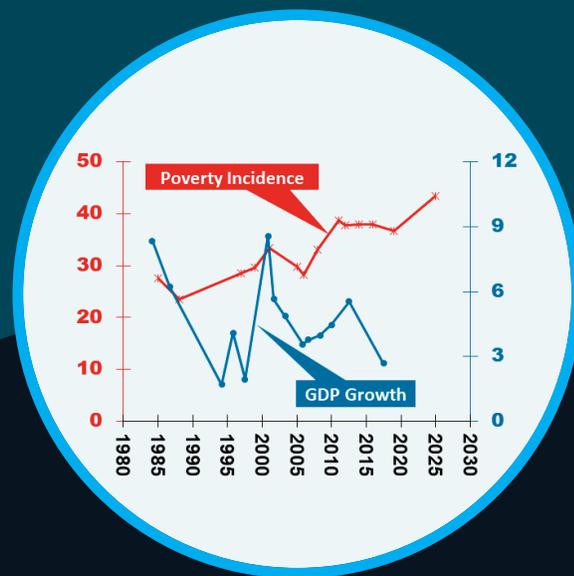


# Empirical Evidence of Upsurge in the Poverty Numbers: Pakistan, 2025 Scenario



2026

SOCIAL POLICY AND DEVELOPMENT CENTRE

# Empirical Evidence of Upsurge in the Poverty Numbers: Pakistan, 2025 Scenario

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**Social Policy and Development Centre**

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## Abstract

Electronic, print, and social media, along with international agencies and academia, have all highlighted a considerable increase in Pakistan's poor population, mostly due to the difficult economic situation and domestic inflation reaching multi-decade highs, especially during the periods 2020-21 and 2023-24. Nevertheless, the estimates suggesting that 45–50% of the population is poor were not based on the latest household-level data.

Recently, the Planning Commission of Pakistan released preliminary estimates of poverty, which suggest that 28.9 percent of the population was living below the poverty line in 2024-25. However, there are drawbacks in the procedure used in estimation of the official poverty level. This research paper highlights inconsistencies in the official methodology and provides estimates of the current poverty level by employing an alternative methodology and using the latest data from the Household Integrated Economic Survey (HIES) 2024-25.

Our estimates show that close to 44 percent of Pakistan's population (105 million persons) was poor and living below the poverty line during the year 2024-25. The incidence of urban poverty is somewhat lower than rural; however, depth and severity of urban poverty are relatively higher as compared to rural areas. Compared with 2018-19, a 6.9 percentage-point increase in poverty incidence is estimated for 2024-25.

This paper also furnishes estimates of per capita income inequality. Two widely used measures (Gini coefficient and Palma Ratio) of inequality are estimated using income data reported in HIES 2018-19 and 2024-25. The estimates show a substantial rise in both inequality measures.

JEL Classification: I32, D31

Keywords: Poverty, Income Inequality, Pakistan

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## Acronyms

AEU	Adult Equivalent Units
AJK	Azad Jammu and Kashmir
CCF	Calorie-Consumption Function
CPI	Consumer Price Index
FGT	Foster, Greer, and Thorbecke
GB	Gilgit Baltistan
GDP	Gross Domestic Product
GOP	Government of Pakistan
HCI	Head Count Index
HIES	Household Integrated Economic Survey
LDCs	Least Developed Countries
PBS	Pakistan Bureau of Statistics
PGI	Poverty Gap Index
PSLM	Pakistan Social and Living-Standards Measurement
SPDC	Social Policy and Development Centre
TPI	Tornqvist Price Index

# 1 Background

In Pakistan, the Federal Bureau of Statistics and the Planning Commission provide the national poverty threshold and estimates of poverty levels. Household consumption data, which is collected in the Household Integrated Economic Survey (HIES), is used to estimate national, provincial, and regional poverty incidences<sup>1</sup>. According to the National Poverty Report 2015-16, 24.3 percent of the population was poor. These estimates were later updated by Iqbal (2020), using HIES survey data and an inflation-adjusted official poverty line for the year 2018-19. Recently, the Planning Commission has released preliminary estimates of poverty based on the latest HIES 2024-25. According to the report, “The national poverty headcount stands at 28.9 percent of the population living below the poverty line, up from 21.9 percent in 2018-19”.

