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Poverty & Equity Brief

October 2024

PAKISTAN

Muted economic growth, high inflation, and fiscal consolidation have led to a poverty rate of 40.5 percent (US$3.65/day 2017 PPP) in FY24, implying an additional 2.6 million poor individuals this year over last. Rural poverty is 2.5 times as high as urban poverty while subnational poverty rates range from 3.9 percent (Islamabad) to 71.5 percent (Khuzdar district, Balochistan). Consumption-based inequality as measured by the Gini index remained at just over 32 and individual labor income inequality too remained flat at 47.6 in FY24. Horizontal inequality is also unchanged: in FY23 and FY24, inequality within each of the poor, vulnerable, aspiring middle class, and middle class + social classes accounted for nearly 75 percent of total labor income inequality.

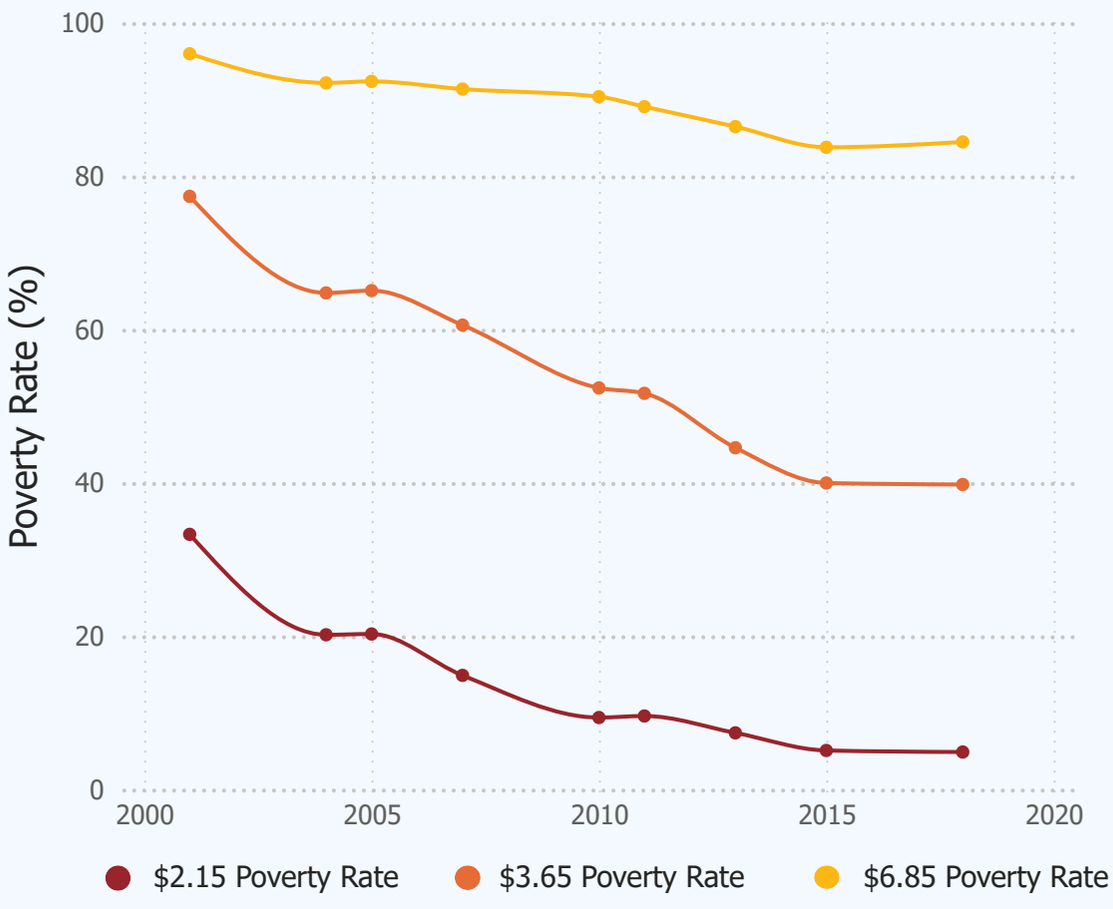
Real agricultural incomes rose by 5 percent in FY24, but other sectors employing the poor, such as construction, trade, and transportation, have seen falling real wages; manufacturing activity registered no increase over FY23, and employment and labor force participation rates and job quality indicators have not risen. The direct labor income impact and the fiscal multiplier of public investment have been muted as real development expenditures declined in FY23 and FY24. Official external remittances rose 10 percent in FY24, but only 3.2 percent of the poorest households receive these and exchange rate appreciation and high inflation reduced their real value. BISP social transfer spending rose considerably in FY24; however BISP benefit levels rose by 50 percent while general consumer price inflation measured 61 percent over FY23 and FY24.

