

PRICE FLUCTUATIONS OF ESSENTIAL GOODS AND HOUSEHOLD CONSUMPTION ON PURCHASING POWER DURING THE COVID-19 PANDEMIC IN WEST JAVA

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Abstract

This study aims to determine the extent of the influence of price fluctuations of essential Goods and household consumption on people's purchasing power since Covid-19. The research methodology is a qualitative-descriptive approach using secondary data obtained from the National PIHPS (Strategic Food Price Information Center) and the Central Bureau of Statistics Republic of Indonesia from the period 2020 - 2021. The results of this study indicate that the higher a person's income, the higher their purchasing power, and vice versa. Based on National PIHPS data, the highest price fluctuation occurred in December 2020 at 12.41% and the lowest price fluctuation occurred in July 2020 at 1.64%. If calculated from the average inflation value for the period 2020 to 2021, the price increase is classified as moderate, only 1.27% and 2.44%. In addition to prices, household consumption will affect the decline in purchasing power, namely since 2020 it has decreased by IDR 10,845 thousand rupiah compared to 2019 which was IDR. 11,152 thousand rupiah.

Keyword: *Price fluctuations, Household consumption, Purchasing power*

A. INTRODUCTION

Covid-19 (Corona Virus) is one of the major symptoms that occurs throughout the world, especially in Indonesia, West Java Province, starting in March 2020. According to WHO (World Health Organization), Covid-19 comes from a virus that infects the human respiratory tract. This is if the Covid-19 virus attacks sufferers who already have a history of serious illnesses, it will experience extraordinary effects on health, where the most fatal can result in death. This health problem is becoming an increasingly big problem because the number of victims is increasing and the transmission between regions is getting faster. Thus, the wider the area of transmission, the government will issue policies. However, this policy is like two sides of a coin, where health is prioritized but the community's economy is increasingly unstable. A big example is the existence of regional restriction policies implemented by the government. These policies include PSBB (Large-Scale Social Restrictions) and PPKM (Enforcement of Community Activity Restrictions). The implications of restricting community activities will certainly reduce people's purchasing power and economic growth rates. In some areas, basic necessities are starting to become scarce in the market, which has a very clear impact on the decline in economic activity. This has a significant impact on the price and supply of goods, especially basic necessities, which are increasingly difficult to obtain due to the constraints on the supply of goods from distributors to the community, while the level of demand for these basic necessities is very high due to the implications of the restrictions on community activities. To fulfill the basic needs of the community, purchasing power is one alternative in determining their choices. According to Putong, purchasing power is the ability of consumers to buy the amount of goods requested in a certain market and in a certain period (Putong, Iskandar, 2013).

This can be seen from how much people want to buy these basic necessities to fulfill their personal needs, therefore, to see the level of purchasing power, it will be seen from several factors, namely the level of income, price increases and inflation. If in reality people receive sufficient income, then people can buy goods according to their needs. But if people's income decreases or even disappears due to the impact of these activity restrictions, it is certain that there will be a decrease in purchasing power which will gradually have an impact on the increasing unemployment rate. Even though the policy has been relaxed, the problem of unstable prices of basic necessities is still a major problem for the community. The community is forced to adapt to fluctuating and often high prices, which exceed their purchasing power. Based on the description above, without underestimating other factors, the author will research "Price

Fluctuations of Essential Goods and Household Consumption on Purchasing Power During the COVID-19 Pandemic in West Java".

B. LITERATURE REVIEW

Increase in Prices of Essential Goods

Price Increase, Price is an amount of money used as a means of exchange that must be paid by a consumer to a producer to obtain a product or service. The price is not only in the form of money but can also be in the form of goods (barter) or services that have utility value (Saladin, 2003).

