

Households Distribution of Income and Expenditure

Indonesia Case: a study



Puji Agus Kurniawan
National Account Director: Expenditure Side
BPS – Statistics Indonesia



Outline

- Data Source
- Households Distribution on Income
- Households Distribution on Consumption
- Households Distribution on Income Ratio
- Findings

Data Source

National Socio-Economic Survey

March, 2020

- ❑ Sampel: 320,000 HHs
- ❑ Households income and consumption distribution

grouped by:

- **Decile**
- **Level**
 - National
 - Urban
 - Rural
- **Source of income**
 - Wages/Salaries
 - Gross Operating Surplus
 - Property Income
 - Transfer In
- **Consumption**
 - Total
 - Food
 - Nonfood

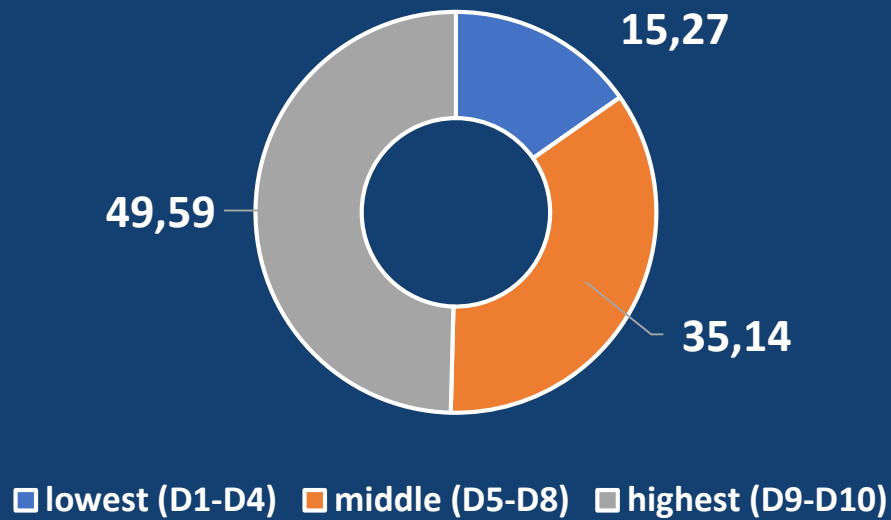


SUSENAS



HOUSEHOLDS DISTRIBUTION ON INCOME, NATIONWIDE 2020

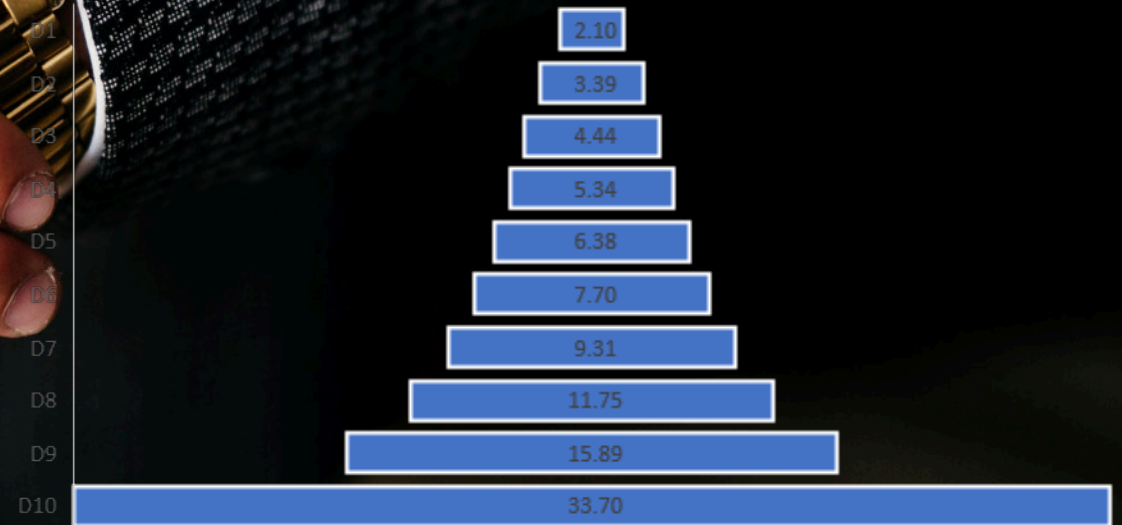
HH Distribution of Total Income, 2020



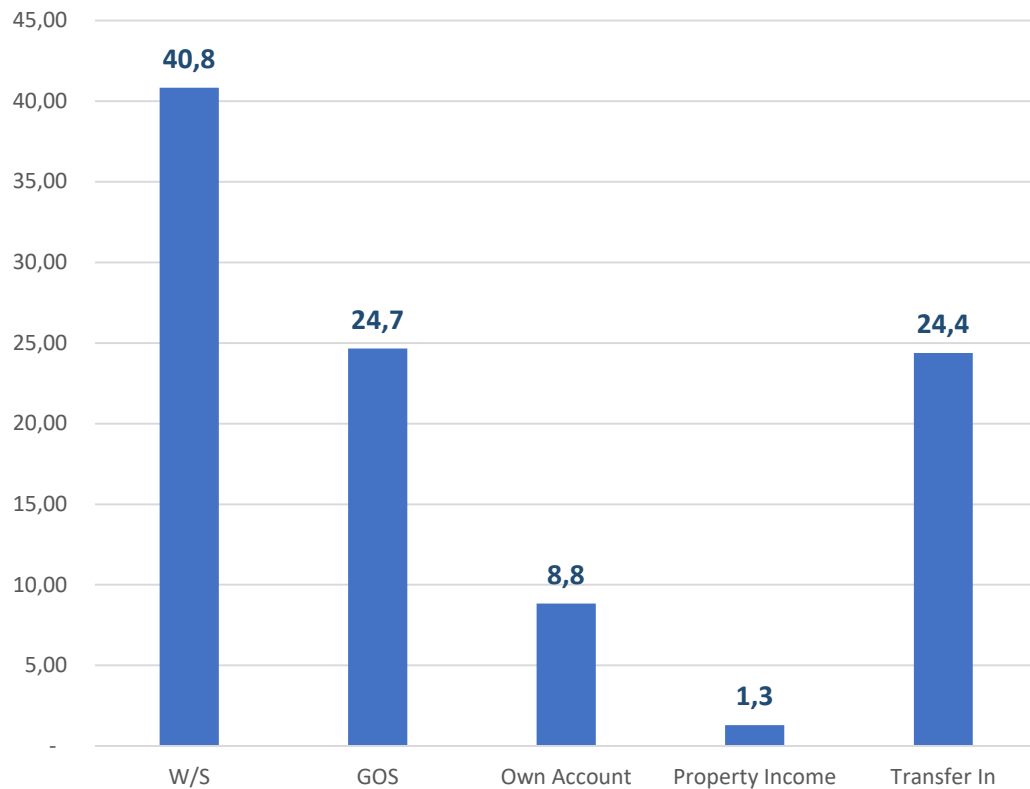
Highest and middle decile contribute for almost 85% total income.

The highest decile (D-10) dominate the total income creation (33,7%).
→ 16 X bigger than the lowest decile (D-1)