Food price inflation in Pakistan slowed significantly from April to June 2024, easing price pressure for the poor, vulnerable, and aspiring middle-class households who allocate between 42 and 48 percent of their budgets to food. However, energy inflation rose to 65 percent, while core inflation, including transportation, remained elevated in rural areas. Higher indirect taxes have driven further price increases for consumer goods and services. These adversely affected the poor, vulnerable and aspiring middle-class households who allocate between 23 and 28 percent of their budgets to energy, housing, and transportation services.

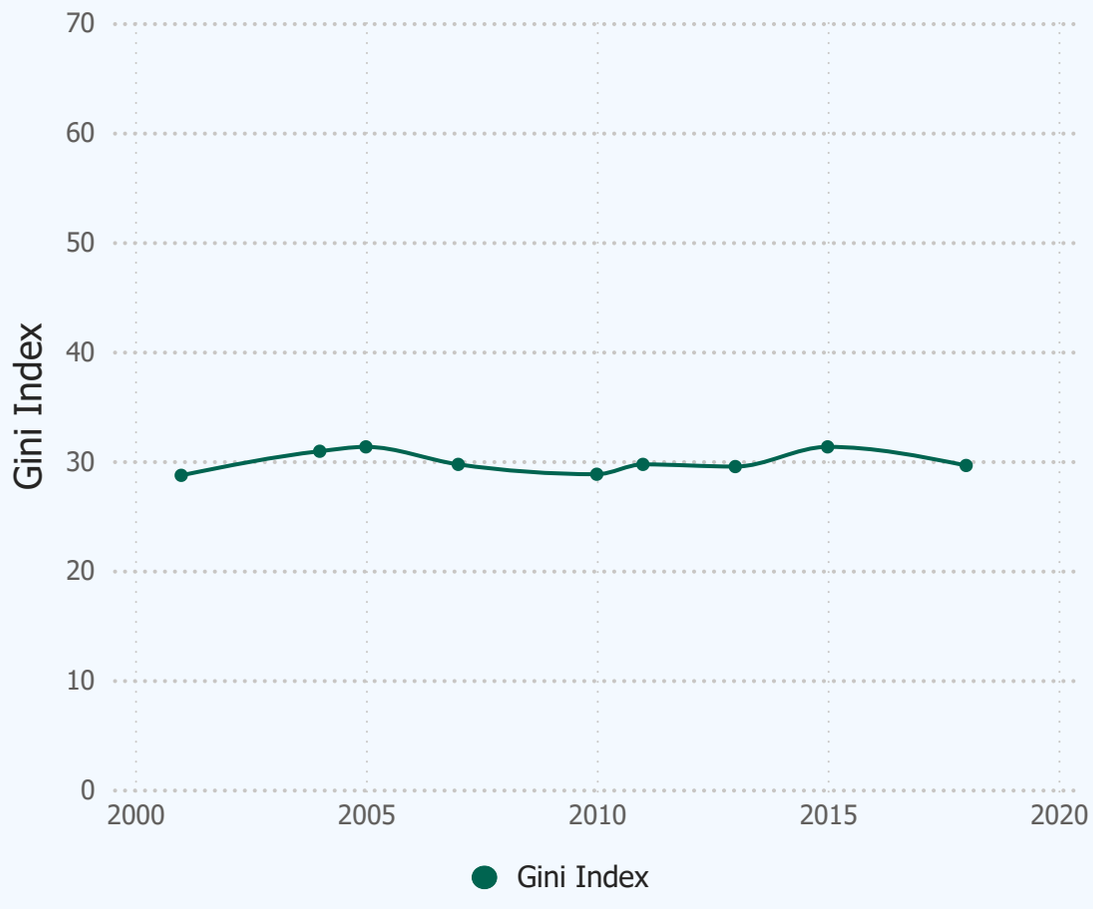
Improvement in non-monetary dimensions of poverty has been uneven. Pakistan was removed from the Food and Agricultural Organization's list of "hunger hotspots" in FY24, but acute food insecurity is projected to remain at 20 to 25 percent across KPK, Sindh and Balochistan. Effective primary-to-middle-school and middle-to-secondary-school transition rates improved by two percentage points in 2023; however over 35 percent of children across Pakistan remained out of school entirely (according to the 2023 Population Census). Additionally, chronic air pollution remains a public health concern affecting more than 70 percent of the population: approximately 14 days of schooling were lost in Punjab due to smog and poor air quality.

