

ABSTRACT

The economic crisis that has impacted Indonesia in recent years has contributed to a decline in societal welfare, including in the Special Region of Yogyakarta. This condition is reflected through increasing poverty rates, persistent inflationary pressures, and relatively low provincial minimum wages. These factors have collectively disrupted development, exacerbated inequality, and deteriorated the population's quality of life particularly by weakening purchasing power and influencing household consumption behaviour. Despite the annual increase in the Provincial Minimum Wage, the persistently high poverty and inflation rates raise critical concerns regarding the equilibrium between income growth, living costs, and consumption patterns.

This study aims to empirically examine the influence of the Provincial Minimum Wage, poverty rate, and inflation on household consumption levels in the Special Region of Yogyakarta over the period 2016 – 2023. Utilizing a multiple linear regression model with a Fixed Effect Model (FEM). The findings show that partially, the Provincial Minimum Wage has a positive and significant effect on household consumption, indicating that higher minimum wages lead to increased consumption. The poverty rate has a negative and significant effect on household consumption, indicating that rising poverty constrains consumption due to limited purchasing capacity. Inflation also demonstrates a positive and significant impact, which may be attributed to anticipatory consumption behaviour where consumers increase spending in anticipation of future price increases. Simultaneously, all three variables are found to significantly influence household consumption in the region.

Keywords: Provincial Minimum Wages, Poverty Rate, Inflation, Household Consumption.

