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The Generation of Poverty in Pakistan: A Policy Perspective from 2001 to 2024

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Poverty in Pakistan remains one of the most debated and fluid statistics in the national discourse, as its number changes every time its definition changes. Whether measured through calories, consumption, the dollar-per-day, or multidimensional deprivation, each metric produces a different picture of who is poor. This shifting statistical foundation means that the meaning of poverty often evolves faster than the lived realities of citizens. Yet, evidence from two and a half decades of longitudinal household data shows that while poverty has declined, vulnerability continues to remain high.

1. Background and Context

Pakistan's poverty measurement has undergone several methodological transitions. The official methodology followed the Food Energy Intake (FEI) method till 2010, and Cost of Basic Needs (CBN) approach was applied in 2013 by adding more non-food items in consumption basket. Later, in 2016, the Multidimensional Poverty Index (MPI) was also introduced to measure deprivation through multiple indicators (i.e., education, health, and living standards) rather than consumption alone. These evolving approaches indicate not only methodological refinement but also the political and institutional nature of poverty measurement.

Pakistan has seen real improvements in opportunity and welfare whether we see poverty trends overtime or progress in education and health outcomes. It is the economic growth of a country, as supported by the human capital investment that will create economic opportunities. However, this progress cannot be declared 'excellent', keeping in view the boom-and-bust nature of growth, declining productivity and a host of shocks, especially the floods (Table 1).

Table 1: Key Welfare Indicators by Province (in %)

Indicators	Year	Punjab	Sindh	KP	Baluchistan	Overall
Net Enrollment Rate at primary (NER)	2004	60	66	54	57	44
	2019	70	55	65	64	64
Skilled Birth Attendance	2004	33	38	26	14	31
	2019	70	70	66	52	68
Flush Toilet Access	2004	66	51	48	23	54
	2019	89	76	84	44	83

Source: Pakistan Social and Living Measurement Survey (PSLM) 2004 & 2019

Poverty measurement largely relies on the Household Integrated Economic Survey (HIES), a cross-sectional data that does not provide a good insight to the poverty fluctuations at the household level over time. The Pakistan Panel Household Survey (PPHS) fills this gap as it provides poverty insights by using three rounds of same households interviewed in 2001, 2010, and 2024. The sample details are placed in Table 2. Four features are noteworthy as listed below;

I. The 2001 round was rural in nature and households were interviewed from 16 districts.

II. The urban households from same 16 districts were added in 2010.

III. The sample from 14 new districts was added in 2024.

IV. A split household is a new household where at least one member of the panel household has shifted permanently to another household in same village.

V. Only the rural sampled households are panel households in all the 3 rounds (2001, 2010 & 2024). However, the 2010 and 2024 round covers the urban panel households as well.

Table 2: Sample Size (in numbers) of various rounds of PPHS

Round and nature of HH		Punjab	Sindh	KP	Balochistan	National
2001 round		1,071	808	447	395	2,721
2010 round	Panel	893	663	377	265	2,198
	Split	328	189	58	27	602
	Rural	1,221	852	435	292	2,800
	Urban	657	359	166	160	1,342
	Total	1,878	1,211	601	452	4,142
2024 round	Panel	1,409	892	418	343	3,062
	Split	1,065	970	269	216	2,520
	New	1,354	760	541	384	3,039
	Total	3,828	2,622	1,228	943	8,621

Source: various rounds of PPHS

2. Current Poverty Situation

The 2024 PPHS dataset shows that poverty rate is 27.3%; 33.3% in rural and 14.4% in urban areas. Poverty numbers largely rely on poverty line as we used CBN approach and inflated the 2018/19 poverty line by consumer price index (CPI). During 2021-2023 periods, the country faced a high double-digit inflation; if inflation rate would be around 7%, the poverty line would be around 6,139 instead of the current line used in the study (Rs. 8,142 per adult equivalent per month in 2024). This high inflation increased poverty rates by 6-7%. In other words, poverty could be 20-21% in 2024 under a modest inflation rate (Table 3). The difference between nominal poverty and inflation-adjusted poverty in 2024 underscores that macroeconomic volatility now plays a larger role in determining welfare outcomes than structural inequality alone.