This prices play a crucial role in facilitating economic activities, enabling goods to be sold at producer-determined rates for profit. Inflation, characterized by a general rise in prices and income instability, often results from issues like supply disruptions, production challenges, price setting, and excessive money printing (Awaluddin, 2017). Therefore, with the increase in the price of goods, it will cause a decrease in people's purchasing power, because in fact the level of people's income will also decrease. The increase in the price of goods or inflation is a symptom that will occur directly continuously without being temporary, if the price increase only occurs once or twice then it cannot be called inflation (Rozalinda, 2015).

Essential Goods

The term basic food needs is already known by the Indonesian people as SEMBAKO (Nine Basic Foods). Basic food is nine basic food items consisting of various types of food and beverages that are very much needed by the community. Without these basic food items, people's lives will be less than sufficient because basic food items are the most important basic needs and must be freely available in the market (Chezy WM, 2016).

Factors Affecting Price Increases

To meet the basic needs of the community, in addition to the availability of goods, the price of goods also affects the purchasing power of the community. When the price of basic necessities increases significantly, many people complain because the income they earn is not balanced with the expenditure for daily needs. Factors that affect price increases include:

1. Raw materials, are materials that have not been processed into finished products. If the source of raw materials obtained is far away, it will affect production costs and selling prices.
2. Production Process, is the most important part of the economy because through the production process a producer will create goods that will be used by consumers both now and in the future.
3. Distribution, is an economic activity that cannot be ignored after production, aiming to facilitate the distribution of goods and services from producers to consumers (Kaimi, 2021).
4. High Consumer Demand, If the price of a good decreases, then the demand for the good will increase. Conversely, if the price of a good increases, then the demand for the good will decrease (Sukirno, 2013).
5. Supply Source, Is a supply chain management process that aims to meet customer needs as efficiently as possible (Kaimi, 2021).
6. Government Policy, The government regulates economic activities through strategies that involve implementing fiscal and monetary policies to support productive activities (Sukirno, 2013).

Decline in People's Purchasing Power During Covid-19

Purchasing power is the ability of an individual or group of people to buy goods or services in order to fulfill their life needs (Mowen, 2010).

The factors that influence the impact of the decline in people's purchasing power are as follows:

1. Income or employment level is a key factor affecting purchasing power. Income, earned through wages or salary for physical and mental work, directly influences purchasing power. Limited income and lack of employment opportunities contribute to high unemployment rates. Higher income boosts purchasing power, while lower income reduces it.
2. Price of goods increases, price is a key factor influencing people's purchasing power. This is in accordance with the law of demand that if prices increase then people's purchasing power will

decrease, conversely if prices decrease then people's purchasing power will increase (Pawenang, 2016).

3. Changes in Inflation and Deflation, inflation is a phenomenon that occurs when the prices of goods and services increase directly over time (Yuniati, 2020). This shows that inflation and deflation have a significant impact on society. Inflation makes it difficult for people to meet their needs because prices are rising, while deflation encourages competition to buy goods when prices are falling. The second phenomenon affects purchasing power and currency value.

Government Policies in Addressing Staple Food Price Increases and Declining Purchasing Power Post Covid-19

The Ministry of Social Affairs implemented the Basic Food Program (BPNT), allocating IDR 4.56 trillion to assist 15.2 million beneficiaries (KPM) from April to December 2020, with monthly aid of IDR 150,000–200,000. An additional 4.8 million underprivileged families were included in the program. Funds, distributed via the Prosperous Family Card (KKS), could only be used to purchase specified basic necessities at e-warong outlets. This program aims to reduce financial burden, improve nutrition, and support underprivileged groups during the COVID-19 pandemic.

The government also focused on stabilizing basic food supplies and prices, such as rice, garlic, cooking oil, and meat, by involving stakeholders like BULOG and the Ministry of Agriculture. Market operations were conducted to ensure affordability and prevent shortages. Additionally, to modernize transactions and reduce physical money use, the government encouraged digital market integration through QRIS (Quick Response Code Indonesian Standard), enhancing transaction efficiency and safety during the pandemic. These measures align with the 2022–2024 National Development Agenda to maintain food price stability (Limanseto, 2022).

