

Poverty & Equity Brief

South Asia

Pakistan

October 2023

As of 2023, poverty is expected to increase to 39.4 percent (US\$3.65/day 2017 PPP) from 34.2 percent in 2022 - a five percentage-point increase. The significant increase in poverty shows how multiple shocks – a challenging macroeconomic environment leading to a contraction in real GDP, record-high food and energy prices, and the catastrophic impact of the 2022 floods – in the absence of effective coping mechanisms, have led to declining economic activity and real incomes. In fact, increased spending on social transfers, including a 25 percent increase in cash payments under the Benazir Income Support Program, an increase in beneficiaries from 7.7 to 9 million, and several one-off targeted payments, were insufficient to protect the vulnerable from falling into poverty and the poor from getting poorer. Thus, considering population growth, there are now 12.5 million more Pakistanis below the poverty line compared to 2022.

Labor market incomes remain the primary income source for households but are constrained by a structurally low labor force participation rate (particularly among women), a scarcity of high-productivity jobs, and widespread informality. During 2022-23, anemic growth in agriculture and a contraction in industry and trade sectors, which employ 80 percent of poor workers, reduced labor incomes, contributing to worsening poverty and vulnerability to poverty. Apart from declines in real income, food inflation nearly tripled, reaching an average of 38.7 percent in 2022-23. This shrunk the purchasing power of households, particularly the poor who spend half their budget on food. Due to differing consumption patterns, households in the poorest decile experienced a 7 percentage-point higher inflation rate than the richest decile.

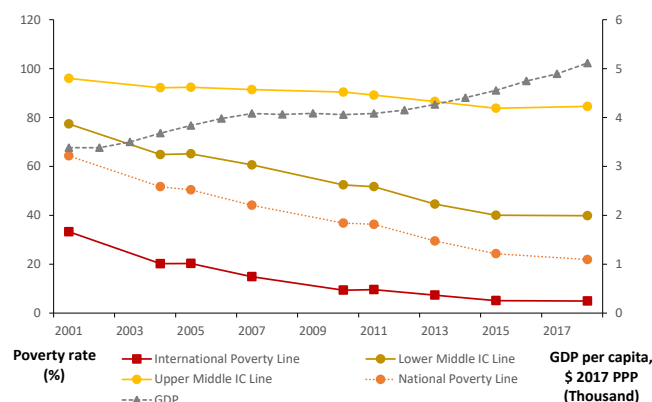
Non-monetary dimensions of poverty have also worsened. The floods predominantly affected poorer districts, causing extensive damage to public and private infrastructure, including health and education centers. For example, the floods caused significant learning losses for over 2.6 million enrolled children, and one-third of the population in the worst-affected districts reported inaccessible healthcare services. Moreover, disrupted access to improved drinking water and safe sanitation increased risks of stunting and malnutrition. This has far-reaching implications for child development and human capital accumulation in a country where 40 percent of children under five are stunted.

Monetary inequality has remained relatively stable in the past two decades. However, the Gini index is projected to reach 30.7 in 2022-23, an increase of 1.5 points over the previous year, showing that poorer households were affected worse by high food inflation and the devastating floods. Furthermore, spatial disparities are systematic, complex, and persistent, with monetary deprivation overlapping with lagging human development outcomes. Rural poverty is twice as high as urban, and district poverty rates range widely, from 3.9 percent in Islamabad to 71.5 percent in Khuzdar.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	46.5	21.9	2018
International Poverty Line 78.1 in Pakistan rupee (2018) or US\$2.15 (2017 PPP) per day per capita	10.8	4.9	2018
Lower Middle Income Class Poverty Line 132.5 in Pakistan rupee (2018) or US\$3.65 (2017 PPP) per day per capita	87.5	39.8	2018
Upper Middle Income Class Poverty Line 248.7 in Pakistan rupee (2018) or US\$6.85 (2017 PPP) per day per capita	185.7	84.5	2018
Multidimensional Poverty Measure		16.7	2018
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.34	2013-2018
INEQUALITY			
Gini Index		29.6	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.09	2013-2018
GROWTH			
Annualized GDP per capita growth		3.69	2013-2018
Annualized Consumption Growth per capita from Household Survey		1.25	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.00	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of October 2023, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2001-2018

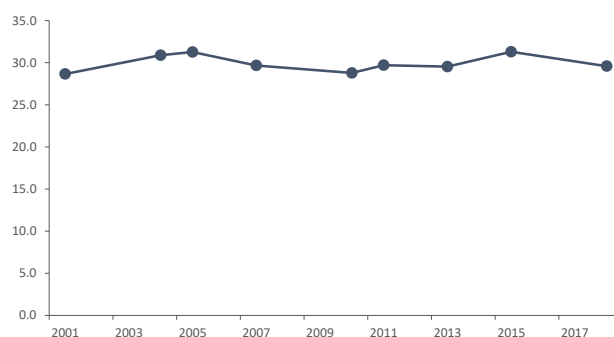


Note: Poverty estimates based on HIES 2018-19 include former FATA regions

Source: World Bank using HIES/SARMD/GMD

INEQUALITY TRENDS, 2001-2018

Gini Index



Source: World Bank using HIES/SARMD/GMD

KEY INDICATORS

Distribution among groups: 2018	Lower Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	77	23	23	77
Rural population	50	50	50	50
Males	60	40	40	60
Females	60	40	40	60
0 to 14 years old	51	49	49	51
15 to 64 years old	66	34	34	66
65 and older	67	33	33	67
Without education (16+)	52	48	48	52
Primary education (16+)	66	34	34	66
Secondary education (16+)	77	23	23	77
Tertiary/post-secondary education (16+)	91	9	9	91

Source: World Bank using HIES/SARMD/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

Multidimensional Poverty Measures: 2018	(% of population)
Monetary poverty (Consumption)	
Daily consumption less than US\$2.15 per person	4.9
Education	
At least one school-aged child is not enrolled in school	28.8
No adult has completed primary education	21.1
Access to basic infrastructure	
No access to limited-standard drinking water	6.5
No access to limited-standard sanitation	24.8
No access to electricity	9.3

Source: World Bank using HIES/SARMD/GMD

POVERTY DATA AND METHODOLOGY

The official national poverty rates are produced by the Planning Commission using the Household Income and Expenditure Survey (HIES), which has been collected by the Pakistan Bureau of Statistics (PBS) every alternate year, with some breaks, since 1963. The survey underwent major changes in the questionnaire and sample design during the '90s. 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 (HIICS) was conducted in lieu of the HIES. Survey microdata is publicly available for download on PBS's website.

The welfare metric used to estimate poverty is consumption per adult equivalent. The food poverty line reflects the cost of consuming 2,350 calories per adult equivalent per day, and a total poverty line is estimated to reflect the expenditure necessary to satisfy non-food needs. The cost of basic needs (CBN) poverty line estimated using the HIES 2013-14 was Rs. 3,030 per adult equivalent per month in current prices (Rs. 3,741 and Rs. 3,769 expressed in 2018-19 urban and rural prices, respectively). This yielded a national headcount rate in 2018-19 of 21.9 percent, and corresponding urban and rural rates of 10.9 percent and 28.2 percent, respectively. The international poverty rates use consumption per capita, temporally and spatially deflated, and the new international poverty lines. Welfare projections beyond 2018 are based on microsimulations, which rely on HIES 2018-19 microdata and additional macroeconomic data, including sectoral and GDP growth and inflation rates.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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 managed by SARTSD. It includes 40 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.