



THE DEMOCRATIC PARTY OF IRANIAN KURDISTAN (PDKI)
A Foundation for a Democratic, Federal, and Stable Iran

IRAN: ECONOMIC DETERIORATION AND EMERGING INTERNAL PRESSURES

Source-Protected Analytical Note for the U.S. Government

August 28, 2026

SOURCE NOTE

This assessment is based primarily on recent reporting from trusted sources inside Iran, including Iranian Kurdistan. Market figures reflect local observations and may vary by location, timing, and type of transaction. Forward-looking judgments are identified as analytical assessments rather than confirmed developments.

Reporting from inside Iran indicates that the U.S. blockade and newly imposed sanctions, combined with fuel constraints, structural economic weaknesses, and continuing fears of renewed conflict, are intensifying an already severe economic crisis. The immediate effects include rapid depreciation of Iran's currency—the rial, commonly quoted domestically in toman—rising gold and commodity prices, declining household purchasing power, and growing uncertainty among merchants and consumers. Of particular significance, financial pressure appears to be reaching parts of the state security establishment that were previously protected from ordinary economic hardship. Security personnel are reportedly continuing to receive their base salaries, but supplemental payments, bonuses, allowances, and other benefits have declined.

Separate reporting indicates that personnel within Herasat—the internal security and vetting departments responsible for monitoring government employees and preventing corruption—are increasingly soliciting bribes. Herasat personnel have traditionally been among the more privileged government employees and were expected to police misconduct within state institutions. Their reported involvement in bribery points to growing institutional corrosion and suggests that economic pressure is affecting the discipline and integrity of bodies responsible for protecting the regime. It does not, however, indicate that the state's coercive apparatus has ceased functioning.

KEY GROUND INDICATORS

In the Saqqez market, the U.S. dollar reportedly increased from approximately 185,000 toman at the beginning of the week to more than 200,000 toman, with some local reporting placing it as high as 245,000 toman. The lower figure represents an increase of approximately 8 percent, while the highest reported figure would represent an increase of more than 30 percent. The wide range reflects intense volatility and possible differences in timing, location, and transaction type.

During the same period, the local price of 18-karat gold reportedly rose from approximately 19 million toman to about 21.85 million toman, an increase of roughly 15 percent.

These movements are directly affecting households whose incomes and savings remain denominated in local currency. Sources report weakening commercial activity as sellers hesitate to set prices and buyers delay purchases in anticipation of further depreciation. Lower-income households and the remaining middle class are experiencing the greatest pressure.

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A reported gasoline supply deficit of approximately 14 million liters per day represents another important vulnerability. Any government decision to raise gasoline prices or reduce subsidized quotas could become an immediate trigger for demonstrations, particularly during late September and early autumn. Economic frustration is being compounded by political anger, declining confidence in the future, youth emigration, and the continuing possibility of renewed military confrontation.

NEAR-TERM OUTLOOK

The most likely near-term scenario is continued currency depreciation, elevated inflation, weaker domestic commerce, and localized economic protests. Broader unrest would become more plausible if the government changes fuel prices or quotas, delays salary payments, further reduces benefits for public employees and security forces, or imposes new restrictions in response to public dissatisfaction. Iranian cabinet officials have repeatedly signaled a willingness to return to negotiations. This messaging may reflect the government's recognition that the domestic environment is increasingly unstable and that some degree of external de-escalation is needed to reduce economic pressure. It should not necessarily be interpreted as evidence of a broader strategic change by the regime.

A source has also raised the possibility that the IRGC could deliberately intensify external tensions—including threats involving the Strait of Hormuz—to redirect domestic anger, increase global oil prices, and place political pressure on Western governments. This should be treated as a low-confidence but high-impact warning scenario. There is currently no source reporting confirming that such an operation has been ordered.

IMPLICATIONS FOR THE U.S. GOVERNMENT

The reported deterioration is placing growing pressure on the Iranian state, but it should not be interpreted as evidence of imminent regime collapse. Base salaries within the security establishment continue to be paid, and the state retains substantial coercive capacity.

A central factor likely to determine whether localized unrest develops into a broader national movement is public confidence in the existence of a viable, credible, and inclusive political alternative. Iranians require reasonable assurance that the collapse of the current regime would not lead to state failure, civil war, interruption of essential services, or another form of authoritarian rule. They must be able to see an organized transitional framework capable of protecting the population, maintaining essential institutions, and managing the country toward a more stable and democratic future.

For this reason, U.S. diplomatic efforts to encourage dialogue and coordination among Iran's credible democratic opposition forces are of strategic importance. Any such framework should be US-led and must meaningfully include the Kurds and other marginalized national communities. The U.S. Government should engage directly with the PDKI and other representative Kurdish actors rather than viewing them through the perspective of Tehran or unrelated opposition organizations.

The immediate objective should be to encourage agreement on minimum principles for an orderly transition, including civilian protection, continuity of essential services, equal political participation, federal democratic governance, and the prevention of internal conflict.