The trend in official poverty<sup>2</sup> estimates, excluding those for 2024-25, reveals a continuous decline in poverty incidence since 2001-02. Thus, the phenomenon of poverty reduction is not linked to the performance of the economy. Poverty has been continuously decreasing (by an average of 5 percentage points) since 2001-02, irrespective of trends in GDP growth. Besides, official poverty estimates also demonstrate that GDP growth and poverty incidence were both declining during the period 2005-06 and 2013-14, a phenomenon that is not supported by the relevant theory.

Due to this major flaw in the official poverty estimation procedure, the Social Policy and Development Centre (SPDC) employs an alternative methodology for estimating the poverty line. This paper provides the latest estimates of poverty using unit record (household level) survey data from the HIES 2024-25, following the estimation procedure employed by SPDC. Moreover, inequality in per capita income is evaluated using the Gini coefficient and the Palma Ratio – both widely recognized and frequently used measures of inequality.

HIES 2024–25 is the first fully digital and ninth round of the Provincial-level HIES, and the sixteenth round of the HIES/PSLM survey series. The survey was conducted from September

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<sup>1</sup> HIES is a part of Pakistan Social and Living Standards Measurements (PSLM) survey which consists of detailed consumption and income modules. HIES data is gathered at national, provincial and regional (urban/rural) levels, while PSLM surveys provide district-level information. The estimation of poverty at district level is not thus feasible using information in HIES.

<sup>2</sup> Exhibit A-1 (Appendix) provides a schematic view of the trend in official poverty incidences, described in National Poverty Reports of Planning Commission.

2024 to June 2025 using a tablet-based Android application and covered 32,814 households across Pakistan, including AJK and GB<sup>3</sup>.

The paper is organized as follows. Section 2 provides the latest estimates of poverty indices for the year 2024-25, supplemented by an inter-temporal poverty comparison. This section also outlines salient features of the methodology employed for this research. Income inequality estimates are presented in Section 3, followed by concluding remarks in the last section.

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<sup>3</sup> Sample allocation (National, Regional and Provincial) is reproduced from the HIES 2024-25 report; see Exhibit A2 in the Appendix.

## 2 Poverty Updates

This research follows the methodology used by Jamal (2002) for estimating poverty using the Food Energy Intake Approach. Exhibit A3 in the Appendix presents a schematic view of various options described in the literature for estimating the poverty line. Recommended steps adopted by this author for poverty line estimation are highlighted in the Exhibit, while a brief description of the salient features of the methodology is provided below.

### Measurement of Poverty Line

Among the various approaches to defining monetary (income/consumption) or traditional poverty, the ‘calorific approach’ is popular in developing countries mainly due to its practicality. In almost all studies of poverty in LDCs, poverty levels are defined in terms of food inadequacy, typically measured by the shortfall from nutritional (calorie) requirements.

To estimate the poverty line, the first step is to translate household food consumption into calories. The Food Consumption Tables for Pakistan (GOP, 2001) facilitate this conversion. Food Consumption Tables also provide the recommended daily allowances for the Pakistani population for various age and sex compositions. These minimum requirements are matched with household demography (sex and age of household members) to estimate adult equivalent units (AEUs) for each household.

The next step is to estimate the Calorie-Consumption Function (CCF) to assess how much total household expenditure (food, nonfood, and the value of goods consumed from own production) is needed to obtain the minimum required calories.

Specifically, per adult-equivalent household calorie consumption is regressed on the lowest quintile (25%) of the distribution of household total expenditure. This ensures the average dietary pattern of only low-income group in the estimation of poverty line. The provincial dummy variables are also included in the regression function to control the provincial dissimilarities with respect to socio-economic status<sup>4</sup>.

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<sup>4</sup> All regression coefficients linked to explanatory variables in the estimation of urban and rural CCFs for the year 2024-25 showed high statistical significance and confirmed a-priori expected signs. Nonetheless, the level of  $R^2$  is quite low, particularly in the urban CCF. A low  $R^2$  in cross-sectional data is acceptable if the main objective is to assess the marginal effect of the explanatory variable rather than making predictions beyond the sample. The purpose of estimating CCF in this research is to get an idea that how much rupees, on average are required to obtain one calorie.

As the rural lifestyle in general requires a greater caloric intake than the urban lifestyle, rural households are likely to consume more calories, on average, than their urban counterparts at any given income level. Therefore, it is argued that estimating the poverty line from a calorie-expenditure function using a single caloric standard for the urban and rural subsamples would have the effect of over-estimating the urban poverty line in comparison with the rural. This research follows the recommendation of the Working Group on Poverty Alleviation, formed in 1997 by the Government of Pakistan (GOP, 1997). The Task Force on poverty alleviation recommended minimum calorie requirements of 2550 and 2230 for rural and urban areas, respectively.