Hh Distribution of Total Income, by decile 2020



Source of Income Contribution to Hh Total Income, 2020



- Around **40%** income received by households is generated from **Wages/Salaries**.
- **Operating Surplus** created by unincorporated enterprise within Hh contribute to **¼ total income**.
- Another **¼ total income** is received from donation (**transfer**).
- Less than 10% total income is provided by own production to fulfill consumption of the same Hh.
- Property income is only possessed by certain Hh having financial and nonproduced assets
→ lowest penetration to total income.

Source of Income by Decile, 2020



The higher decile:

- the higher wages/salaries share as main source of income
- the lower transfer received share to total income
- the lower own production role

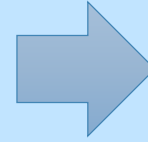
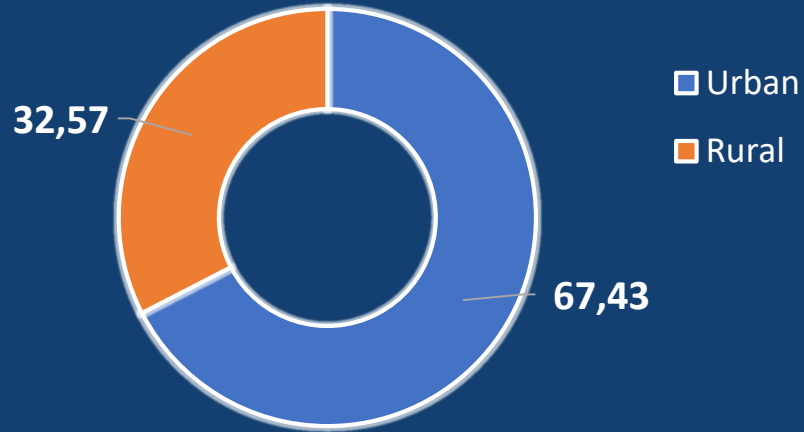


Operating surplus share to total income come at peak for D3 to D6



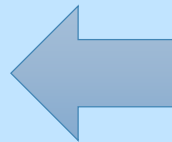
HOUSEHOLDS DISTRIBUTION ON INCOME, URBAN VS RURAL 2020

