

THE IMPACT OF THE DRASTIC INCREASE IN FUEL OIL (BBM) PRICES

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ABSTRACT

Fuel Oil (BBM) is a commodity that plays a vital role in all economic activities. The direct impact of this change in oil prices is a change in operating costs that results in the level of profit of direct investment activities occurring. In simple terms, the purpose of investing is to maximize prosperity through the maximization of profits, and investors always try to invest in efficient and safe investments. The increase in fuel prices not only increases the burden on small communities in general but also for the business world in particular. The surge in the price of Mintak Fuel (BBM) is considered to have a real effect on economic conditions in Indonesia. High oil prices turned out to be unfavorable to the economy of any country in Asia, including Indonesia. The increase in fuel prices in Indonesia is not only caused by the high increase in world oil prices, but also due to the domestic undersupply when compared to its demand. The amount of fuel subsidies such as in Indonesia, which can drain the state budget, is also considered as an excuse for the government to increase fuel prices in the country. The impact on various industrial sectors can lead to high production and operating costs. Moreover, of course, this increase in fuel prices will also have exponential implications for Indonesia's macroeconomic fundamentals.

Keywords: *fuel, fuel increase impact, commodities*

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INTRODUCTION

On Saturday, September 3, 2022, President Joko Widodo (Jokowi) finally decided to increase diesel, pertamax, and pertalite fuel. Each of them changes to Rp. 6,800/liter for diesel, Rp. 14,500/liter for pertamax and Rp10,000/liter for pertalite. And this change is deeply felt by the public because the price of staples and public transportation has also soared.

The government carried out this policy because subsidies reached 502 trillion and many were not on target (Jiang & Lin, 2014). State money should be prioritized for people who have an economy at the bottom but this is used by people who have an economy and above (Meltzer et al., 1999). Therefore, the Government diverted the subsidy so that its use was right on target. "Of the 70% of subsidies, more are enjoyed by capable groups of people, namely owners of private cars," said Jokowi in a press conference broadcast on the Presidential Secretariat's YouTube channel, Saturday (3/9/2022). The increase in fuel prices will encourage an increase in production costs and inflation which will negatively affect economic growth in the near future, a decrease in wages, and household consumption.

What we know today is that household consumption has a high contribution to the economy in Indonesia (Chaudhuri et al., 2002). Many housewives strongly object because of the increase in fuel prices which has caused the price of staples to rise (Attanasio et al., 2013). Not only felt by housewives, the increase in fuel prices was also felt by traders who were very forced to increase the price of their merchandise (Turow, 2017).

The increase in fuel is drastically due to the fact that the world oil price is also rising. From the data on the average world oil price in US \$ per barrel in August US \$ 64.27 per barrel or can be reduced to Rp. 1,002,367.77 and will continue to increase its price per month. As a result, people do not agree with the increase in fuel prices. The data collection method used from the rising world oil price and Indonesia as an oil exporting country is very impactful (Ewaldo, 2015; Qaim et al., 2020).

From the data, it can be seen that in general, the world oil price has experienced a continuous increase. The increase in world oil prices has implications for the increase in oil prices in Indonesia. Meanwhile, price is the dominant factor for people in developing and poor countries in influencing their demand for certain products or commodities.

METHOD

In this writing, the method used is descriptive-analytical using qualitative and quantitative approaches (Sugiyono, 2013). The data collected in this paper is in the form of secondary data and obtained through various references that are relevant to the problem and the studies taken.

RESULTS AND DISCUSSION

The price of Peralite, Diesel, and Pertamina Fuel Oil (BBM) officially increased, effective today, Saturday (3/9/2022) at 14.30 WIB. The announcement of the rising fuel price was delivered directly by President Joko Widodo, in a press conference at the Merdeka Palace today. "Right now the government is making decisions in a difficult situation (Mietzner, 2015). This is the government's last resort, which is to divert fuel subsidies so that the prices of several types of fuel will be adjusted," said Jokowi, as reported by Kompas.com, Saturday (3/9/2022). Minister of Energy and Mineral Resources Arifin Tasrif further outlined the adjustments (Rakhmat, 2023). The latest prices of Peralite, Solar, to Pertamina Fuel Here are the details or updates on today's fuel prices, the official prices of Peralite, Solar, to Pertamina which are increasing are valid until Saturday, September 3, 2022:

- Peralite price from Rp 7,650 per liter to Rp 10,000 per liter
- Subsidized solar price from Rp 5,150 per liter to Rp 6,800 per liter
- Pertamina price from Rp. 12,500 to Rp. 14,500 per liter.

