



# INDONESIA

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## COVID-19: Economic and Food Security Implications (4th Edition)

WFP Vulnerability Analysis and Mapping (VAM) Unit - Indonesia Country Office

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# Preface

Nine months since the first case of COVID-19 was identified in Indonesia, the effects of the pandemic are continuing to unfold. The scope of its impact on the economy, livelihoods, food security and nutrition is still evolving. Inequities related to employment, income earning, and gender are increasing.

Although positive signs of recovery have begun, full economic recovery is likely to take a long time. The lockdowns, that restricted non-essential socio-economic activities and movement in order to contain the virus, have limited the opportunities to work and earn an income, and restricted access to services. This has put pressure on the most vulnerable populations to afford basic needs. The decline in household purchasing power, due to job loss and income reduction has definitely affected access to food.

This fourth COVID Bulletin<sup>[1]</sup> provides a snapshot of the pandemic's impact on the economy and food security in Indonesia including:

- Update on government social protection support for vulnerable groups to reduce impact of the crisis;
- Update on macroeconomic indicators in the third and early fourth quarter of 2020;
- Overview of recent trends in food security, including constraints in food supply chains;
- Review of gender inequities, highlighting the extent of socio-economic impacts faced by Indonesian women based on the latest UN Women survey and Government data;
- Analysis on availability of strategic food commodities and national and sub-national price trends.

The analysis team would like to thank Statistics Indonesia, the Ministry of National Development Planning (BAPPENAS), the Food Security Agency of the Ministry of Agriculture, the Ministry of Trade and the Indonesian Market Traders Association (IKAPPI) for providing additional data and information.

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<sup>[1]</sup> Previous updates are available at: <https://www.wfp.org/countries/indonesia>

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# Key Messages & Recommendations

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## Key Messages

### Economic and Employment Trends

- **The Indonesian GDP continued to contract for a second quarter in a row due to the pandemic, signifying the first recession in two decades. In quarter 3, the national GDP shrank by 3.5% on a year- on-year basis.** In comparison to Q2 2020, the economy has grown by 4.7%, indicating a positive move towards recovery. On a quarter-to-quarter basis, all economic sectors have experienced positive growth. The Ministry of Finance estimated that the annual 2020 growth would be in the range of -0.6% to -1.7%, while the IMF revised its projections from -0.3% to -1.5%, the World Bank projected a deeper contraction at -2.0%, and the ADB revised its growth forecast from -1% to -2.2%.
- **The annual inflation rate increased to 1.6% in November 2020, recording an increase for the third consecutive month following consistent decline since March 2020. However, this may not necessarily indicate recovering purchasing power.** The increase has been primarily driven by rising food prices due to the start of the wet season. The recent relaxation of social and travel restrictions combined with the end-year holiday season are likely to have contributed to higher, albeit still low, consumer spending.
- **The employment status of over 29 million people, or 14% of the working-age population (15 – 64 age group) has been affected by the pandemic.** Of this total, 62% (18 million) are male. In August 2020, the national unemployment rate stood at 7%, (9.8 million unemployed workers). This represents an increase of 2.7 million persons in comparison to August 2019 which had an unemployment rate of 5.4%. Coupled with increasing underemployment (from 6.4% to 10.2%) and part-time employment (from 22.5% to 26%), as well as declining wages (-7%) between August 2019 and August 2020, the pandemic is likely to push more vulnerable people into poverty.
- **Both male and female employment were impacted by the pandemic, albeit in different ways.** Between February and August 2020 men were more likely to become unemployed, to temporarily not work, or to experience reduced working hours. Women were more likely to exit the labour force.
- **The agriculture sector has served as a buffer during the pandemic, by absorbing labour released by other sectors. However, wages in agriculture are among the lowest nationally, well below the minimum cost for decent monthly living.** The number of workers in the agriculture sector increased by 2.8 million between August 2019 and August 2020, while total employment in the country decreased.
- **Many of the new poor - resulting from COVID-19 impact - are likely to live in congested urban settings.** In the urban centres the working poor are employed in the informal sector. They are the most affected by large scale social and mobility restrictions and are excluded from employment based social protection systems. The World Bank estimated that for the first time since 2006, extreme poverty (based on USD 1.9 per day) is likely to increase from 2.7% in 2019 to 3% in 2020.

