

MACRO ECONOMIC ANALYSIS AND ACCOUNTING SIDE OF THE DEVELOPMENT OF THE INDONESIAN BUSINESS CYCLE FROM 1998-2022

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Abstract: The business cycle is one of the concerns of every macroeconomic policy of a country. The government needs to observe and overcome economic fluctuations carefully so that there is no recession in the economy of a country. Fluctuations in the Indonesian economy in a business cycle always occurs, especially from the valley of the Indonesian recession that occurred in 1998. In 1998, there was an economic crisis in almost all countries. This condition is aggravated by the rush where all customers take the funds they have stored in the bank simultaneously so as to make the financial liquidity ratio of a bank to be disrupted eventually the economy of a country becomes destroyed because there is no creditor institution that can help the economic distress in the country. Indonesia's economy continued to improve after 1998 from 1999 to 2019 the Indonesian economy continued to increase and continued to reach its peak in the reign of President Joko Widodo, where Indonesia's GDP enters the G20, where Indonesia itself enters the top 16 countries that have the largest gross domestic product (GDP) in the world. Indonesia's economic conditions experienced their worst track record again during the covid 19 pandemic. Efforts continue to be made by the government so that Indonesia escapes the brink of recession during the pandemic with monetary and fiscal policies that continue to be carried out. But the question is whether it is all effective or make Indonesia's macro economy, especially its business cycle continues to deteriorate?. The purpose of this study is to analyze and study the macroeconomic policies of the Government of Indonesia in a business cycle of the Indonesian state. The research method used is case studies and literature that can provide a complete description and similar to what is experienced by a country in a business cycle. The results showed that Indonesia's macroeconomic policy in overcoming the recession in 1998 and the Covid 19 pandemic in 2020-2021 was successful in terms of monetary and fiscal policies so that the Indonesian economy was last recorded in 2022 to strengthen by 5.4% compared to 2020 and continues to strengthen and inflation until now.

Keywords: *Macroeconomics, fluctuations, Gross Domestic Product (GDP), business cycle, inflation*

1. Introduction

According to Samuelson and Nordhaus (2004) the business cycle is one of the concerns of every macroeconomic policy of a country. The government needs to observe and overcome economic fluctuations carefully so that there is no recession in the economy of a country.



The business cycle itself there are two kinds of expansion conditions and contraction conditions as illustrated above. Expansion conditions occur when the condition of a country from its lowest economic point (trough/Valley) reaches its peak point (Peak) which can be concluded when these conditions are very good economic conditions and continue to increase. While the second condition is when the condition of contraction where this condition occurs when a country from its peak economic condition to trough or its lowest point where it can be concluded when this economic condition of the country's economic condition is very bad and experiencing a recession. A prolonged recession will make the country's economic condition depreciate.

According to the real business cycle theory, economic fluctuations within a country are caused by changes in production technology and from other sources such as international disturbance. Keynesian cycle theory explains that short-term economic fluctuations of a country arise from deviations from aggregate demand and supply

Fluctuations in the Indonesian economy in a business cycle always occur, especially from the Indonesian recession that occurred in 1998. In 1998, there was an economic crisis in almost all countries. This condition is aggravated by the rush where all customers take the funds they have stored in the bank simultaneously so as to make the financial liquidity ratio of a bank to be disrupted eventually the economy of a country becomes destroyed because there is no creditor institution that can help the economic distress in the country.

Indonesia's economy continued to improve after the collapse of President Suharto's power in 1998 from 1999 to 2019 the Indonesian economy continued to increase and continued to peak in the reign of President Joko Widodo, where Indonesia'S GDP entered the G20, where Indonesia itself entered the top 16 countries that have the largest gross domestic product (GDP) in the world.

In the era of the Covid 19 pandemic, precisely in March 2020 to 2022, it became the return of recession events in almost all countries, especially Indonesia. Indonesia continues to experience poor economic growth in 2020 reaching -5.32% for which there is also an increase in the number of unemployed and poverty continues to increase reaching 1.28 million inhabitants. Indonesia's efforts to escape from the brink of recession continues to be carried out by the government, especially the minister of Finance with a variety of expansion policies that continue to be carried out in terms of monetary and fiscal. But has every Indonesian macroeconomic policy succeeded and made the Indonesian economy escape the brink of recession and reach its peak point again?

The purpose of this study is to analyze and study Indonesia's macroeconomic policies and provide the best advice in order to be able to solve the best problems when the economic condition of a country, especially Indonesia, is experiencing an economic recession. Do not let a recession condition continue to occur until the Indonesian economy depreciates sharply.

Based on all the background and literature studies above, researchers are interested in analyzing and studying more deeply about the development of the business cycle in Indonesia in depth from year to year until 2022 and of course the macroeconomic policies that accompany it.