Urban vs Rural Contribution to Total Income, 2020

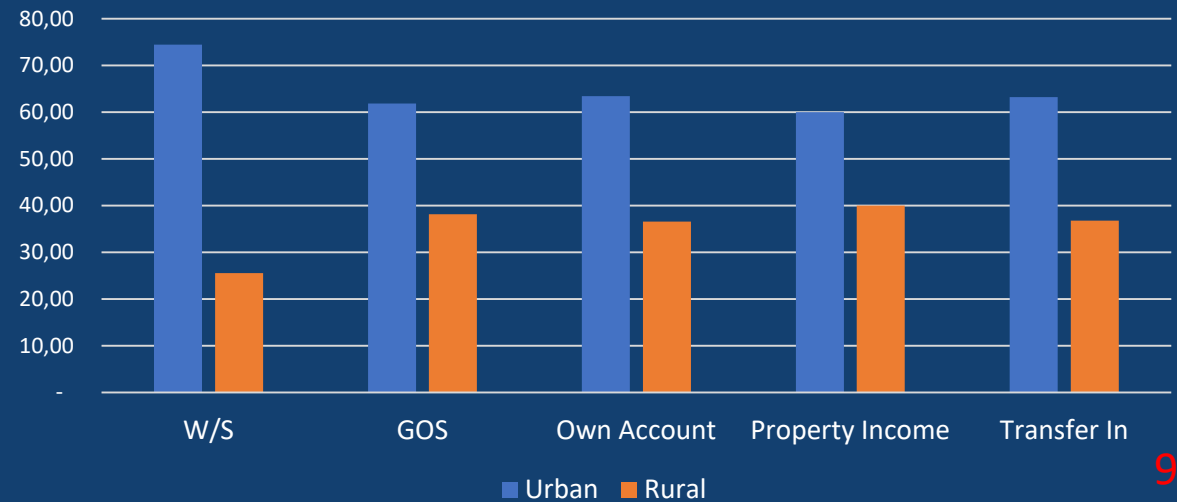


Total income is mainly generated from urban households (almost 70%) ...

... ultimately from Wages/Salaries



Urban vs Rural by Source of Income, 2020



Income Group	Urban	Rural	Indonesia
Lowest (D1-D4)	9.07	28.11	15.27
Middle (D5-D8)	31.71	42.25	35.14
Highest (D9-D10)	59.22	29.65	49.59
Total	100.00	100.00	100.00
Middle + Highest	90.93	71.89	84.73
Middle + Lowest	40.78	70.35	50.41

- ❖ Urban area is dominated by highest income group
 - Highest income generate almost 60% total income
 - Middle + Highest income can explain 90% total income created in the city
 - Lowest income only explain less than 10%
- ❖ Lead to higher income inequality

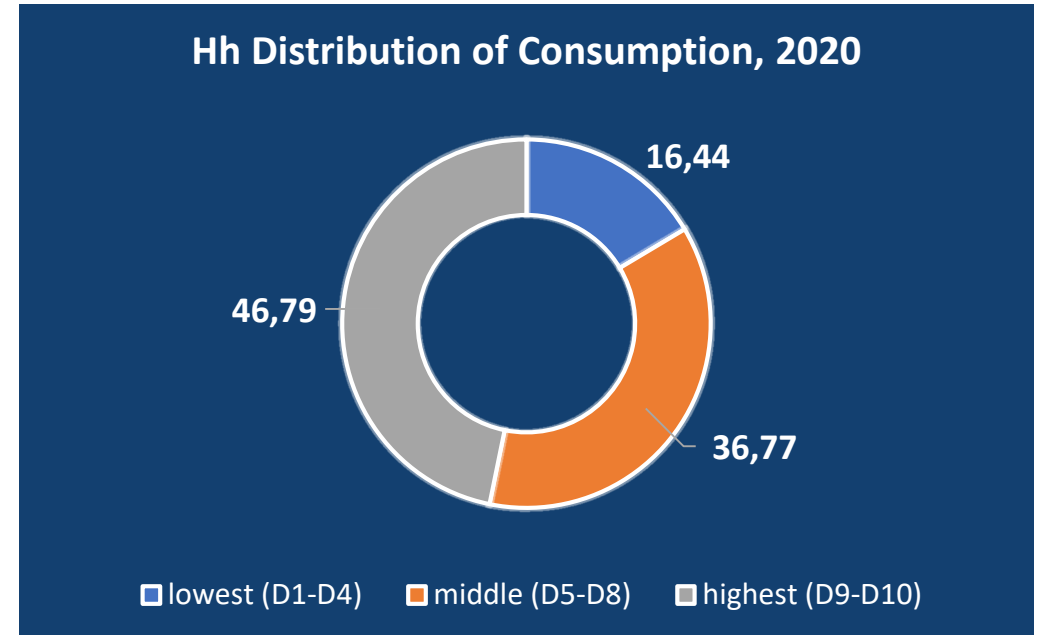
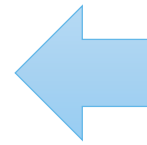
- ❖ By contrast, rural area is dominated by lowest and middle income group
 - Lowest income explain almost 30% total income
 - Middle + Lowest income can explain 70% total income
 - Highest income can only contribute less than 30% total income
- ❖ Lead to better income inequality, but with lower standard of living