# Key Messages & Recommendations

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## Key Messages

### Impact of COVID-19 on Food Security

- **Following lower food prices during Q3 2020 due to weakened purchasing power, the prices of most strategic commodities have increased since October 2020, with the exception of rice.** Variability in price levels and movements across regions indicate weak spatial integration for some commodities, with Maluku and Papua generally reporting the highest price levels.
- **The World Bank's High Frequency Monitoring of COVID-19 Impacts** in Indonesia indicated that 22% of households reported an improvement in food supplies between May 2020 and August 2020. Food shortages were more likely to occur among households that experienced income shocks; **13% of households reported worsening food shortages.**
- **Supplies for 10 strategic food commodities - rice, eggs, chicken meat, beef, vegetable oil, sugar, shallots, garlic, chilies - are expected to meet domestic demand until the end of the year.** Beef and garlic supplies will be partially met through imports. Despite sufficient food availability at the national level, geographic variations in subnational production levels, and consumption patterns need to be accounted for. Timely imports and domestic redistribution from net producing to net consuming regions are needed to maintain food price stability.
- **A WFP and Government joint study revealed that challenges remain in the supply chain of nutritious yet highly perishable food items,** including due to poor post-harvest handling, limited availability and use of cold chain facilities, and high logistics costs. Additional bottlenecks have emerged due to movement restrictions aimed to limit the spread of the virus.
- **The current wet season, exacerbated by higher-than-normal rainfall in some areas due to La Niña, brings additional threats to food production,** by increasing the risk of harvest loss and damage during storage and distribution. This may result in supply shocks, food price volatility, and reduced income of farmers.
- **According to Statistics Indonesia (BPS) rice production in 2020 is expected to reach 31.6 million tons, exceeding 2019 levels by 1% (0.3 million tons).** The rice stock at the end of the year is expected to reach approximately 7 million tons, according to the Ministry of Agriculture. The continued La Niña effect may create challenge in reaching the target.
- **The newly passed Omnibus Law opens opportunities to stabilize domestic supplies and prices through relaxation of food imports.** It needs to be accompanied by policies to boost competitiveness of domestic food production, to ensure that both producers and consumers benefit from it.

# Key Messages & Recommendations

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## Key Messages

### Government Investments to Mitigate Pandemic Impact

- **Although the Government has expanded public programme support, disbursement progress across sectors has been mixed.** The disbursement rate of the Government's National Economic Recovery (PEN) Programme (IDR 695.2 trillion or close to US\$50 billion) as of November remained at 62%, driven by insufficient health sector spending (41.2%). Yet, the disbursement rate for social protection programmes has reached 88.9%.
- **Coverage of existing government social protection programmes has expanded.** A recent World Bank survey revealed that **households in the Bottom 40% welfare status were hit the worst** by the economic impacts of the pandemic. Nearly 90% of the Bottom 40% have received at least one form of social assistance.
- **Several economic stimulus policies and programmes have been instituted.** This includes: granting fiscal stimulus, relaxing the payment due date for credits, and relaxing/simplifying agricultural imports. A specific supply chain fiscal stimulus package was introduced to improve cold storage infrastructure and accelerate the use of E-commerce platforms.

