



World Food Programme



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# INDONESIA

## COVID-19: Economic and Food Security Implications (3d Edition)

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

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SAVING  
LIVES

CHANGING  
LIVES

# Preface

The COVID-19 pandemic continues affecting the lives and livelihoods of millions of people globally. In addition to the health-related impact, the outbreak is also triggering an economic downturn affecting the world's poor and food insecure population.

Indonesia continues to be severely affected by COVID-19. The pandemic affects food security and nutrition, particularly for vulnerable groups with already scarce resources to cope with the pre-crisis situation, including those in the informal sector.

To support decision makers in designing relevant interventions to respond to the crisis, real-time monitoring of the developing impacts of the pandemic remains critical. This bulletin, as a continuation of the previous update<sup>[1]</sup>, provides a snapshot of the implications of the pandemic on the economy and food security in Indonesia. Evidence from different sources and analyses in this update include the Government's support to vulnerable groups through different schemes to minimise the impacts of the shock, changes in macroeconomic indicators in the 2nd quarter of the year, and employment implications in the formal and informal sectors.

Analysis on food availability and access, along with challenges in food supply and agricultural production, are included in the bulletin. There is special focus on food security in two selected provinces, North Maluku and East Nusa Tenggara. The analysis also covers the availability of strategic food commodities in markets and price trends at national and sub-national levels.

The analysis team would like to thank Indonesia's Ministry of Trade, the Statistics Agency, Bappenas, Food Security Agency of the Ministry of Agriculture, the provincial offices for food security in North Maluku and East Nusa Tenggara and the Indonesian Markets Traders Association for providing additional data and information.

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1. Available at: <https://www.wfp.org/publications/indonesia-covid-19-economic-and-food-security-implications>

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## Key Messages

- In the second quarter of 2020, the Indonesian GDP contracted by 5.32% year-on-year (Y-o-Y), the most significant decline since 1999. The GDP dropped by 4.19% compared to the first quarter of 2020.
- The government expects next year's budget deficit to amount to IDR 971.2 trillion, 5.5% of GDP, given the need to further boost the economy and provide social and healthcare assistance.
- Household consumption expenditure, contributing 58% of total GDP, decreased by 5.5% (Y-o-Y). Implementation of large-scale social distancing policies in multiple regions, business closures and movement restrictions are the primary cause of the contraction.
- The poverty rate in Indonesia increased in March 2020 to 9.78% from 9.41% in September 2019, primarily in urban areas. An additional 1.63 million people fell into poverty, returning the poverty rate close to the September 2018 level (9.82%). The Government predicts the poverty rate to reach around 10.6% in 2020 with an estimated additional 4 million people falling below the poverty line. The World Bank projected the poverty rate to increase to 10.7% (mild scenario) or increase to 11.6% (severe scenario).
- The annual inflation declined throughout the second quarter into the beginning of the third quarter of 2020, reaching 1.54% in July. This is the lowest annual inflation rate recorded since 2000, a result of the decrease in prices resulted by lower demand and less consumer spending due to the COVID-19 pandemic.
- An estimated 1.8 million formal and informal workers were directly impacted by the COVID-19 pandemic between April and May 2020, according to data validated by the Ministry of Manpower (MoM). The data of an additional 1.3 million workers are under review by the MoM.
- BAPPENAS projects the unemployment rate to reach between 8.1% to 9.2% in August 2020, the highest in a decade. According to BAPPENAS, it is estimated that an additional 4 to 5.5 million workers could become unemployed in 2020 as a result of the pandemic.
- Rising unemployment among formal and informal workers has led reduced purchasing power. A World Bank mobile survey in May 2020 reported that 38% of respondent households consumed less than previously due to lack of financial resources.
- In response to the pandemic, the Government of Indonesia (GoI) continued supporting the most vulnerable groups through social protection programs. The Government allocated IDR 695 trillion in stimulus spending in 2020 to support the economy and fund the pandemic response.
- The Ministry of Agriculture has been implementing its subsidized credit scheme program (KUR) to support the agricultural sector, with an amount of IDR 50 trillion.
- In comparison to the first semester of 2019, Indonesia's overall trade value shrank by 5.5% for exports and by 14% for imports. Despite the negative value, food trade grew in terms of exports and imports. Supplies for major food items are expected to meet domestic demand until end-September, although imports would be required for selected commodities.
- Rice production in January to August 2020 remains lower by 23% compared to the same period 2019. Domestic rice production is predicted to maintain a positive balance nationally and able to meet demands without imports until the end of 2020. The Ministry of Agriculture estimates rice harvests in the second semester of 2020 reaching over 13 million tons, with an end stock of over 6 million tons by end of 2020.
- The limited data availability on the prices and availability of nutritious food such as fruits and vegetables makes assessing population access to these items, both economically and physically challenging.

