

Poverty & Equity Brief

October 2024

INDONESIA

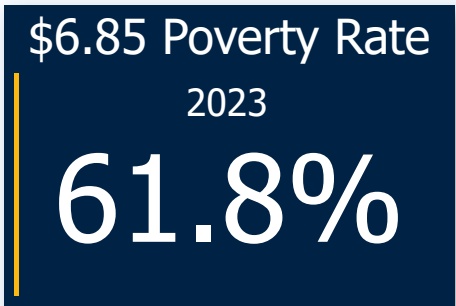
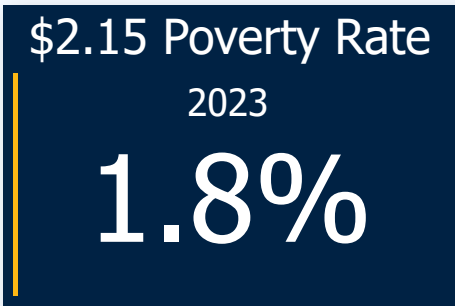
Indonesia’s poverty rate continued its slow and steady decline in 2024, supported by strong economic growth. The national poverty headcount ratio fell to 9 percent in March 2024—down 0.4 percentage points from the previous year. In urban areas, poverty decreased slightly from 7.3 percent in March 2023 to 7.1 percent in March 2024. Rural areas saw greater progress, with the poverty rate dropping by 0.4 percentage points to 11.8 percent, largely due to improved agricultural yields. The unemployment rate also declined to 4.8 percent in February 2024, falling below pre-pandemic levels.

However, the quality of job creation remains a concern, as much of the recovery has been driven by an increase in informal employment, which increased to 60 percent in February 2024, 4 percentage points higher than in 2019. In addition, there was an increase in the percentage of part-time jobs to 34 percent in February 2024, 6 percentage points higher than in 2019.

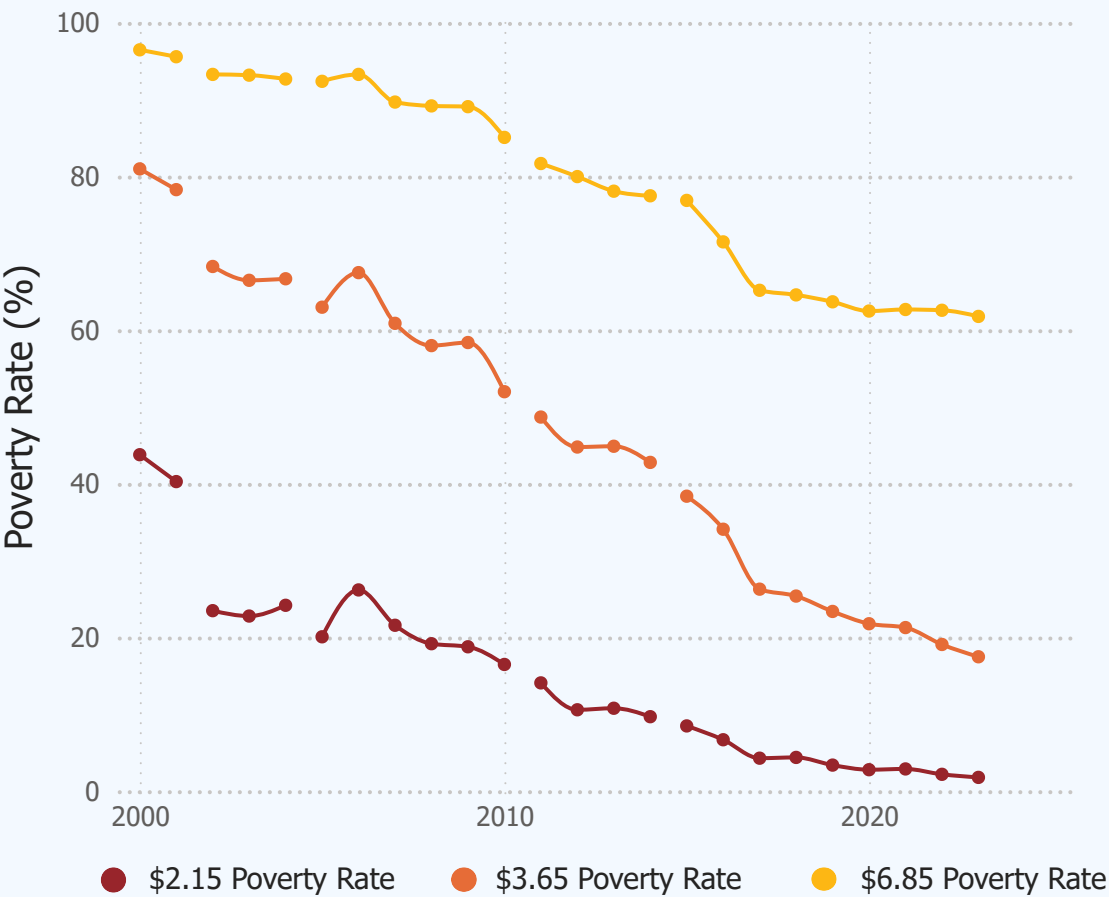
The Prosperity Gap, a new measure of shared prosperity introduced by the World Bank, measures the average factor by which an individual’s consumption must increase to reach a prosperity standard of \$25/day (in 2017 PPP) was estimated to be 4.7 in 2023.