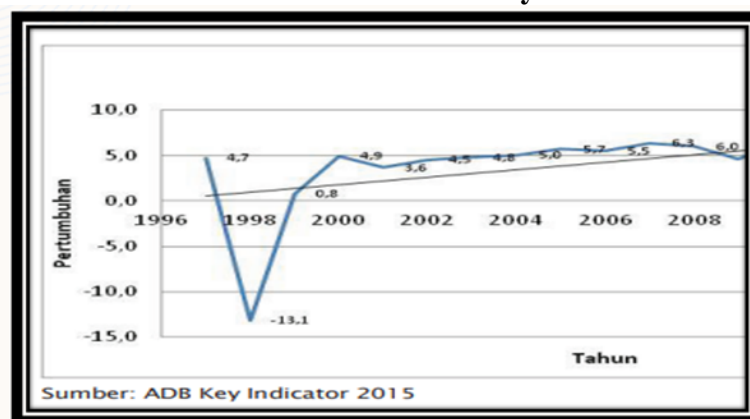
2. Research Method

The method in this study is a case study method through various literature and literature obtained from various sources. Case studies conducted on Indonesia's macroeconomic development from year to year mainly focused on the condition of Indonesia's economic recession in 1998 during the monetary crisis and in 2020 during the covid 19 pandemic. research variables used are business cycle variables and macroeconomic policy of Indonesia. Data collection technique is done by collecting data from various sources of literature and literature on the development of the Indonesian economy as a whole. Data analysis techniques in case studies include the first collection of categories where researchers look for a collection of data and issues that arise, both authors interpret directly from the data carried out and take their meaning and the last stage there are researchers generalize data from the case of Indonesia's economic development in the business cycle as a whole.

3. Results and Discussion

As discussed earlier, the Indonesian economy continues to fluctuate in the business cycle and the peak of the recession occurred in 1998 and 2020.

Fluctuations in the Indonesian economy from 1996-2008



According to ADB Key Indicator (2015) of the above business cycle can be seen in the graph above in the years 1990-1996 fluctuations in the Indonesian economy experienced stability. However, in 1997 there was a significant decline in gross domestic product growth from 7.8% to 4.7% this was due to the banking crisis that sloped Indonesia which was characterized by many bad loans with rising interest rates and falling investment. The Indonesian economy experienced the worst recession in 1998 when the economic crisis hit Indonesia was characterized by a sharp depreciation of the rupiah, high inflation and interest rates that rose high enough to make the Indonesian economy at its lowest point (slump or

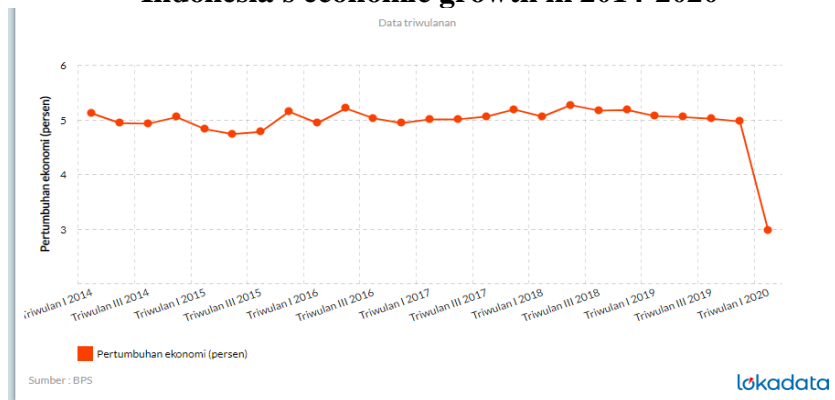
depreciation). In 2000 to 2008 Indonesia's economic growth continued to increase from 4.9 to 6.0

Variable	1998 (%)	1990-1997 (%)
GDB Growth	-13,1	7,6
Unemployment Rate	5,5	4,0
Inflation Rate (1990-1997)	58,5	7,3
Deposit Interest Rate	28,3	17,0
Kurs (USD/RP)	10.014	2,196

