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# Changes in Economic Structure during the Covid-19 Pandemic

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## ABSTRACT

Gross Domestic Product (GDP) is the result of the contribution of 17 economic sectors in the Indonesian economy. Entering 2020 Indonesia's economic growth experienced a very significant slowdown as a result of the contracting growth of several sectors in the economy. The slowdown was caused by the implementation of and Large-Scale Social Restrictions, Work from Home (WFH) and the Enforcement of Restrictions on Community Activities (ERCA) policies to stop the spread of the Covid-19 virus. The purpose of this study is to identify how economic structures, unemployment rates, and government policies are developed to encourage the growth of economic sectors during the Covid-19 pandemic. This study was conducted using quantitative descriptive methods supported by secondary data published by Central Statistics Agency Indonesia (BPS). In analyzing research using descriptive statistical methods. From the results of data processing there has been a change in the leading sector of the economy from 2019 to 2020 where the sectors that have the highest growth are the information and telecommunications sector and the lowest-growth sector is the mining sector, transportation and warehousing sector with sub-sectors of air and rail transport. For Covid-19 handlers, the government issued a policy mix to accelerate economic recovery.

## 1. INTRODUCTION

The economy of a country cannot be separated from the economic sectors that make up its economic structure. GDP is calculated using three approaches, namely the production approach, the expenditure approach and the income approach (Case & Fair, 2006). One indicator to see the prosperity of a country is the Economic Growth Rate. The economic growth rate is the difference between real GDP in year t and real GDP in the previous year (t-1). GDP itself is the result of the contribution of economic sectors in a country. In Indonesia, there are 17 economic sectors as contributors to LPE. In the period 2017 to 2019 Indonesia's LPE showed an increasing trend where the average annual economic growth was between 5.0 - 5.17 percent. The growth of the Indonesian economy as a result of the contribution of five leading sectors, namely, (1) Processing Industry (2) Wholesale and Retail Trade, Car and Motorcycle Repair (3) Agriculture, Forestry and Fisheries (4) Construction (5) Mining and Quarrying. The contribution of the five sectors is IDR 411 trillion in the 2017-2019 period. The Manufacturing Industry continues to dominate the structure of the Indonesian economy every year, followed by Wholesale and Retail Trade, Car and Motorcycle Repair and Agriculture, Forestry and Fisheries. However, entering the year 2020 to 2021 in the second quarter, Indonesia's economic growth shows a slowdown even in 2020, negative economic growth. The negative economic growth is because there are many sectors that reduce their production capacity due to the decline in people's purchasing power. Car and Motorcycle Repair (3) Agriculture, Forestry and Fisheries (4) Construction (5) Mining and Quarrying. The contribution of the five sectors is IDR 411 trillion in the 2017-2019 period. The Manufacturing Industry continues to dominate the structure of the Indonesian economy every year, followed by Wholesale and Retail Trade, Car and Motorcycle Repair and Agriculture, Forestry and Fisheries. However, entering the year 2020 to 2021 in the second quarter, Indonesia's economic growth shows a slowdown even in 2020, negative economic growth. The negative economic growth is because there are many sectors that reduce their production capacity due to the decline in people's purchasing power. Car and Motorcycle Repair (3) Agriculture, Forestry and Fisheries (4) Construction (5) Mining and Quarrying. The contribution of the five sectors is IDR 411 trillion in the 2017-2019 period. The Manufacturing Industry continues to dominate the structure of the Indonesian economy every year, followed by Wholesale and Retail Trade, Car and Motorcycle Repair and Agriculture, Forestry and Fisheries. However, entering the year 2020 to 2021 in the second quarter, Indonesia's economic growth shows a slowdown even in 2020, negative economic growth. The negative economic growth is because there are many sectors that reduce their production capacity due to the decline in people's purchasing power. The contribution of the five sectors is IDR 411 trillion in the 2017-2019 period. The