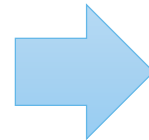
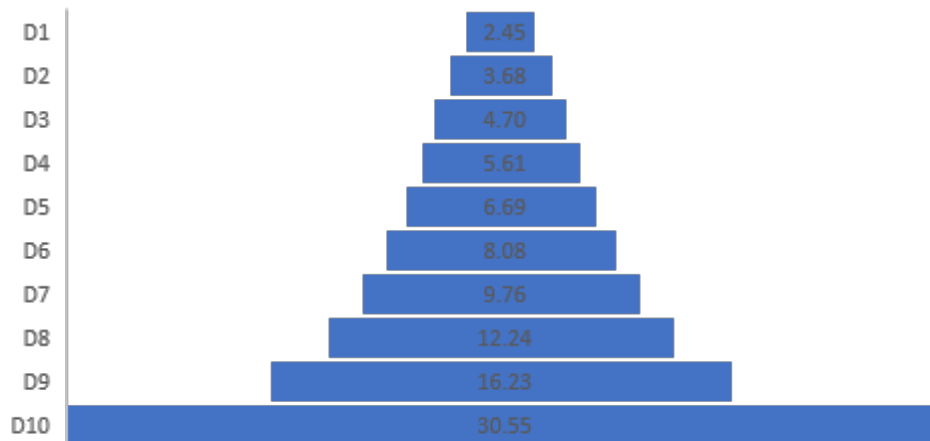
HOUSEHOLDS DISTRIBUTION ON CONSUMPTION, NATIONWIDE 2020

Households consumption pattern among decile similar with income pattern...

More than 80% total consumption is incurred by middle and highest decile.

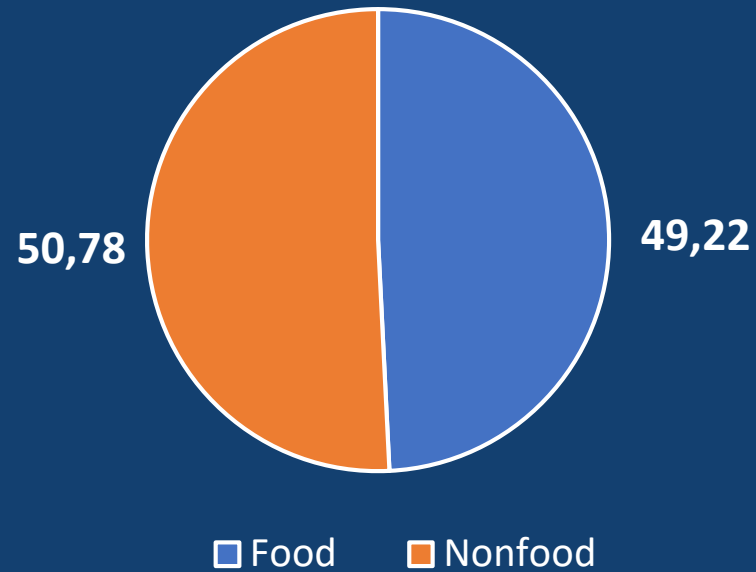


Hh Distribution of Consumption, by Decile 2020

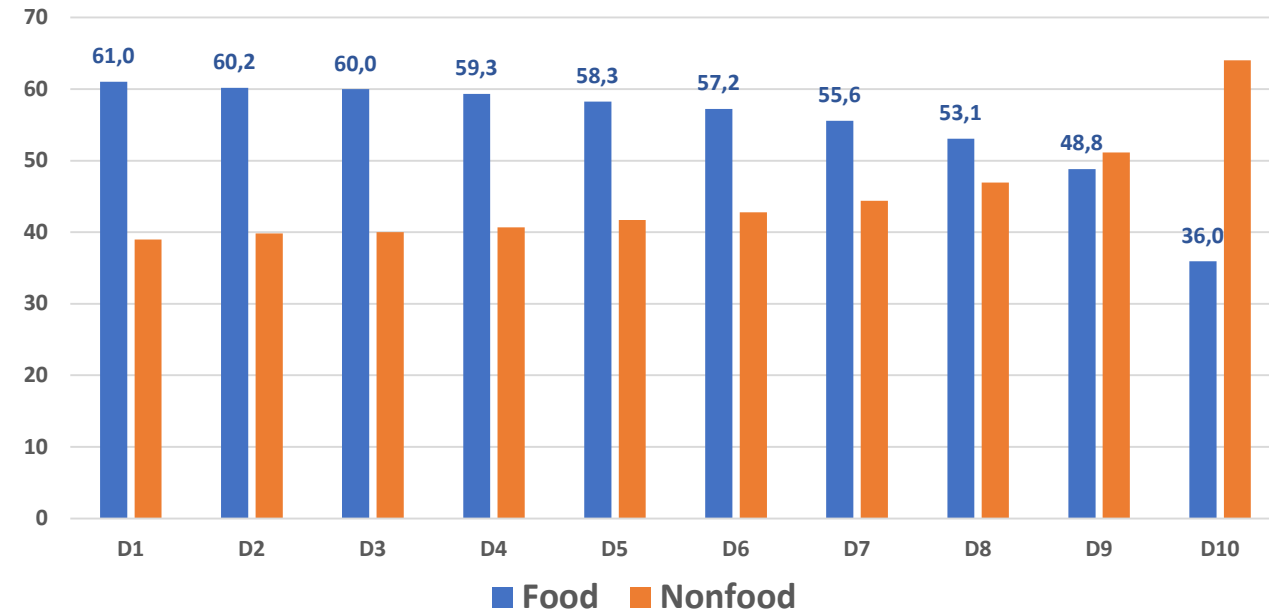


The highest decile (D-10) dominate total consumption.

