COUNTRY POVERTY BRIEF

EAST ASIA & PACIFIC

INDONESIA

October 2017

POVERTY	Rate (Number of Poor)	Period
National Poverty Line	10.9% (28.4 million)	2016
International Poverty Line 9080.8 in Local Currency Unit or US$1.90 (2011 PPP) per day per capita	6.8% (17.8 million)	2016
Lower Middle Income Class (IC) Poverty Line 15294.0 in Local Currency Unit or US$3.20 (2011 PPP) per day per capita	31.4% (82.1 million)	2016
Upper Middle Income Class (IC) Poverty Line 26286.6 in Local Currency Unit or US$5.50 (2011 PPP) per day per capita	62.8% (163.9 million)	2016
SHARED PROSPERITY		
Income or Consumption growth of the bottom 40 percent	3.8%	2011-2014
INEQUALITY		
Gini Coefficient	0.38	2016
Shared Prosperity Premium — Difference between the income or consumption growth of the bottom 40 percent and that of the average	0.4pp	2011-2014
GDP GROWTH		
Annualized GDP per capita growth	4.2%	2011-2014

Sources: WDI, EAPTSD using SUSENAS/EAPPOV/GMD. National poverty lines are provided by national statistical offices.

PROGRESS ON POVERTY AND EQUITY

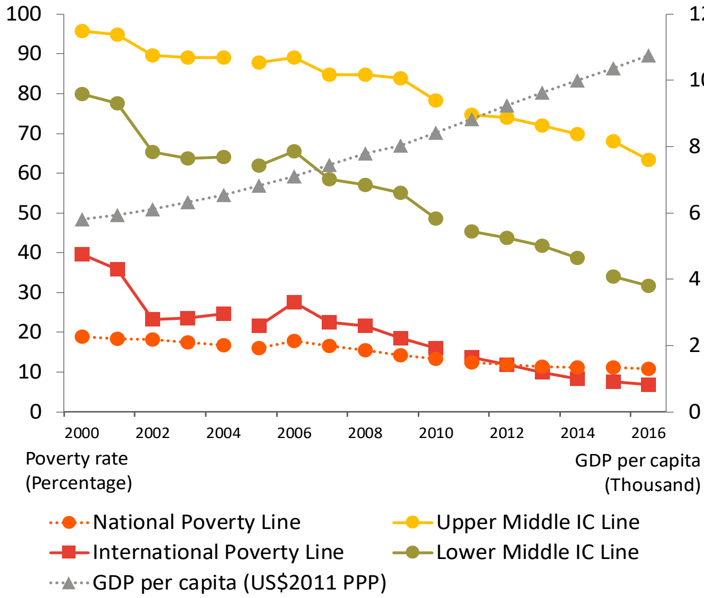
Poverty has continued to fall in Indonesia, reaching 6.8 percent in 2016 as per the international poverty line. This has been driven almost entirely by growth rather than changes in Indonesia's consumption distribution. Indeed, growth contributed more than 80 percent to the decline in poverty witnessed in Indonesia between 2011 and 2014.

However, the pace of poverty reduction has slowed in recent years. Between 2014 and 2016, the international poverty rate dropped just 0.7 percentage points per year on average, but between 2009 and 2014, the international poverty rate dropped by an average of 2.1 percentage points per year.

The consumption of the bottom 40 percent of households grew by 3.8 percent on average per year between 2011 and 2014. However, over the same period, the shared prosperity premium – which captures the difference between the average growth of the bottom 40 and the average growth of the total population – was, while positive, relatively small at 0.4 percentage points. This echoes the finding that growth, rather than distributional changes, has been the main driver of poverty reduction.

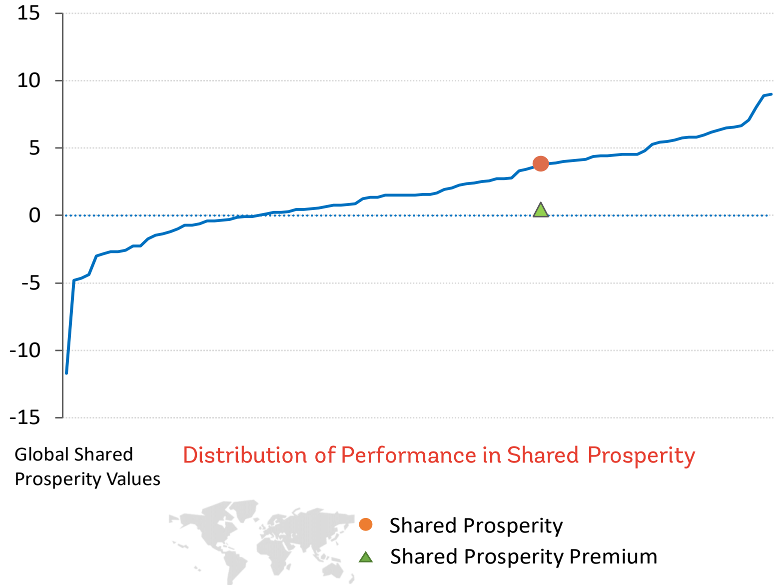
Inequality in Indonesia has increased substantially since the 1998 Asian financial crisis. The Gini coefficient, in nominal terms, climbed by nearly a point per year, rising from 0.30 in 2000 to 0.41 in 2013. Since 2013, the rise in the Gini has flattened off and even shown some signs of declining: in the year to March 2016 the Gini coefficient declined. However, these recent reductions in the Gini have resulted mainly from households between the 40th and the 80th percentile catching up to the top 20 percent, with the bottom 40 percent being somewhat left behind (Indonesia Economic Quarterly, October 2016). Therefore, ensuring that growth is truly inclusive remains an elusive goal for Indonesia.