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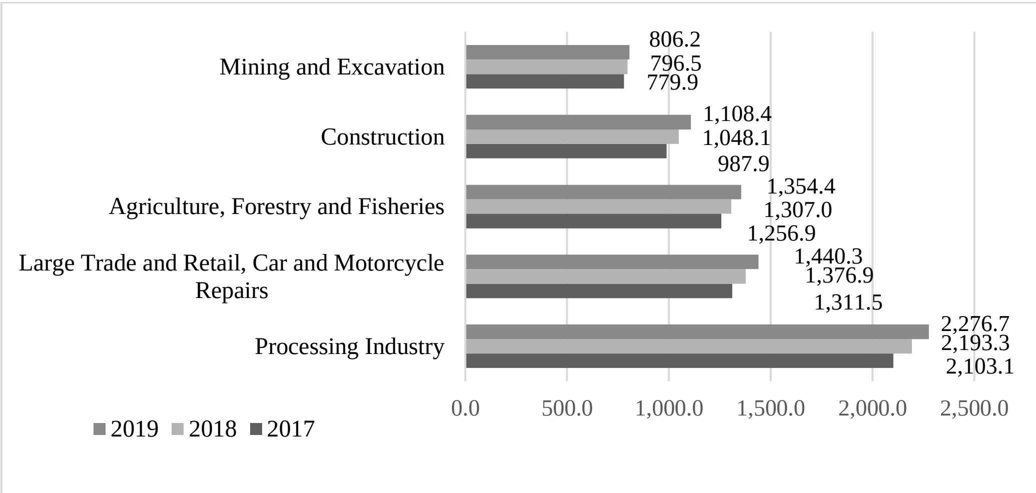
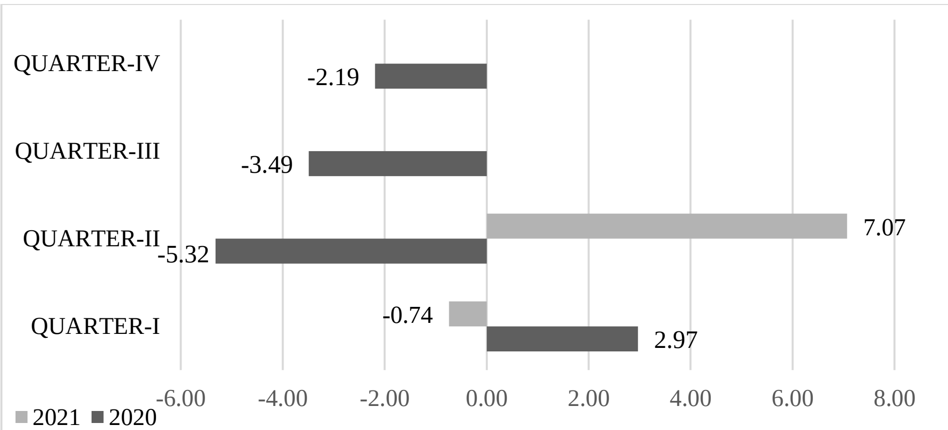



Source: Central Bureau of Statistics 2017-2019

**Figure 1.** Contribution of the Five Largest Economic Sectors in Indonesia in 2017-2019 (Trillion Rupiah)

Since the entry of the Covid-19 pandemic into Indonesia in 2020, the Indonesian government has responded by implementing Social Distancing, Physical Distancing, Work from Home, and Large-Scale Social Restrictions. This is done to reduce the spike in cases of the spread of Covid-19 in Indonesia. However, the implementation of these policies has a significant impact on economic growth in Indonesia. Based on BPS data, there are five sectors that are quite contracted during the implementation of the and Large-Scale Social Restrictions, namely (1) Other Services (2) Government Administration, Defense and Mandatory Social Security (3) Corporate Services (4) Provision of Accommodation and Food and Drink (5) Transportation and Warehousing. According to Hadiwardoyo (2020), the implementation of and Large-Scale Social Restrictions and WFH has a major impact on business sectors, especially those related to tourism and supporting businesses.




Source: Central Bureau of Statistics 2020-2021

**Figure 2.** Indonesia's Economic Growth During the Covid-19 Pandemic Years 2020-2021 (in percent)

In Figure 2. it can be seen that Indonesia's economic growth rate in the first quarter to the second quarter experienced a deep contraction. The contraction was caused by the impact of the Covid-19 pandemic which was starting to be felt in

Indonesia. However, over time, Indonesia's LPE experienced growth even though it was still in a negative position. When entering 2021, Indonesia's economic growth shows optimism as seen from the development of the fourth quarter of 2020 towards the first quarter of 2021 which shows positive growth until the second quarter of 2021. Based on this phenomenon, it can be seen that GDP is added value generated from all economic sectors. In 2018 to 2019 the Indonesian economy was at an average of 5% (Manggala, 2020). However, the Covid-19 pandemic has the potential to change the structure of the Indonesian economy. According to Bank Indonesia (2020), the Indonesian economy is experiencing deep pressure from declining exports in line with the weak global economy. Many companies have terminated their employment due to the declining demand and supply of goods and services in the community. From the phenomena above, the author is interested in further researching: (a) How was the development of economic sectors in Indonesia during the Covid-19 pandemic; (b) The development of the unemployment rate in Indonesia as a result of changes in the performance of economic sectors during Covid-19; (c) The development of government policies to encourage the growth of economic sectors in Indonesia during the Covid-19 pandemic. Many companies have terminated their employment due to the declining demand and supply of goods and services in the community. From the phenomena above, the author is interested in further researching: (a) How was the development of economic sectors in Indonesia during the Covid-19 pandemic; (b) The development of the unemployment rate in Indonesia as a result of changes in the performance of economic sectors during Covid-19; (c) The development of government policies to encourage the growth of economic sectors in Indonesia during the Covid-19 pandemic. Many companies have terminated their employment due to the declining demand and supply of goods and services in the community. From the phenomena above, the author is interested in further researching: (a) How was the development of economic sectors in Indonesia during the Covid-19 pandemic; (b) The development of the unemployment rate in Indonesia as a result of changes in the performance of economic sectors during Covid-19; (c) The development of government policies to encourage the growth of economic sectors in Indonesia during the Covid-19 pandemic. (b) The development of the unemployment rate in Indonesia as a result of changes in the performance of economic sectors during Covid-19; (c) The development of government policies to encourage the growth of economic sectors in Indonesia during the Covid-19 pandemic. (b) The development of the unemployment rate in Indonesia as a result of changes in the performance of economic sectors during Covid-19; (c) The development of government policies to encourage the growth of economic sectors in Indonesia during the Covid-19 pandemic.