C. METHOD

This study uses a qualitative-descriptive method with secondary data from PIHPS and the Central Statistics Agency for 2020–2021. The dependent variables are fluctuations in staple food prices (X1) and household consumption (X2), while the independent variable is people's purchasing power (Y). The data is analyzed in relation to real-life phenomena, focusing on the impact of price increases during COVID-19 on purchasing power and household behavior.

D. RESULTS AND DISCUSSION

West Java, with 1,104,720 confirmed Covid-19 cases, was significantly affected by the pandemic. The virus, transmitted through direct contact, led the government to implement various restriction policies, including PSBB and PPKM (Java-Bali, Micro, Emergency, Level 3 and 4) from March 2020 to 2021. This policy reduces direct interaction, but has an impact on social, education, and economy, especially in 2020. Restrictions have caused companies to reduce production and workforce, increasing unemployment, so that many people have difficulty meeting their needs due to decreased income. The increasing price of basic necessities during the pandemic has also worsened people's purchasing power, which is influenced by income levels. In addition to income factors, inflation also contributes to rising prices due to high production costs and limited distribution, which restricts the supply of basic necessities. Changes in goods' prices can be observed through National PHIPS data. The table below shows inflation in basic necessity prices across traditional markets in West Java from 2020 to 2021.

Tabel 1. Price increases of basic commodities in traditional markets in west java period february 2020-march 2021.

Bahan Pokok	2020											Rata-Rata Inflasi 2020	2021			Rata-Rata Inflasi 2021 (Jan-Mar)
	Feb	Mar	Apr	Mei	Jun	Jul	Agst	Sept	Okt	Nov	Des		Jan	Feb	Mar	
Beras	0.44	0.88	0.00	-0.87	0.00	-0.44	0.00	-0.44	0.00	-0.44	0.89	0.00	-0.88	0.00	0.00	-0.29
Daging Ayam	4.65	-5.33	-9.67	27.63	6.93	-13.93	-14.33	-1.49	12.65	0.44	5.61	1.20	-6.15	1.61	2.46	-0.69
Daging Sapi	0.00	0.00	2.55	7.51	-1.53	-0.08	-0.20	0.00	0.00	0.00	-0.52	0.70	3.78	0.12	-0.12	1.26
Telur Ayam	14.67	-1.94	-11.57	6.73	12.83	-0.45	-2.63	-12.47	9.26	11.09	-1.95	2.14	-13.55	8.66	-7.98	-4.29
Bawang Merah	0.97	40.51	12.86	9.60	-20.72	-28.24	-13.24	5.51	20.94	-6.35	-10.14	1.06	-2.60	26.07	-10.90	4.19
Bawang Putih	31.70	-2.41	-16.63	-16.58	-21.17	-4.53	11.85	-0.19	4.83	0.92	-4.02	-1.48	4.29	5.13	-0.87	2.85
Cabai Merah	-15.64	-39.30	-24.26	7.31	5.91	25.24	-33.44	60.78	28.95	-3.15	26.13	3.50	26.13	26.00	1.14	17.76
Cabai Rawit	-39.89	15.05	-26.32	-13.40	-11.05	10.08	-15.51	3.76	8.51	36.88	106.36	6.77	6.10	17.25	-14.16	3.06
Minyak Goreng	-24.00	-0.38	0.38	-1.14	-1.15	2.71	1.89	4.07	1.42	0.35	0.70	-1.38	-0.35	0.00	2.44	0.70
Gula	7.17	15.72	1.45	-2.59	-7.96	-8.96	-2.44	-1.79	-0.36	0.73	1.09	0.19	-0.36	-0.36	0.36	-0.12
Total	-19.93	22.80	-71.21	24.20	-37.91	-18.60	-68.05	57.74	86.20	40.45	124.15	12.71	16.41	84.48	-27.63	24.42
Tingkat Inflasi	-1.99	2.28	-7.12	2.42	-3.79	-1.86	-6.81	5.77	8.62	4.05	12.42	1.27	1.64	8.45	-2.76	2.44