Share of Food vs Nonfood Consumption, 2020



Food vs Nonfood Share Among Decile, 2020



Households consumption on food as many as nonfood.

The higher decile:

- the lower food consumption
- the higher nonfood consumption

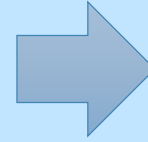
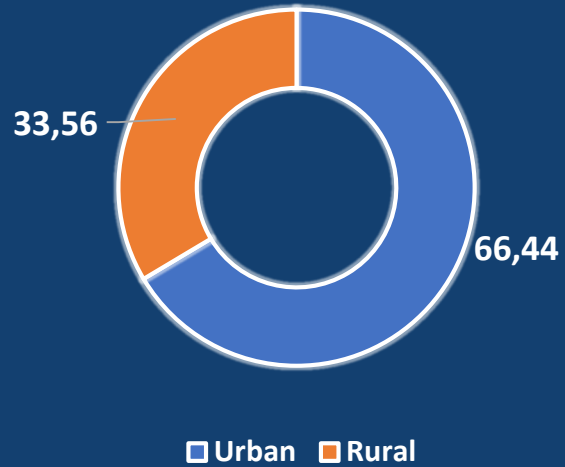
D1: food >> nonfood → food as priority

D10: food << nonfood

The background features a gradient of blue tones, from a darker shade on the left to a lighter shade on the right. Overlaid on this are various geometric elements: thin white lines, some straight and some curved, and several circles of varying sizes, some solid and some hollow. The overall aesthetic is clean and modern.

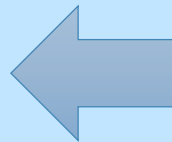
HOUSEHOLDS DISTRIBUTION ON CONSUMPTION, URBAN VS RURAL 2020

Urban and Rural Contribution to Total Consumption, 2020

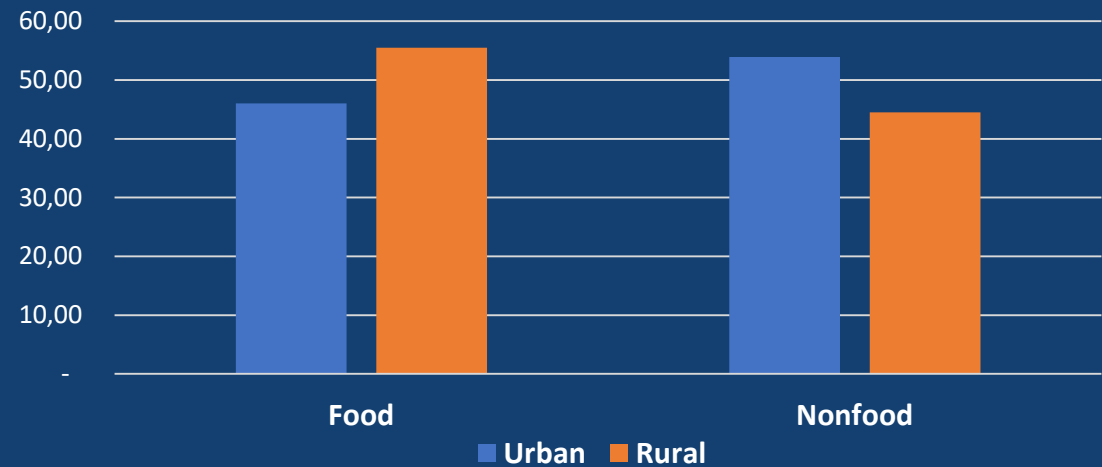


Almost 70% total consumption is generated from urban, for both food and nonfood

- Food consumption share: **urban < rural**
- Nonfood consumption share: **urban > rural**



Food vs Nonfood Consumption, Urban and Rural 2020



Income Group	Urban	Rural	Indonesia
Lowest (D1-D4)	9.38	30.41	16.44
Middle (D5-D8)	32.88	44.47	36.77
Highest (D9-D10)	57.74	25.11	46.79
Total	100.00	100.00	100.00
Middle + Highest	90.62	69.59	83.56
Middle + Lowest	42.26	74.89	53.21

- ❖ Urban consumption is mainly derived by highest income group for almost 60%.
- ❖ Together with middle group, the highest spend around 90% total urban consumption.
- ❖ Not many contribution from the lowest group, with share less than 10%.

