

NEWSLETTER



Photo: Reuters.com

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Welcome to the LPEM Newsletter August 2021 Edition. The LPEM Newsletter is the fruit of thoughts and a summary of the activities of the LPEM FEB UI team. This is the sixth edition and will continue to be published every month. Since 1953, LPEM FEB UI has been actively conducting research, consulting, and training activities aimed at solving development problems in Indonesia.

In this edition, the LPEM Newsletter will summarize several studies presented by LPEM FEB UI researchers at The 16th IRSA International Conference, presenting our latest research on "**The Impact of the Pandemic on the Household Economy**" and "**The Impact of the Pandemic on Energy Consumption**." In addition, this edition will discuss several events that involved LPEM FEB UI researchers as we share our findings on "**Observing Local Budgets in the Pandemic Era**" in a podcast show, present our research on "**Measuring State Wealth Post the COVID-19 Pandemic**." in a webinar, as well as sharing expert judgment on the latest Public Hearing Session at the House of Representatives on "**Encouraging Improvement of Tax Policy in the RUU KUP**". Finally, this edition will present the latest contribution of LPEM FEB UI through our Indonesian Economics and Finance Journal in disseminating academic texts in several scientific conference activities.

Enjoy reading,

Alin Halimatussadiah

Head of Environmental Economics Study Group
LPEM FEB UI



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Low Economic Community Are More Affected by the Pandemic

LPEM FEB UI researchers Chairina Hanum Siregar and Lovina Aisha presented the results of a study entitled **"Implication of COVID-19 Pandemic on Household Expenditure, Income, and Resiliency: Empirical Finding from Indonesia"** at the activity The 16th IRSA International Conference with the theme "Institutions, Human Capital, and Development" at FEB UGM on 12—13 July 2021.

Using primary data from the LPEM FEB UI survey conducted in August—September 2020, this study found that people with higher economic conditions and older tend to have relatively stable or increased income and expenses during the COVID-19 pandemic. On the other hand, individuals with lower socioeconomic levels with jobs in the worst-affected sectors experienced reduced income and expenses during the COVID-19 pandemic. The coping mechanisms between individual groups during the COVID-19 pandemic are also different, with people with stable jobs and higher asset holdings having several positive ways of surviving.

In closing, Chairina conveyed the implications of the study conducted. "First, social assistance during the COVID-19



pandemic is important because it can become an 'economic buffer' during the shock of the pandemic and help households to survive. Second, an increase in targeting strategies and optimization of an integrated database is also needed to maintain and improve the socio-economic welfare of households during the pandemic. Lastly, labor market policies such as Pre-Employment Cards, wage subsidies (BPJS Ketenagakerjaan), and other subsidies must also be optimized during the pandemic." Chairina said.

People Become More Energy-Efficient During Pandemic



LPEM FEB UI researchers Wildan Al Kautsar Anky and Raka Rizky Fadilla presented the results of a study entitled **"The Impact of Income Shocks During the COVID-19 Pandemic on Energy Consumption Behavior in Indonesia"** in the event "The 16th IRSA International Conference" at FEB UGM on 12-13 July 2021. This year, The 16th IRSA carries the theme "Institutions, Human Capital, and Development".

The study shows that the decline in individual incomes during the COVID-19 pandemic has led to pro-environmental energy use behaviors, including efficient use of electricity and more efficient use of energy equipment. This study uses inferential analysis to explain that people who experience income shocks living in Large-Scale Social Restrictions areas will have higher energy-saving behavior than those who also have income shocks but live in non-Large-Scale Social Restrictions areas. People save energy along with more significant economic pressure in regions experiencing Large-Scale Social Restrictions.

At the end of the presentation, Wildan and Raka provided several policy recommendations that can be taken into consideration for the government in understanding changes in people's behavior when there is a shock to decline in income, especially during the pandemic. "First, the transfer of fuel and energy-efficient public cooking equipment is a signal that the government needs to provide access and low prices for the community to encourage energy savings that can preserve the environment," said Wildan. Pro-environment policies are expected to be encouraged by taking advantage of the existing momentum so that negative externalities felt by the environment so far can be minimized. "Second, the reduction in energy consumption that occurs due to income shocks can be a consideration for the government in providing social assistance that can help the availability of energy in the community during the pandemic," Raka concluded.

Assessing at the Local Budget Posture during the Pandemic Era

Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI), and Kanopi on Air Podcast launched a collaborative podcast on July 13, 2021, entitled "**Observing Local Budgets during the COVID-19 Pandemic, What Research Says?**". Guided by Tantra Tanjaya and Devan Hadrian (Kanopi FEB UI) as hosts, Fachry Abdul Razak Afifi (Research Assistant at LPEM FEB UI) talked about the impact of COVID-19 on the regional economy.

