The Anatomy of Iran’s Inflation

UNDERSTANDING THE PRICE SURGE IN IRANs F&B SECTOR

Inflation in Iran has intensified dramatically: food inflation reached 41.5% year-on-year in May 2025, while headline CPI inflation soared to 38.9% in April.
Key drivers include:
Currency collapse: The rial has nearly doubled in depreciation in early 2025, severely inflating import costs .
Sanctions: Restrictions on agro-inputs and fuel have heightened domestic production costs.
Packaging and logistics: Packaging costs surged by 200%, freight by 55%—a large share of input cost growth.

As a result, basic staples like rice, dairy, and legumes have borne the brunt of these price increases.

CONSUMERS BEAR THE BRUNT

Iranian households are under severe financial pressure, with many earning just $120/month—far below the estimated $400 needed for basic living.
In April 2025, food and beverage prices rose 4.2%, contributing to an annual inflation rate of 38.9%. This surge has made even basic staples unaffordable for many.
Urban families, more reliant on market goods, are especially affected—shifting diets toward cheaper items like bread and legumes.
As living costs rise, poverty is worsening and public unrest is growing, with strikes and protests on the rise.

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CONSUMPTION **TRENDS** – IRAN

Iran's F&B consumption patterns are shifting under pressure from high inflation, rising costs, and currency devaluation.

Staple prices like rice, oil, and dairy rose 40–70% in 2024, forcing many households to downtrade to cheaper or bulk options.

Cooking oil shortages have driven up the price of substitutes like vegetable oils and butter.

Despite food being essential, per capita consumption is falling—especially in urban areas. A 14% drop in meat and dairy purchases was reported among lower-income households in early 2025.

Consumers are buying less, more often, and turning to smaller packs and private labels.

For retailers and producers, shrinking margins and falling volumes are challenging profitability, prompting new pricing and packaging strategies.

WHAT CAN BE DONE?

To alleviate consumer distress, these strategies can help:

- **Introduce budget-friendly SKUs**
  Offer smaller, more affordable product sizes or value packs tailored to low-income families.
- **Promote cost-efficient staples**
  Encourage nutritionally balanced, affordable staples (like legumes) to ensure food security.
- **Support consumer safety nets**
  Collaborate with governments or NGOs on vouchers, targeted subsidies, or food-aid programs linked to staple purchases.
- **Enhance transparency**
  Facilitate price tracking tools and community hotlines so consumers can compare prices and feel more confident in their choices.

PARIZNOVA Pjsc

Expert in raw materials for food, cosmetics & pharma.
No. 110, West Hoveizeh St.,
North Sohrevardi Ave., Tehran
www.pariznova.com ● info@pariznova.com