## 2. LITERATURE REVIEW

### 2.1 Definition of Gross Domestic Product

Case & Fair (2006) explains the notion of Gross Domestic Product (GDP) is the total market value output of all goods and services produced by production factors in the country concerned in a certain period which is used as a benchmark for a country's economic growth. GDP can be determined through three approaches. First, the Expenditure Approach where the variables in this approach are the sum of each final expenditure spent on goods in a certain period consisting of household consumption (C), domestic private investment (I), government consumption (G), exports (X) and import (M). Second, the Income Approach where the variables in this approach measure the income received from all factors of production in a certain period consisting of wages or salaries (w), interest (i), income from rent (r) and profit (p). Third, the Production Approach is the final amount of added value of all goods and services produced by the economic sector of a country in a certain period. Indonesia has 17 economic sectors that have an important role in economic growth. Economic growth according to the Central Bureau of Statistics is the development of GDP or GRDP caused by the development of the production of goods and services in a certain period and based on constant prices.

### 2.2 How to Determine GDP with a Production Approach

According to BPS (2021) to determine the amount of GDP through the production approach, it is determined by adding up the value of production generated from economic sectors in a certain period. Indonesia has 17 economic sectors that support the determination of GDP. According to Putong (2013), the production approach can be systematically written in the form of an equation as follows:

$$Y = \sum Pqn.Qin$$

Information:
*Pqn* = price of the product of sector n.
*Qin* = total production of sector products n.

Basically, GDP is the amount of added value generated by all business units in a particular country. According to Manggala (2020) the development of the Indonesian economy from 2014 to 2019 before the Covid-19 pandemic in Indonesia was at an average rate of 5% per year. However, after the Covid-19 pandemic in 2020 had an impact on dynamics of economic growth. The Covid-19 pandemic has changed the structure of GDP according to business fields, based on quarter II-2019 and quarter II-2020, that most business fields experienced a slowdown in growth in 2020 (y-on-y). The Covid-19 pandemic has had a significant impact on changes in the structure of the Indonesian economy. The slowdown in economic growth has caused Indonesia to enter into an economic recession in September 2020. Indonesia's economic growth during the pandemic depends on the agricultural sector which still shows positive performance in the second quarter of 2020. According to Purba, Yusuf, & Erwidodo (2020) the food crops, horticulture and plantation economic sub-sectors have an important role in achieving positive economic growth in the agricultural sector. Government policies and programs are currently in recovery. By setting government spending and public consumption at a larger percentage, which is expected to encourage increased economic growth. According to Nalini (2021), at the global economic level, the Covid-19 pandemic has had a significant impact on a country's domestic economy and the existence of Micro, Small and Medium Enterprises (MSMEs). The existence of the Covid-19 pandemic has an impact on the threat of a fairly large economic crisis which is marked by the cessation of production activities in various countries and the fall in the level of public consumption.

## 3. METHODOLOGY

### 3.1 Research Methods and Types

The method used in this study is quantitative descriptive research, which is research that analyzes data by describing the data that has been collected in accordance with the existing facts (Adriani & Wiksuana, 2018). The type of research is a literature survey in the form of data published by the Central Statistics Agency (BPS), Bank Indonesia (BI), and empirical literature studies that have been carried out by previous researchers.

### 3.2 Types and Sources of Data

In describing the research conducted, the data used is secondary data. Secondary data is data that has been published by other parties (Suharyadi & SK, 2018). The data used is sourced from the Central Statistics Agency (BPS) and Bank Indonesia (BI). Data on the economic structure was obtained from GDP by business field based on 2010 constant prices from 2017-2020 and GDP by business sector in the first and second quarter of 2021, unemployment data and government policy documents before and during the Covid-19 pandemic.

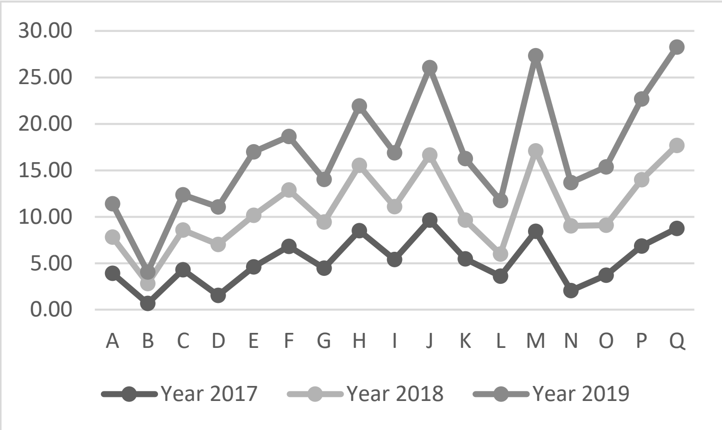
### 3.3 Analysis Method

The research was conducted using descriptive statistical methods. Descriptive statistics is an analytical technique to describe a data that has been collected into an information by presenting the data in the form of tables, diagrams or pictures (Suharyadi & SK, 2018). Presentation of data in the form of tables, diagrams or pictures can make it easier to understand the information on research results.