Fachry started the podcast with the fact that Indonesia is in the midst of a health crisis caused by the COVID-19 pandemic. This has hampered people's mobility, resulting in an economic contraction of 2.07%. As a result, there is a decline in government revenues when they need an additional budget to provide health and social protection programs. However, the situation faced by local governments is more difficult because the budget transferred from the central government is reduced due to relatively narrow revenue channels.



Faced with this, regions with a high dependence on inter-governmental transfers struggle to implement countercyclical mitigation fiscal policies. In addition, Fachry also said that regions with relatively high local revenues suffered more severely during the crisis because sluggish economic activity hit their tax revenues and indirectly led to lower fiscal space.

More details:

<https://spoti.fi/2W65dgP>

Tax Reform Needs to Focus on Administrative Improvements and Consider Appropriate Timing to Implement Reforms



Commission XI of the DPR RI held a Hearing Meeting on the RUU KUP by presenting several speakers, one of which was Christine Tjen, a FEB UI Lecturer and also the Deputy Head of Administration and Finance of LPEM FEB UI. In the meeting, Christine presented input on the RUU KUP

proposal, focusing on discussing the proposal in general, regulations regarding Income Tax, Value Added Tax (VAT), the timing of policy implementation, and reviewing the terminology of the RUU KUP itself.

In general, Christine believes that the proposed RUU KUP aims to increase government revenues through several changes to taxation rules. From the aspect of adjusting the VAT rate, although it is possible to increase revenue, Christine reminded that in the medium term, it has the potential to reduce consumption levels, especially if there is a shift to the price level of goods, from the increase in the VAT rate. He also added that the imposition of multiple tariffs could potentially lead to inefficiency.

Christine said that the tax reforms designed in the RUU KUP need to prioritize improvements in taxation policies and administration. "It is necessary to keep the tax system simple, to avoid greater administrative and compliance costs, and reduce the inefficiencies that may arise from a complex tax system due to the potential for greater tax evasion," said Christine. Finally, Christine suggested that the government and the DPR consider the right time to implement the KUP Bill by considering the economic situation and the condition of the community. "Is it appropriate to implement it in 2022, or maybe it should be postponed to 2023? The decision should be considered carefully." Christine closed her statement.

More details:

<https://youtu.be/WO1Wy61aZxQ?t=8543>

Indonesia Needs To Reconsider How To Measure State Wealth After The COVID-19 Pandemic



Reflections on the urgency of wealth enrichment in post COVID-19: Perspectives from Indonesia

Dr. Alin Halimatussadiyah
Head of Environmental Economics Research Group
Institute for Economic and Social Research
Faculty of Economics and Business, Universitas Indonesia
HLPF, 12 July 2021



The International Institute for Sustainable Development (IISD) held a webinar with the theme **"Building Post-Covid Recovery Around Wealth Rather than GDP"** on July 11, 2021. The webinar is a series of events from the "High-Level Political Forum (HLPF) on Sustainable Development" held by the United Nations in collaboration with various institutions, including IISD. On behalf of the University of Indonesia, Dr. Alin Halimatussadiyah was present as one of the speakers for **"Reflections on the Urgency of Wealth Enrichment in Post-COVID-19 Era: Perspectives from Indonesia"**.

In his presentation, Alin explained how the COVID-19 pandemic could reduce the value of inclusive wealth in Indonesia. From the calculation of produced capital, it can be seen that capital accumulation is more concentrated in

the construction sector than in the more productive sectors, such as equipment and machinery, which are closely related to the manufacturing sector. Amid the COVID-19 situation, hampered investment in produced capital will further reduce the capacity of the economy to produce output." Alin said.

In terms of natural capital, Alin believes that the main challenge in Indonesia on this site is to maintain the number of natural resources and the quality of the environment so that they can support the development and improve welfare. He suggested the need to evaluate sectors that trigger deforestation, such as agriculture and mining because ideally, economic development does not result in trade-offs on the environment; efforts should be made to align them.

Finally, in terms of human capital, Alin believes that the pandemic can reduce human capital in Indonesia. This is reflected in the increase in unemployment and poverty, disruption in educational activities, increasing inequality, especially in terms of private asset ownership, and declining health quality due to pollution. These impacts are some of the things that need to be addressed immediately because increasing productivity in the industrial sector also requires high-quality and productive human capital.

Alin closed by saying that the inclusive wealth concept emphasizes the importance of accumulating all types of capital and avoiding a decline in certain types of capital. For this reason, several things need to be considered, such as ensuring the availability of sufficient capital, making investments in the long term by incurring high costs in the short term, and selecting these investments so as not to cause trade-offs in generating the required capital.