Table 3: Poverty Rates in 2024 (Cost of Basic Need Approach)

Poverty	Rural	Urban	Overall
Poverty Rates	33.3	14.4	27.3
Poverty Rates under normal Inflation	26.2	9.3	20.8
Inflationary impacts on Poverty	7.2	5.1	6.5

Source: Estimated from PPHS 2024 Round

A close look at the data on poverty levels shows that extreme poor are fewer in the country, however, a significant group of households clustered around the poverty line and they can be affected by any economic shock (positive or negative). Different policy measures are required for different groups, i.e., extreme poor needs assets to upscale their wellbeing, and vulnerable households (around poverty line) requires protective interventions to avoid shocks and falling into poverty.

Table 4: Poverty rates across various Bands in 2024

Band of Poverty	Rural	Urban	Overall
Extreme poor (<50% of poverty line)	7.5	1.6	5.6
Ultra poor (>=50 to <75% of poverty line)	12.6	5.0	10.2
Poor (>=75 to <100% of poverty line)	13.2	7.9	11.5
Vulnerable (>=100 to <125% of poverty line)	11.3	10.9	11.2
Quasi Non-Poor (>=125 to <200% of poverty line)	24.1	28.7	25.5
Non Poor (>=200% of poverty line)	31.3	46.0	35.9
Total	100.0	100.0	100.0

Source: Estimated from PPHS 2024 Round

3. Poverty Rates among Panel households 2001-24

Consumption dynamics add another layer to the picture. Between 2001 and 2024, real household consumption nearly doubled. Yet the share of food in total expenditure decreased from 58 percent to 40 percent. This shift reflects welfare diversification — households today spend more on education, communication, transport, and energy than two decades ago (Table 5).

Table 5: Real Household Consumption Expenditures (in Rs.) among Rural Panel Households

Panel Round	HH Food expenditure	Non-food expenditure	Total	% share of food expenditures
2001	45,186	32,499	77,685	58.2
2010	53,599	39,945	93,544	57.3
2024	55,342	82,626	137,968	40.1

Note: the numbers are adjusted by household size
Source: Estimated from PPHS 2001, 2010 and 2024 panel households

It is worth explaining that the panel analysis does not reflect the national or sub-national poverty statistics, rather it shows the trends of poverty number among same households overtime. The provincial panel trends from 2010 and 2024 show significant reductions in poverty in Punjab and Khyber Pakhtunkhwa, modest change in Sindh, and stagnation in Balochistan. Households in South Punjab were close to the Sindh in 2010, however, it has made significant progress in reducing poverty. These patterns confirm that national progress masks deep regional disparities that continue to shape household welfare trajectories (Table 6).

Table 6: Poverty trends among Panel Households (2010 and 2024 rounds)

Province	2010			2024			% change in poverty		
	Rural	Urban	Overall	Rural	Urban	Overall	Rural	Urban	Overall
KP	30.9	30.8	30.8	19.7	19.8	19.7	56.9	55.6	56.3
Punjab	42.8	41.5	42.5	20.3	10.7	17.9	110.8	287.9	137.4
North Punjab	24.8	37.5	28.9	7.6	10.0	8.4	226.3	275.0	244.0
South Punjab	57.8	48.0	55.9	30.3	11.9	26.9	90.8	303.4	107.8
Sindh	57.1	40.8	53.6	56.3	22.6	49.5	1.4	80.5	8.3
Balochistan	48.2	47.6	48.0	51.0	33.0	45.9	-5.5	44.2	4.6
Overall	46.1	41.0	44.9	34.6	18.6	31.0	33.2	120.4	44.8

Note: the provincial estimates do not reflect the provincial representative statistics, rather reflect the changes overtime among the panel households.
Source: Estimated from PPHS 2010 and 2024 panel households

A deeper, long-term perspective emerges when comparing rural panel households from 2001, 2010, and 2024. The extended PPHS panel shows that although poverty has declined across all rural provinces and household types, the rate and pattern of decline differ sharply. Punjab and KP demonstrate sustained improvements, while Sindh's progress remains inconsistent and Balochistan experiences stagnation. This three-wave comparison provides the clearest evidence that economic vulnerability, not absolute deprivation, is now Pakistan's central poverty challenge (Table 7).