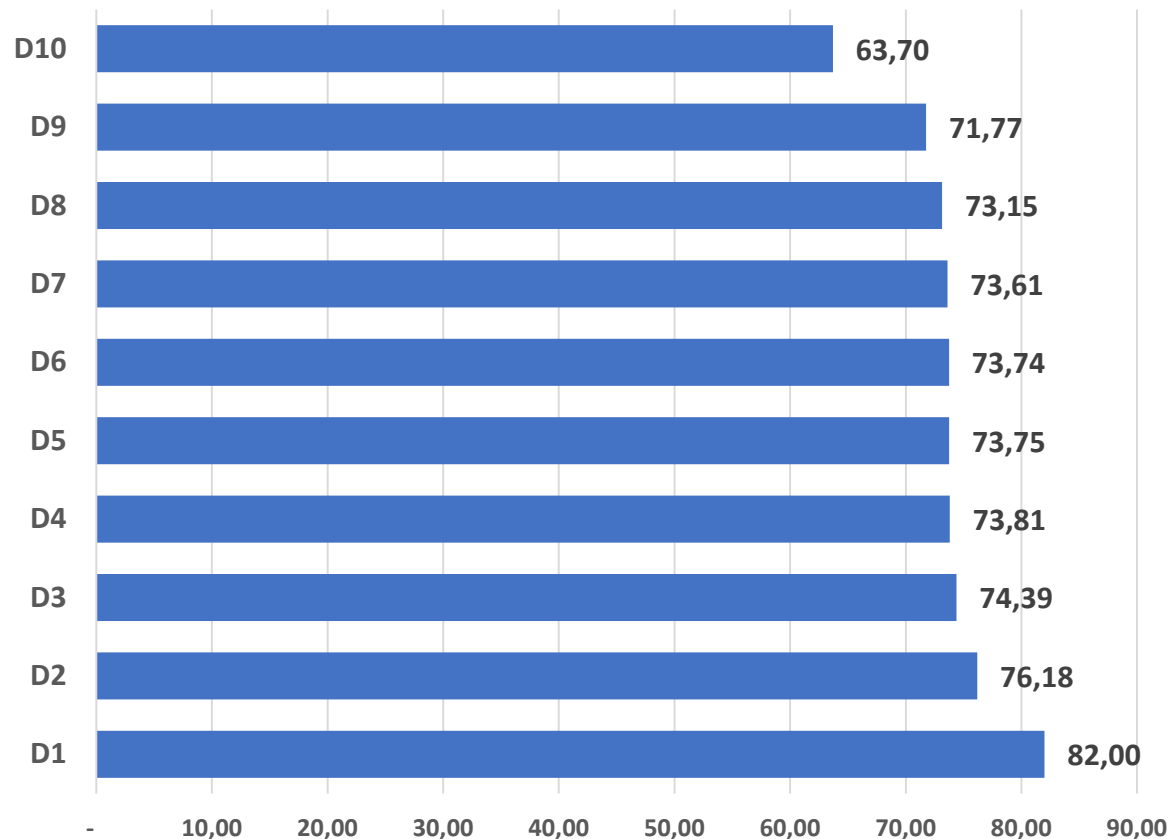
- ❖ Unlike urban area with massive difference on consumption pattern among decile, rural area face lower gap between groups of income.
- ❖ Almost 75% of rural consumption can be explained by lowest and middle group.
- ❖ Highest income only contribute to ¼ total consumption.



HOUSEHOLDS DISTRIBUTION TO INCOME RATIO, NATIONWIDE 2020

70,25% total income is allocated for consumption

Income and Consumption Ratio, by Decile 2020



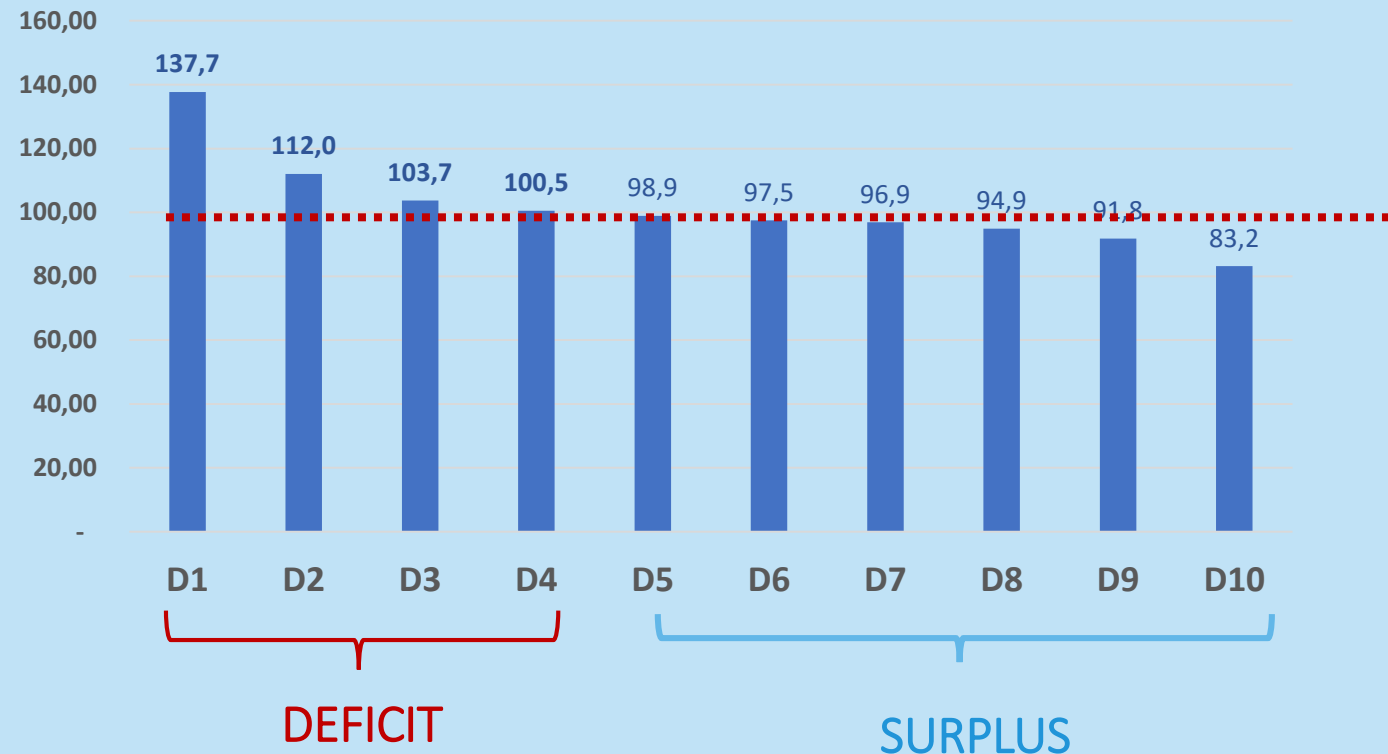
The highest decile, the lowest consumption to income ratio.