## 4. RESULT AND DISCUSSION

### 4.1 Development of Economic Sectors in Indonesia Before and During the Covid-19 Pandemic

Prior to the Covid-19 pandemic, the dominant economic sector in the formation of Indonesia's GDP was the manufacturing sector, followed by the trade, agriculture and construction sectors. The contribution of the industrial sector annually is above 20 percent but began to decline in 2018 and 2019. The contribution of the trade sector annually averaged 13 percent in line with the contribution of the agricultural sector. However, judging by the trend, the contribution of the agricultural sector continues to decline to reach 12.7 percent in 2019. Meanwhile, the construction sector continues to increase its contribution even though it is still in the range of 10 percent. In line with the construction sector, the contribution of the information and communication sector continues to increase in the economy, namely in 2018 by 3, 52 percent and in 2019 it was 3.96 percent. Meanwhile, when viewed from the sectoral GDP growth rate, the sector that experienced very significant growth was the information and communication sector where in 2016 it was 8.88 percent and in 2019 it was 9.41 percent. This is in line with the growth of the transportation and warehousing sector which grew by an average of more than 7 percent. In addition, other sectors that experienced significant growth were the corporate services sector at 7.36 percent (2018) and in 2019 grew above 10.25 percent. The dominant subsector in the corporate services sector is health services and social activities with a growth of 8.68 percent (2019) (BPS, 2021). The following is the development of the economic sector during the 2017-2019 period. when viewed from the sectoral GDP growth rate, the sector that experienced very significant growth was the information and communication sector where in 2016 it was 8.88 percent and in 2019 it was 9.41 percent. This is in line with the growth of the transportation and warehousing sector which grew by an average of more than 7 percent. In addition, other sectors that experienced significant growth were the corporate services sector at 7.36 percent (2018) and in 2019 grew above 10.25 percent. The dominant subsector in the corporate services sector is health services and social activities with a growth of 8.68 percent (2019) (BPS, 2021). The following is the development of the economic sector during the 2017-2019 period. when viewed from the sectoral GDP growth rate, the sector that experienced very significant growth was the information and communication sector where in 2016 it was 8.88 percent and in 2019 it was 9.41 percent. This is in line with the growth of the transportation and warehousing sector which grew by an average of more than 7 percent. In addition, other sectors that experienced significant growth were the corporate services sector at 7.36 percent (2018) and in 2019 grew above 10.25 percent. The dominant subsector in the corporate services sector is health services and social activities with a growth of 8.68 percent (2019) (BPS, 2021). The following is the development of the economic sector during the 2017-2019 period. 88 percent and in 2019 it was 9.41 percent. This is in line with the growth of the transportation and warehousing sector which grew by an average of more than 7 percent. In addition, other sectors that experienced significant growth were the corporate services sector at 7.36 percent (2018) and in 2019 grew above 10.25 percent. The dominant subsector in the corporate services sector is health services and social activities with a growth of 8.68 percent (2019) (BPS, 2021). The following is the development of the economic sector during the 2017-2019 period. 88 percent and in 2019 it was 9.41 percent. This is in line with the growth of the transportation and warehousing sector which grew by an average of more than 7 percent. In addition, other sectors that experienced significant growth were the corporate services sector at 7.36 percent (2018) and in 2019 grew above 10.25 percent. The dominant subsector in the corporate services sector is health services and social activities with a growth of 8.68 percent (2019) (BPS, 2021). The following is the development of the economic sector during the 2017-2019 period. 25 percent. The dominant subsector in the corporate services sector is health services and social activities with a growth of 8.68 percent (2019) (BPS, 2021). The following is the development of the economic sector during the 2017-2019 period. 25 percent. The dominant subsector in the corporate services sector is health services and social activities with a growth of 8.68 percent (2019) (BPS, 2021). The following is the development of the economic sector during the 2017-2019 period.




Source: Statistics 2021

*Information:
A = Agriculture Forestry and Fisheries
B = Mining and Quarrying
C = Processing Industry
D = Electricity and Gas Supply
E = Water Supply: Waste Treatment, Waste and Recycling
F = Construction
G = Wholesale and Retail Trade; Car and Motorcycle Repair
H = Transportation and Warehousing
I = Provision of Accommodation and Food and Beverages
J = Information and Communication
K = Financial Services and Insurance
L = Real Estate
M = Company Services
N = Government Administration, Defense and Mandatory Social

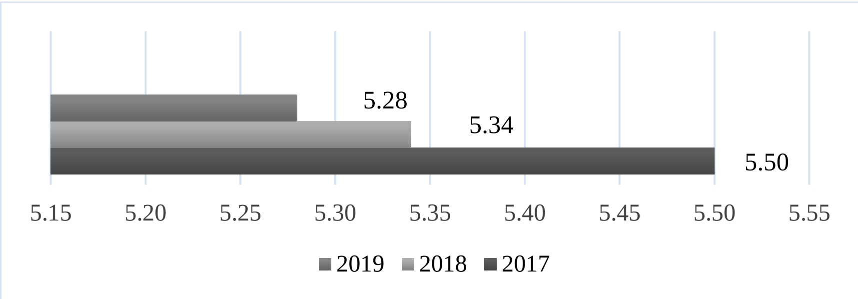
**Figure 3.** Growth Rate of Gross Domestic Product at 2010 Constant Prices by Business Field in 2017-2019 (percent)