The estimated regression coefficient for household expenditure indicates, on average, how many rupees are required to obtain one calorie. As CCFs are estimated separately for urban and rural areas, the rural and urban poverty lines are then computed by combining calorie norms (minimum required calories) with the estimated coefficients of the CCF. For the year 2024-25, the estimated poverty lines are Rupees 13,476 and 10,283 per adult equivalent unit per month, respectively, for urban and rural areas.

To monitor changes in poverty levels over time, the poverty line for the latest survey year may be updated by adjusting previously estimated poverty lines using an appropriate inflation index, or re-estimated using newly available survey data. Exhibit A 4 furnishes the merits and demerits of applying both options for updating the poverty line. For this research, however, we preferred to re-estimate the poverty line mainly due to the lack of an appropriate inflation price index. In contrast, the Consumer Price Index (CPI) is used to update Pakistan's official poverty line.

### **Estimation of Poverty Indices**

After determining the poverty status of each household through relating the poverty threshold (minimum required calories) and household expenditure, the next step is to aggregate this information into a single index to proxy the status of a group of individuals. The most popular measure, namely the Head Count Index (HCI), assigns equal weights to all the poor regardless of the extent of poverty. There are several other measures which are sensitive to the distribution among the poor. A class of functional forms, which has been suggested by Foster, Greer, and Thorbecke (FGT), uses various weights (power) of the proportional gap between the observed and the required expenditure. The power or weight indicates the level of intensity of poverty. Thus, the FGT combines both the incidence and intensity of poverty. The following formula is used for measuring various poverty aggregates.

$$P^\alpha = \left[ \frac{1}{N} \right] \sum [(Z - EXP) / Z]^\alpha$$

Where;

$P^\alpha$	=	Aggregation measure
$N$	=	Total number of households
$EXP$	=	Household observed total expenditure (food plus non-food)
$Z$	=	Poverty line
$\sum$	=	Summation for all individuals who are below the poverty line

Putting  $\alpha=0$ , the formula shows the HCI, i.e., proportion of households whose consumption falls below the poverty line. However, this simple measure ignores the depth of poverty. By putting  $\alpha=1$ , the Proportionate Gap Index or Poverty Gap Index (PGI) is calculated. It measures the average distance from the poverty line. Although PGI shows the depth of poverty, it is insensitive to the distribution among the poor. The severity of poverty, also known as the FGT index, is estimated using a value of 2. This FGT index accounts for inequality among the poor and measures poverty severity by assigning greater weight to households far from the poverty line.

### Recent Poverty Estimates

Exhibit 1 furnishes three poverty indices (aggregates) which are estimated using separately computed urban and rural poverty lines for the year 2024-25. Overall, close to 44 percent of the population was poor during the year 2024-25. The incidence of urban poverty is marginally lower than that of rural poverty; however, the depth and severity of urban poverty are relatively higher than those of rural poverty.

Exhibit 1: National Estimates of Poverty Aggregates – 2025		<i>[Percentage of population]</i>		
		Pakistan	Urban	Rural
Poverty Incidence	Head Count Index	43.5	42.1	44.3
Poverty Severity	Poverty Gap Index	11.5	11.6	11.5
Poverty Depth	FGT2 Index	4.3	4.4	4.2

Source: Estimated from HIES 2024-25 microdata

The comparison between the latest estimates of poverty incidence and those for 2018-19 is presented in Exhibit 2. Overall, a 6.9 percentage-point rise in poverty incidence is observed between 2018-19 and 2024-25. The rise in urban poverty is almost twice that of rural poverty.

**Exhibit 2: Comparative Estimates of Poverty Incidence | 2025 vs 2019**

	2024-25	2018-19	Increase	Percentage Increase
<b>Pakistan</b>	<b>43.5</b>	<b>36.6</b>	<b>6.9</b>	<b>18.7</b>
Urban	42.1	32.1	10.0	31.3
Rural	44.3	39.3	5.0	12.7

Source: Estimated from HIES, 2018-19 and 2024-25 microdata and employing consistent methodology.

