

## **Analysis of Economic Growth Rates in East Java During the Covid-19 Period**

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Article Info	Abstract
<p><b>Article history:</b> Received May 10, 2023 Revised May 23, 2023 Accepted May 29, 2023 Available online June 7, 2023</p> <hr/> <p>*Corresponding author email : <a href="mailto:estu@iainponorogo.ac.id">estu@iainponorogo.ac.id</a></p> <hr/> <p><b>Keywords:</b> <i>Economic Growth, Covid-19, East Java</i></p>	<p><b>Introduction/Main Objectives:</b> This study aims to determine economic growth during the Covid-19 period in East Java for 2019-2021. <b>Research Methods:</b> This study used a qualitative method using a library research approach. <b>Finding/Results:</b> Based on the study's results, economic growth during the Covid-19 period in East Java for the 2019-2021 period experienced a drastic decline. In quarter IV-2020 against quarter IV-2019 (y-on-y), East Java's economy contracted by 2.64 percent. In the first quarter of 2020, growth began to slow down to 2.97 percent. Furthermore, in the second quarter of 2020, it contracted to 5.98 percent compared to the second quarter of 2019. And in the second quarter of 2021, economic conditions began to improve even though they were still contracting, namely by 7.05 percent. <b>Conclusion:</b> The government must be able to provide policies that can increase economic growth because economic growth is a reference for the level of social welfare in real terms.</p>
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## INTRODUCTION

In a country's economy, economic growth and development are one indicator that is very important and must be considered. Economic growth and development are closely related to one another. Economic growth can increase with economic development in a country. Meanwhile, economic development can run smoothly if economic growth goes well. Although growth and economic development are interrelated, the two have prominent differences. Economic growth is an increase in Gross Domestic Product (GDP) without considering the impact on growth or population growth. Meanwhile, economic development is a multidimensional process of social change (Kirom, 2021).

Economic development depends on economic growth, which encourages economic growth and vice versa; the economy also facilitates economic development (Djojohadikusumo, 1991). At the same time, economic growth is increasing an economy's production capacity, manifested in the form of an increase in national income. A country can experience increased economic growth if there is an increase in real GNP. The existence of economic growth is an indication of the success of economic development (Rapanna & Sukarno, 2017).

Economic growth is output growth formed by various economic sectors to describe how progress or setbacks have been achieved by these economic sectors at a particular time (Karun et al., 2022). Economic growth shows the extent to which economic activity will generate additional income for the community in a certain period because economic activity is a process of using factors of production to produce output. This process will produce a flow of remuneration for the factors of production owned. The community as the owner of the factors of production will also increase (Rosminah et al., 2019).

Economic growth is still used as an indicator of aggregate economic progress. Economic growth shows an increase in the production of goods and services in an economy, so this economic growth is one of the important indicators in conducting an economic development analysis. Indonesia's economic growth from 1990-1994 was ranked 9th out of 93 countries, and from 2005-2011 it was ranked 5th. However, it is necessary to pay close attention to whether the whole community can enjoy high economic growth or economic progress in a country. It could be that high economic growth results in greater inequality in people's incomes (Nuraini, 2017).

East Java Province is the second largest contributor to the Indonesian economy, with a growth rate on par with the national level and other central provinces in Java. The three main business sectors that support East Java's GDP are manufacturing (29.03%), trade (18.18%), and agriculture (12.80%) (BPS Province of East Java, 2019). Geographically, East Java Province has regional characteristics that have the potential to be developed because of its strategic location; various tourist objects are offered, ranging from mountains, beaches, and caves to waterfalls which are found in almost every district/city in East Java. East Java is also known as Eastern Indonesia's industrial and financial center (Assidikiyah et al., 2021).

At the end of 2019, the world was rocked by the emergence of a virus originating from the City of Wuhan, China, namely the Covid-19 virus (Corona). This virus shows a very significant fast spread, and there have been many deaths caused by this virus so. On January 30, 2020, WHO declared this Coronavirus a public health emergency of international concern (Public Health Emergency of International Concern) until March 11, 2020, WHO declared the current outbreak a Global Pandemic (Junaedi & Salistia, 2020).

