Poverty & Equity Brief

October 2025

ISLAMIC REPUBLIC OF IRAN

GDP growth is projected to slow sharply in the medium term, led by a contraction in the oil sector and weaker global demand. The recent conflict has fueled inflationary expectations and triggered further currency depreciation, pushing inflation to 39.5 percent (Y-o-Y) in the first four months of 2025/26, driven by food price inflation of 42.9 percent. The services sector, employing over half of the workforce, has been impacted by conflict and post-war connectivity disruptions.

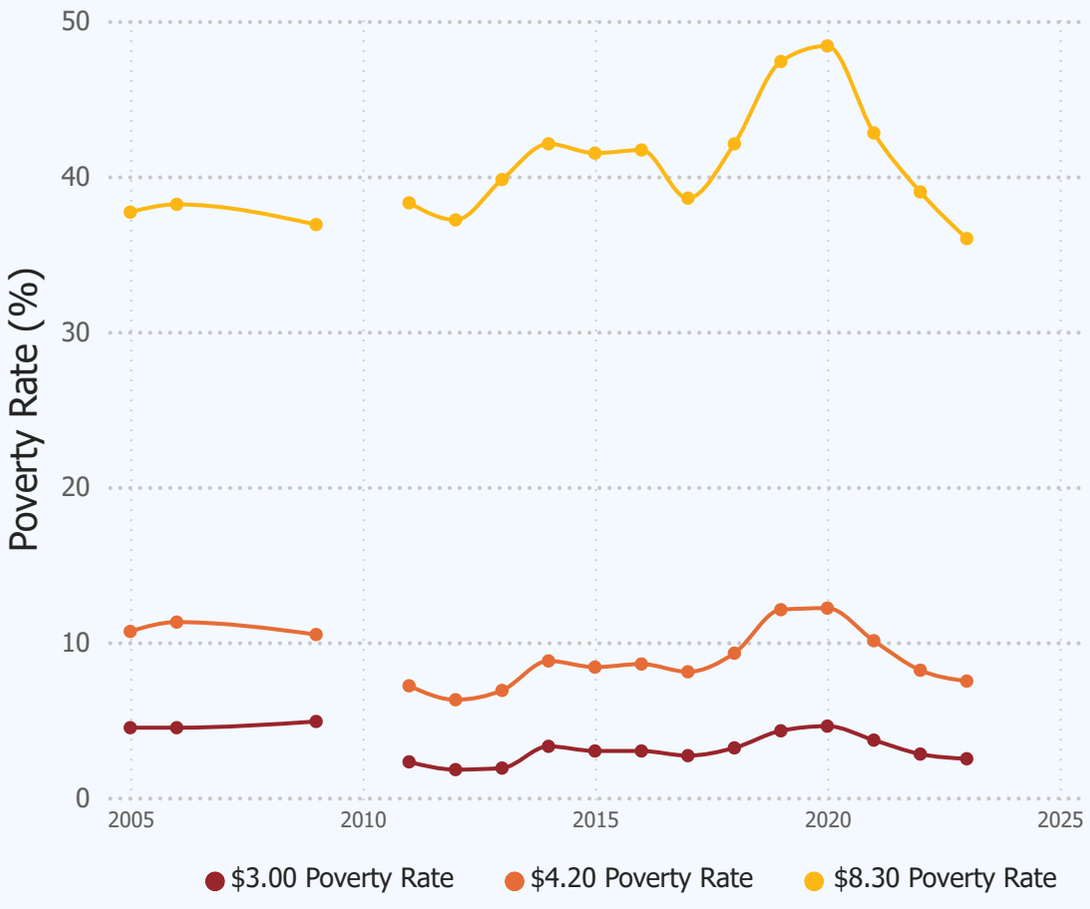
The combination of GDP contraction and increased prices is expected to push 2.5 million people into poverty in 2025. The share of the population living below the UMIC poverty line ($8.30 USD a day in 2021 PPP) is forecast to increase from 33.2 percent in 2024 to 35.4 percent in 2025. Poverty is projected to further increase in 2026 to 38.8 percent, pushing an additional 3 million people into poverty. Those living below or near the poverty line are particularly vulnerable to an economic downturn. Vulnerable households are disproportionately likely to be female, have less than a high-school education and to live in rural areas.