Interestingly, the magnitude of changes in poverty level (incidence) is similar to that reported in the official poverty estimates. According to the Planning Commission’s recently released report<sup>5</sup> “The national poverty headcount stands at 28.9 percent of the population living below the poverty line, up from 21.9 percent in 2018-19 – an increase of 7 percentage points”. However, the absolute levels of poverty incidence reported by the Planning Commission and those estimated in this study are not comparable because of differences in the estimation methods.

In absolute numbers, 27 million persons have been added to the population below the poverty line during the period 2018-19 to 2024-25. Close to 78 million persons were estimated to be poor in 2018-19, while the estimated poor population is 105 million in 2024-25.

Exhibit 3 portrays the trend in poverty incidence since 1987-88. All these numbers were estimated using unit-record household-level HIES data and a consistent, identical methodology for estimating the poverty line and poverty indices.

**Exhibit 3: Trends in Poverty Incidence**

	<i>[Percentage of population living below the poverty line]</i>								
	1987-88	1996-97	1998-99	2001-02	2004-05	2010-11	2015-16	2018-19	2024-25
Pakistan	23	28	30	33	30	38	38	37	43
		(2.4)	(3.6)	(3.3)	(-3.0)	(4.4)	(0.0)	(-0.9)	(2.7)
Urban	19	25	25	30	28	34	32	32	42
		(3.5)	(0.0)	(6.7)	(-2.2)	(3.6)	(-1.2)	(0.0)	(5.2)
Rural	26	30	32	35	31	39	41	39	44
		(1.7)	(3.3)	(3.1)	(-3.8)	(4.3)	(1.0)	(-1.6)	(2.10)

Note: Annualized Rates of Change (percent) from previous period are given in parenthesis.

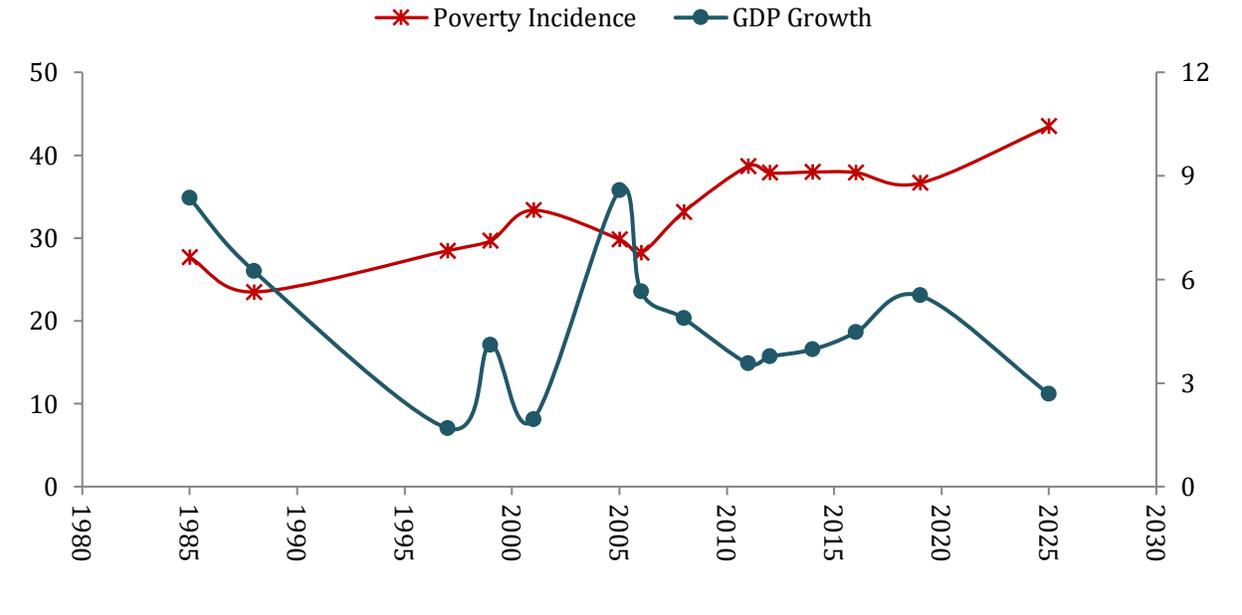
Source: Estimated from HIES microdata, various years

<sup>5</sup> Preliminary Report on “POVERTY ESTIMATION 2024-25”, <https://pc.gov.pk/web/publication>

The exhibit reveals a relatively higher incidence of rural poverty through the period 1987-88 and 2024-25. A comparison of 2001-02 and 2004-05 shows a 3 percentage-point decline in poverty incidence; the decline in urban poverty was smaller than that in rural poverty. Rural poverty in this period has dropped with an annual growth rate of 4 percent. However, poverty rates have once again begun to rise after 2004-05.