## Recommendations

- Rising unemployment continues to exert pressure on the quality and quantity of household food consumption. Targeted social protection safety nets remain critical to address the needs of those unemployed and reduce the risk of food insecurity among vulnerable groups. This includes those who fell into poverty as a result of COVID-19 but have not yet been captured in the national social registry for inclusion in social protection schemes.
- In the context of high stunting rates in Indonesia, attention should be given to designing social safety net programs in a way that maintains quantity as well as quality of diet to prevent further deterioration in nutritional status. Food transfers with staples should include micronutrient-rich crops, while cash transfers or vouchers schemes should consider stimulation of household demand for fruits and vegetables, dairy, and other nutrient-rich foods.
- The increasing number of transactions using digital or online platforms necessitates an adjustment to strategies across the supply chains to help supply meet demand and to ensure food security.
- Priority should be given to facilitate local food production to ensure availability and improve access to inputs and finance to smallholders (over 90% of Indonesia's farmers are smallholders)
- Employment services should be provided to migrant workers who are unable to earn an income due to the outbreak. It is essential to restore the income streams of migrant workers considering that reduction and shocks to income is a primary cause of household food insecurity.
- Close monitoring of food prices for basic food commodities, particularly for nutrition-rich items such as fruits and vegetables. Availability of market information in addition to enhancing the Government's timely interventions in food markets can also guide farmers in production decisions.
- Improvement of cold chain infrastructure to store excess supply of poultry and fish helps to absorb production during periods of low demand as well as stabilizing prices for producers and consumers.
- Simplified import procedures to reduce lead time, taking into consideration domestic production cycles in order to ensure domestic price stability for producers and consumers.
- Strengthening management of Government food reserves, including at provincial and district levels, will support food availability during periods of demand, keeping prices stabilised.
- Attention should be given to developing long-term strategies for monitoring the pandemic and other possible crises in future, easing the economic impact through greater public program support and relevant policies.
- Improve the coverage, reliability, granularity and timeliness of agricultural, food, and nutrition data to assist decision-making on production, distribution, and trade.