More details:

<https://bit.ly/3ssBcn6>

Journal of Economics and Finance Indonesia as an Alternative for Publication of Scientific Articles at Several Conferences

The Journal of Economics and Finance in Indonesia (EFI) is a SINTA 2 indexed journal that has been present in the Indonesian academic world since 1948. This journal has continued to date through financial support from the Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI). This journal has continued to provide a forum to publish quality scientific articles or research results about the Indonesian economy.

In order to disseminate the research results of Indonesian economists to a wider audience of international economics, LPEM FEB UI subsequently decided to turn the journal into a peer-reviewed journal that only publishes articles in English, called Economics and Finances in Indonesia (EFI), which is expected to become a useful forum for Indonesian economists and their colleagues abroad to exchange knowledge.

As a form of involvement in disseminating scientific articles in 2021, the EFI journal is also involved in publishing scientific articles presented at two conferences: **the 5th ICIEFI 2021 and the 2nd JESSD Symposium**. The 5th International Conference on Islamic Economics and Financial Inclusion (ICIEFI) 2021 is a conference with the theme "Optimizing the Challenges of Environment, Resources, and Socioeconomics for Sustainable Innovation," which was held by the Department of Economics, the University of Muhammadiyah Yogyakarta on 25-26 July 2021. Furthermore, the 2nd JESSD Symposium is a conference to be held on September 25-26, 2021, by the School of Environmental Science, University of Indonesia, with the theme "International Symposium of Earth, Energy, Environmental Science, and Sustainable Development."



Overview of LPEM FEB UI Publications and Activities

Economic Brief

Macroeconomic Analysis Series: Inflation Analysis, July 2021

Inflation in March was recorded at 1.37 percent year-on-year, slightly lower than the previous month, which was recorded at 1.38 percent. The correction in general inflation was driven by a significant weakening in core inflation from February 2021. This weakening turned out to be enough to cover the strengthening of inflation in the volatile component, which jumped from 1.52 percent in February 2021 to 2.49 percent. The price component regulated by the government also experienced a strengthening of inflation.

More details: <https://www.lpem.org/id/seri- analisis-makroekonomi-inflasi-bulanan-juli-2021/>

Macroeconomic Analysis Series: BI Board of Governors Meeting, July 2021

The increase in the number of Covid-19 cases is expected to hamper economic recovery. All economic indicators, such as inflation, the Consumer Confidence Index, the Purchasing Manager's Index, and the trade surplus, began to show a bleak outlook. We expect these indicators to continue to decline in July, especially after the government decided to implement the Imposition of Restrictions on Emergency Community Activities in Java and Bali.

More Details: <https://www.lpem.org/id/macroeconomic-analysis-series-bi-board-of-governor-meeting-july-2021/>

Working Paper: No.61, July 2021 How COVID-19 Affects Food Security in Indonesia

More Details: <https://www.lpem.org/id/how-covid-19-affects-food-security-in-indonesia/>

Economic Analysis Series: Trade and Industry Brief, July 2021

In order to suppress the spread of COVID-19 infection cases, which have reached an alarming level, the government implemented an Emergency Community Activity Restriction (PPKM) for two weeks, from 3 to 20 July 2021.

More Details: <https://www.lpem.org/id/seri- analisis-ekonomi-trade-and-industry-brief-juli-2021/>

Labor Market Brief, July 2021

The Indonesian government implemented the Emergency Community Activity Restriction in response to the surge in new positive confirmed cases, which increased sharply at the end of the second quarter of 2021. The closure of several business locations and the adjustment of working hours in several work sectors directly or indirectly impact workers, such as workers in shopping centers (malls/shops) and crowd centers (cinemas).

More Details: <https://www.lpem.org/id/labor-market-brief-%e2%80%93-edisi-juli-2021/>

As in other countries, COVID-19 has created pressure on Indonesia's food security through decreased income and reduced access, as well as increased transaction costs and uncertainty in the country's food system. Before assessing these impacts of COVID-19, we highlight several key facts about Indonesia's food system, including the high proportion of net consumers among farmers and the domination of informal small-medium enterprises in the supply chain.



LPEM FEB UI Education and Training: August—December 2021



Monitoring and Evaluation
(6—8 September,
6—8 December 2021)



Policy Paper
(2—4 August,
15—17 November 2021)



Data Analysis and Processing
(6—10 September 2021)



Local Tax
(11—13 August,
11—13 October 2021)



Econometrics
(25—29 October 2021)



Regulatory Impact Assessment
(4—6 October,
22—24 November 2021)



Local Tax Potential Analysis
(13—17 September 2021)



Public Policy Analysis
(8—12 November 2021)



Planning and Budgeting
(4—8 October 2021)



Computable General Equilibrium
(24—26 August, 6—8 December 2021)

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