

Indonesia Investments

Rising Poverty in Indonesia

- Indonesia's Poverty Rate Rose to 10.19% in September 2020 Because of the COVID-19 Crisis
- Rise in Poverty Lower than Expected, Possibly due to Government's Effective Social Spending Program
- Gini Ratio Shows Rising Income Distribution Inequality in Indonesia due to COVID-19 Crisis
- In Tackling the COVID-19 Crisis the Government Uses a Narrow Definition of 'Public Health'
- Rise in Urban Poverty Outpaces the Rise in Rural Poverty across Indonesia

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Update – 20 February 2021

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Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. Topics in these updates will often be discussed in more detail (and in an updated form) in forthcoming monthly reports.

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COVID-19 Crisis Drags Down Economic Activity and Pushes Up Poverty Across Indonesia

In mid-February 2021, Statistics Indonesia (in Indonesian: *Badan Pusat Statistik*, or BPS) released its latest poverty statistics. As expected, the data show a worrying rise in poverty across Indonesia, a development that is obviously related to the ongoing COVID-19 crisis. Governments' self-imposed social and business restrictions (both at home and abroad), which aim at preventing the further spread of the virus, drag down economic activity in an unprecedented way.



Although a COVID-19 infection is harmless for over 98 percent of the population, it is a serious – even fatal – virus for those who have weakened immune systems due to old age or underlying illnesses. A rough estimate is that 0.5 percent of national populations have required medical treatment in hospitals due to COVID-19 related complications since the start of the pandemic around a year ago. To some that may seem like a small figure. However, in absolute terms, it puts great stress on hospitals

(despite the fact that this 0.5 percent is spread out over some 12 months). Therefore, governments around the world have imposed full-lockdowns or semi-lockdowns to relieve pressures on hospitals. In the case of Indonesia the government deliberately refrains from using the word '(semi)lockdown' but instead prefers to use the term 'restrictions' such as in *Pembatasan Sosial Berskala Besar*, abbreviated as PSBB, or more recently the phrase *Pemberlakuan Pembatasan Kegiatan Masyarakat*, PPKM, in an attempt to soften the psychologic impact in society. Some may argue that this approach backfires considering many Indonesians fail to comply with the hygiene protocols (such as wearing facemasks).

Nonetheless, as a consequence of these lockdowns or restrictions (both at home and abroad), economic activity (in the form of consumption, production, investment, and trade) has eased in an unprecedented fashion. And, this too is causing victims. For example, millions of Indonesians were laid off in 2020. At 7.07 percent in August 2020, Indonesia's open unemployment rate soared to its highest level since 2011, with some 2.67 million people losing their jobs, while 1.7 million Indonesians were furloughed (and many others saw their wages being cut short).

Unemployment Statistics Indonesia:

	August 2018	August 2019	August 2020
Indonesian Population (in millions)	n/a	n/a	270.20
People in Working Age (in millions)	198.13	201.19	203.97

	August 2018	August 2019	August 2020
Labor Force (in millions)	133.36	135.86	138.22
- Unemployed (in millions)	7.07	7.10	9.77
- Working (in millions)	126.29	128.76	128.45
Unemployment Rate (%)	5.30	5.23	7.07
Urban Unemployment (%)	6.44	6.29	8.98
Rural Unemployment (%)	3.97	3.92	4.71

Source: Badan Pusat Statistik (BPS)

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