- The highest decile: only allocate around 60% its income for consumption
- D2-D9: around 70% total income is allocated for consumption
- The lowest decile: most of total income (80%) is attributed for consumption

but without transfer, consumption to income ratio is much higher... more than 90%

- Transfer received has big portion on income, ultimately for lower decile.
- If transfer is excluded from total income:
 - D1 to D4 experience deficit: consumption > income
- So, D1 to D4 actually spend all income generated mainly from W/S and GOS for consumption and it's not enough
 - transfer help these decile to "survive"

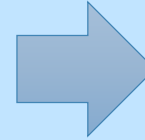
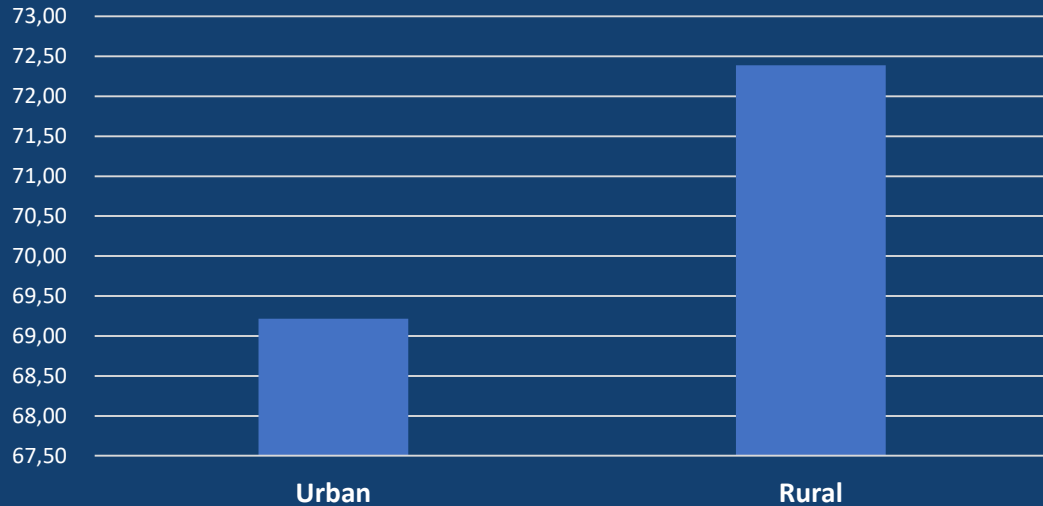
Consumption to Income Ratio, Transfer Excluded 2020





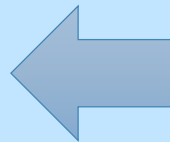
HOUSEHOLDS DISTRIBUTION TO INCOME RATIO, URBAN VS RURAL 2020

Consumption to Income Ratio, Urban vs Rural 2020

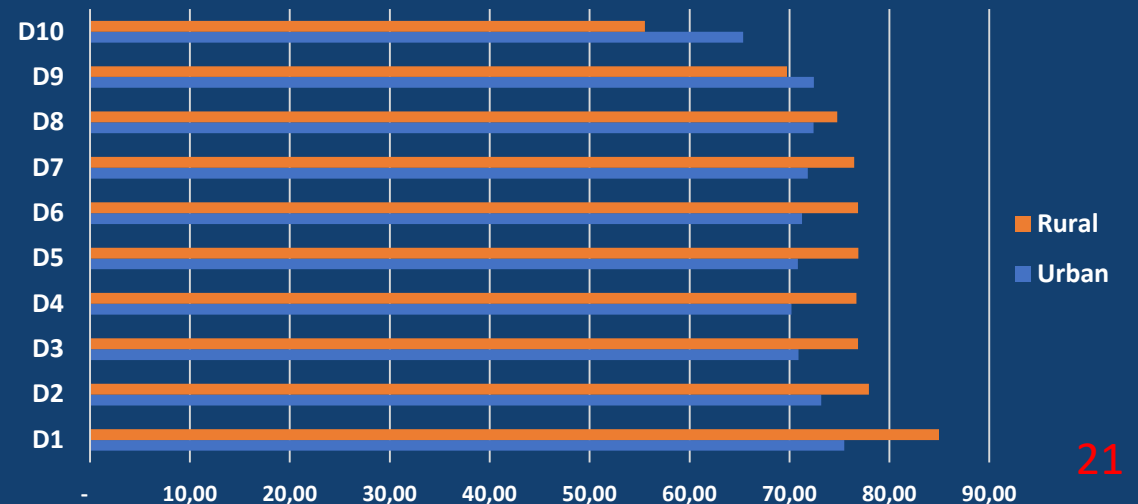


Urban households spend their total income on consumption less than rural households.