The Covid-19 pandemic that entered Indonesia in March 2020 turned out to be a blessing for the agricultural sector where the distribution of the agricultural sector during the covid period increased to 13.70 percent. In addition, the information and communication sector grew very rapidly from 3.96 percent to 4.51 percent in 2020. Meanwhile, the Industrial sector only increased slightly compared to 2019 to 19.88 percent. On the other hand, the sector that experienced quite a contraction was the trade sector, where in the year before the pandemic the distribution was 13 percent but with the Covid-19 pandemic its contribution was only 12 percent. In addition, the transportation and warehousing sector experienced a significant contraction to 4.47 percent. The decline in the transportation and warehousing subsector was contributed by air transportation, rail transportation and warehousing and transportation support services. In line with that, the provision of accommodation and food and drink also experienced a significant contraction in 2020 to 2.55 percent. The large-scale social restriction policy issued by the government in preventing the increase in transmission of the Covid-19 virus has an effect on the decline in the transportation and warehousing sector. The and Large-Scale Social Restrictions policy causes restrictions on the number of passengers to maintain physical distancing and limit working hours. The decrease in travel traffic was due to the rapid test policy, entry and exit permits and other policies that caused a decrease in community mobility from one area to another. The enactment of and Large-Scale Social Restrictions reduces the purchase of public transportation tickets by up to 70 percent per day (Anggraeni, 2021).Judging from the GDP growth rate during Covid-19, the sectors that experienced a contraction in growth, namely the transportation and warehousing sector, decreased by 15.04 percent which was the result of the contribution of the decline in the rail transportation subsector by 42.34 percent, land transportation decreased by 5.34 percent, and transportation sea decreased by 4.57 percent. In addition to the information sector, the corporate services sector also experienced a contraction of 5.44 percent, other services decreased by 4.10 percent, wholesale and retail trade; Car and motorcycle repairs decreased by 3.72 percent, especially in the trade sub-sector of cars, motorcycles and their repairs by 14.10 percent, then wholesale and retail trade, not cars and motorcycles decreased by 2.30 percent. The construction sector decreased by 3.26 percent, the processing industry also experienced a decline of 2. 93

percent, mainly the contribution of the machinery and equipment industry subsector decreased by 10.17 percent, the textile and apparel industry decreased by 8.88 percent, the leather, leather goods and footwear sub-sector decreased by 7.48 percent. The non-metallic minerals subsector also fell by 9.13 percent. The electricity and gas procurement sector also decreased by 2.34 percent, especially in the gas procurement and ice production sub-sectors by 11.94 percent and electricity by 0.98 percent. The mining and quarrying sector fell by 1.95 percent, especially the oil, gas and geothermal mining sub-sectors by 6.00 percent, coal and lignite mining by 5.43 percent, and other mining and quarrying by 1.22 percent. Government administration, defense and mandatory social security fell by 0.03 percent.

### 4.2 Impact of Covid 19 on Unemployment

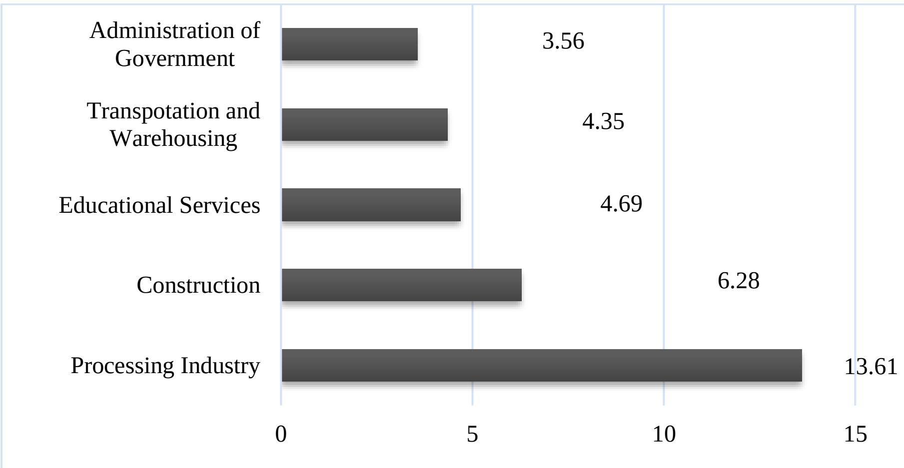
The trend of the unemployment rate in Indonesia during 2017-2019 showed a significant decline. The magnitude of the decline in the unemployment rate in Indonesia ranges from 0.05-0.16 percent in the 2017-2019 period. According to BPS data (2019), the Open Unemployment Rate in Indonesia in 2019 reached 5.28 percent, lower than 2018 at 5.34 percent. Based on the provinces in Indonesia, the highest unemployment rate in 2017-2019 was Banten with an unemployment rate of 8.11 percent.




