

Research Article

ECONOMIC GROWTH RATE DURING THE COVID-19 PANDEMIC IN SOUTH SULAWESI PROVINCE

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ABSTRACT

The economy in South Sulawesi Province based on the amount of Gross Regional Domestic Product at the valid price for the second quarter of 2020 reached IDR 122.83 trillion and at constant 2010 prices reached IDR 79.81 trillion. The economy in South Sulawesi Province in quarter II-2020 against quarter II-2019 decreased or contracted -3.87 percent. Positive growth was only supported by 8 (eight) business fields, as more business fields contracted. The highest growth was achieved by Information and Communication amounting to 10.48 percent; followed by Electricity and Gas Procurement by 7.91 percent; Education services by 6.65 percent and Real Estate by 4.32 percent. For business fields that experienced a contraction, the majority occurred in business fields that were affected by the Covid-19 Pandemic. The source of economic growth in South Sulawesi Province in the second quarter of 2020 came from the Information and Communication Business Field of 0.73 percent. Followed by Agriculture, Forestry and Fisheries by 0.55 percent; Education Services by 0.36 percent, and Real Estate by 0.14 percent. The categories of Transportation and Warehousing are the most dominant business fields in relation to the economic contraction of South Sulawesi Province. From the production side, the highest growth was achieved by the Information and Communication Business Field, which grew by 10.48 percent.

Keywords: Economic Growth, South Sulawesi Province, Covid-19.

INTRODUCTION

In February 2020 the combined inflation of 5 cities in South Sulawesi was 0.44 percent or an increase in the Consumer Price Index from 103.92 in January 2020 to 104.37 in February 2020. Of the 5 cities of the Consumer Price Index in South Sulawesi Province, all cities (Bulukumba, Watampone, Makassar, Parepare dan Palopo) experiencing inflation. The highest inflation occurred in the City Bulukumba was 0.61 percent with a Consumer Price Index value of 105.18, while the lowest inflation occurred in the city of Prepare at 0.02 percent with a Consumer Price Index value of 103.82. The combined inflation of 5 cities in South Sulawesi occurred due to price increases as indicated by index increases in several expenditure groups, such as food, beverages and tobacco; clothing and footwear; housing, water, electricity, gas, and other fuels; household equipment, tools, and routine maintenance; health; information, communication and financial services; recreation, sports and culture; and provision of food and beverages/restaurants; as well as personal care and other services. Inflation for the combined calendar year for 5 cities in South Sulawesi was 1.07 percent and year on year inflation (February 2020 against February 2019) was 2.84 percent (BPSSulsel, 2020). The economic growth of South Sulawesi Province in the second quarter of 2020 continued its deceleration, recorded growing at -3.9 percent compared to the previous quarter which grew 3.1 percent. The spread of the Covid-19 Pandemic is a major factor causing growth contraction. The implementation of large-scale social restrictions and flight closings as an effort to reduce the spread of the pandemic, reduce domestic consumption activities and impact on a more limited income, in line with unpaid leave and termination of employment (Sahabuddin, R. 2016). Government consumption has declined due to limited spending space in line with sub-optimal spending execution. Investors who tend to wait and see hold back investment performance.

A further slowdown has been curbed by the performance of foreign exports in line with growing mining business fields (Musa, 2019). The realization of the Regional Revenue Expenditure Budget in the scope of South Sulawesi Province in the second quarter of 2020 was recorded at IDR 12.94 trillion or 29.14 percent of the budget ceiling of IDR 44.42 trillion. As a percentage, this realization was higher than in the same period in 2019, which was 26.75 percent. Most of the budget absorption was realized for operational expenditure amounting to 73.9 percent and transfer spending amounting to 22.8 percent. Meanwhile, the actual capital expenditure reached IDR 872.7 billion or 3.3 percent. In the reporting quarter, there was an unexpected expenditure realization for handling Covid-19 amounting to IDR 475.2 billion. Going forward, the realization of the Regional Expenditure Budget in South Sulawesi Province has a strategic role in supporting South Sulawesi's economic growth amid the decline in real sector business activities affected by the Covid-19 Pandemic. It is hoped that the assistance provided by the Government in the context of handling a pandemic can still have a multiplier effect on the economy (Bank Indonesia, 2020). The increase in economic activity during the New Habit Adaptation period during the Covid-19 Pandemic pushed the economy of South Sulawesi Province to grow higher in the fourth quarter of 2020. Household consumption and trading business activities are expected to increase ahead of Christmas and collective leave. Amid initial earnings expectations. restore. The election of regional heads is expected to encourage the consumption of non-profit institutions that serve household and regional government spending. Manufacturing performance is also expected to improve in order to achieve the annual production target amidst increased construction activity (Bank Indonesia, 2020). The inflation rate for the whole of 2020 is estimated to be lower than the previous year, mainly due to the spread of the Covid-19 Pandemic. The rising pressure of core inflation was influenced by the rising trend in world gold prices due to increased uncertainty. Meanwhile, increased pressure for administered prices came from increased airplane ticket prices following large-scale social restrictions. Meanwhile, inflation/food commodity prices fluctuated in line with the

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limited availability of sugar and garlic and the annual pattern of increases in foodstuffs ahead of the long holiday (Karim, 2020).