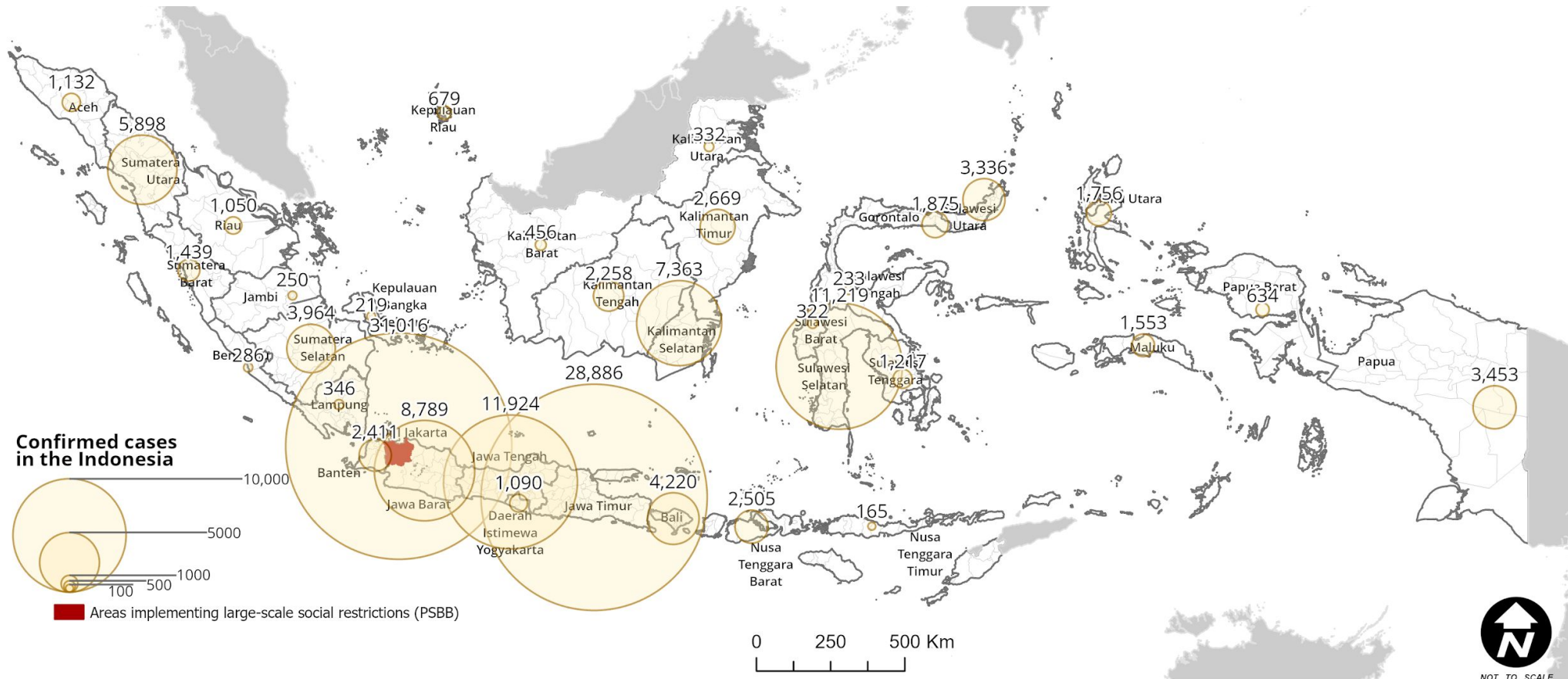
# COVID-19 Cases in Indonesia - 19 August 2020

**144,945**  
Confirmed cases

**39,942**  
Hospitalized/self isolation

**98,657**  
Recovered

**6,346**  
Death Toll



Source: National Task Force for COVID-19

As of 19 August 2020, the number of confirmed COVID-19 cases in Indonesia reached 144,945 persons with the death toll at 6,346 people. The highest number registered in DKI Jakarta - 31,016 cases and the lowest in East Nusa Tenggara (NTT) - 165 cases. The COVID-19 fatality per confirmed case was 4.4%. Indonesia remains with the highest numbers of confirmed COVID-19 cases in South-East Asia, after Philippine, surpassing South Korea, Japan, and China\*.

# Updates on Government Response: Fiscal Stimulus for Economic Recovery and SSN

## National Strategic Measures for Economic Recovery

Source: Ministry of Finance (July 2020)



Supply Side

Demand Side



Maintaining Consumption

## Maintaining Purchasing Power

These measures are crucial in ensuring that the entire population, especially vulnerable groups, have economic access to nutritious food available in the market.

## Social Safety Net (SSN)

Notes: Food Security-relevant Assistance

- Family Hope Program (PKH)
- SEMBAKO Card
- Cash Assistance for Non- Jabodetabek
- Sembako Assistance for Jabodetabek
- Village Direct Cash Assistance (BLT)

