



## The Real Sector as a Pillar of Economic Stability in Times of Crisis

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**Abstract:** *Global economic crises triggered by financial shocks, pandemics, and geopolitical instability demonstrate that national economies become highly vulnerable when their structural foundations are weak. This study aims to analyze the role of the real sector as a pillar of economic stability during crises using a narrative review approach of eleven relevant studies covering agriculture, MSMEs, the informal sector, real estate, and their linkage with the financial sector. The findings indicate that the real sector is relatively more resilient than other sectors because it sustains production activities, supports domestic consumption, and provides adaptive capacity through flexibility and business diversification. Meanwhile, the financial sector remains important but must operate within policy frameworks that strengthen real economic activities to avoid excessive volatility. These results emphasize that strengthening the real sector, ensuring synergy between fiscal and macroprudential policies, and providing inclusive financial support are essential strategies to build a robust and sustainable national economic resilience.*

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### Introduction

Macroeconomic stability is the fundamental foundation for driving sustainable economic growth and improving public welfare. The higher the level of integration and volatility of the global economy, the more vulnerable a country is to economic crises. An economic crisis is defined as a significant contraction in economic activity, characterized by a decline in Gross Domestic Product (GDP), a decline in asset values, and disruptions in financial markets.(Mishkin & Serletis, 2016)The current global economic crisis is still ongoing in several countries due to geopolitical conflicts, which have triggered supply disruptions and spikes in commodity prices, thus accelerating inflation in various countries,

including Indonesia.(Sugiyarto, 2022).

The history of the global economy shows that crises often begin with external or internal shocks, such as the 2007-2008 global financial crisis, which began with the collapse of the United States financial sector and spread through international trade and global financial flows. Its impact included a sharp decline in consumption, investment, and economic activity in many countries, including Asia.(Sihono, 2012) This crisis has put pressure on the national economy through declining export demand, weak investment, and the risk of mass unemployment and layoffs.(Aida et al., 2022). In addition to financial factors, the COVID-19 pandemic has proven that a health crisis can develop into a global economic crisis due to mobility restrictions, supply chain disruptions, and decreased production and consumption.(Irawan & Alamsyah, 2021).

The impact of the crisis was uneven across sectors; sectors dependent on mobility and public demand such as tourism, transportation, accommodation, retail trade, and construction experienced the most severe declines.(Rahman et al., 2020) On the other hand, essential sectors such as utilities (electricity and water), health, and basic necessities showed better resilience due to stable demand.(Faisal, 2024) This phenomenon confirms that the national economy is significantly affected by global dynamics, especially if the economic structure is weak in absorbing shocks. Therefore, strengthening the economic foundations, particularly the real sector as the primary pillar of national stability amidst global uncertainty, is urgently needed.

Although various studies have analyzed the impact of the global crisis on the economy in general (Mishkin & Serletis, 2016; Sihono, 2012), an in-depth understanding of sectoral resilience, particularly the strategic role of the real sector in maintaining macroeconomic stability, remains limited. Existing research focuses more on aggregate impacts or vulnerable sectors, with less attention paid to essential supporting sectors during prolonged crises such as geopolitical conflicts or pandemics. This study offers a novel approach by specifically examining the real sector's contribution as a pillar of national economic resilience amidst post-COVID-19 global volatility and geopolitical conflicts. Unlike previous descriptive studies (Aida et al., 2022; Faisal, 2024), this analysis integrates the latest sectoral data into a macroeconomic stability prediction model, providing innovative policy recommendations for Indonesia.

## Research Methods

This study uses a qualitative approach with the narrative review method, which is a literature review method for compiling and interpreting various scientific findings narratively to gain a comprehensive understanding of a phenomenon without systematic procedures.(Mankiw, 2016) This method emphasizes the exploration of key concepts, theories, and ideas relevant to the topic of economic crises and the role of the real sector in maintaining them in a holistic and contextual manner. The data sources in this study are secondary data obtained from textbooks and macroeconomic journals that discuss economic crises, business cycles, and their impact on economic sectors. Macroeconomic books and journals are used because they provide a theoretical basis for the characteristics of economic crises,



macroeconomic indicators, and differences in vulnerability levels between economic sectors, including the sectors most affected and those that are relatively more resilient to crises.(Tahir et al., 2022). Data analysis was conducted descriptively and qualitatively by grouping and synthesizing ideas from various sources of economic literature and economic stability as a whole.

