Poverty in Indonesia has continued to decline over the past decade. According to Indonesia’s national statistics office (Badan Pusat Statistik, BPS), the poverty rate, using the national poverty line, has fallen from 16.6 percent in March 2007 to 10.6 percent in March 2017. Based on the PPP $1.9 per day international poverty line, the poverty rate has fallen from 22.3 percent in 2007 to 6.5 percent in 2016. Although poverty has been declining, the rate of the decline has slowed in recent times. Between 2014 and 2017, the poverty rate based on the national poverty line decreased by only 0.2 percentage points on average per year compared to 0.8 percentage points between 2007 and 2014.

Growth, rather than changes in the consumption distribution, has been the main driver of the observed decline in poverty. Between 2011 and 2014 growth accounted for 80% of the decline in poverty. Recent expansions in social assistance programs like Family Hope Program (PKH) have also contributed to the reduction in poverty by helping lower chronic poverty and reducing the probability of vulnerable households falling back into poverty.

Inequality has increased substantially since the 1998 Asian financial crisis. The Gini index increased from 30 in 2000 to 41 in 2011, an average of a percentage point per year. Since 2011 the Gini index plateaued generally until 2014 when it began to decline. By March 2017, the Gini coefficient had declined to 39.3. The decline in inequality between 2014 and 2017 was driven largely by the closing gap between the middle 40 and the top 20 percent of the distribution; the difference in consumption shares of these groups declined from 13.7 to 9.9 percentage points during this period. However, the consumption growth of the bottom 40 percent has lagged mean growth resulting in a negative shared prosperity premium (-0.02). This, together with the fact that inequality remains high, reinforces the need for growth to be more inclusive in Indonesia.

<table>
<thead>
<tr>
<th>POVERTY</th>
<th>Number of Poor (million)</th>
<th>Rate (%)</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Poverty Line</td>
<td>28.1</td>
<td>10.6</td>
<td>2017</td>
</tr>
<tr>
<td>International Poverty Line</td>
<td>15.1</td>
<td>5.7</td>
<td>2017</td>
</tr>
<tr>
<td>10195.7 in Indonesian rupiah (2017) or US$1.90 (2011 PPP) per day per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Middle Income Class Poverty Line</td>
<td>72.1</td>
<td>27.3</td>
<td>2017</td>
</tr>
<tr>
<td>17171.7 in Indonesian rupiah (2017) or US$3.20 (2011 PPP) per day per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upper Middle Income Class Poverty Line</td>
<td>155.4</td>
<td>58.9</td>
<td>2017</td>
</tr>
<tr>
<td>29513.8 in Indonesian rupiah (2017) or US$5.50 (2011 PPP) per day per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| SHARED PROSPERITY                    |                         |          |        |
| Annualized Consumption Growth per capita of the bottom 40 percent | 4.77          | 2015-2017 |        |

| INEQUALITY                           |                         |          |        |
| Gini Index                           | 37.9                    | 2017     |        |
| Shared Prosperity Premium = Growth of the bottom 40 - Average Growth | -0.02          | 2015-2017 |        |

| GROWTH                               |                         |          |        |
| Annualized GDP per capita growth     | 3.9                     | 2015-2017 |        |
| Annualized Consumption Growth per capita from Household Survey | 4.79          | 2015-2017 |        |

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 19th 2018, and Global Monitoring Database for the rest.
**KEY INDICATORS (distribution among groups)**

<table>
<thead>
<tr>
<th>Relative Group (%)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Poor</td>
<td>Poor</td>
</tr>
</tbody>
</table>

1. **Urban population**
   - International Poverty Line (%): 94
   - Poor: 6
   - Bottom 40: 35
   - Top 60: 65
   - Year: 2016

2. **Rural population**
   - International Poverty Line (%): 93
   - Poor: 7
   - Bottom 40: 45
   - Top 60: 55
   - Year: 2016

3. **Males**
   - International Poverty Line (%): 93
   - Poor: 7
   - Bottom 40: 40
   - Top 60: 60
   - Year: 2016

4. **Females**
   - International Poverty Line (%): 94
   - Poor: 6
   - Bottom 40: 40
   - Top 60: 60
   - Year: 2016

5. **0 to 14 years old**
   - International Poverty Line (%): 92
   - Poor: 8
   - Bottom 40: 46
   - Top 60: 54
   - Year: 2016

6. **15 to 64 years old**
   - International Poverty Line (%): 94
   - Poor: 6
   - Bottom 40: 37
   - Top 60: 63
   - Year: 2016

7. **65 and older**
   - International Poverty Line (%): 90
   - Poor: 10
   - Bottom 40: 47
   - Top 60: 53
   - Year: 2016

8. **Without education (age 16 and older)**
   - International Poverty Line (%): 86
   - Poor: 14
   - Bottom 40: 58
   - Top 60: 42
   - Year: 2016

9. **Primary education (age 16 and older)**
   - International Poverty Line (%): 92
   - Poor: 8
   - Bottom 40: 47
   - Top 60: 53
   - Year: 2016

10. **Secondary education (age 16 and older)**
    - International Poverty Line (%): 96
    - Poor: 4
    - Bottom 40: 32
    - Top 60: 68
    - Year: 2016

11. **Tertiary/post-secondary education (age 16 and older)**
    - International Poverty Line (%): 99
    - Poor: 1
    - Bottom 40: 11
    - Top 60: 89
    - Year: 2016

**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 calories changes. This may probably explain why poverty reduction based on national poverty line appeared to be slower than that based on the international poverty line.

**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 September 2018, the collection includes 19 countries and 87 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.