The existence of the Covid-19 pandemic has had an impact on the global economy. China is the holder of the most significant export activity in the world, where the Covid-19 virus first infected China, thus bringing China's trade activities in a negative direction. If there is a negative correction in China, the world will experience supply chain disruptions, which in turn can reduce world production processes whose raw materials are imported from China (Muhyiddin, 2020). The impact of the Covid-19 pandemic, which started in early 2020, was felt in the rate of economic growth, which decreased drastically to minus 2.39 percent. So that there was a shift in the economy's structure in GRDP at the time of the Covid-19 pandemic and needed further analysis to find out potential sectors to be developed to boost other sectors (Assidikiyah et al., 2021).

## METHOD

This study uses a qualitative method with a library research approach, emphasizing descriptive questions that aim to describe a symptom in existing facts. Literature or literature study can be interpreted as a series of activities related to collecting library data, reading and recording, and managing research materials (Mubarok & Tambunan, 2021). In this case, the researcher took research data from books, data from BPS, official websites that publish supporting information, previous journals, and sources that are credible and whose validity can be accounted for. In this case, researchers take research data from books, data from BPS, official websites that publish supporting information, previous journals, and sources that are credible and can be trusted for their validity—economic Growth Analysis Conducted During the Covid-19 Period in East Java in the 2019-2021 period.

## RESULTS AND DISCUSSION

### Economic Growth and Covid-19

Economic growth, often used as an indicator of economic progress, has left various problems in some countries. Economic growth is defined as increasing output per capita in the long run. This understanding emphasizes three things, namely process, output per capita, and long-term. Economic growth can be interpreted as economic development from time to time which is more dynamic in nature and related to total output (GDP) and aspects of the population. Long-term economic growth tends to change somewhat, driven by internal economic processes (self-generating) (Michael P. Todaro, 2000).

Growth can be in the form of development or expansion, or improvement of activities carried out by a community. Benchmarks for the success of development can be seen from

economic growth, economic structure, and the level of inequality between residents, regions, and sectors (Riyadi & Bratakusumah, 2003). The main goal of economic development efforts, besides creating the highest possible growth, must also eliminate or reduce poverty, income inequality, and unemployment rates (Michael P. Todaro, 2006).

In general, economic growth is an increase in the ability of an economy to produce goods and services. Economic growth is a critical indicator in analyzing economic development that occurs in a country. Economic growth will show additional people's income in a certain period. Community income is obtained by using production factors to produce goods and services, resulting in a flow of remuneration for the factors of production owned by the community (Sukirno, 2006). With economic growth, people's income as the owner of production factors is also expected to increase. Economic growth is usually measured using data on the Gross Domestic Product (PDP) and the Gross Regional Domestic Product (GRDP) in a region (Rahardjo Adisasmita, 2013).

Economic growth is essential to create opportunities or opportunities to reduce poverty. While economic growth alone is not enough, the poor and vulnerable may not benefit from growth because they are less healthy, less skilled, and lack access to basic infrastructure. Empowerment is essential for the poor to take advantage of the opportunities created by growth (Son, 2016).

On March 2, 2020, Indonesia confirmed a case of COVID-19 for the first time. As of May 28, 2020, there were 31,024 cases of COVID-19, which had spread in 34 provinces in Indonesia. The current condition of the COVID-19 pandemic has had quite a severe impact on the health, economic, and social order in Indonesia (Chairani, 2020). The World Health Organization (WHO) explains that Coronaviruses (Cov) infect the respiratory system. This viral infection is called COVID-19. Coronaviruses range from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). The spread of the Coronavirus to various parts of the world has impacted the Indonesian economy in terms of trade, investment, and tourism. Coronavirus disease 2019 (COVID-19) has infected millions worldwide (Fahrika & Roy, 2020).

The impact on the economy is expected to be large and can cause a country's economy to slump. Millions of people will fall into poverty because of the increasing number of unemployed due to the cessation of some production activities due to a lack of demand to stimulate production activities. The Coronavirus or Corona virus disease 2019 (Covid-19) has contracted the Indonesian economy. The impact of the Corona Virus or Covid-19 seems to impact all sectors, mainly tourism and other sectors.

The cause of the decline in economic growth is due to the widespread Covid-19, both domestically and abroad. Indonesia's economic growth has been estimated by Bank Indonesia (BI), which is estimated at around 2.5 percent, which is usually able to grow to 5.02 percent (Fahrika & Roy, 2020). The corona-19 virus pandemic has put heavy pressure on the world economy, including Indonesia, which is also experiencing similar pressures to other countries. This pressure can be seen from the conditions of economic growth in quarters I-IV, which

were respectively 2.97, -5.32, -3.49, -2.19, and year to year in 2020 of -2.07 (BPS, 2020). These conditions make it clear that the Coronavirus does not only have an impact on health but also on all economic orders (Rofiuddin, 2022).