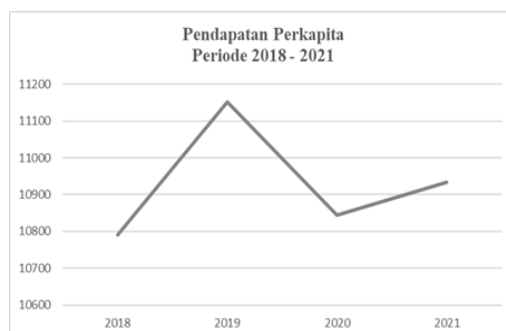
Source: national PIHPS data.

Table 1 shows that the prices of basic necessities in traditional markets, especially in West Java, experienced monthly fluctuations during 2020 to 2021. The highest inflation was recorded in December 2020 at 12.41%, while the lowest inflation occurred in July 2020 at -1.86%. In addition, the price increase for the period February 2020. The author analyzes high price increases by commodity during the study period:

1. December 2020: Highest inflation at 12.41%, driven by price increases in cayenne pepper (106.4%), red chilies (26.13%), chicken meat (5.61%), sugar (1.09%), rice (0.89%), and cooking oil (0.70%).
2. October 2020: Second highest inflation at 8.62%, with increases in red chilies (28.95%), shallots (20.94%), chicken meat (12.65%), chicken eggs (9.26%), and cayenne pepper (8.51%).
3. February 2021: Inflation of 8.45%, driven by increases in shallots (26.07%), chicken eggs (8.66%), and garlic (5.13%).
4. September 2020: Inflation of 5.77%, with price hikes in cayenne pepper (60.78%), shallots (5.51%), and cooking oil (4.07%).

The highest inflation occurred in December 2020 at 12.41%, while the lowest inflation occurred in January 2021 at 1.64%. The average inflation from 2020 to 2021 was only 1.27% and 2.44%, indicating mild inflation. This reflects the stability of basic necessities prices that have not increased too much, so that people can still meet their needs even in the midst of the Covid-19 pandemic, because of its inelastic nature

Seeing the reality, price increases will affect the level of people's purchasing power, because along with people's needs for daily necessities, the demand for goods, especially basic necessities, has decreased. The Central Statistics Agency explains that per capita expenditure is used to measure whether purchasing power is increasing or decreasing. The author will present West Java Province income data for the 2018-2021 period :



Source: BPS RI data

Gambar 1. Per capita income for the period 2018-2021

In 2020, per capita expenditure decreased by 10,845 thousand rupiah compared to 2019, dropping from 11,152 thousand rupiah. This was due to the widespread Covid-19 symptoms in Indonesia, especially in West Java, making it difficult for people to find jobs. Many permanent workers were laid off, and the government implemented a Work From Home (WFH) policy, which led to minimal income. The level of income directly affected spending and purchasing power higher income resulted in greater expenditure, while lower income led to reduced spending. Additionally, rising prices of basic necessities further lowered people's purchasing power. To stabilize prices during the Covid-19 period, the government implemented several economic policies, including providing community assistance through incentives as stated in Government Regulation in Lieu of Law (PERPPU) Number 1 of 2020. This included distributing BPNT by the Ministry of Social Affairs to the underprivileged. Additionally, the government conducted market operations to stabilize the prices of basic necessities, ensuring availability for the community's needs.

E. CONCLUSION

Based on the description above, the author can draw the following conclusions:

1. The decline in people's purchasing power has decreased along with decreased income. The lower a person's income, the lower their purchasing power.

2. The highest inflation occurred in December 2020 at 12.41%, while the lowest was in July 2020 at 1.64%. On average, inflation from 2020 to 2021 was at a mild level of 1.27% and 2.44%.
3. People's spending on basic necessities in traditional markets has decreased. In 2020, per capita expenditure was recorded at 10,845 thousand rupiah, lower than 2019 of 11,152 thousand rupiah, mainly due to the impact of the spread of Covid-19 in Indonesia, especially in West Java.

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