Nonsubsidized Fuel Price Details

Meanwhile, the price of non-subsidized fuel types of Pertamina Turbo, Dexlite, and Pertamina Dex was previously declared to have decreased as of Thursday (1/9/2022). This is in accordance with the Decree of the Minister (Kepmen) of ESDM Number 62 K/12/MEM/2020 concerning the Basic Price Formula in the Calculation of Retail Selling Prices for Types of General Fuel Oil Types of Gasoline and Diesel Oil Distributed Through Public Refueling Stations.

Thursday (1/9/2022). The price of Pertamina Turbo, Dexlite, and Pertamina Dex, drops variously in each region or province ranging from Rp. 700-Rp. 2,000 per liter. This is like in the DKI Jakarta area, the price of Pertamina Turbo dropped from Rp. 17,900 per liter to Rp. 15,900 per liter. Then the price of Dexlite with Cetane Number (CN) 51 dropped from Rp. 17,800 per liter to Rp. 17,100 per liter and Pertamina Dex (CN 53) dropped from Rp. 18,900

per liter to Rp. 17,400 per liter. The following is a breakdown of the prices of Pertamina Turbo, Dexlite, and Pertamina Dex in various regions in Indonesia:

Pertamax Turbo IDR 15,900 per liter is valid in Nanggroe Aceh Darussalam Province, DKI Jakarta, Banten, West Java, Central Java, East Java, DI Yogyakarta, Bali, West Nusa Tenggara (NTB), and East Nusa Tenggara (NTT). Pertamina Turbo Rp 16,250 per liter is valid in the provinces of North Sumatra, West Sumatra, South Sumatra, Jambi, Bangka Belitung, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, Gorontalo, North Sulawesi, Central Sulawesi, Southeast Sulawesi, South Sulawesi, West Sulawesi, and Papua.

Pertamax Turbo Rp 16,600 per liter is valid in Riau Province, Riau Islands, Bengkulu, and Kodya Batam (FTZ). Dexlite IDR 17,100 per liter is valid in Nanggroe Aceh Darussalam Province, DKI Jakarta, Banten, West Java, Central Java, East Java, DI Yogyakarta, Bali, West Nusa Tenggara (NTB), and East Nusa Tenggara (NTT). Dexlite USD

17,450 per liter is valid in the provinces of North Sumatra, West Sumatra, South Sumatra, Jambi, Bangka Belitung, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, Gorontalo, North Sulawesi, Central Sulawesi, Southeast Sulawesi, South Sulawesi, West Sulawesi, Maluku, North Maluku, Papua, and West Papua.

Dexlite IDR 17,800 per liter is valid in Riau Province, Riau Islands, Bengkulu, and Kodya Batam (FTZ). Pertamina Dex IDR 17,400 per liter is valid in Nanggroe Aceh Darussalam Province, DKI Jakarta, Banten, West Java, Central Java, East Java, DI Yogyakarta, Bali, West Nusa Tenggara (NTB), and East Nusa Tenggara (NTT). Pertamina Dex Rp 17,750 per liter valid in North Sumatra, West Sumatra, South Sumatra, Jambi, Bangka Belitung, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, Gorontalo, North Sulawesi, Central Sulawesi, Southeast Sulawesi, South Sulawesi, West Sulawesi, and West Papua. Pertamina Dex Rp.18.100 per liter applies in Riau Province, Riau Islands, Bengkulu, and Kodya Batam (FTZ)

The discourse of rising subsidized fuel prices has been brewing in recent times (Ford, 2007). This is after the swelling value of energy subsidies to IDR 502 trillion. Finance Minister Sri Mulyani Indrawati said that the energy subsidy and compensation budget would swell again by IDR 198 trillion if there was no increase in the price of Peralite and Solar Fuel. According to him, the subsidy budget and energy compensation for 2022 have been pegged at IDR 102.502.4 trillion. This figure swelled to IDR 349.9 trillion from the original budget of IDR 152.1 trillion to contain the increase in public energy prices. It is estimated that this budget will continue to swell until the end of the year with the increase in crude oil prices and the weakening of the rupiah exchange rate.

DISCUSSION

Finance Minister Sri Mulyani Indrawati said that the fuel price adjustment has been taken into account by the government. According to the Minister of Finance Sri, although the world oil price has fallen over the past month, the average price for a year still remains high. Adjusting the latest fuel prices, three types of subsidized fuel have changed:

- Peralite Fuel Subsidy from Rp. 7,650 per liter to Rp. 10,000 per liter
- Subsidized Solar from Rp5,150 per liter to Rp. 6,800 per liter

- Pertamina from Rp. 12,500 per liter to Rp. 14,500 per liter. Why do Fuel Subsidies Go Up?