Economic researchers and analysts generally argue that while economic growth may not always be sufficient to reduce poverty, it is certainly necessary. To demonstrate this in the context of Pakistan, Exhibit 4 plots the growth in Gross Domestic Product (GDP) alongside poverty incidence. Overall, the exhibit clearly indicates an inverse relationship between poverty and economic growth.

**Exhibit 4: Estimated Poverty Incidence and GDP Growth**



Source: SPDC estimates and Pakistan Economic Survey (various issues).

### 3 Estimates of Income Inequality

For this research, two inequality measures – *Gini* and Palma – are computed to assess changes in per capita income inequality over the period 2018-19 and 2024-25.

The *Gini* coefficient provides an estimate of resource inequality within a population. It is the most widely used measure of inequality and summarizes the extent to which the actual distribution of resources differs from a hypothetical distribution in which each person/unit receives an identical share. The *Gini* is a dimensionless index ranging from 0 to 1, where 0 represents no inequality and 1 represents the maximum possible degree of inequality. A limitation of the *Gini* coefficient, however, is that it is most sensitive to the middle part of income distribution rather than at the extremes because it depends on the rank order weights of income recipients and on the number of recipients within a given range.

Another tool for measuring inequality is the Palma ratio, which is calculated by dividing the income share of the richest 10 percent of the population by the share of the poorest 40 percent. It was proposed by economists Alex Cobham and Andy Sumner (Cobham and Sumner, 2013), based on the observations of Chilean economist Gabriel Palma (Palma, 2011). It is a more sensitive, policy-relevant alternative to the *Gini* coefficient because it focuses on the extreme ends of the income distribution. A higher ratio indicates greater inequality; for example, a ratio of 3 implies that the top 10 percent earn three times as much as the bottom 40 percent. The ratio is particularly useful for policymakers aiming to target income redistribution, as it directly compares the share held by the wealthiest to that of the most vulnerable, unlike the *Gini* coefficient, which can be overly sensitive to changes in the middle of the income distribution.

Exhibit 5 presents a comparison of national, urban, and rural per capita income inequality, measured by the *Gini* coefficient and the Palma ratio, for the years 2018-19 and 2024-25.

The exhibit reveals a considerable increase in the magnitudes of both inequality measures during this period. The *Gini* coefficient<sup>6</sup> is exhibiting an increase of about 5 percentage points or 12 percent in the magnitude during the period 2018-19 to 2024-25. Urban income inequality, as measured by *the Gini*, has increased more sharply than rural income inequality (11.9 versus 9.8 percentage points). A similar trend is observed in the estimation of the

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<sup>6</sup> The magnitudes of estimated *Gini* coefficients are not comparable with the Planning Commission estimates (Pakistan, 2026). Planning Commission reports inequality in Household Income, while this research furnishes estimates of per capita income inequality.

Palma ratio. The Palma for Pakistan for the year 2024-25 stands at 2.3, up from 1.8 in 2018-19 (close to 22 percent increase). The increase in urban Palma is close to 18 percent, while rural Palma is showing a rise of 16 percent.

Exhibit 5: Per Capita Income Inequality				
		Pakistan	Urban	Rural
<b>Gini Coefficients (%):</b>				
	2024-25	44.0	43.4	40.4
	2018-19	39.3	38.8	36.8
Increase		4.7	4.6	3.6
Percentage Increase		12.0	11.9	9.8
<b>Palma Ratios:</b>				
	2024-25	2.3	2.2	1.9
	2018-19	1.8	1.8	1.6
Increase		0.5	0.4	0.3
Percentage Increase		21.7	18.2	15.8
Source: Estimated from HIES, 2018-19 and 2024-25 microdata.				

## 4 Concluding Remarks

This research provides poverty and income inequality estimates for Pakistan using the latest household survey data from the ninth round of HIES (2024-25). A substantial rise (close to 7 percentage points) in the poverty incidence between 2018-19 and 2024-25 is estimated. According to the current estimates of poverty, about 44 percent of Pakistan’s population (105 million) was poor and living below the poverty line during 2024-25. The rise in urban poverty incidence is relatively greater than that in rural poverty. In absolute numbers, 27 million people have been added to the population below the poverty line since 2018-19. Correspondingly, a considerable rise in the magnitude of inequality, as measured by the Gini and Palma Ratios, is estimated.