Source: Central Bureau of Statistics 2017-2019

**Figure 4.** Unemployment Rate in Indonesia in 2017-2019 (in percent)

The decline that occurred in open unemployment rate was also accompanied by an increase in the Labor Force Participation Rate of 67.53 percent, higher than in 2018 of 67.31 percent. The decline in the unemployment rate is caused by government policies in creating jobs so that the unemployed and the labor force can be absorbed. In the 2017-2019 period, the business sectors that contributed to the absorption of labor were (1) Wholesale and Retail Trade, Car and Motorcycle Repair (2) Processing Industry (3) Provision of Accommodation and Food and Drink (4) Transportation and Warehousing (5) Health Services. Entering 2020, Indonesia is starting to feel the impact of the Covid-19 pandemic. The unemployment rate in Indonesia increased again when the government implemented and Large-Scale Social Restrictions, WFH, SFH and P policies Enforcement of Restrictions on Community Activities to reduce cases of the spread of Covid-19. The unemployment rate in Indonesia as of August 2020 increased by 7.07 percent with the most affected province, DKI Jakarta at 10.95 percent (Central Statistics Agency, 2020). The increase in the unemployment rate was followed by an increase in the LFPR of 67.77 percent, 0.24 percent greater than 2019. The increase in the unemployment rate was supported by a decrease in several business sectors in the absorption of labor, namely (1) Manufacturing Industry (2) Construction (3) Education Services (4) Transportation and Warehousing (5) Government Administration, Defense and Mandatory Social Security.




Source: Central Bureau of Statistics 2020

**Figure 5.** Business Sector that Experienced a Decline in Labor Absorption in 2020 (in percent)

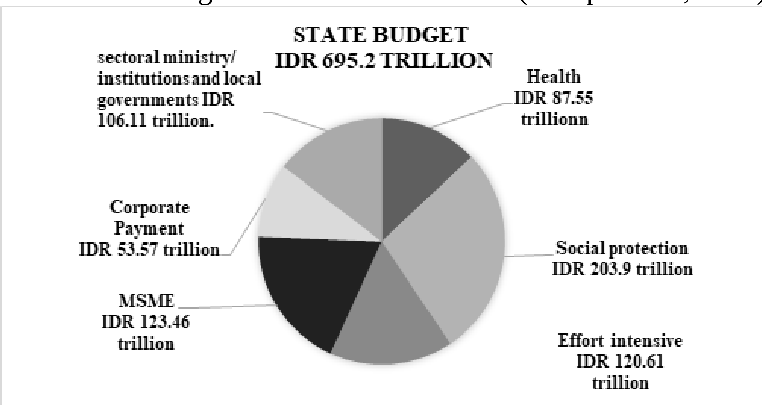
Based on Figure 5. The processing industry is the sector most affected by Covid-19. Absorption of labor in this sector fell very significantly to touch the figure of 13.61%. The growth rate of the Manufacturing Industry sector decreased by 2.93 percent and the Transportation Equipment Industry sub-sector experienced a decrease of 19.86 percent. according to Coordinating Minister for Economic Affairs, there has been an increase in unemployment during the Covid-19 pandemic caused by 35.6 percent. The reason is that many companies reduce the number of employees due to the low purchasing power of the people (Medcom.id, 2020). In addition, according to a survey conducted by the Indonesian Institute of Sciences during the Covid-19 pandemic the number of companies that stopped operating was 39.4 percent and 57.1 percent of businesses experienced a decline in production (Kumparan.com, 2020). The Central Statistics Agency (BPS) categorizes the working age population affected by Covid-19 into four categories, namely: a) Unemployment due to Covid-19; b) Not the Workforce Due to Covid-19; c) Temporarily Not Working Due to Covid-19; d) Working Residents Who Have Reduced Working Hours Due to Covid-19. Based on the results of the grouping, it is known that 24,

### 4.3 Development of Government Policies to Promote Economic Sector Growth in Indonesia During the Covid-19 Pandemic

In dealing with the impact of the government's Covid-19, Bank Indonesia and OJK issued various fiscal, monetary and financial services regulations. This policy was taken to encourage the handling of Covid-19 and the recovery of the national economy.

4.3.1. Fiscal policy

The government responded to the impact of Covid-19 by issuing Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the 2019 Corona Virus Disease (Covid-19) Pandemic and/or in the context of dealing with dangerous threats. national economy and/or Financial System Stability. The PERPPU was promulgated as Law Number 2 of 2020. Broadly speaking, the PERPPU regulates state financial policies and state financial system policies. State financial policies include regional financial policies and financing policies. In the fiscal sector, this PERPPU allows fiscal policy to be flexible, namely the deficit can exceed 3 GDP per person budget until the end of the 2022 fiscal year. The above PERPPU also authorizes the Financial System Stability Committee to handle the financial system, including providing short-term credit to system and non-system banks. In addition, Bank Indonesia (BI) has given permission to buy government bonds or long-term government securities in the primary market. Corporations are also given the opportunity to earn income through resale of debt securities (Kompas.com, 2020).