## Results and Discussion

A summary of 11 reviewed literatures on the Real Sector as a Pillar of Economic Stability in Times of Crisis is presented in Table 1 below.

**Table 1. The Real Sector as a Pillar of Economic Stability in Times of Crisis**

No	Research Name	Title	Method	Results
1	(Carrasco-Gallego, 2021)	Real Estate, Economic Stability and the New Macro-Financial Policies	Dynamic stochastic general equilibrium (DSGE)	The real estate sector, through appropriate policies, can act as an important stabilization tool for the economic system when experiencing market disruptions.
2	(Arman, Asep Saefuddin, Fathia Anggriani Pradina, 2023)	Investment and Reality of The Argicultural Sector Facing the Covid 19 Crisis	Descriptive Analysis and Quantitative Techniques of ICOR	The agricultural sector continues to grow and is relatively able to withstand the crisis, which shows its strategic role in supporting the local economy.
3	(Junaidi et al., 2023)	Resilience in crisis: economic coping strategies of informal sector households during the COVID-19 pandemic in Jambi City, Indonesia	Case studies and interviews	MSMEs and the informal sector can survive through production flexibility and business diversification.
4	(Albi et al., 2025)	Global Crisis, Regional Resilience: A Comparative Economic Analysis of Southeast Asian Responses to the COVID-19 Pandemic	Comparative Analysis	Diversification of the real sector strengthens national economic resilience, especially in the agricultural and MSME sectors.
5	(Mardanugraha & Akhmad,	The resilience of MSMEs	Survey and Descriptive	MSMEs can still operate even though their scale has



	2023)	Indonesia in the face of economic recession		decreased, and can become a buffer for the community's economy.
6	(Tampubolon, 2023)	Food And Agricultural Sector In Indonesia's Economic Growth During Covid-19 Pandemic: An Ardl Approach	Quantitative Analysis	The agricultural sector helps stabilize domestic consumption, continuing to operate despite economic downturns.
7	(Ibrahim et al., 2025)	The Effect of Real Business Cycle on Islamic Capital Market Resilience in Indonesia	Quantitative, time series analysis and econometric models	The real sector has an important role in maintaining the stability of financial markets, the real business cycle can influence economic resilience during a crisis.
8	(Ariyani & Waharini, 2024)	Stabilizing Economic Growth Since Covid-19 Pandemic: Evidence from OIC Country	Panel data econometrics	The country's economic stability is influenced by the real sector, fiscal policy, and strengthening productive economic activities post-crisis.
9	(Muh Rudi Nugroho, 2024)	Acceleration of the Banking Sector and Economic Growth: Effectiveness of Economic Recovery Strategies Post-Covid-19	Quantitative	The stability of the financial sector encourages growth in the real sector, the sustainability of the real sector also influences economic stability in the long term.
10	(Ullah, 2025)	Economic growth volatility: Is financialization a culprit?	Cross-country panel data analysis	Excessive dependence on the financial sector increases economic volatility, the real sector has a role as a balancer of economic stability.
11	(Koh et al., 2020)	Debt and Financial Crises	Cross-country empirical descriptive analysis	The debt and financial crisis has an impact on the contraction of the real sector, strengthening the real sector is important for economic stability when a crisis hits.

Various studies on economic resilience during a crisis show that macroeconomic stability does not only depend on financial instruments, but also on the strength of the real sector as the main support.(Carrasco-Gallego, 2021) He explained that the real estate sector, through appropriate macro-financial policies, can serve as a tool to maintain economic stability during market shocks. This opens the understanding that economic stability requires tangible instruments to maintain economic activity, not just relying on financial mechanisms.