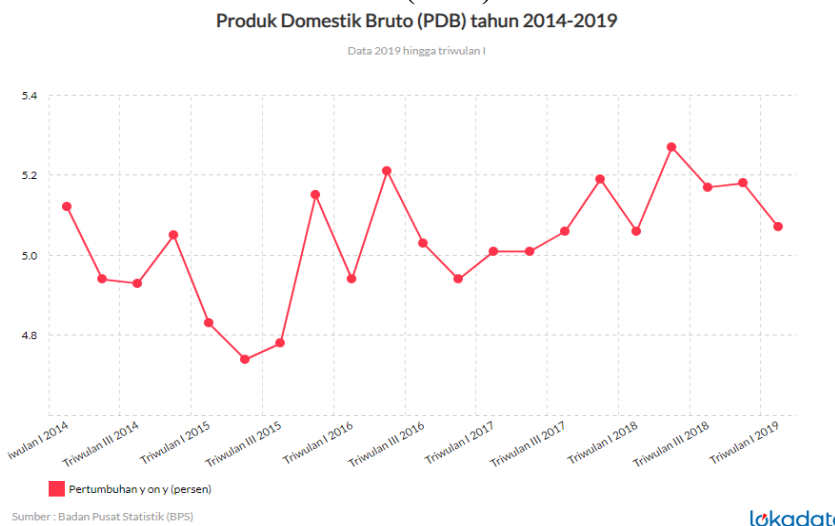
Sumber: Key Indicator: www.adb.org

Based on the key indicator explained that in 1998 Indonesia's gross domestic product growth experienced a severe recession of -13.1% with an unemployment rate of 5.5%, an inflation rate of 58.5%, a deposit interest rate of 28.3% and the rupiah depreciated quite severely from Rp 2,800 per usd to Rp 10,014 per company.

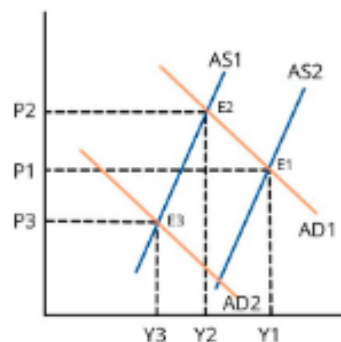
Indonesia's economic growth in 2014-2020



Gross Domestic Product (GDP) Indonesia in 2014-2019



Indonesia's economic growth is relatively constant from 2014 and 2019 as the top chart based on BPS data sources. Economic growth experienced a sharp increase (expansion) from the third quarter of 2015 to the third quarter of 2016 from 4.4% to 5.2%. The highest peak of Indonesia's economic growth occurred in 2018 in the second quarter where it reached 5.3%. The peak of Indonesia's economic recession after 1998 occurred in the first quarter of 2020 where Indonesia's economic growth depreciated by 3%. Based on data from the Central Statistics Agency (BPS), Indonesia's economic growth experienced the worst contraction of -2.07 percent, this made the Indonesian economy experience deflation or a drastic decline due to the influence that occurred due to the covid 19 pandemic. The Indonesian economy experienced the worst contraction due to the large-scale social restriction (PSBB) policy which caused several regions in Indonesia to experience lockdowns and massive layoffs during the pandemic. The event of contraction is also exacerbated by the decline in consumption of daily life so that the economic condition of Indonesia experienced supply shock and demand shock.



The curve above shows that the deteriorating condition of Indonesia due to the reduction in labor needs that makes the demand curve ad 1 shifted to the left to AD2. This condition makes the decline in income due to excessive unemployment and the ability of their purchasing power also becomes very limited. So that in 2020 Indonesia's economic condition is very deteriorating

Here is a solution with macroeconomic policies that the government has carried out during the covid 19 pandemic.

The policy that the government continues to do to face a bad economic recession in 2020 is monetary and fiscal policy. The Indonesian government continues to stimulate Indonesia's macroeconomic policy with four steps, namely:

1. The government continues to accelerate state spending.

The Indonesian government accelerates spending with various subsidies and social assistance that continue to be channeled from regional funds to villages. The goal is to face the pandemic problem and strengthen the reform of the middle income trap.

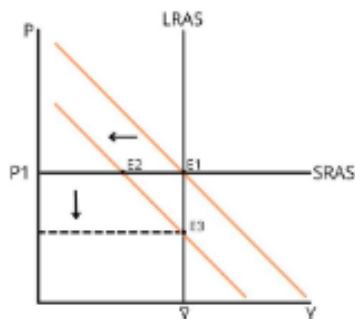
2. Government grants income tax relaxation

The government continues to provide tax incentives and relax income taxes by bearing Income Tax Article 21 on income tax, income tax Article 22, Income Tax Article 25 as well as accelerating exports and imports through logistics nationally.

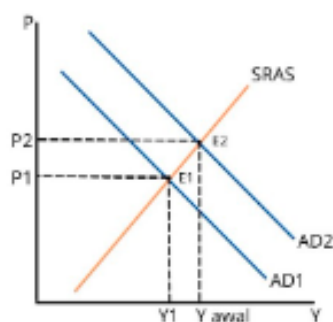
3. The government is doing economic recovery by relaxing the state budget

The government relaxes the state budget by preparing a deficit that can exceed 3% with the goal of 2023 to return to the maximum level of 3%. Relaxation of the state budget is carried out by allocating or reallocating local government spending, providing loans to LPS, issuance of SUN and SBSN that can be purchased by the government.