Growing energy and water shortages have led to rationing and disrupted economic activity. Water scarcity, driven by recurring droughts, climate change, and suboptimal resource management, has depleted rivers, lakes, and aquifers, causing severe land subsidence that threatens infrastructure and long-term productivity. Precipitation has declined by 40 percent since 2024. Increased water scarcity will particularly affect the livelihood of households relying on agriculture, increasing the pressure of rural-urban migration and corresponding demand for urban services.

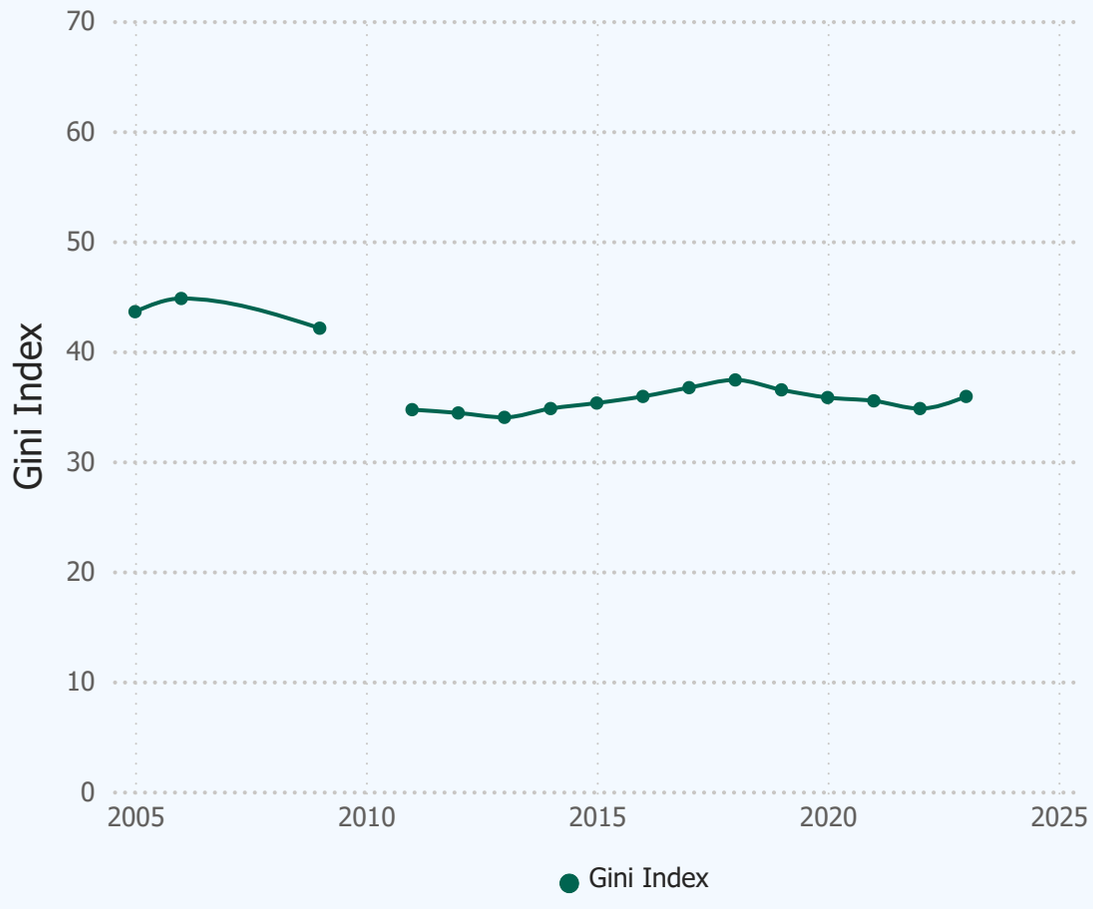
Historically, cash transfers have provided robust support for the welfare of the poor, albeit with a significant fiscal cost. A series of recent initiatives, including the phase out of the exchange-rate subsidy and consolidation of cash transfers, aim to improve the efficiency and sustainability of social policy. While the real value of cash transfers has gradually eroded with inflation, a number of top-ups have helped reduce poverty. A first rescue package was rolled out during the COVID-19 pandemic, reaching 87 percent of the population. In 2022, cash-transfer top-up values were increased to compensate for the removal of the 'preferred' exchange rate and help mitigate potential welfare losses. The government adjusted subsidies in September 2023, particularly targeting lower-income groups through electronic vouchers (“Kala Barg” plan). Initially envisioned to cover only the first three income deciles, the plan benefits approximately 75 percent of the population. In February 2024, the government also introduced a temporary “Fajraneh” plan, providing a temporary top-up to the Kala Barg plan. However, persistent deficits of 4.5 percent over the projection period mean that the government's fiscal space to provide additional relief through emergency transfers is limited.

