 2021.

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Second, the agricultural sector, especially food crops. Throughout 2021, production, market share and employment still grew positively, and based on BPS data as of Q3/2021, this sector contributed 13.57% to Indonesia GDP and was in second place.

Furthermore, there is the trade sector which contributed 13.11% of Indonesia GDP in Q3/2021. Growth in this sector is mainly driven by MSMEs which are prioritized by the government to encourage the National Economic Recovery (PEN) program.

Even though the performance of the three sectors has fluctuated, the value has always been positive throughout 2021. So that in the future it is also predicted to remain on a positive trend and even an increase.