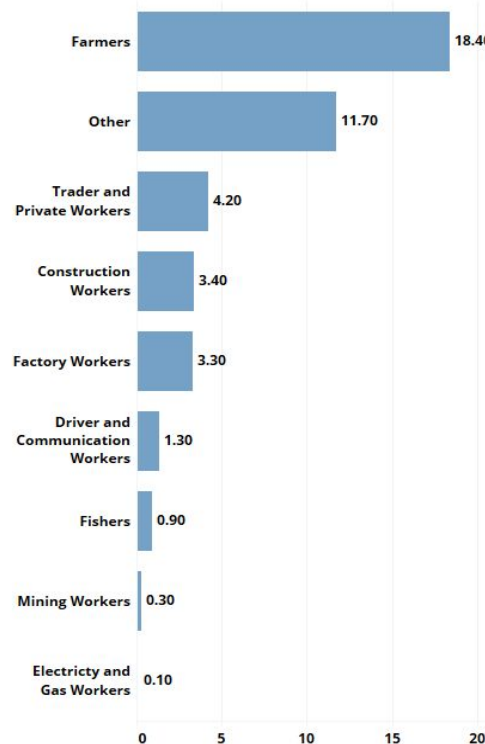
## Updates on Social Safety Net (SSN) Schemes

Source: MoSA, Bappenas, MoF (July 2020)

| Scheme                               | Beneficiaries                                 | Frequency and Duration | Total Budget |
|--------------------------------------|---|------------------------|--------------|
| PKH                                  | 10 million KPM                                | Monthly in 12 months   | IDR 37.4 T   |
| SEMBAKO Card                         | 20 million KPM                                | Monthly in 12 months   | IDR 43.6 T   |
| Cash Assistance for Non- Jabodetabek | 9 million KPM                                 | 9 months (Apr-Dec)     | IDR 32.4 T   |
| Cash Assistance for Jabodetabek      | DKI : 1.3 million KPM<br>Bodetabek : 600K KPM | 9 months (Apr-Dec)     | IDR 6.8 T    |
| Village-level Direct Cash Transfer   | 11 million KPM                                | 6 months (Apr-Sept)    | IDR 31.8 T   |

## SSN Beneficiary, by Occupation (%)

Source: MoSA - Integrated Social Welfare Data (DTKS)

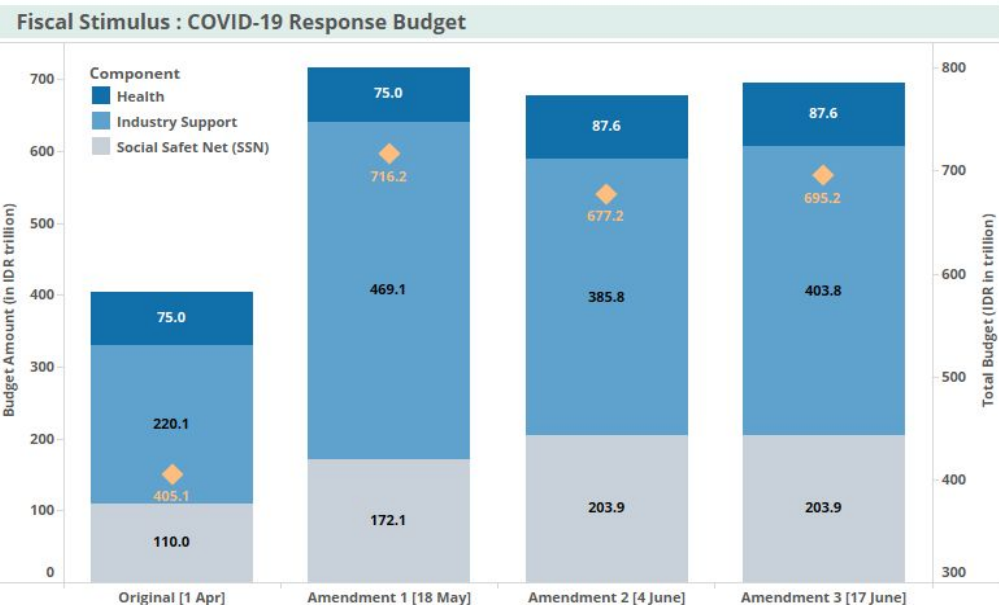


The Government of Indonesia (GoI) has rolled out a range of Social Safety Net (SSN) schemes to protect populations impacted by, and vulnerable to, the economic shocks arising from the COVID-19 pandemic that may threaten their ability to afford a nutritious diet. GoI has further expanded the coverage of the most vulnerable groups through social safety nets schemes. Based on MoSA, the SSN schemes mostly (18.40%) reach farmers (incl. livestock and plantation).

