



WEALTH INEQUALITY IN INDONESIA

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WEALTH INEQUALITY IN INDONESIA, 2000 – 2014

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1 Introduction

The purpose of this note is to explain the methodology behind the wealth distribution series for Indonesia available on wid.world.

2 Data

In this section, we describe the data sources and methodological steps underlying the wealth distribution series.

2.1 Data and Methodology

The main data source we use is the Indonesian Family Life Survey (IFLS), which is an ongoing longitudinal survey that provides a representative picture of about 83% of the Indonesian population and contains over 30,000 individuals living in 13 of the 27 provinces in the country. The survey consists of five waves (i.e., 1993, 1997, 2000, 2007, 2014) and provides detailed information about the structure of incomes, assets and debts for each surveyed household. We currently use the last three waves to build wealth distribution series from 2000 to 2014, but we plan to incorporate the other two older waves in future updates.

2.2 Methodology

To build the wealth distribution series, we follow very closely the DINA guidelines, as described in Alvaredo et al. (2021). First, we build a survey estimate of net wealth for each household. We follow as much as we can the wealth concept used in national accounts (System of National Accounts, SNA), that is, the current market value of all financial and non-financial assets owned by the household sector net of all debts. We estimate households' financial assets as the sum of savings, deposits, stocks, and receivables. Households' non-financial assets are composed of total housing (i.e., owner- and tenant-occupied housing), total business assets (i.e., non-farm and farm business assets¹) and other assets (e.g., collectibles). We then net out total liabilities to the sum of financial and non-financial assets to obtain the value of net wealth for each household.

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1. Farm business assets include farmland, poultry, livestock, plants, farm housing, etc; and non-farm business assets contain business livestock, business land, business poultry, and business tanaman.

Second, we only consider adult individuals (i.e., aged 20 or above) in the survey and reweight the survey weights so as to match them with the adult Indonesian population every year. Third, we split each household asset and liability equally across all adult household members. Hence, the wealth distribution series are built based on equal-split individual units. Fourth, we build wealth distribution series for each of the year waves (i.e., 2000, 2007 and 2014) and linearly interpolate the total wealth, wealth threshold, number of individuals and wealth share in each percentile, so as to obtain annual wealth distribution series for the whole period 2000-2014. Finally, since the survey wealth totals are substantially underestimated relative to the national accounts totals, we rescale the total wealth and wealth threshold in each percentile, so as to match them with the wealth totals available on wid.world and estimated following the methodology described in Bauluz, Brassac, Martínez-Toledano, and Sodano (2023). Figure 1 depicts the final wealth distribution series of Indonesia for 2000-2014. The wealth distribution is decomposed into three wealth groups: top 10%, middle 40% and bottom 50%.

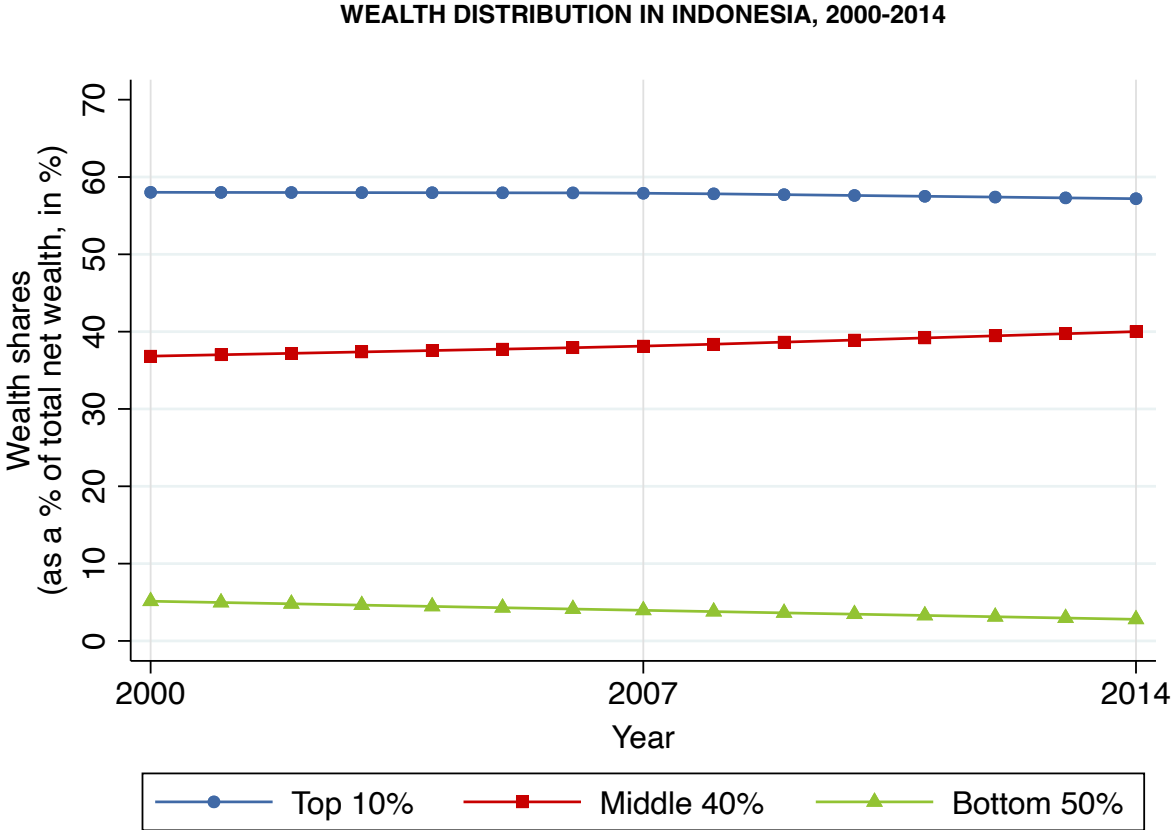


Figure 1: WEALTH DISTRIBUTION IN INDONESIA, 2000-2014

Notes: This figure depicts the evolution of the wealth distribution in Indonesia between 2000 and 2014. The wealth distribution is decomposed into three groups: top 10%, middle 40% and bottom 50%.

References

- Alvaredo, Facundo, Anthony Atkinson, Lucas Chancel, Thomas Piketty, Emmanuel Saez, and Gabriel Zucman. 2021. “Distributional National Accounts (DINA) guidelines: Concepts and methods used in WID. world.”
- Bauluz, Luis, Pierre Brassac, Clara Martínez-Toledano, and Alice Sodano. 2023. “Estimation of global wealth aggregates in WID. World.” *World Inequality Lab–Technical Note*.