However, the upsurge in poverty and inequality is not shocking, given the cumulative impact of severe domestic and external shocks during 2018-19 and 2024-25. According to the World Bank’s Macro Poverty Outlook<sup>7</sup> “Pakistan faced an economic crisis at the beginning of 2023-24 with heightened risks of debt default. Political uncertainty, fiscal and external imbalances, and global monetary tightening led to pressures on domestic prices and foreign reserves.” Following the COVID-19 pandemic, the economic slowdown, rising unemployment, and persistently high inflation between 2020-21 and 2023-24 reinforced these pressures. Consequently, a broad consensus has emerged among the masses, policy makers, and international agencies regarding the rise in poverty levels.

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<sup>7</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099712010152440272>

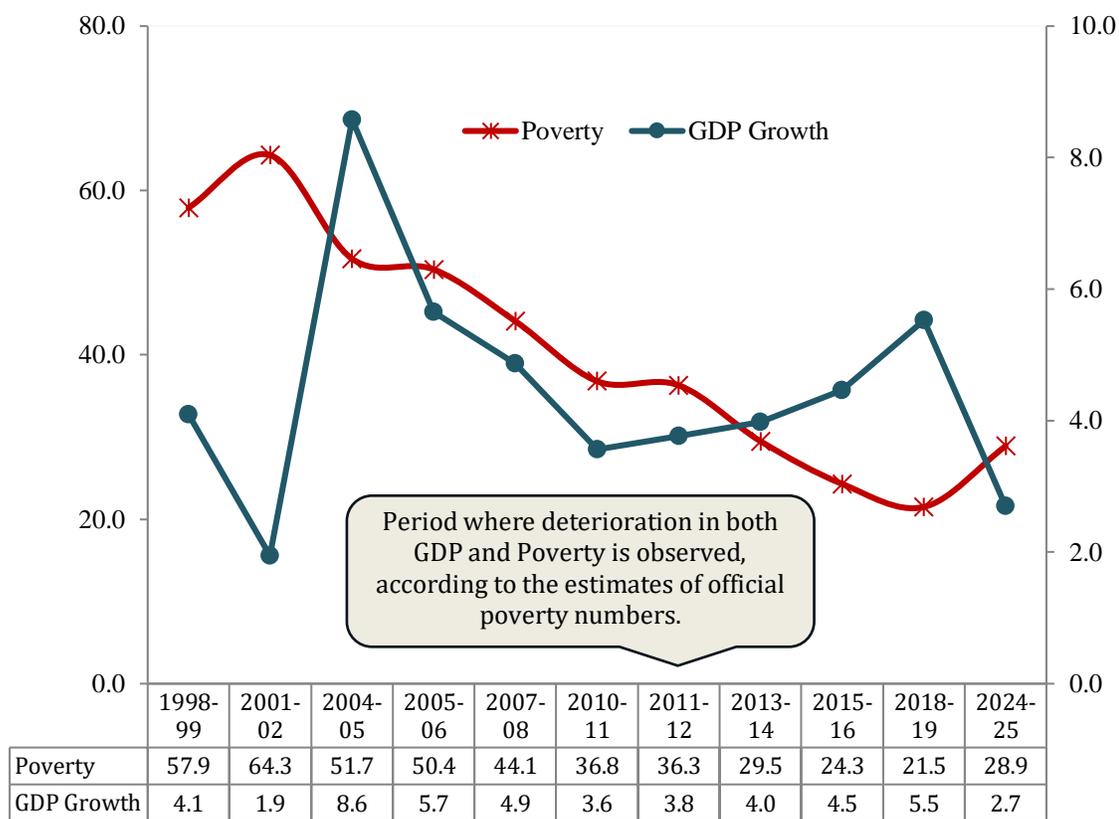


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# Appendix

Exhibit A1: Pakistan's Official Poverty Incidence and GDP Growth



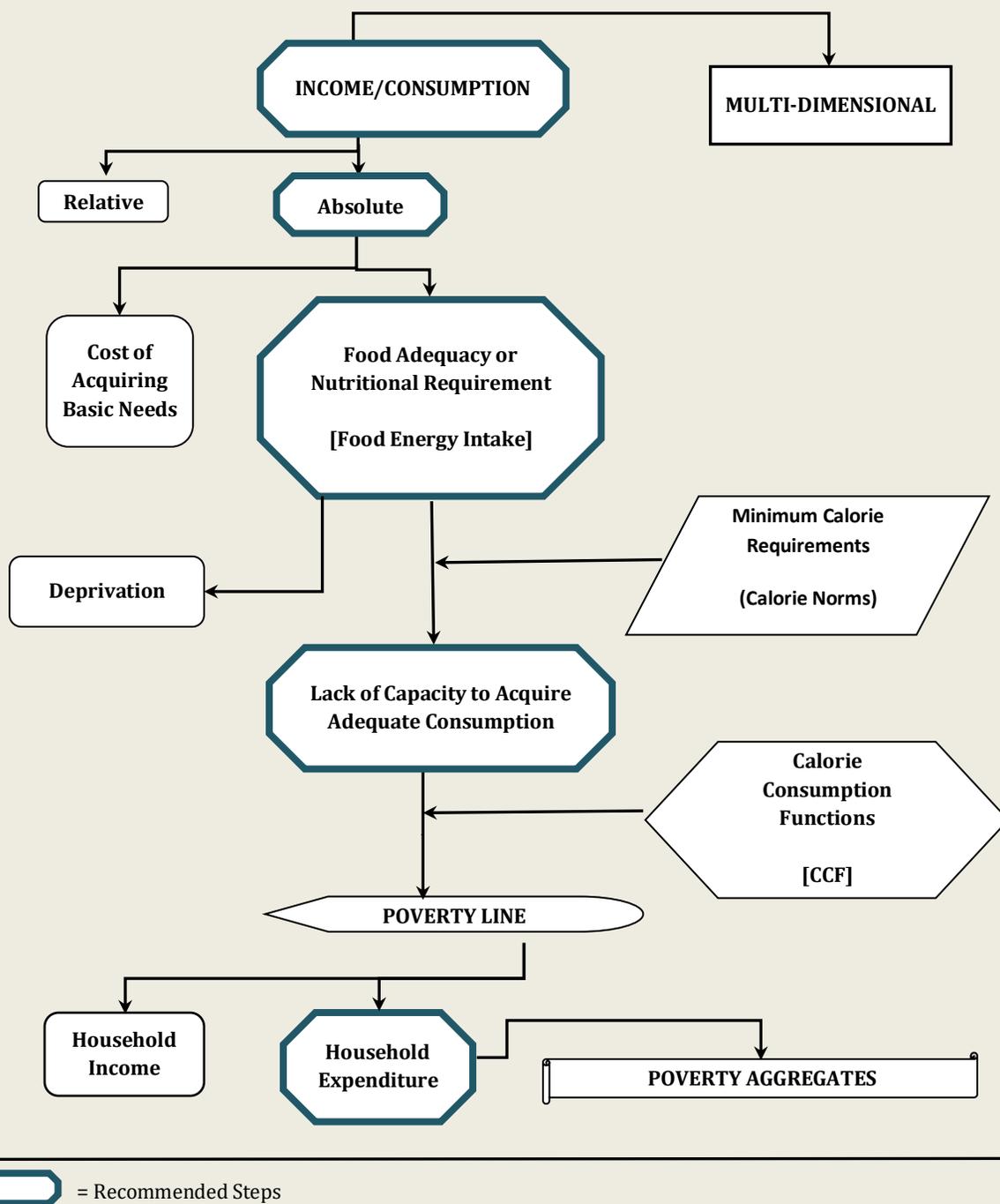
Source: Pakistan Economic Survey (various issues).