METHOD

This type of research used in this research is descriptive quantitative research; includes secondary data obtained from the central statistics agency and journals. The research will use data sources published by related agencies during the research process during the Covid-19 Pandemic as the data source for this research. Variables are research subjects that are the point of attention in this study include: 1) Economic growth rate, 2) Economic sector growth, 3) Gross Regional Domestic Product, 4) Economic sectors, 5) Basic and non-basic sectors, 6) Sectors potential, 7) Economic inequality, 8) Income inequality, 9) Population, and 10) Economic growth.

RESULTS

Expenditure side economic growth

The Covid-19 pandemic put pressure on the economy of South Sulawesi Province during the reporting quarter to experience a contraction of -3.9 percent, down from the first quarter of 2020 which grew 3.1 percent.

However, the economic performance of South Sulawesi is still consistently above the national level with a contraction of 5.3 percent. The spread of Covid-19, which was originally a health crisis, has an impact on overall economic performance.

Regional governments have also taken policy steps to reduce the spread of the pandemic through the implementation of Large-Scale Social Restrictions in April and May 2020, as well as appeals to work from home. These efforts generally have a direct impact on reducing public consumption.

Economic growth in the field of business

Economic growth through the business sector in South Sulawesi Province experienced a decline in performance in the second quarter of 2020 due to the impact of the pandemic. Limited demand amid a decline in purchasing power is the cause of the decline in the performance of the tertiary sector, especially in the wholesale and retail trade business field, the transportation business field, and the business field providing accommodation and food and drink.

This condition also affected the performance of industrial business fields in the second quarter of 2020, which contracted deeper than the first quarter of 2020. As seen in Table 2 below:

Table 1. Economic growth by expenditure component (percent)

Component	2018					2019					2020	
	I	II	III	IV	Total	I	II	III	IV	Total	I	II
Household consumption	7.0	6.6	6.5	7.0	6.8	6.8	7.5	6.5	6.5	6.8	5.7	-1.3
Institutional consumption nonprofit household	22.5	21.7	7.1	11.7	15.7	29.9	39.6	48.4	26.3	35.9	-12.5	-13.3
Government consumption	7.8	6.1	7.9	4.4	6.2	9.4	11.4	4.4	4.7	7.0	4.9	-2.9
Gross Domestic Fixed Capital formation	8.7	6.4	3.9	4.2	5.7	3.3	4.9	7.0	7.2	5.7	4.9	-4.3
Inventory changes	0.5	156.8	-49.1	6.5	-1.8	-61.6	-66.9	-50.6	-29.4	-75.6	5.3	43.1
Export	7.0	3.6	0.5	-0.5	2.5	-0.2	-10.1	1.1	5.4	-0.8	-16.6	11.2
Import	11.5	3.6	-22.4	-2.4	-2.4	-11.2	-18.3	-8.8	9.7	-4.9	2.5	12.5
Gross Regional Domestic Product	7.3	7.4	7.2	6.4	7.1	6.6	7.4	7.2	6.5	6.9	3.1	-3.9

Source: Central Statistics Agency of South Sulawesi Province, 2020 (processed).

Table 2. Economic growth by economic business sector (percent)

Number	Business Field	2019					2020	
		I	II	III	IV	Total	I	II
1	Agriculture, Forestry, and Fisheries	3.0	5.4	3.3	-1.3	2.8	0.5	2.5
2	Mining and Excavation	-3.6	0.6	7.4	5.9	2.7	12.6	1.2
3	Processing Industry	8.2	11.1	11.2	9.2	9.9	-2.7	-8.2
4	Procurement of Electricity, Gas and Ice Production	10.2	5.8	0.7	8.5	6.2	5.7	7.9
5	Water Supply, Waste Management, Waste and Recycling	2.3	1.2	0.6	2.8	1.7	7.2	3.1
6	Construction	6.9	8.2	11.3	9.0	8.9	5.4	-4.9
7	Wholesale and Retail Trade; Car and Motorcycle Repair	9.8	10.1	8.0	8.8	9.1	1.9	-8.3
8	Transportation and Warehousing	3.9	-1.0	0.4	3.8	1.7	3.3	-51.1
9	Provision of Accommodation and Food and Drink	6.3	5.6	4.9	7.8	6.2	0.5	-30.9
10	Information and Communication	13.1	13.4	9.3	8.5	11.0	9.8	10.5
11	Financial Services and Insurance	-1.3	-2.3	8.3	11.7	4.0	10.5	0.8
12	Real Estate	5.1	5.2	6.0	5.4	5.4	5.4	4.3
13	Company Services	6.8	8.6	9.8	16.4	10.5	3.7	-27.3
14	Mandatory Government Administration, Defense, and Social Security	11.6	12.6	8.2	7.8	10.0	7.0	-0.1
15	Education Services	11.0	6.7	4.4	6.1	6.9	7.2	6.7
16	Health Services and Social Activities	9.8	7.5	5.8	9.2	8.1	9.4	-0.8
17	Other services	11.2	10.4	9.7	7.9	9.7	1.6	-27.5
	Gross Regional Domestic Product	6.6	7.4	7.2	6.5	6.9	3.1	-3.87

Source: Central Statistics Agency of South Sulawesi Province, 2020 (processed).