Globally, the COVID-19 pandemic has impacted the economy, including in Indonesia. In quarter 1-2020, the Indonesian economy experienced a slowdown of 1.01 percent compared to quarter 4-2019 (BPS, 2020). This condition directly impacts the cessation of economic activity due to social/physical distancing rules that are enforced as a health protocol for handling COVID-19. The highest economic slowdown occurred in the education services sector (-10.39 percent) and the government administration sector (-8.54 percent) (BPS, 2020).

### **Economic Growth In The Time Of Covid-19**

Since WHO announced the Covid-19 outbreak as a global pandemic, various policies have been issued by the government to suppress the spread of the Covid-19 virus in our country. The pros and cons continue to occur over the policies issued by the government, but there is no choice but to prioritize the public health aspect which is a priority. As a result, various economic sectors became weak and even worsened. This has resulted in multi-effects from various other sectors of life (Widiastuti & Silfiana, 2021).

The curve below shows a drastic decline in economic growth in the first quarter 2020. There is a trend in economic growth that has decreased; in the first quarter of 2020, Indonesia's economic growth was recorded at 2.97 percent (yoy); this achievement is lower than the projection issued by Bank Indonesia, which is in the range of 4.4 percent (Ahmed, 2022).

The leading cause of the decline in economic growth in Indonesia is the impact of handling the spread of the corona virus which has begun to affect all aspects of life, especially in economic activities in Indonesia, both in terms of production, distribution, and consumption, foreign trade (exports and imports) and investment activities. Bank Indonesia has previously expressed the opinion that the impact of handling the Covid-19 pandemic began to be felt from April to June 2020. And the impact was felt more quickly in mid-2020 until now (Fahrika & Roy, 2020). The data on Covid-19 victims for each province on Java Island based on data from covid19.go.id is as follows:

Based on the data obtained, those affected by Covid-19 were the highest in Java and Indonesia, namely DKI Jakarta Province, followed by West Java Province, occupying the second highest number of victims. However, the highest death rate was in East Java Province, namely 7.2% of the total number of Covid-19 victims in the province and followed by the second highest ranking, Central Java Province, which had a death toll of 4.5% of the number of victims in the province. In the first quarter of 2020, Indonesia began to experience a slowdown in economic growth; in the second quarter, it was inevitable that Indonesia's growth would experience a fairly deep contraction, namely minus 5.32% (Widiastuti & Silfiana, 2021).

Java Island, the most significant contributor in supporting the national economic growth rate of 58.75%, is a region in Indonesia whose economic sector was shaken during this pandemic. The following table shows the economic growth rate of the provinces in Java Island.

Based on the data obtained, it can be seen that each province on the island of Java, starting in the second quarter of 2020, was heavily affected by the Covid-19 pandemic; the province of DKI Jakarta was the most affected. At the end of 2020, the province in Java still contracting was Banten Province. This is because the dominant sector in supporting the pace of economic growth in Banten Province is the manufacturing sector, which during this pandemic has not been able to run optimally (Widiastuti & Silfiana, 2021). The data shows that the Province of the Special Region of Yogyakarta is the most volatile. In the first quarter, it contracted to minus 0.17; even in the second quarter, it contracted even more profoundly, namely minus 6.74%. However, it gradually continues to experience growth respectively in the third quarter, minus 2.84% and 0.68% in the fourth quarter. This is very good when compared to other provinces in Java.

Comparison of the economic growth rate before the Covid-19 pandemic, where all GRDP sectors, both consumption and production, had good enough growth so that the Indonesian economy could still grow above 5%, in 2020, the start of the pandemic made our LPE in 2020 especially the provinces in Java Island contracted quite deeply and caused all economic activity to experience a slowdown (Widiastuti & Silfiana, 2021). Based on BPS data for 2020, the contribution of each province to economic growth in Java is as follows: (1) DKI Jakarta Province with the first most significant contribution, namely 29.90%, (2) East Java Province, namely 24.80%, (3) West Java Province namely 22.52%, (4) Central Java Province namely 14.54%, (5) Banten Province namely 6.76%, (6) Yogyakarta Province is 1.49%.

