

Poverty & Equity Brief

South Asia

Pakistan

April 2023

As of 2023, poverty is expected to reach 37.2 percent (\$3.65 /day 2017ppp). The rate is slightly below the last observed measure in 2018, which stood at 39.8 percent; however, when accounting for population growth, there are almost 3 million more poor people in the country than in 2018.

A difficult macroeconomic environment, a deteriorating labor market, lower remittances, quickly rising prices, and the impact of recent natural disasters have led to a decline in household incomes and further poverty reduction. In the absence of higher social spending, all these factors can reverse the poverty gains achieved in the last two decades and further reduce the incomes of already poor households.

Labor market wages remain the main income source for households. However, progress with poverty reduction is constrained by a structurally low labor force participation rate and the scarcity of highly productive (and formal) jobs. Informality is prevalent, and over 40 percent of the employed population works in agricultural jobs with low productivity. Gender inequalities in the labor market are also persistent. Only 1 out of 4 working-age women participate in the labor force and almost 80 percent work in agriculture.

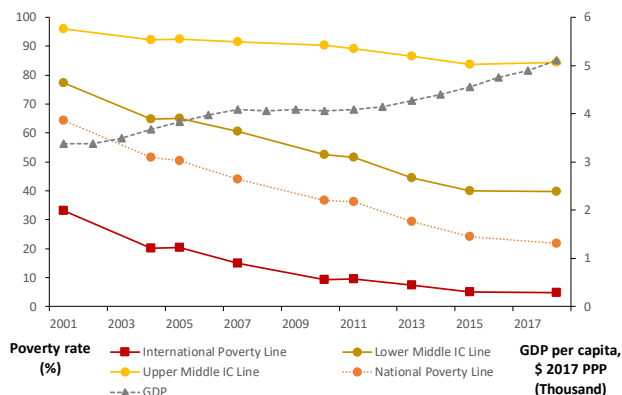
While inequality, measured by the Gini index has remained relatively stable at around 29.6, the last decade's economic growth has not helped to close deep spatial disparities. Rural poverty rates double urban ones and are consistently higher across all provinces, with large investments being necessary to reduce the gaps in educational attainment and provide access to safe sanitation, improved drinking water, and electricity. There are small gaps in access to services provided at the household level, such as electricity and improved drinking water, but gender inequality inside households remain. For example, 36 percent of school-age girls are not attending school, which is 11 percentage points higher than for boys, a situation with long-term ramifications for inequality and access to opportunities.

Non-monetary dimensions of poverty are expected to have worsened as a consequence of the ongoing economic crisis and natural disasters. With declining incomes, people have less access to nutritional food, which undermines human development outcomes. Moreover, floods have disrupted access to sanitation, improved drinking water, schools, health centers, and markets, likely leading to increased hardship, a worsening of health outcomes, and increased stunting rates among the affected population.

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 April 2023, and Global Monitoring Database for the rest.

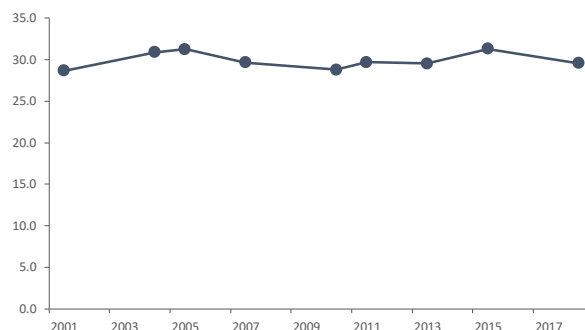
POVERTY HEADCOUNT RATE, 2001-2018



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 produced 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 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.

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.