POVERTY HEADCOUNT RATE, 2000-2016



Source: World Bank using SUSENAS/EAPPOV/GMD

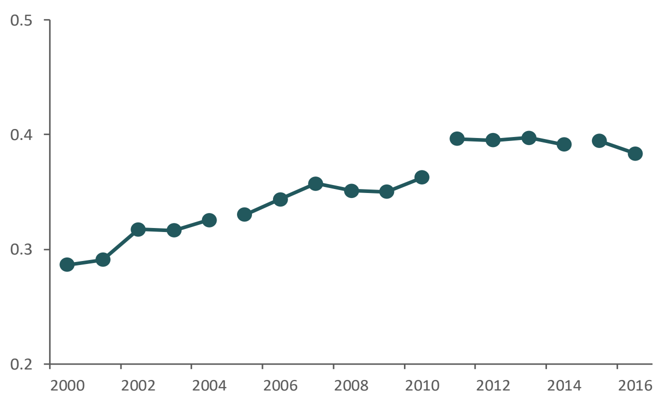
SHARED PROSPERITY AND SHARED PROSPERITY PREMIUM, 2011-2014



Source: World Bank using SUSENAS/EAPPOV/GMD

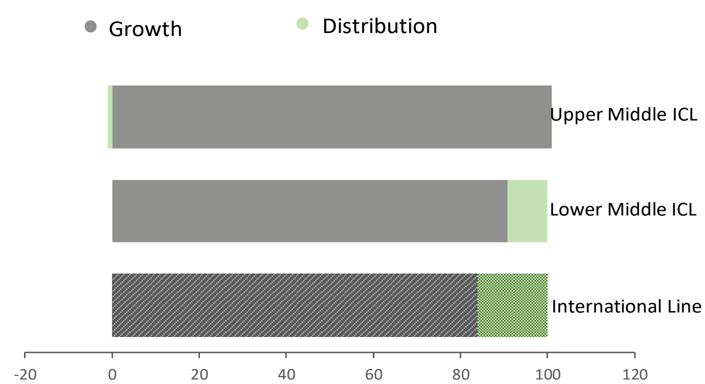
INEQUALITY TRENDS, 2000-2016

Gini Coefficient



Source: World Bank using SUSENAS/EAPPOV/GMD

% CONTRIBUTION TO POVERTY CHANGE, 2011-2014



Source: World Bank using SUSENAS/EAPPOV/GMD

POVERTY DATA AND METHODOLOGY

Indonesia's national statistics office (BPS) ostensibly defines the poverty line 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 actually 67 poverty lines in Indonesia – an urban and a rural line in every province outside of Jakarta – and the national poverty line is a weighted average of these 67 local poverty lines. Crucially, for each of these 67 poverty lines, the basket of goods that determines how much 2,100 calories costs is allowed to change each year. The basket is recalculated for a reference group of 'near poor' households: those households that sit between the poverty line and 20 percentiles of the consumption distribution above the poverty line. As such, the national poverty line is not inflated by a typical Laspeyres price index. By contrast, the basket used to calculate the international poverty lines remains fixed and is simply inflated by CPI.

The inflation factors applied to the national poverty line tend to be larger than CPI, in part because food price inflation in Indonesia has been high. Also, since the basket of goods used for the national poverty lines is altered each year, the price per calorie changes, making the BPS definition of poverty partially relative. These factors may explain why poverty reduction has appeared slower when measured using the national poverty line rather than the international poverty line.

Indonesia's socioeconomic household survey (Susenas) is collected twice annually. However, there were breaks in the sampling strategy used to collect the Susenas between 2010 and 2011 and between 2014 and 2015, which may affect comparisons over time.

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 (EAPTSD). As of April 2017, the collection includes 19 countries and 78 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.