

# Poverty Incidence Reaches 43.5% with Disproportionate Rise in Urban Areas



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## INTRODUCTION

In Pakistan, the official poverty estimates are provided by the Pakistan Bureau of Statistics and the Planning Commission using household consumption data from the Household Integrated Economic Survey (HIES). The latest official estimates, based on the HIES 2024-25, indicate that 28.9% of the country's population is poor. In contrast, the estimates from the Social Policy and Development Centre (SPDC) present a more alarming picture, suggesting a poverty incidence of 43.5%. This difference arises from the methodology discussed in the subsequent paragraphs. This policy brief summarizes the findings of SPDC's research report entitled *Empirical Evidence of Upsurge in the Poverty Numbers: Pakistan, 2025 Scenario*.<sup>1</sup>

## INCIDENCE OF POVERTY AND INEQUALITY: SPDC ESTIMATES

The results presented in Figure 1 indicate a substantial increase in poverty incidence in Pakistan between 2018-19 and 2024-25. At the national level, the poverty rate rose from 36.6% to 43.5%, reflecting an increase of 6.9 percentage points. This upward trend is evident across both urban and rural areas, though the magnitude of change differs significantly. Urban poverty rose sharply, increasing by 10 percentage points from 32.1% to 42.1%, suggesting that urban households were more severely affected during this period. In contrast, rural poverty increased by 5 percentage points, from 39.3% to 44.3%. Overall, the findings highlight a broad-based rise in poverty, with urban areas experiencing a more pronounced increase than rural regions.

The changes in income inequality between 2018-19 and 2024-25 are estimated using two measures: the Gini coefficient and the Palma ratio. The Gini, which summarizes overall inequality, rose by about 5 percentage points (a 12% increase), with urban inequality rising more sharply than rural (Figure 2).

Figure 1: Incidence of Poverty (% population living below the poverty line)

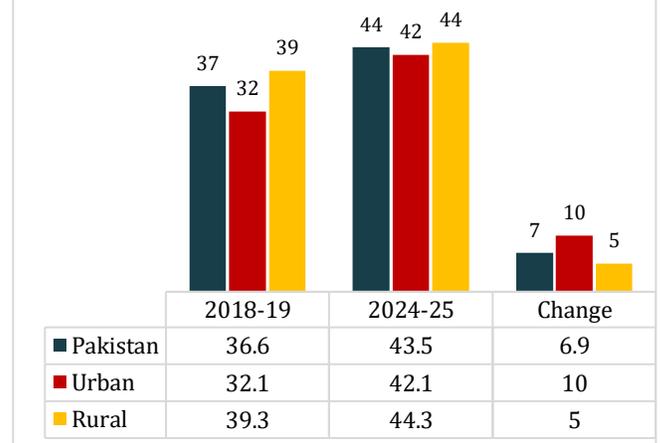


Figure 2: Per Capita Income Inequality

Gini Coefficients (%)			
	Pakistan	Urban	Rural
2024-25	44.0	43.4	40.4
2018-19	39.3	38.8	36.8
Increase			
<i>Magnitude</i>	4.7	4.6	3.6
<i>Percent</i>	12.0	11.9	9.8
Palma Ratios			
	Pakistan	Urban	Rural
2024-25	2.3	2.2	1.9
2018-19	1.8	1.8	1.6
Increase			
<i>Magnitude</i>	0.5	0.4	0.3
<i>Percent</i>	21.7	18.2	15.8

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

The Palma ratio, which compares the income share of the richest 10% to the poorest 40%, increased from 1.8 to 2.3 (a 22% increase), indicating widening disparities. In percentage terms, urban and rural Palma values rose by 18% and 16%, respectively. Together, these measures highlight a substantial worsening of income inequality across Pakistan during this period.

## **DIFFERENCE IN METHODOLOGY**

The gap between the official figures and SPDC estimates warrants a deeper examination of the reasons for these significant differences. Ultimately, the disparity arises from the distinct technical methodologies used to assess poverty.

SPDC adopts a “calorific,” or Food Energy Intake, approach that defines poverty based on the minimum calorie requirements for basic subsistence and calculates the level of household spending needed to meet those needs. This method translates household food consumption into calories, compares these with recommended daily allowances, and adjusts for household demographics through adult-equivalent units. A calorie-consumption function (CCF) is then estimated, linking household expenditure to minimum caloric needs, with separate thresholds for rural (2,550 calories) and urban (2,230 calories) populations as recommended by the Government of Pakistan. Based on this approach, monthly poverty lines have been estimated at Rs. 13,476 for urban and Rs. 10,283 for rural households per adult-equivalent unit in 2024-25. Importantly, this method is anchored in the actual consumption patterns of lower-income households, making it more reflective of real-world conditions.

On the other hand, official poverty estimation in Pakistan relies on a “Cost of Basic Needs” method, which updates an older poverty line using the Consumer Price Index (CPI) rather than re-estimating it from fresh household data. In practice, this approach significantly understates the true cost of living for the poor.

The CPI is based on an average consumption basket shaped largely by the spending habits of better-off households. Moreover, national CPI figures mask local price disparities, especially in remote areas, and

include items irrelevant to poor households while overlooking essential costs such as informal healthcare or clean water. The official poverty line estimated for 2024-25 is Rs 8,484. Unlike official estimates, SPDC’s approach re-estimates them directly using the latest survey.

The official method also has major structural issues. One notable anomaly is that historical estimates often indicate declining poverty even during periods of weak economic growth. This trend contradicts both economic theory and lived experience. For example, official figures suggest that poverty steadily fell from 50.4% in 2005-06 to 21.3% in 2018-19. This implies that poverty reduction appears totally disconnected from overall economic performance. Such inconsistencies raise serious doubts about whether the measurement tools accurately capture reality.

## **CONCLUSION**

The updated poverty and inequality estimates based on HIES 2024-25 reveal a sharp deterioration in living standards. Poverty incidence has increased by nearly 7 percentage points since 2018-19, with about 44% of the population living below the poverty line in 2024-25. Urban poverty has grown more steeply than rural poverty. Altogether, 27 million people have been added to the ranks of the poor over this period. Income inequality has also worsened, with both the Gini coefficient and Palma ratio showing significant increases. These outcomes reflect the combined impact of political instability, fiscal and external imbalances, global monetary tightening, and persistently high inflation following the COVID-19 pandemic. The evidence highlights the need for more credible measurement of poverty and inequality to guide the design of targeted interventions for poverty reduction.

1. <https://spdc.org.pk/publications/empirical-evidence-of-upsurge-in-the-poverty-numbers-pakistan-2025-scenario>

Social Policy and Development Centre (SPDC) is a policy research think tank. Since its establishment in 1995 as a private non-profit company, SPDC has made significant intellectual contribution in placing issues of pro-poor growth and social development on Pakistan’s policy-making agenda. With a focus on issues related to poverty and inequality, governance, social service delivery, gender, and pro-poor macro-economic policy, it contributes to the national goal of social development through research, policy advice, and advocacy. Being an independent and non-partisan research organization, the centre collaborates and cooperates with organizations working on issues relevant to its mandate both at home and abroad. It determines its own agenda and has successfully maintained its independence and balance between responsive and proactive social sector research. SPDC is governed by a voluntary Board of Directors.