Source: Kompaspedia (2021)

**Figure 6.** Distribution of State Revenue and Expenditure Budget Funds (State Budget) 2020 (in trillion rupiah)

Economic stimulus is given through several volumes.Volume I is in the form of spending policies to strengthen the domestic economy in 2020 with two groups of activities, namely accelerated spending and policies that encourage labor intensive and spending stimulus. The acceleration of spending and policies that encourage labor-intensive measures are carried out in four ways: namely a) Accelerating the search for capital expenditures; b) Searching for social assistance spending solutions; c) Transfer to the regions; d) village funds. Stimulus for spending is carried out by distributing basic food cards, expanding housing interest subsidies, the tourism sector, and pre-employment cards (Kompas.com, 2020). Volume II is carried out through fiscal empathy policies and non-fiscal empathy policies. The non-fiscal stimulus includes four things, namely a) Simplification and reduction of the number of prohibitions and lighting for export activities aimed at increasing exports and competitiveness; b) Simplification and reduction of the number of prohibitions and prohibitions on import activities on certain commodities, including manufacturing support, food, and health/medical; c) Acceleration of export and import processes for Reputable Traders; d) Improvement and acceleration of export-import process services and supervision through the development of the National Logistic Ecosystem (NLE) (Kompas.com, 2020). The government launched a further stimulus on March 31, 2020 amounting to Rp. 405 trillion to be allocated into four program posts, namely; a) Social safety net (27%), b) Health assistance (19%), c) Industrial assistance (17%), d) National economic recovery (34%) (Kompas.com, 2020). In addition to the fiscal stimulus, the government has also issued policies related to Transfers to Regions in the context of dealing with Covid-19. The policy includes adjustment of transfers to regions and village funds; transfers to regions and village funds refocusing is used for handling Covid-19; transfers to regions and village funds relaxation; refocusing on spending on the Regional Revenue and Expenditure Budget (APBD) to focus on handling Covid-19. The budget prepared by the government is IDR 17.17 trillion (Kompas.com, 2020). refocusing on spending on the Regional Revenue and Expenditure Budget (RREB) to focus on handling Covid-19. The budget prepared by the government is IDR 17.17 trillion (Kompas.com, 2020). Refocusing on spending on the Regional Revenue and Expenditure Budget (RREB) to focus on handling Covid-19. The budget prepared by the government is IDR 17.17 trillion (Kompas.com, 2020). In July 2021, state spending has reached Rp 1,368.4 trillion with the realization of goods expenditures of Ministries/Institutions growing significantly by 78.7 percent (y-on-y). K/L goods expenditures were used to procure 65.79 million doses of vaccine, provide assistance to 10.5 million Micro Business Actors, treatment costs for 377.7 thousand Covid-19 patients, and school operational assistance to 4.15 million Ministry of Religion school students. Realization of the budget for social protection grew by 10.1 percent (yoy), with distribution of basic food cards to 15.9 million beneficiary families, assistance for the family of hope program for 9.9 million beneficiary families, distribution of Social Assistance Cash to 10 million beneficiary families, pre-employment programs for 2.8 million participants, contribution assistance for the National Health Insurance to 96.5 million recipients of contribution assistance, electricity discounts to 32.6 million customers, distribution of Village Cash Direct Assistance to 5.3 million beneficiary families, and internet quota assistance to 34.4 million students and educators. Realization of the health budget grew by 50.7 percent (y-on-y), mainly used for handling Covid-19 such as the provision of vaccines, medicines, patient care, and health workers incentives. Realization of subsidies, both energy and non-energy subsidies, grew higher than last year, reaching 24.0 percent (yoy) and 8.8 percent (yoy), among others, used for subsidies for fuel, 3 kg LPG cylinders, electricity, interest subsidies People's Business Credit and Guarantee Service Fees. Meanwhile, the realization of the distribution of tansfers to regions and village funds as of July 31, 2021 reached Rp 415.53 trillion or 52.2 percent of the 2021 State Budget target. In addition, the government provides three additional types of new transfers to the DAKNF component, including: Investment Facilitation Fund, Food and Agriculture Security Fund, and Women and Children Protection Service Fund (Ministry of Finance, 2021). The National Economic Recovery Program (PEN) is the main instrument used used by the Government in the context of handling health and economic recovery as a result of the pandemic with a total budget allocation for the PEN Program in the 2021 State Budget of Rp699.43 trillion. In its development, the PEN Program for 2021 was again increased to Rp744.77 trillion, especially to provide additional support for health care and social protection amidst the increase in Covid-19 cases due to the Delta Variant transmission. The realization of the PEN program until August 20, 2021 reached Rp326.16 trillion or 43, 8 percent of the ceiling. Realization in the health sector reached Rp. 77.18 trillion, which was used for the use of the Pondok Gede Hajj Dormitory Emergency Hospital, distribution of drug packages to the community, treatment costs for 426.94 thousand patients, providing incentives for 861.9 thousand health workers, and death compensation for 278 health workers, procurement of 81.42 million doses of vaccine, and assistance for the National Health Insurance contributions for 19.15 million people. Furthermore, in the social protection sector, Rp99.33 trillion was realized, especially for the provision of assistance for the Family Hope Program, Tunai Social Assistance, pre-employment cards, internet quota assistance, electricity subsidies, wage subsidy assistance, and rice assistance. In addition, the government also supports the business world through the support of MSMEs and corporations, as well as providing various business incentives. MSME and corporate support has been realized in the amount of IDR 48.02 trillion, especially for the provision of assistance to micro business actors (BPUM) amounting to 11.84 million businesses. Meanwhile, the provision of business incentives has been realized in the amount of Rp. 51.97 trillion for PPh 21 DTP incentives, Final PPh MSME DTP, exemption from PPh 22 Imports, reduction in PPh 25 installments, pre-refund of VAT, reduction in corporate income tax rates, PPN DTP Property, and PPnBM Cars (Ministry of Finance, 2021). Country income **s**as of July 2021, Rp1,031.5 trillion was realized or grew by 11.8 percent, experiencing improvements both in terms of Taxation, Customs and Excise and Non-Tax State Revenue (PNBP). Efforts to suppress the increase in Covid-19 cases require significant additional costs. However, the Government's anticipatory and handling measures have shown tangible results with the growth of economic activity and public consumption. The positive trend in state revenues is expected to continue in line with the economic improvement, so that the hard work of the State Budget in handling Covid-19 and the national economic recovery program are maintained. (Ministry of Finance, 2021).