Private consumption continues to be the main driver of poverty reduction. The government’s supply interventions and in-kind food assistance programs contributed to mitigating food price shocks, with food inflation down to 3.7 percent in July 2024. This led to improved welfare for poorer households. Nevertheless, inequality is still in increasing trend as the middle percentiles experienced disproportionately slower growth relative to other income groups. The World Bank estimates of Gini coefficient—a measure of inequality—showed a steady increase from 35.4 in 2019 to 36.1 in 2023.

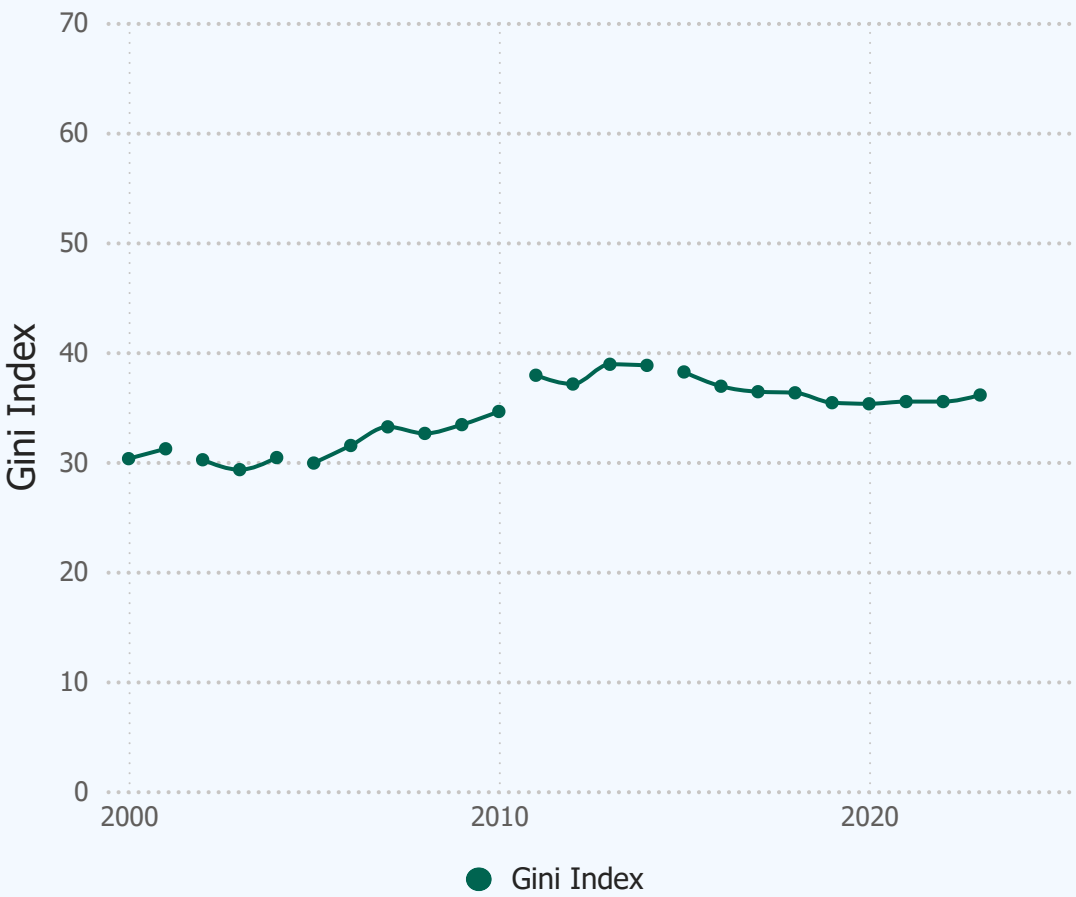
About 30 percent of households remain economically insecure and vulnerable to falling into poverty if faced with economic shocks. The slow growth in quality jobs limits access to adequate social protection. Expanding social protection coverage to include part-time and informal workers would provide security to a broader range of households. Improved targeting effectiveness of social assistance will remain key to reducing inequality and mitigating the disproportionate impact of food prices on vulnerable households.



Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	25,220.0	9.0	2024
International Poverty Line (\$2.15/day)	5,038.7	1.8	2023
Lower Middle Income Class Poverty Line (\$3.65/day)	48,620.6	17.5	2023
Upper Middle Income Class Poverty Line (\$6.85/day)	171,419.7	61.8	2023
Multidimensional Poverty Measure		2.1	2023

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	15.2	Daily income less than US\$2.15 per person	1.8
Rural population	20.8	At least one school-aged child is not enrolled in school	1.3
Males	17.4	No adult has completed primary education	2.9
Females	17.7	No access to limited-standard drinking water	5.5
0 to 14 years old	22.4	No access to limited-standard sanitation	11.7
15 to 64 years old	15.7	No access to electricity	0.6
65 and older	18.8		
Without education (16+)	29.5		
Primary education (16+)	20.6		
Secondary education (16+)	14.4		
Tertiary/post-secondary education (16+)	7.1		

Note:
Data for the "Poverty by Group" table is derived from a 2023 survey and data for the "Multidimensional Poverty Components" table is derived from a 2023 survey. The rates in the "Poverty by Group" table above are shown at the \$3.65 lower-middle income line. "N/A" denotes a missing/removed value, while "N/A*" refers to a value which was removed due to having fewer than 30 observations.

Poverty Data & Methodology

The poverty line in Indonesia is defined by the 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. The national poverty line is calculated as the population weighted average of the 67 local poverty lines. In Indonesia, the basket of goods is adjusted every year to re-estimate the 67 local poverty lines, which are calculated for a reference group of households that fall between the poverty line and 20th percentile of the consumption distribution.

In 2024, the World Bank amended its approach to poverty and welfare calculations for Indonesia to apply deflation adjustments to household welfare that account for spatial differences in the cost of living. An annual regency-level spatial deflator based on a Paasche-type index was introduced. Additional adjustments were made to ensure consistency with the application of the official CPI temporal deflator. Following these adjustments, the past practice of applying separate urban and rural PPP conversion factors was discontinued.

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 2024, the collection includes 21 countries and 127 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 forms 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.