## Exhibit A2: Sample Size Profile of the HIES (2024-25)

Province /Region	Fixed for Survey			Dropped Blocks	Covered During Survey		
	Urba	Rural	Total		Urban	Rural	Total
<b>PSUs/Blocks</b>							
Punjab	404	556	960	0	404	556	960
Sindh	272	324	596	1	271	324	595
Khyber Pakhtunkhwa	184	252	436	29	184	223	407
Balochistan	100	160	260	69	82	109	191
<b>Total</b>	<b>960</b>	<b>129</b>	<b>2252</b>	<b>99</b>	<b>941</b>	<b>1212</b>	<b>2153</b>
AJK	40	68	108	03	40	65	105
Gilgit Baltistan(GB)	52	88	140	55	34	51	85
<b>Total</b>	<b>92</b>	<b>156</b>	<b>248</b>	<b>58</b>	<b>74</b>	<b>116</b>	<b>190</b>
<b>Grand Total</b>	<b>1052</b>	<b>144</b>	<b>2500</b>	<b>157</b>	<b>1015</b>	<b>1328</b>	<b>2343</b>
<b>SSUs/Households</b>							
Punjab	4848	889	13744	---	4703	8780	13483
Sindh	3264	518	8448	---	3174	5153	8327
Khyber Pakhtunkhwa	2208	403	6240	---	2110	3497	5607
Baluchistan	1200	256	3760	---	973	1733	2706
<b>Total</b>	<b>11520</b>	<b>206</b>	<b>32192</b>	<b>---</b>	<b>10960</b>	<b>19163</b>	<b>30123</b>
AJK	480	108	1568	---	463	1019	1482
Gilgit Baltistan (GB)	624	140	2032	---	401	808	1209
<b>Total</b>	<b>1104</b>	<b>249</b>	<b>3600</b>	<b>---</b>	<b>864</b>	<b>1827</b>	<b>2691</b>
<b>Grand Total</b>	<b>12624</b>	<b>23168</b>	<b>35792</b>	<b>---</b>	<b>11824</b>	<b>20990</b>	<b>32814</b>

Source: Downloaded from [www.pbs.gov.pk/wp-content/uploads/2020/07/PSLM\\_Report\\_2024-25-janurary-26-Social-Reportupdated.pdf](http://www.pbs.gov.pk/wp-content/uploads/2020/07/PSLM_Report_2024-25-janurary-26-Social-Reportupdated.pdf)

Exhibit A3: Approaches to Estimate Poverty



Source: Reproduced from Jamal (2002).

To monitor changes in poverty levels over time, the poverty line for the latest survey year may either be updated by utilizing previous estimated poverty line after adjusting with some appropriate index of inflation or it may be re-estimated with the help of new available survey data.

In the context of Pakistan, Consumer Price Index (CPI) is used to update the official poverty line. However, there are many criticisms on using CPI for updating previous poverty line due to the following considerations:

### **Substitution Bias**

The CPI often assumes a fixed basket of goods. However, when prices rise, people—especially the poor—switch to cheaper alternatives (e.g., switching from beef to pulses). The CPI may not capture this "forced" change in behavior, potentially overestimating or underestimating the welfare loss.

### **The "Plutocratic" Bias**

The CPI is a "weighted average" based on the spending patterns of the *average* household. Since wealthier households spend more in absolute terms, their consumption patterns (e.g., spending on fuel, cars, or electronics) have a larger influence on the index. The poor spend a much higher percentage of their income on food; if food prices rise faster than the general CPI, the "official" inflation rate will understate the actual cost-of-living increase for the poor.

### **Geographical Disparities**

While Pakistan now uses Urban and Rural CPIs, the general national inflation figure often masks local realities. Poverty is frequently concentrated in remote areas where supply chain disruptions can make "basic" goods far more expensive than the prices collected in the 35 plus cities sampled by the PBS.

### **Quality and Non-Food Items**

The CPI includes many items the poor rarely consume (e.g., recreation, luxury services). Conversely, it may not adequately capture the "out-of-pocket" costs for essential services like clean water or informal healthcare, which can consume a massive chunk of a low-income budget.

Consequently, an alternative survey-based price index- the Tornqvist Price Index (TPI) - is suggested in the empirical literature on poverty. However, it is not a problem-free option, since TPI can only incorporate homogenous goods like specific food items. Further, the

household survey does not report the consumption of non-food quantities and provides only expenditures. These complications make TPI an inappropriate measure of inflation. The extent of adjustment in TPI can be ascertained from the fact that TPI includes only 80 items, whereas CPI includes close to 600 items.

Re-estimation of the poverty line is also criticized on the ground that for monitoring and tracking poverty numbers, the bundle of goods and services should remain fixed, with the poverty line adjusted only for price movements. However, this criticism does not seem valid if the 'calorific approach' is used in deriving the poverty line. With fixed calorie thresholds or norms, the calorific approach estimates the amount of rupees required to obtain minimum required calories with the observed consumption pattern for the particular year. Thus, in the absence of any appropriate price index for inflating the previous poverty line, it is perhaps reasonable and is also preferred for this research to re-estimate the poverty line from the latest survey to circumvent problems associated with price indices.

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