4.3.2. Monetary policy

Since the Covid-19 pandemic, Bank Indonesia (BI) has strengthened all policy instruments to stabilize the rupiah exchange rate, control inflation, and support the financial system. The BI policy mix consists of six important aspects.First, the four times lowering of the monetary policy interest rate (BI7DRR) until July 2020 by 25 bps each. This reduction in interest rate policy is consistent with the low and controlled inflation forecast at the target range of 3+1 percent, as well as to support the national economic recovery. Second, BI has stabilized and strengthened the rupiah through increasing intervention policies in the market, Domestic Non-Deliverable Forward (DNDF), as well as purchasing government bonds or government securities from the secondary market. The stabilization of the rupiah was also driven by a reduction in the minimum mandatory, a decrease in the rupiah statutory reserve requirement for export-import activities, financing for MSMEs and other priority sectors, as well as expanding the types of underlying transactions for foreign investors. Third, BI continues to expand instruments and transactions in the money market and foreign exchange market. and a decrease in the rupiah statutory reserve requirement for financing the business world, especially export-import as well as for MSMEs in order to mitigate the impact of Covid-19. Sixth, the ease and performance of the cash and non-cash payment systems to support various economic and financial transactions. This is done by encouraging people to use non-cash transactions more.

BI is also accelerating the implementation of digital economy and finance as part of economic recovery efforts through collaboration between banks and fintech (Kompas.com, 2020). This is done by encouraging people to use non-cash transactions more. BI is also accelerating the implementation of digital economy and finance as part of economic recovery efforts through collaboration between banks and fintech (Kompas.com, 2020). This is done by encouraging people to use non-cash transactions more. BI is also accelerating the implementation of digital economy and finance as part of economic recovery efforts through collaboration between banks and fintech (Kompas.com, 2020).

4.3.3. Financial Services Sector

The Financial Services Authority (OJK) issued OJK Regulation Number 11/2020 which was then added to OJK Regulation Number 14/2020 as a policy to mitigate the impact of the spread of Covid-19. These two rules serve as guidelines for restructuring credit/financing and determining the asset quality of banks, finance companies, and microfinance institutions in one pillar. This policy succeeded in restraining the rate of non-performing loans (NPLs) and reducing capital pressures so that the financial services sector was maintained. In general, the role of OJK in the recovery of the national economy is carried out in the form of support and synergy. First, OJK supports the implementation of the placement of government funds in the Association of State-Owned Banks (Himbara) and Regional Development Banks (BPD). This support is carried out by submitting information on the profiles of banks receiving government funds, facilitating meetings of banks and business associations (KADIN, HIPMI, and APINDO), and monitoring credit distribution periodically. Second, support for the implementation of interest subsidies by the government. This role is pursued by several activities, namely the preparation of interest subsidy procedures, socialization of interest procedures, socialization of interest procedures to banks, and delivery of information to prospective participating bank profiles and prospective debtors receiving interest subsidies. Third, support for the implementation of MSME and corporate credit guarantees. This is carried out by submitting information on bank profiles as recipients of guarantees and monitoring the realization of credit guarantees on a periodic basis. Fourth, synergy with local governments in moving the real sector.

## 5. CONCLUSIONS

The Covid-19 pandemic has changed the structure of the Indonesian economy. Based on the results of the grouping of unemployed during the pandemic, there were 24.03 million people who experienced a reduction in working hours due to the Covid-19 pandemic and as many as 2.56 million people experienced layoffs. The Manufacturing Industry sector experienced a significant contraction that contributed to the increase in the unemployment rate in this sector, which reached 13%. Meanwhile, the Agriculture, Information and Telecommunications and Services sectors have increased their role in the economy during Covid-19. The and Large-Scale Social Restrictions, Work From Home (WFH) and the Enforcement of Restrictions on Community Activities (ERCA) policies have had an impact on increasing the growth of the Information and Telecommunications sector significantly, reaching 10 percent. Various fiscal, monetary, finances as well as various government programs and budgets are allocated to help minimize the impact of Covid-19 on the economy. In fiscal policy, the government issued several Government Regulations in Lieu of Law (PERPPU), one of which is Number 1 of 2020. In the economic stimulus, the government issued several policies including Volume I, namely spending policies with the aim of accelerating spending and policies to encourage labor intensive, Volume II is the policy of fiscal and non-fiscal empathy, and the continued economic situation which is allocated to the four program posts. Monetary policy, BI cut interest rates; stabilization and strengthening of the rupiah; liquidity injection; loosening of macroprudential policies; ease and smoothness of the cash payment system. The OJK sector issues countercyclical policies to impact the spread of Covid-19; maintain market stability and sentiment; maintain liquidity; support and synergy.

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