

Poverty & Equity Brief

East Asia & Pacific

Indonesia

October 2021

Indonesia's official statistics reported a poverty rate of 10.1 percent in March 2021, remaining elevated relative to the record-low level of 9.4 percent in September 2019, prior to the COVID-19 pandemic. The economy has been slowly recovering in 2021 and the poverty rate is still nearly 0.4 percentage points (p.p.) higher than in March 2020. BPS reports show that the unemployment rate remained elevated at 6.3 percent in February 2021, higher by 1.3 p.p. compared to the year before. Not all workers have returned to work and some continue to earn less than before. A World Bank survey showed that 10 percent of primary breadwinners were not working in March 2021, whilst 43 percent of those working were still earning less than before the pandemic.

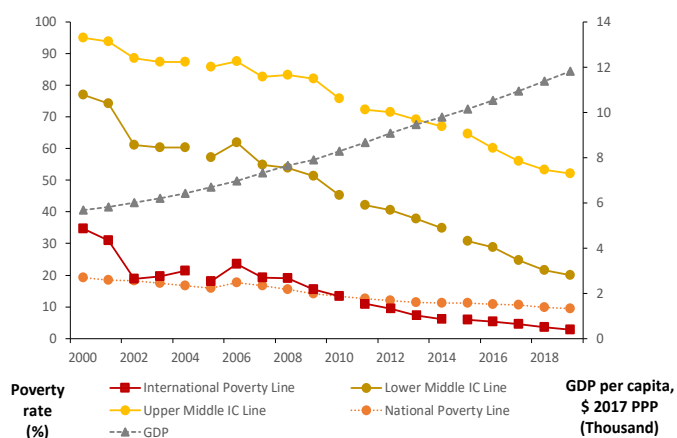
The July 2021 surge in COVID-19 cases driven by the Delta variant may contribute to keeping the poverty rate higher than the pre-pandemic level. In response to the surge, the government expanded the COVID-19 response and relief budget from 4.5 percent of the 2020 GDP in January 2021 to 4.8 percent in July, of which 24 percent was allocated to the social assistance (SA) package. A World Bank survey found that most SA programs had reached their target coverage by March 2021; still one in five households in the bottom 40 percent had not received any SA since July 2020, potentially due to exclusion errors and implementation challenges. World Bank modelling of ex-ante poverty impacts of the pandemic showed that the poverty rate could fall to 9.5 percent in 2021, provided that the size of the SA package and level of efficiency of its distribution were maintained at the year 2020 levels.

Inequality was relatively stagnant between September 2020 and March 2021 and remained higher than before the pandemic. The Gini index stood at 38.4 in March 2021, slightly higher than in March 2020 when it was estimated at 38.1. Inequality increased in both urban and rural areas. Overall, this suggests that a prolonged pandemic may threaten progress in reducing inequality in the long term. How inequality continues to evolve will likely depend on growth prospects and effectiveness of the SA package in mitigating the adverse socioeconomic impacts of the pandemic.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	25.1	9.4	2019
International Poverty Line 10282.4 in Indonesian rupiah (2019) or US\$1.90 (2011 PPP) per day per capita	7.3	2.7	2019
Lower Middle Income Class Poverty Line 17317.7 in Indonesian rupiah (2019) or US\$3.20 (2011 PPP) per day per capita	54.0	19.9	2019
Upper Middle Income Class Poverty Line 29764.7 in Indonesian rupiah (2019) or US\$5.50 (2011 PPP) per day per capita	141.3	52.2	2019
Multidimensional Poverty Measure		5.0	2018
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		4.61	2015-2019
INEQUALITY			
Gini Index		37.0	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.81	2015-2019
GROWTH			
Annualized GDP per capita growth		3.86	2015-2019
Annualized Consumption Growth per capita from Household Survey		3.80	2015-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		5.15	2015-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2021, and Global Monitoring Database for the rest.

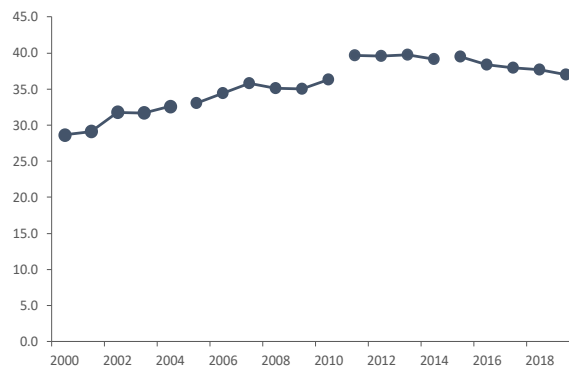
POVERTY HEADCOUNT RATE, 2000-2019



Source: World Bank using SUSENAS/EAPPOV/GMD

INEQUALITY TRENDS, 2000-2019

Gini Index



Source: World Bank using SUSENAS/EAPPOV/GMD

KEY INDICATORS

Distribution among groups: 2018	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	81	19	36	64	Monetary poverty
Rural population	76	24	45	55	Daily income/consumption less than US\$1.90 per person
Males	79	21	40	60	
Females	78	22	40	60	Education
0 to 14 years old	74	26	46	54	At least one school-aged child is not enrolled in school
15 to 64 years old	81	19	37	63	No adult has completed primary education
65 and older	71	29	47	53	
Without education (16+)	64	36	58	42	Access to basic infrastructure
Primary education (16+)	73	27	48	52	No access to limited-standard drinking water
Secondary education (16+)	78	22	42	58	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	89	11	25	75	No access to electricity

Source: World Bank using SUSENAS/EAPPOV/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

The poverty line in Indonesia is defined by Indonesia's national statistics office (Badan Pusat Statistik, BPS) as the amount of money required to obtain 2,100 calories per day, along with a small amount for other basic non-food items. There are 67 poverty lines in Indonesia, one for each of the urban and rural areas of the provinces outside of Jakarta; and the national poverty line is calculated as the weighted average of the 67 local poverty lines. Unlike in some countries, and in the calculation of international poverty lines, where the basket of goods used in calculating the poverty line is fixed and simply inflated by CPI, in Indonesia, the basket of goods is allowed to change every year in the calculation of each of the 67 local poverty lines. The basket of goods for each of the 67 local poverty lines is recalculated each year for a reference group of 'near poor' households, where 'near poor' households are defined as households that fall between the poverty line and 20th percentile of the consumption distribution above the poverty line. In the face of high food prices, the inflation factors applied to the national poverty lines tend to be larger than the CPI. Also, because the basket of goods used in calculating the national poverty line may change, the price per calorie changes.

HARMONIZATION

The numbers presented in this brief are based on the EAPPOV database. EAPPOV is a database of socio-economic statistics constructed using microdata from household surveys in the East Asia and the Pacific (EAP) region and is managed by the East Asia & Pacific Team for Statistical Development (EAPTS). As of January 2021, the collection includes 20 countries and 106 surveys. Harmonized surveys in the EAPPOV database are compiled into 4 modules following Global Monitoring Database (GMD) Harmonization guidelines. A subset of the harmonized variables form the basis of the GMD collection, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.