4. Monetary policy continues to be carried out by the government in cooperation with Bank Indonesia with the aim of accelerating the digitalization of the payment system, emphasizing the increase in new lending rates, extending the impairment of late payment penalties, multimatching rupiah and foreign currency, strengthening the effectiveness of accommodative economic policy stance, strengthening lending rate transparency policy. With the existence of these policies make some recovery conditions including:



At the moment Indonesia is experiencing a condition of contraction due to a pandemic due to a decrease in the amount of money in circulation. The first condition causes the aggregate demand curve to shift left from E1 to E2 and slowly towards E3. The Indonesian government also continues to conduct fiscal policies in the form of tax incentives and spending that make household spending consumption increase. The government also continues to monitor monetary policy with the aim that the money supply can increase and there is a decrease in interest rates. The benefit of interest rates is an increase in attractiveness to investors, thereby helping gross domestic product increase and restore the Indonesian economy. The government must also continue to conduct monetary policy by maintaining the amount of money circulating in the community and the interest rates that affect investment.



The curve above also shows the policy given by the government in the context of Indonesia's economic recovery due to the pandemic with monetary and fiscal policies. The implementation of policies with a state budget deficit by the government can increase government spending and provide tax incentives. It is intended that the ability of the community is able to meet the purchasing power so that the demand curve shifts from AD1 to AD2 this causes output y to change to $Y1$ due to the increase in income and the increase in $P1$ to $P2$. It can be concluded that the government's macro policies can help restore Indonesia's economy from the pandemic. Based on the Coordinating Ministry for Economic Affairs of the Republic of Indonesia (2021), even economic growth in the second quarter of 2021 penetrated the expansionary zone where it grew to 7.07% and recorded the highest growth record since the subprime mortgage crisis. In terms of demand, government consumption grew by 8.06%, household consumption increased by 5.93%. LNPR

consumption grew by 4.12%, exports grew by 31.78%. In terms of supply, the GDP of the field sector grew positively by 6.58%, the transportation and warehousing sector grew by 25.10% and food and beverage by 21.58%. And finally, data according to the Coordinating Ministry for Economic Affairs of the Republic of Indonesia (2022) shows that the Indonesian kurtal II economy in 2022 grew impressively by 5.44% amid uncertainty and the global crisis.

4. Conclusion

From the results it can be concluded that

- 1) Indonesia's economic conditions continue to fluctuate in the business cycle from 1990 to 2022 from contraction due to recession to expansion. Indonesia's economic conditions in 1990-1996 fluctuations in the Indonesian economy experienced stability. However, in 1997 there was a significant decline in gross domestic product growth from 7.8% to 4.7%. In 1998 Indonesia's gross domestic product growth experienced a severe recession of -13.1%. Indonesia's economic growth was relatively constant from 2014 and 2019. Economic growth experienced a sharp increase (expansion) from the third quarter of 2015 to the third quarter of 2016 from 4.4% to 5.2%. The highest peak of Indonesia's economic growth occurred in 2018 in the second quarter where it reached 5.3%. The peak of Indonesia's economic recession after 1998 occurred in the first quarter of 2020 where Indonesia's economic growth depreciated by 3%. Based on data from the Central Statistics Agency (BPS), Indonesia's economic growth experienced the worst contraction of -2.07 percent, based on the Coordinating Ministry of Economic Affairs of the Republic of Indonesia (2021) said that even economic growth in the second quarter of 2021 penetrated the expansionary zone where it grew to 7.07% and recorded the highest growth record since the subprime mortgage crisis.) shows that the Indonesian economy kurtal II in 2022 grew impressively by 5.44% amid uncertainty and global crisis
- 2) The right step taken by the Indonesian government when economic conditions experienced a contraction (recession) in 1998 due to the Monetary Crisis and in 2020 due to the covid 19 pandemic was fiscal and monetary policy.
- 3) A good policy is counter cyclical where when economic conditions experience contraction, the government's policy must expand, while if the Indonesian economic conditions expand, the policy that must be set is contraction. In terms of its own fiscal policy, the government must continue to provide subsidies to the poor in need in order to survive during the recession and continue to lower taxes and provide tax incentives that are evident in 2020-2021. In terms of monetary policy, the government itself must cooperate with banks with Indonesia to continue to reduce the saving interest rate and provide 0% credit, especially in terms of Housing and investment loans, and continue to increase the amount outstanding.
- 4) Of all these policies, both macro and fiscal, the Indonesian economy continued to increase, especially in 2022, according to BPS data itself, the Indonesian economy reached 5.4% higher than 2020 in the second quarter of 2022. Indonesia's economy experienced tracking during the pandemic and Bank Indonesia itself sees Indonesia's Macroeconomics strengthening and continuing to experience inflation.
- 5) Recommend novelty lies in a thorough monetary and fiscal policy analysis in terms of macroeconomics to Indonesia's macroeconomic development.