$3.00 Poverty Rate	$8.30 Poverty Rate	Gini Index	Prosperity Gap
2023	2023	2023	2023
2.5%	36.0%	35.9	3.3

Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
International Poverty Line ($3.00/day)	2,253.7	2.5	2023
Lower Middle Income Class Poverty Line ($4.20/day)	6,827.0	7.5	2023
Upper Middle Income Class Poverty Line ($8.30/day)	32,661.9	36.0	2023
Multidimensional Poverty Measure		2.5	2023

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)
Urban population	31.3
Rural population	52.0
Males	36.0
Females	36.1
0 to 14 years old	48.8
15 to 64 years old	34.0
65 and older	24.5
Without education (16+)	46.5
Primary education (16+)	40.8
Secondary education (16+)	33.3
Tertiary/post-secondary education (16+)	15.2

Multidimensional Poverty Components	(% of Pop.)
Daily income less than US$3.00 per person	2.5
At least one school-aged child is not enrolled in school	0.9
No adult has completed primary education	4.4
No access to limited-standard drinking water	1.0
No access to limited-standard sanitation	1.0
No access to electricity	0

Note:
N/A denotes a missing/removed value, while N/A* refers to a value which was removed due to having fewer than 30 observations.
The rates in the Poverty by Group table above are shown at the $8.30 upper-middle income line.
Data for the Poverty by Group table is derived from a 2023 survey and data for the Multidimensional Poverty Components table is derived from a 2023 survey.

Poverty Data & Methodology

The Household Expenditure and Income Survey (HEIS) has been conducted annually by the Statistical Center of Iran (SCI) since 1963 in rural areas and 1968 in urban areas. The data from 1984 onwards are publicly available in Farsi. The survey is nationally representative, and two-stage stratified across urban/rural areas of provinces. HEIS includes demographic and income information, but its focus is on expenditure. The surveys collect expenditure information on more than 1,000 items. The recall period of expenditures for most items is the last month. For durables, certain education expenses, insurance expenditures, investment in housing and farms, and income components, the recall period is the last 12 months. As in most surveys of such type, income and expenditure data are self-reported. HEIS does not distinguish between how much is spent and how much is consumed and reports only expenditure on a particular item. For items that were not purchased, an estimated value is provided. The welfare aggregate used to report international poverty and inequality indices is estimated using household expenditure per capita, which incorporates temporal and spatial deflation.

Harmonization

The numbers presented in this brief are derived from the MNAPOV database. The standardization and harmonization process are overseen by the Middle East and North Africa Team for Statistical Development. MNAPOV was established in 2014, and encompasses a range of data, including demographics, education, asset ownership, access to services, employment, and household expenditure, all of which are utilized for Global Poverty Monitoring. MNAPOV includes data from 11 countries. Work is ongoing to improve the coverage of countries in the region, expand the list of harmonized variables, and enhance the dissemination of poverty, inequality, and prosperity estimates for the MENA region. The terms of use for the data comply with agreements made with the original data producers.

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