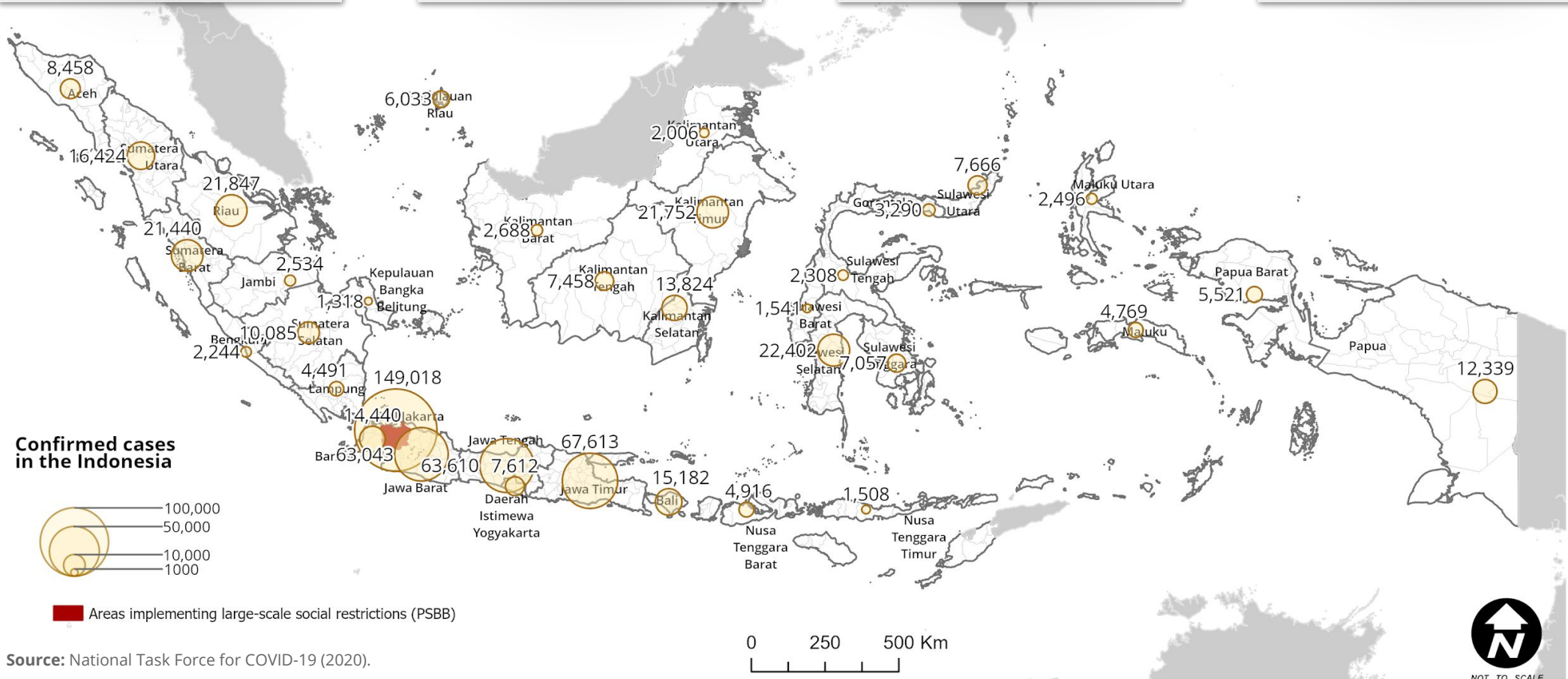
# Key Messages & Recommendations

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## Recommendations

- **Invest in the use of near real time data to inform pandemic response decision making.** The investment in and utilization of real-time monitoring to track emerging impacts of the pandemic is critical to enable decision makers to design relevant interventions. Reducing the long-term impact of the pandemic requires evidence-based policies across multiple sectors. In addition to enhancing the Government's timely interventions in food markets accessible market information can guide farmers' production decisions.
- **Robust and inclusive social protection remains critical to mitigate the impact of the COVID-19 pandemic on access to food and levels of consumption.** Rising unemployment due to the pandemic is likely to continue resulting in reduced purchasing power, especially in urban settings. Social protection programmes have great potential to enhance purchasing capacities and reduce the risk of food insecurity and malnutrition among vulnerable groups. This is especially the case for workers in the informal sector currently not reached by existing social protection programmes.
- **The value of cash transfers in food assistance programmes should provide access to a diverse diet that meets minimum requirements of macro and micro nutrients; not only sufficient calories.** The design of the transfer modality must aim to ensure that targeted beneficiary groups have access to diverse, balanced and nutritious food. Utilization of data and monitoring with respect to food prices, particularly for micronutrient-rich fruits and vegetables should be ensured to inform policy and programme decisions.
- **Improving the functionality of commercial supply chains and domestic storage capacity has the potential to increase food availability and price stability, which becomes more important during times of crises, such as the current pandemic.** Expansion of innovative partnerships between sub-national governments and the private sector should be explored. The adoption of digital supply chains to better sync supply and demand, investing in cold chain infrastructure for distributing and storing perishable food products, as well as building up improved localised storage capacity to store excess supplies of rice, grains, etc. can facilitate the absorption and storage of produce as well as stabilize prices for producers and consumers.
- **Climate shocks have the potential to exacerbate pandemic impact. Thus, anticipatory actions to reduce and mitigate climate risks, including those resulting from La-Niña are recommended.** Such measures can address the impact of La Niña on food production and farmers' incomes. They also protect consumers, especially those who are already negatively impacted by the pandemic.
- **Regular monitoring of local level food stocks is necessary to ensure sufficient availability on a month-to-month basis.** The projected rice supply in 2020 is sufficient to meet national consumption demands due to favourable production and harvest conditions. However, information on all food stock levels should be made available to support the decision-making of supply chain actors. Identifying current bottlenecks is a first step to enhance the performance and sustainability of the country's food system and to build resilience in the face of disasters and crises. Ensuring smooth distribution of domestically produced food from producing regions to consumer areas is also important to prevent local deficits and reduce regional variations in food prices.

## 2. Development of COVID-19 Cases in Indonesia - 10 December 2020



Source: National Task Force for COVID-19 (2020).