The government said that the turmoil in world oil prices has caused uncertainty and have a significant impact on the State Budget (APBN). In fact, energy subsidies and compensation, including fuel, in 2022 have increased 3 times from IDR 152 trillion to IDR 502 trillion, and this figure can still continue to increase. This bloated subsidy and compensation budget, unfortunately, was not accompanied by the right subsidy target.

In addition to burdening the state budget, subsidies that were initially prioritized to underprivileged people, in fact, more than 70% of subsidies are actually enjoyed by capable groups of people, namely owners of private cars.

Impact of Fuel Price Increase:

1. Fuel price increase triggers increase in transportation tariffs

The main thing that must be felt by the wider community due to the increase in the price of Peralite is the increase in the basic tariff for land transportation. In his statement, Chairman of the Land Transportation Organization (Organda) Adrianto Djokosoetono said that there will be an increase varying between 5% to 15% depending on the type of transportation. Even before the announcement of the fuel price increase, the tariff for online motorcycle taxis (ojol) which is the prima donna transportation of the community has increased. Will the impact of the fuel price increase push back to increase ojol tariffs?

For information, after the increase in fuel prices, urban transportation (angkot) tariffs in a number of regions increased by Rp. 2000. Then the cost of renting a transport truck rose by about 25% and the shipping cost (postage) of online shopping also increased by 10%. Seeing the impact of the fuel price increase, the government's option to provide convenient and green energy-based mass transportation seems to be mandatory. With the presence of transportation vehicles and electric-based operational vehicles, it seems that it will be the best solution to overcome the impact of the pressure of rising fuel prices in the community.

2. Driving inflation

Inflation is usually influenced by various components. One of the determining components of rising inflation is gasoline consumption. Currently, the consumption of Peralite-type fuel in Indonesia reaches 80 percent of the total fuel consumption. The Central Statistics Agency (BPS) has announced data on Indonesia's inflation for the July 2022 period which grew 0.64% compared to the previous month. Inflation in July 2022 was recorded at 4.94% year on year (yoy), higher than the previous month's 4.35% figure, the highest since October 2015.

According to BPS data in the inflation mechanism, gasoline has a weight of 4%. Thus, for example, fuel prices rose by 10%, and inflation could be pushed up to 0.4 percentage points. For example, in 2014 when the government increased the price of the most consumed Premium type of fuel at that time. When it rose by almost 30%, the impact was to curb yoy inflation by 8.36%.

3. Rising unemployment rate

Another impact that is most likely to be felt directly is the rising unemployment figures. Fuel is needed for the operation of a company, and with the increase in fuel prices, the company's operations will also increase. As a result, there will be efficiency and lead to layoffs. This increase in the unemployment rate is also expected to increase the high poverty rate.

4. The poor population is growing

Related to the increase in unemployment, the price of Pertalite rising can encourage the growth of the poor population. In bps records, the poverty rate as of March 2022 reached 9.54% or 26.16 million people. When compared to September 2021, the poverty rate decreased by 0.17 points or 0.34 million people. However, the poverty line in March 2022 increased by 3.97% when compared to September 2021. The price of Pertalite rising is certain to drive poverty again at the end of this year.

5. People's purchasing power falls

In addition to affecting the lower layers, the price of Pertamina rising is also estimated to make the purchasing power of the middle-class decrease drastically. According to the Chairman of the Central Management Board of the Indonesian Shopping Center Management Association (APPBI), Alphonsus Widjaja, the price of Pertamina rising will affect the purchasing power of the middle class. Sectors that will be affected by the sluggish purchasing power of the middle class include retail and property and other sectors related to lifestyle.

CONCLUSION

Fuel prices officially increased on Saturday (3/9/2022) at 14.30 WIB. The announcement of rising fuel prices was made by President Joko Widodo in a press conference at the Merdeka Palace today. The increase in fuel prices is very influential from the economic side, the increase in fuel prices will obviously encourage an increase in production costs, and encourage inflation (cost-push inflation) which in turn will negatively affect economic growth, and decrease real wages and household consumption.

This drastic increase in fuel is due to the fact that the world oil price is also rising steadily. The increase in world oil prices has implications for the increase in oil prices in Indonesia. Meanwhile, price is the dominant factor for people in developing and poor countries in influencing their demand for certain products or commodities.

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