The current budget for each scheme is presented in the accompanying table. In addition, the Government has also launched a new SSN scheme for workers with monthly salaries below IDR 5 million: a monthly payment of IDR 600,000 assistance for 4 months. In order to implement the new scheme, the GoI has allocated IDR 31 trillion to cover 31 million eligible workers.<sup>1,2</sup>

**Note:** Data in the table includes the Government's SSN schemes following the release of the previous update on COVID-19 economy and food security implications in end of May 2020.

# Updates on Government Response: Fiscal Stimulus for Economic Recovery and SSN



Source: Ministry of Finance

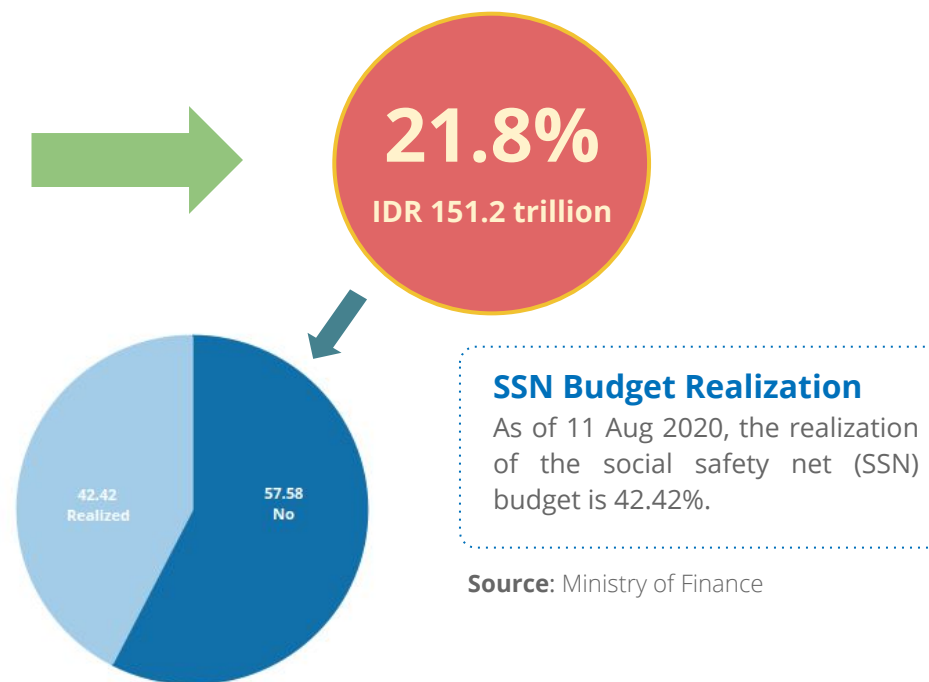
## Food Producer-specific : Social Safety Net for Farmers

Indonesia's Ministry of Agriculture (MoA) has allocated IDR 2.65 trillion towards the COVID-19 response for the agriculture sector. About 45% of the budget (IDR 1.15 trillion) is allocated for the social safety net scheme and another 40% (IDR 1.46 trillion) is assigned to secure national food production and availability.<sup>3,4</sup>

The social safety net for farmers targets agricultural producers impacted by the pandemic and is provided in the form of a Farmer's Direct Cash Transfer (BLT Petani) in the amount of IDR 600,000/farmer household. The support consisting of an IDR 300,000 cash transfer and in-kind assistance with seedlings, fertilizers and other agricultural inputs worth IDR 300,000. This scheme will be implemented for 3 months and the disbursement will be directly channeled from MoA to the Strategic Command for Agricultural Development (Kostratani). Kostratani will be in charge to distribute the BLT to the targeted farmers. In addition, the Government has also allocated IDR 50 trillion for the KUR subsidized credit scheme in the agriculture sector through the MoA<sup>5</sup>, as an effort to provide farmers access to low-interest finance (6% interest rate) to support on-farm production. As of end of June 2020, IDR 20 trillion have been disbursed<sup>6</sup>