DISCUSSION

Expenditure side economic growth

The pressure of the Covid-19 pandemic has an impact mainly on the performance of private consumption. Household consumption and consumption expenditure of household non-profit institutions have experienced a marked decline, in line with limited revenue due to unpaid leave and layoffs accompanied by lower absorption of labor by the business world. This is confirmed by the results of the Business World Activity Survey which showed a decrease in the weighted net balance of labor use by -16.2 percent, compared to -0.9 percent in the previous quarter. The implementation of Ramadan and Eid al-Fitr, which have historically increased economic activity, has not been able to boost household consumption. Meanwhile, investment has also slowed in line with more limited new projects. In addition, refocusing the budget for handling Covid-19, postponing operational activities such as official trips and meetings also resulted in a decline in government spending that continued in the current quarter. The trade balance continues to grow strongly in line with the improving performance of China's trading partners and improving world commodity prices. Economic growth in the third quarter of 2020 is predicted to grow better. The relaxation of large-scale social restrictions in line with the re-opening of business activities is expected to increase public consumption. Meanwhile, government consumption is also expected to increase in line with the distribution of transfer funds to 20 Regencies / Cities in South Sulawesi Province which was delayed as well as efforts to realize unexpected expenditure disbursements for handling Covid-19. Meanwhile, investment performance is estimated to have limited growth in line with investor confidence that has not fully recovered. Economic growth in the third quarter of 2020 is predicted to grow better. The relaxation of large-scale social restrictions in line with the reopening of business activities is expected to increase public consumption. Meanwhile, government consumption is also expected to increase in line with the distribution of transfer funds in 20 regencies/cities that had been delayed and efforts to realize unexpected expenditure disbursements for handling Covid-19. Meanwhile, investment performance is estimated to have limited growth in line with investor confidence that has not fully recovered.

Economic growth in the field of business

The performance of the primary sector of South Sulawesi Province in the second quarter of 2020 could still grow positively and become an obstacle to a deeper economic decline. In the quarter under review, the agricultural business grew higher than the previous quarter. The weather anomaly that occurs does not have a significant effect on the field performance of agricultural businesses during the harvest period. Even so, the decline in people's purchasing power is holding back the performance of agricultural businesses from growing higher in line with its historical pattern. Meanwhile, the mining business sector grew slower in the second quarter of 2020 compared to the first quarter of 2020. The decline in nickel prices on the global market was one of the causes for the less than optimal performance of the mining business, so business players tended to hold back production. In the third quarter of 2020, the economy of South Sulawesi Province is predicted to experience improvement even though it is still at a limited level. It is estimated that the recovery in demand and purchasing power will take place gradually so that it will improve the performance of the tertiary business fields, such as the wholesale and retail trade business field, the transportation business field, and the accommodation and food and drink business field. Meanwhile, on the other hand, the performance of the agricultural business is estimated to decline as the harvest period passes amid the risk of a drought

which could potentially occur in the third quarter of 2020. In addition, the downward trend in nickel prices on the global market is one of the factors holding back the performance of the mining business in the third quarter of 2020.

CONCLUSION

The percentage of realized Local Own Revenue amounted to 18.4 percent of the total revenue budget ceiling, which was recorded to be lower than in the same quarter of the previous year. The percentage of South Sulawesi Province's original regional revenue in the second quarter of 2020 against the budget reached 35.22 percent or lower than in the second quarter of 2019 which reached 37.90 percent. In nominal terms, the realization of Local Original Revenue in the second quarter of 2020 increased by IDR 5.8 billion from the second quarter of 2019 in line with the increase in the 2020 budget ceiling against 2019 amounting to IDR 1.1 trillion. The increase in nominal regional original revenue realization was contributed by an increase in local retribution revenue of IDR 29.9 billion from last year, to IDR 192.6 billion as well as an increase in revenue from the management of separated regional assets amounting to IDR 28 billion to IDR 336.9 billion. However, the performance of the realization of Regional Original Revenue was restrained by the decrease in the nominal realization of regional taxes and other legal Regional Original Revenue. The percentage of realized income originating from regional taxes of South Sulawesi Province in the second quarter of 2020 was 36.37 percent or lower than the achievement in the second quarter of 2019 which was 39.55 percent. This is in line with the implementation of Large-Scale Social Restrictions due to the Covid-19 Pandemic in March-May which caused tax revenues from the business sector that contributed local taxes such as hotels and restaurants to decline. In addition, the Regional Government of South Sulawesi Province has also imposed incentives for exemption from motor vehicle tax fines from January 2020 to the date of payment (maximum 29 June 2020). One of the efforts made by the Regional Government of South Sulawesi Province to maintain revenue realization is through the electronification of regional revenues through the e-Samsat application so that people can still pay taxes from home during the Covid-19 Pandemic.

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