### **Economic Growth In The Time Of Covid-19 In East Java In 2019-2021**

East Java's economy experienced slow growth in the first quarter of 2020, which was only able to achieve economic growth of 3.03 percent. This condition was much weaker than the previous year's period, which achieved a growth rate of 5.55 percent. Restrictions on people's movements caused a slowdown in East Java's economic growth due to the outbreak of the Covid-19 pandemic. This resulted in decreased supply and demand activities, so they could not create added value or profit for society, the business world, and all business sectors (Fahrizal & Taufiqqurrachman, 2022).

The economic growth of the East Java region in terms of Gross Regional Domestic Product (GDP) at current prices in 2020 has decreased significantly since the first quarter. The East Java economy in quarter IV-2020 compared to quarter IV-2019 (yoy), initially 5.56 percent, contracted by 2.64 percent (BPS Province of East Java, 2021). This can be shown in the image below:



**Figure 1.**East Java Economic Growth

Data Source: BPS East Java, 2021

From 2020 to 2021, from quarter I to quarter IV, East Java's annual growth rate is quite volatile. In the first quarter of 2020, the growth rate started to slow down to 2.97 percent. This was due to the emergence of the Covid-19 virus in March 2020, which shook the economy quite a bit. In the second quarter of 2020, most consumption activities were hampered due to the outbreak of the Covid-19 virus, causing economic turbulence from the expenditure side; the decline was sufficient to reach 5.98 percent compared to the second quarter of 2019 (BPS, 2020).

The East Java economy in the second quarter of 2021, measured by the Gross Regional Domestic Product (GRDP) at current prices, reached IDR 604.84 trillion, while the GRDP at constant prices reached IDR 413.64 trillion. East Java's economic growth in Q2-2021 experienced economic conditions that began to improve, although it was still contracting compared to Q2-2020 (y-on-y), which was 7.05 percent. From the production side, the highest growth occurred in the business sector and other services, with an increase of 41.21 percent. From the expenditure side, the foreign export component experienced the most significant increase, with an increase of 21.16 percent (BPS Province of East Java, 2019).

All components of GRDP, according to Expenditures, experienced growth. With economic growth in the second quarter of 2021 of 7.05 percent yoy, East Java is the second largest economic supporter on Java after DKI Jakarta, contributing 24.93 percent. Meanwhile, its contribution to accelerating national economic growth was 14.44 percent. Several critical sectors supported positive economic growth of 1.78 percent (q to q) and an increase of 3.2 percent (c to c). Among other things, based on business fields, the manufacturing sector contributed the most to East Java's GRDP structure, reaching 30.23 percent with a growth rate of 6.85 percent (yoy). In addition, the wholesale and retail trade sector, car and motorcycle repair contributed to GRDP of 18 (BPS Province of East Java, 2021).

The three highest contributions to East Java's GRDP structure are the agriculture, forestry, and fisheries sectors, namely 12.37 percent and a growth rate of minus 3.14 percent (yoy). The increase in aggregate demand in the second quarter also marked the economic

recovery in East Java, which showed progress evenly. Starting from investment which rose 1.77 percent, consumption rose 5.24 percent, and even exports experienced the highest increase of 21.16 percent (Dinas Kominfo of East Java, 2021).

The growth movement in East Java for 2019-2021 is quite diverse. There are several districts with solid growth from year to year, such as Trenggalek Regency, Tulungagung Regency, Blitar Regency, Pasuruan Regency, Kediri City, Blitar City, Malang City, Probolinggo City, and Pasuruan City. Most districts/cities in East Java experienced contractions during the growth period from 2019-2021 in most of the districts/cities in East Java (Dinas Kominfo of East Java, 2021). This is due to the previously mentioned Covid-19 that has hit the world.

## CONCLUSION

The Covid-19 pandemic has had a multi-sectoral impact. Covid-19 has also exacerbated the effects of economic contraction for countries in the Asian region, including Indonesia. The spread of the Coronavirus to various parts of the world has impacted the Indonesian economy in terms of trade, investment, and tourism. The impact on the economy is expected to be large and can cause a country's economy to slump. The impact of the Covid-19 pandemic, which began in early 2020, was felt in the economic growth rate, which dropped drastically. East Java Province is the second largest contributor to the Indonesian economy, with a growth rate comparable to that of the national level and other central provinces in Java.

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