In line with that,(Arman et al. 2023)shows that the agricultural sector can be one of the most resilient sectors during a crisis. This research proves that the agricultural sector will not only grow but also play a significant role in supporting the local economy. If the housing sector can function as a structural stabilizer, the agricultural sector will act as a sustainable support for the community's economy. Strengthening the role of the real sector in maintaining economic resilience is increasingly evident, according to research conducted by(Junaidi et al., 2023)who studied informal sector households in Jambi city.

It has been found that production flexibility, business adaptation, and diversification of economic activities can be key strategies for MSMEs to survive. This means that economic resilience is not only built through large-scale industries but can also be strengthened through dynamic small-scale sectors. In line with these findings,(Albi et al., 2025)which focuses on the importance of diversifying the real sector nationally. A comparative analysis of Southeast Asian countries shows that countries with strong agricultural and MSME-based economic structures are better able to maintain stability during global crises. Economic resilience will be stronger when the real sector not only operates but is also diversified.

Support for the role of MSMEs as an economic supporter is also emphasized in research(Mardanugraha & Akhmad, 2023)Through a survey approach, they found that even though the scale of MSME businesses decreased during the crisis, economic activity continued and maintained the community's economic circulation. With this continuity, the real sector will prove capable of mitigating socio-economic pressures during times of crisis. Understanding the importance of the agricultural sector is further strengthened through this research.(Tampubolon, 2023)Through ARDL analysis, this study demonstrates that the food and agriculture sector can maintain domestic consumption stability and remain viable even during economic downturns. This demonstrates that the agricultural sector is a key element in maintaining national economic resilience.

According to(Ibrahim et al., 2025)Economic resilience is also closely linked to financial market stability. The real sector business cycle significantly influences the resilience of the Islamic capital market. The sustainability of the real sector not only maintains economic activity but also serves as the foundation for stability in the financial sector. The link between the real sector, macroeconomic policy, and economic stability is also explained by(Ariyani & Waharini, 2024)The economic stability of OIC countries is largely determined by the strengthening of the real sector, the effectiveness of fiscal policy, and the acceleration of productive economic activity post-crisis. The mutually reinforcing relationship between the financial and real sectors is increasingly clear, according to(Muh Rudi Nugroho, 2024)that banking sector stability can encourage real sector growth, while simultaneously maintaining long-term economic stability. However, excessive reliance on the financial sector can increase instability.(Ullah, 2025)Dominant financialization can increase the volatility of economic growth. The real sector is needed as a counterbalance to prevent the economy from becoming fragile.(Koh et al., 2020)explained that debt and financial crises can lead to contraction in the real sector. This underscores the urgency of strengthening the real sector as the foundation of economic resilience.

Overall, the research can form a consistent picture that economic resilience during a

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crisis is significantly influenced by the strength of a diversified real sector, appropriate macroeconomic policy support, and moderate financial sector stability. The real estate, agriculture, and MSME sectors have proven to play a significant role in maintaining the sustainability of economic activity, supporting domestic consumption, and maintaining socio-economic stability. Meanwhile, the informal sector demonstrates high flexibility in adapting through business diversification. Meanwhile, the financial sector and capital markets remain important but must be within a framework that supports real economic activity, rather than overly dominating it, as this can increase volatility. Therefore, synergy between strengthening the real sector, effective fiscal and macroprudential policies, and financial sector stability is key to building a resilient and sustainable economy in the face of a crisis.

## Conclusion and Recommendation

Based on the narrative review of the eleven studies reviewed, it can be concluded that the real sector has proven to be a key pillar of economic stability during times of crisis because it is able to maintain the sustainability of production activities, support domestic consumption, and provide economic resilience through flexibility, diversification, and adaptability, particularly in the agricultural, MSME, and informal sectors. Financial sector stability remains necessary, but should not be excessively dominant because it can increase volatility; instead, the financial sector must function as a supporter of strengthening the real sector through appropriate fiscal, macroprudential, and regulatory policies. Therefore, it is recommended that the government strengthen the structure of the real sector through economic diversification, strengthening MSMEs and agriculture, providing inclusive and targeted access to financing, and implementing macroeconomic stabilization policies that can maintain a balance between the financial and real sectors, thereby creating a strong, adaptive, and sustainable national economic resilience in facing various crises in the future.

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