## Budget Realization Review

Figure as of 6 Aug 2020



Source: Ministry of Finance

## COVID-19 Response Budget Realization

The GoI's COVID-19 response budget has increased from IDR 405 trillion in April to IDR 695.2 trillion in June 2020, corresponding to 6.34% of the national gross domestic product (GDP). The GoI has made several amendments to its COVID-19 response budget throughout Q2 2020, including to the social safety net (SSN) budget, which has increased twice: from IDR 220.1 trillion in Apr to IDR 172.1 trillion in May and then to IDR 203.9 trillion in June. The additional SSN budget aims to expand the coverage of the beneficiaries. However, budget realization still stands at 21.8%<sup>7</sup> as of 6 Aug while SSN at 42% as of 11 Aug and social assistance disbursement needs to be accelerated to ensure all targeted beneficiaries received the support in a timely manner.

# Updates on Macro-Economic Impacts: Growth Projections, Inflation and Exchange Rate

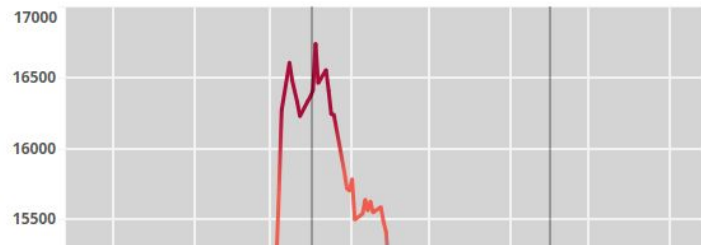
## 2020 GDP Growth Forecast [updated]



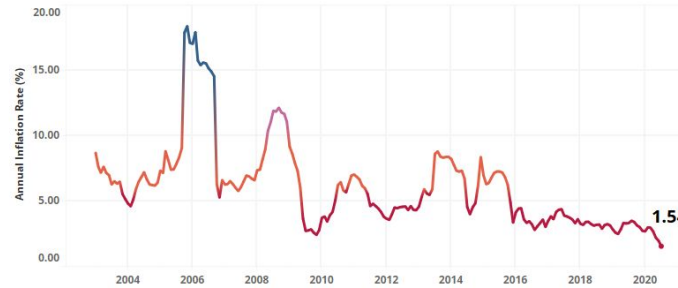
### GDP Growth Forecast

The Ministry of Finance, as well as the World Bank and IMF have revised their projection for Indonesia's GDP growth in 2020. MoF estimated that annual 2020 growth would be in the range of -0.4% to 1%. IMF revised its projection to -0.3% from 0.5% previously, while the World Bank projected no growth (0.0%) between 2019 and 2020.

### IDR-USD Exchange Rate: Data as of 6 Aug 2020

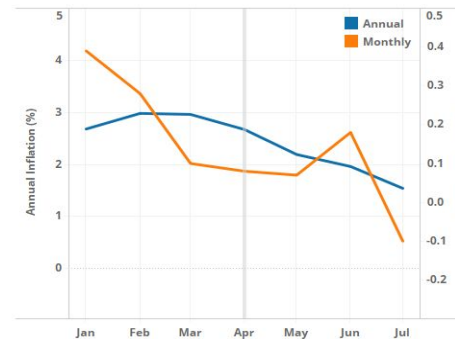


## Annual Inflation Rate : Long-term Trend

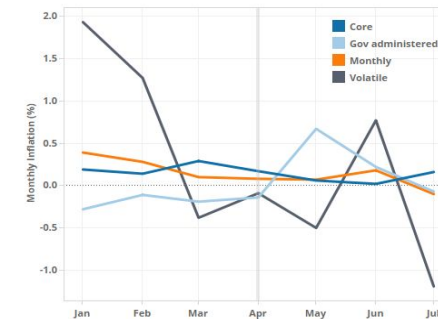


July Annual Inflation  
**1.54%**  
the lowest since 2000

## 2020 Annual and Monthly Inflation Rate



## Monthly Inflation Rate by Inflation Type



### Inflation Rate Development

Indonesia witnessed declining annual inflation throughout Q2 2020, which continued in early 2020 Q3, reaching 1.54% in July 2020 - the lowest annual inflation rate recorded since 2000. According to

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