Table 7: Poverty rates among rural panel households 2001, 2010 and 2024

Province	2001	2010	2024	% change b/w 2001 & 2010	% change b/w 2010 & 2024	% change b/w 2001 & 2024
KP	30.6	31.9	20.4	-4.1	56.4	50.0
Punjab	47.4	42.3	18.3	12.1	131.1	159.0
North Punjab	37.0	25.8	7.3	43.4	253.4	406.8
South Punjab	57.6	58.3	28.9	-1.2	101.7	99.3
Sindh	67.0	57.3	54.4	16.9	5.3	23.2
Balochistan	70.1	49.8	50.5	40.8	-1.4	38.8
Overall	**52.4**	**46.2**	**33.6**	**13.4**	**37.5**	**56.0**

Across household categories, education continues to be the strongest determinant of welfare. Households with literate or secondary-educated heads exhibit significantly lower poverty, whereas larger families, asset-poor households, and those lacking land or livestock remain more exposed. Remittance-receiving households consistently show better welfare outcomes. These dynamics reaffirm that Pakistan's poverty is increasingly shaped by capability, asset ownership, and resilience rather than income alone (Table 8).

Table 8: Poverty rates by various Household Characteristics among Rural Panel Households

Characteristics	2001	2010	2024
Education of Household (by category)			
Illiterate	52.5	50.3	41.5
1 to 5 grades	50.3	50.0	33.3
6 to 10 grades	36.4	33.9	23.2
11 and above grades	22.8	28.3	17.7
Household Size (in categories)			
1-4	30.4	22.8	17.0
5-7	41.6	34.0	25.8
8 & above	52.6	52.3	39.4
Land ownership (in categories)			
No land	57.7	51.9	41.3
Small landholder (upto 3 acres)	43.8	51.9	24.9
Medium landholder (> 3 to 10)	44.8	38.8	21.0
Large landholder (> 10 acres)	33.1	26.2	9.0
Livestock ownership (%)			
No	61.0	55.4	36.4
Yes	44.9	43.2	31.6
Large animal ownership (%)			
No	59.3	58.5	31.9
Yes	43.2	39.4	36.9
Small animal ownership (%)			
No	59.5	47.2	31.9
Yes	45.6	45.1	36.9
Overseas remittances (%)			
No	59.6	47.2	36.2
Yes	21.8	31.1	16.3

4. Why Poverty Reduction Claims Remain Non-Resilient?

Despite opportunity expansion and infrastructure improvements, Pakistan's poverty reduction remains susceptible as still one-third of the rural panel households are poor and a large group of households is around the poverty line. During this period, the country spent a massive amount on public sector social safety nets and microfinance programs, i.e., currently BISP's targeting is more than 9 million families and every year microfinance programs target 9-10 million households. However, their impact remains limited in creating long-term economic transformation. Cash transfers alleviate immediate hardship but do not significantly alter structural vulnerabilities. Microfinance has grown, yet access to credit alone cannot generate impact without an enabling economic environment, market-based skills and market linkages.

It is a matter of fact that in this millennium, the country has been struggling to achieve economic growth that largely remains volatile in nature. Investment and productivity are the two major drivers of economic growth and both are low. Resultantly the exports have not witnessed a significant improvement—a major reason for trade deficit and IMF programs. There is a pressing need to invest in human capital to support innovation and R&D, which are necessary ingredient to promote export-led growth. Without achieving sustained a 6-7% economic growth, job creation is not conceivable to eradicate poverty.

Despite all this, Pakistani nation is highly resilient, no matter how much gloom is imposed on the people in the name of austerity, they are expected to carry on. Each year, they face variety of catastrophe and disaster. The economic losses on war and terror are around $130 billion and alone 2010 and 2022 floods remained $ 75 billion. The key asset of the nation is its youth that is still untapped and can fuel economic expansion if effectively utilized. However, all this requires to equip them with desired skills to compete globally, social engagement and connectivity to break the cycle of poverty and advance human development.

Various structural reforms have been introduced, their economic impacts are yet to be materialized. These reforms must be inclusive to support and enabling economic environment through ease of doing business, 21st century bureaucracy, and an efficient government having a service delivery through local governments, whereas, federal and provincial government role should be to focus on policy formulation, monitoring, and evaluation. In light of this evidence, the following actions become essential to build resilience and sustain poverty reduction:

Keeping in view the youth bulge, prioritize export-driven and sustained economic growth (6–7%) to ensure stable job creation and long-term poverty reduction.

Invest heavily in human capital particularly skills, digital capabilities, and market-relevant trainings hud to raise productivity and support innovation-led growth.

Improve the enabling environment for businesses through regulatory simplification, modern governance, and better market linkages so that microfinance and credit can actually translate into economic gains.

Shift social protection from purely cash-based support toward asset-building and productivity-enhancing programs, especially for the extreme poor.

Equip vulnerable households (those just above the poverty line) with shock-protection tools such as insurance, price-stability mechanisms, and climate-resilience support.

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