BACKGROUND: STEADY BUT SLOW

Standard deviation of GDP growth, 2000-2017

Notes: (i) 100 largest emerging and developing countries in terms of GDP in 2017. No data for Afghanistan and Venezuela. Equatorial Guinea, Iraq, and Libya are not shown in the graph. (ii) Dotted lines show the averages of each variable.

Source: Author’s illustration based on IMF World Economic Outlook Database
THREE MAIN PERIODS:
1960s-MID 1970s; MID-1970s-MID 1990s; 2000s-

Notes: (i) The missing Gini coefficients were calculated using linear interpolation. (ii) Manufacturing value added and employment shares are five-year moving averages. For example, the data for 1975 is an average of data for 1971–1975.

Source: Author’s illustration based on GGDC 10-Sector Database and UNU-WIDER WIID
## Kuznetsian Tension in Three Periods

<table>
<thead>
<tr>
<th>Period</th>
<th>Kuznetsian Tension:</th>
<th>Inequality</th>
<th>Growth-enhancing structural transformation</th>
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<tbody>
<tr>
<td><strong>Period I</strong></td>
<td>Weak ('adverse')</td>
<td>Increasing</td>
<td>(1960s-mid 1970s)</td>
</tr>
<tr>
<td><strong>Period II</strong></td>
<td>Ambiguous</td>
<td>Stable or declining</td>
<td>(mid-1970s-mid 1990s)</td>
</tr>
<tr>
<td><strong>Period III</strong></td>
<td>Strong</td>
<td>Stable or declining</td>
<td>(2000s-)</td>
</tr>
</tbody>
</table>

Kuznetsian tension: Weak ('benign')
KEY FINDINGS ON THE LATEST PERIOD

• Structural transformation losing dynamism
  • Weak growth in manufacturing & high value-added services
  • Recent increase in investment to strengthen ‘fundamentals’ (e.g. infra.): Positive but far from enough
  • Selective industrial policies & SOE-led high-tech. manufacturing development: Require more attention

• Questionable record on inclusive growth
  • Will be close to eradicating extreme poverty by 2030, but poverty rates at higher thresholds are still very high & inequality is close to the post-independence period’s peak
  • Recent increase in investment on targeted social policies: Positive but far from enough

• Challenges
  • Strengthening fiscal revenue and expenditure / sourcing domestic financial resources for development
  • Legitimising state’s long-term investment and industrial policies
  • Making social policies progressive


Note: 6 other main natural resources = copra, tea, tobacco, tin, coffee, palm oil


ECONOMIC HISTORY (2/2): QUALITY OF LIFE & INEQUALITY

(1955/59, 1936/40 = 100)

Life expectancy (years)
Per capita GDP (2000 price, Rupiah)
Per capita cereals and roots intake (kg per year)

(Source: Booth, A. (2016). Economic Change in Modern Indonesia: Colonial and Post-Colonial Comparisons. Cambridge: Cambridge University Press.)

(Top 1% income share)

1920 1925 1930 1935


(Expenditure Gini coefficients)

0.3 0.4 0.5 0.6

1925 1932 1939 1942 1953 1959

Notes: (i) EGW = electricity, gas, water supply; THR = wholesale and retail trade, hotels, restaurants; TSC = transport, storage, communication; FIRB = finance, insurance, real estate, business services; CSP = community, social, personal services.

Source: Author’s illustration based on GGDC 10-Sector Database.
TRENDS IN ST (2/4):
TRADE

Source: Author’s illustration based on World Bank World Development Indicators.
Notes: (i) EGW = electricity, gas, water supply; THR = wholesale and retail trade, hotels, restaurants; TSC = transport, storage, communication; FIRB = finance, insurance, real estate, business services; CSP = community, social, personal services.

Source: Author’s illustration based on GGDC 10-Sector Database.
TRENDS IN ST (4/4):
LABOUR PRODUCTIVITY

1973–1986 (ISI)

Ratio of sectoral productivity to total productivity (log)

1986–1996 (Deregulation)

Ratio of sectoral productivity to total productivity (log)

1999–2012 (Post-crisis)

Ratio of sectoral productivity to total productivity (log)

Notes: (i) EGW = electricity, gas, water supply; THR = wholesale and retail trade, hotels, restaurants; TSC = transport, storage, communication; FIRB = finance, insurance, real estate, business services; CSP = community, social, personal services. (ii) Sectors that experienced a simultaneous rise in employment share and relative productivity are coloured red.

Source: Author’s illustration based on GGDC 10-Sector Database.
TRENDS IN IG (1/4): INEQUALITY

Source: Author’s illustration based on UNU-WIDER WIID
TRENDS IN IG (2/4): POVERTY RATE

Source: Author’s illustration based on World Bank, PovcalNet.
**TRENDS IN IG (3/4):**

**GROWTH ELASTICITIES OF POVERTY**

Source: Author’s illustration based on World Bank PovcalNet and World Bank World Development Indicators
FORMAL/INFORMAL EMPLOYMENT

Notes: (i) Simplified definition of formal employment is used. Formal workers are defined as employers and employees in the agricultural sector and employers, employees, and self-employed with temporary workers in the non-agricultural sector. Informal workers are defined as family workers, self-employed, and self-employed with temporary workers in the agricultural sector and family workers and self-employed in the non-agricultural sector. From 2001, a new category of ‘casual workers’ was added in the survey and these workers in both agricultural and non-agricultural sectors are classified as informal workers. (ii) Data before and after 2001 are not directly comparable because surveys in these two periods use different categories. (iii) Data for 2011–2013 are backtracked data and data before and after this period are not directly comparable because of the changes in the survey methodology. (iv) There is no data for 1995. (v) Surveys were conducted bi-annually from 2005. August survey data are used for the period 2005–2017.

Source: Badan Pusat Statistik Survei Angkatan Kerja Nasional, Statistics Indonesia
Policies (1/2): ST (2010s)

- Selective trade and investment protectionism
  - 2009 Mining law
  - 2014 Industry law

- Selective liberalisation
  - 16 sets of stimulus packages between September 2015 and November 2018

- State enterprise-led development projects
  - Infrastructure development
  - Nationalisation in mining
  - High-technology manufacturing
POLICIES (2/2): IG (2010s)

(Trillion rupiah, real, 2010 prices, annual average)

- Health insurance for the poor
- Subsidized rice
- Cash transfer for poor and at risk students
- Conditional cash transfer
- Unconditional cash transfer
- Others

POLITICAL ECONOMY

Note: 100 largest emerging and developing countries in terms of GDP in 2017

Source: Author’s illustration based on IMF World Economic Outlook Database
Recent ST Trend and Conclusion

Source: Statistics Indonesia