$2.15 Poverty Rate	$6.85 Poverty Rate	Gini Index	Prosperity Gap
2018	2018	2018	2018
4.9%	84.5%	29.6	6.5

Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	46,456.8	21.9	2018
International Poverty Line ($2.15/day)	10,838.1	4.9	2018
Lower Middle Income Class Poverty Line ($3.65/day)	87,536.0	39.8	2018
Upper Middle Income Class Poverty Line ($6.85/day)	185,743.3	84.5	2018
Multidimensional Poverty Measure		16.7	2018

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)
Urban population	22.8
Rural population	49.6
Males	39.6
Females	40.0
0 to 14 years old	49.2
15 to 64 years old	33.8
65 and older	32.6
Without education (16+)	48.2
Primary education (16+)	34.3
Secondary education (16+)	22.6
Tertiary/post-secondary education (16+)	9.2

Multidimensional Poverty Components	(% of Pop.)
Daily income less than US$2.15 per person	4.9
At least one school-aged child is not enrolled in school	28.8
No adult has completed primary education	21.1
No access to limited-standard drinking water	6.5
No access to limited-standard sanitation	24.8
No access to electricity	9.3

Note:
Data for the "Poverty by Group" table is derived from a 2018 survey and data for the "Multidimensional Poverty Components" table is derived from a 2018 survey.
The rates in the "Poverty by Group" table above are shown at the $3.65 lower-middle income line.
"N/A" denotes a missing/removed value, while "N/A*" refers to a value which was removed due to having fewer than 30 observations.

Poverty Data & Methodology

Official poverty rates are produced using the Household Income and Expenditure Survey (HIES) produced by the Pakistan Bureau of Statistics every other year since 1963. The survey questionnaire and sample design underwent major changes in the 1990s. There are nine waves of comparable HIES survey rounds currently available over the 2001–2018 period. In 2015-16, a comparable Household Integrated Income and Consumption Survey was conducted in lieu of the HIES. Survey microdata is publicly available for download on PBS's website.

Poverty is estimated over the vector of household consumption expenditure per adult equivalent. The Food Poverty Line reflects the cost of consuming 2,350 calories per adult equivalent per day; the poverty line reflects additional expenditure necessary for non-food needs. The Cost of Basic Needs (CBN) poverty line estimated using the HIES 2013-14 was Rs. 3,030 per adult equivalent in current prices (Rs. 3,741 and Rs. 3,769 expressed in 2018-19 urban and rural prices, respectively). The international poverty rates use the vector of temporally- and spatially-deflated household consumption expenditure. Welfare projections beyond 2018 are based on microsimulations based on macroeconomic data including sectoral GDP growth rates and inflation rates.

Harmonization

The numbers in this report are based on SARMD. The South Asia Micro Database (SARMD) is a regional database of socio-economic indicators established in 2014 and managed by the SAR Data and Stats Team. It includes household surveys covering 8 countries. It follows the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for the Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.

South Asia
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