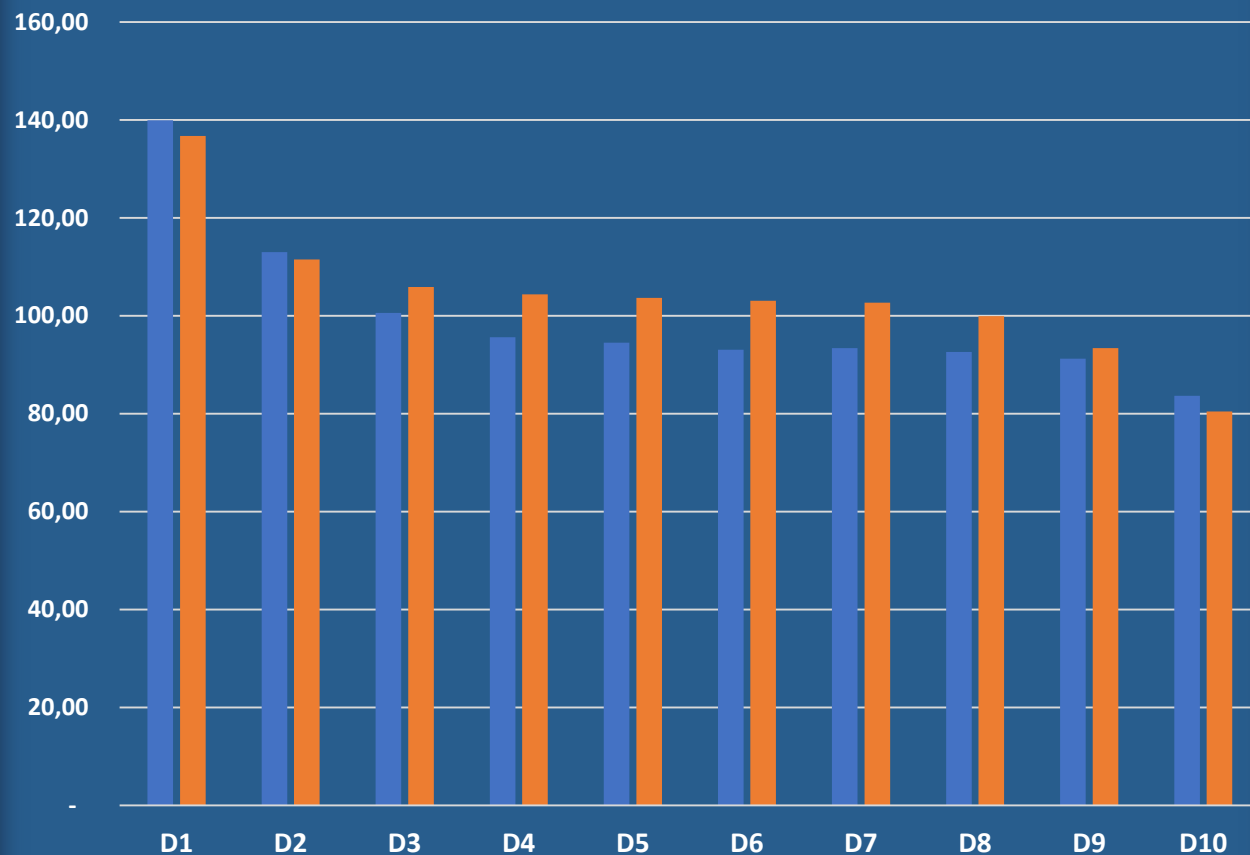
In most decile, households in rural area spend their income for consumption higher than urban does.



Consumption to Income Ratio, Urban vs Rural by Decile 2020



Consumption to Income (Transfer Excluded) Ratio, Urban vs Rural 2020



- If transfer received by households is excluded from total income, then particular decile experience deficit:
 - Urban: D1 to D3
 - Rural: D1 to D7
- Most of rural households face significant income loss if transfer taken away.
- Surplus decile:
 - Urban: D4 and above
 - Rural: started with D8

Findings

□ Key Findings

- Income and Consumption Ratio
- Households Deficit and Surplus
- Gini Ratio: Income and Expenditure

□ The Way Forward

- Pre-pandemic vs during pandemic income distribution
- More works on Wealth
- Calibration with other data source
- Households sectoral account benchmarking

The background is a dark blue gradient with various geometric elements: light blue circles, thin white lines, and semi-transparent rounded rectangles in shades of blue. The overall aesthetic is modern and minimalist.

THANK YOU