

Iran

Iran's currency 'turns to ash' as economy spirals

Anger over collapse in living standards
prompts protests by shopkeepers in
Tehran

Najmeh Bozorgmehr in Tehran

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Iran's currency has plunged to new lows as the country struggles with the economic aftershocks of the war with Israel, sparking protests from shopkeepers and piling pressure on President Masoud Pezeshkian and the Islamic republic's leaders.

The rial has lost about 40 per cent of its value since the 12-day war in June, hitting a record low of 1.45mn to the US dollar on the open market in recent days.

The currency's slide has accelerated as oil revenues have shrunk under sanctions from the US, which briefly joined the war to bomb Iran's nuclear sites. The country's stubbornly high inflation rate rose to 42.2 per cent in December year on year.

Anger over the collapse of the currency prompted shopkeepers selling electronic goods to shut their stores in central [Tehran](#) on Sunday in protest, with merchants in the capital's historic Grand Bazaar joining the strike on Monday.

Videos circulating on social media showed riot police using tear gas to disperse crowds and protesters urging others to join them, chanting slogans such as "Iranians will die but won't accept humiliation".

State television confirmed the protests, saying that demonstrators were calling for the "stabilisation of foreign currency rates".



The rial has hit a record low of 1.45mn to the US dollar on the open market in recent days © Majid Asgaripour/WANA/Reuters

Tasnim news agency, which is affiliated with the country's Revolutionary Guards, said that while public anger over rising prices was justified, "insecurity will not solve any problem and will only benefit those who want Iran in ruins" — an apparent reference to Israel.

The economic consequences of the conflict have become increasingly visible in recent weeks as the country remains caught in a fragile state of what Iranians describe as "no war, no peace".

"You go to the grocery store and see people checking prices and not buying products as basic as milk or yoghurt, let alone meat," said Saghar, a 55-year-old housewife. She said she had stopped buying Iranian Lighvan cheese — a traditional staple — after its price jumped from 6mn rials to 8mn rials per pack within weeks.

The price of gold coins, a key means by which Iranians seek to protect their household savings from inflation, hit a record high of 1.7bn rials per coin on Sunday. Gold prices have more than doubled since the war, reflecting both higher global prices and demand in the domestic market.

The economic spiral has contributed to a broader legitimacy crisis for Iran's leaders, as growing segments of society demand sweeping political, economic and social reforms.

Authorities have so far responded by expanding limited social and cultural freedoms — such as easing restrictions on women's dress — and broadening food voucher programmes for lower-income households.

These subsidies are expected to expand further next year, as many workers survive on wages as low as \$100 a month.



Iran's President Masoud Pezeshkian, centre, in parliament last week. The country's leadership is under mounting pressure © Icana/ZUMA Press/Reuters

There has also been mounting speculation in local media, among analysts and senior business figures, that [Pezeshkian](#) could seek to dismiss Iran's central bank governor, Mohammad-Reza Farzin. The central bank denied the media reports.

But Saeed Laylaz, a reformist analyst, said personnel changes would not resolve the crisis. Parliament in March impeached and dismissed the economy minister over similar concerns, without delivering any meaningful economic improvement.

"Iran's economy now needs a scapegoat," he said. "It is absurd to attribute currency turmoil and high inflation to a single individual."

Laylaz argued that the roots of the crisis lay in systemic corruption, structural flaws in the banking sector, disarray within Pezeshkian's government and shrinking revenues caused by US sanctions.

Pezeshkian, who appeared in parliament on Sunday to present the government's budget for the year beginning in late March, acknowledged that falling oil revenues had made it extremely difficult to raise public-sector salaries in line with inflation.

State employees' salaries are set to increase by only 20 per cent, below inflation, but parliament speaker Mohammad Bagher Ghalibaf has vowed to push for higher wages despite the president's warnings about a looming cash shortfall.

"I am told salaries are low; that is true. I am told taxes are high; that is also true. But then I am told to raise salaries," Pezeshkian told lawmakers. "Can someone tell me where the money is supposed to come from? We are struggling to secure foreign currency to cover people's livelihoods, livestock feed and basic commodities."

The budget proposes an overall spending increase of just 2 per cent, which, if approved by parliament, would amount to a rare real-term decline in expenditure.

For many Iranians, expectations of persistently high inflation have left them wondering when the crisis will end. The prices of chicken, dairy products and beans have all risen sharply alongside recent shortages of cooking oil.

"They pay us in currency [rials] that turns to ash when you try to buy basic goods," said Sheyda, a pensioner. "Shopkeepers say everything is priced in dollars now, even milk, with prices rising almost daily."

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