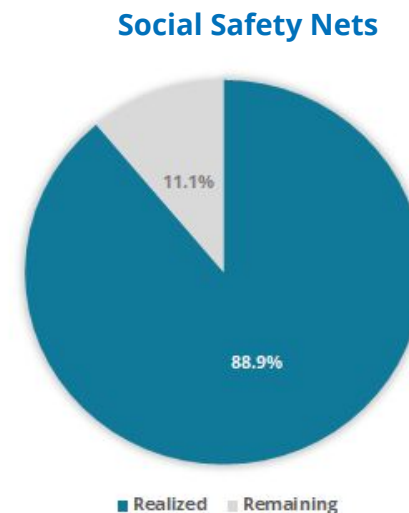
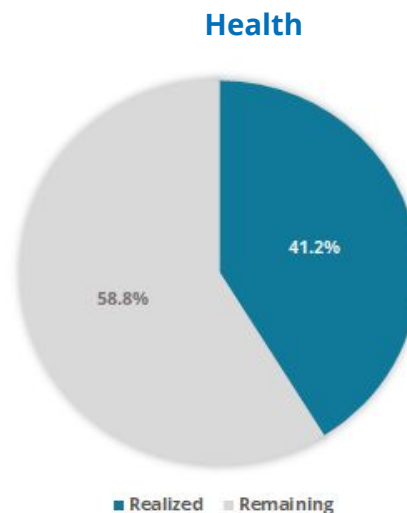
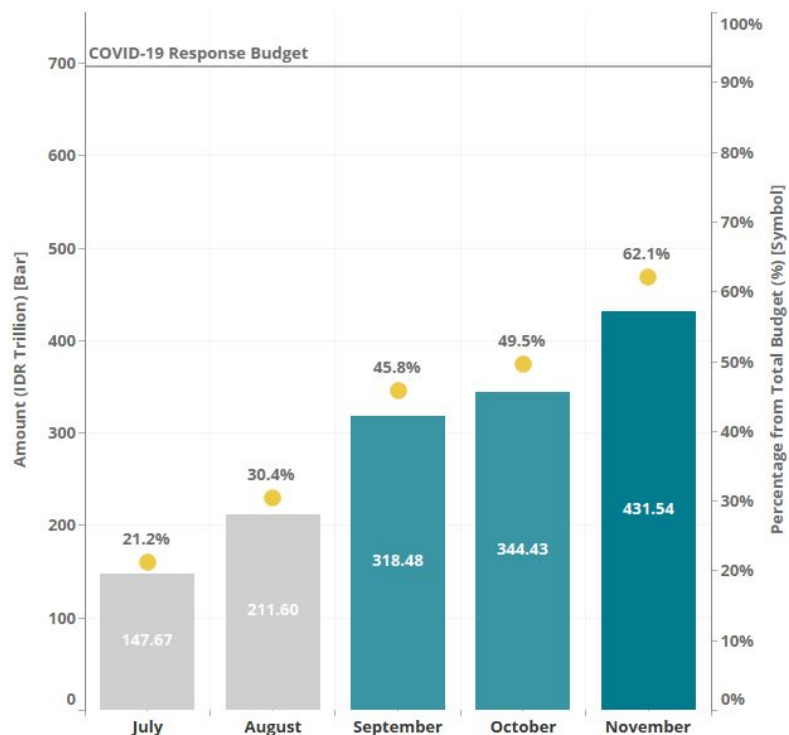
As of 10 December 2020, the number of confirmed COVID-19 cases in Indonesia reached 598,933 persons with the death toll at 18,336 people. The highest number registered in DKI Jakarta - 149,018 cases and the lowest in Bangka Belitung Islands - 1,318 cases. As of 8 November 2020, the COVID-19 fatality per confirmed case was recorded at 3.3%, higher than the global average at 2.47%<sup>[1,2]</sup>. Since 19 August 2020, the time of the production of previous, the 3d Update, the number of confirmed cases increased by 4 times (453,988 new cases).

### 3. Updates on Government Response

#### 3.1. Fiscal Stimulus for Economic Recovery and Social Protection

##### COVID-19 Response Budget Realization Progress

Source: Ministry of Finance - Data as of 25 November 2020



**Government expenditure was primarily driven by the expansion, and the increase in transfer value of social protection programmes** including SEMBAKO and Program Keluarga Harapan (PKH). As of the end of November 2020, the disbursement rate for the social protection schemes was 88.9%, with disbursement for PKH and SEMBAKO reaching 98.2% and 95.3%, respectively<sup>[3]</sup>.

The Ministry of Finance has identified challenges in scheme implementation including; targeting accuracy, benefit adequacy and suitability, and disbursement mechanisms <sup>[4]</sup>. The primary design concerns of the SEMBAKO and the Jabodetabek Food Assistance schemes is the inability of beneficiaries to select the types and quality of food products which they receive or

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