



ABSTRACT

Climate change is a global issue affecting nearly every aspect of modern society. In Indonesia, the impact of climate change is visible in rising average temperatures and greater variability in precipitation. Although much attention has been given to its effects on economic growth, research on its impact on other socio-economic factors, such as income inequality, remains limited. Using a dataset of 34 Indonesian provinces over a 15-year period from 2009 to 2023 and employing panel data econometric techniques, this paper investigates the association between climate change and income inequality across these provinces. The findings indicate that rising average temperatures and increased precipitation have a considerable positive correlation with income inequality levels in Indonesian provinces. The channels and timing in which temperature and precipitation may influence inequality differ; temperature has a more immediate potential impact, while precipitation tends to affect inequality over a longer period. Additionally, the results show that the potential role of agriculture is not straightforward in Indonesian provinces. Specific regional and socioeconomic characteristics result in the agricultural pathway potentially cushioning the impact of climate change for low-income deciles, while being detrimental for upper-income deciles.