Economic Impact of The Iranian Conflict Hits Low-and-Middle Families

Mark Wolfe mwolfe@neada.org 3/24/26

Key Points

Rising Oil Costs: Rising oil prices driven by the conflict are placing significant new pressure on American households, particularly low- and middle-income families. What begins as higher gasoline prices quickly spreads through the economy, increasing the cost of food, heating oil (especially in the Northeast), and other essentials. For many families, this translates into an additional $100 to $400 per month in expenses, depending on how high oil prices rise. Because these costs are concentrated in necessities, they fall disproportionately on those least able to absorb them functioning like a regressive tax on everyday life.

Household Burden: Families feel the impact of rising gasoline prices twice: once at the pump and again in the cost of everyday necessities. Higher-income households spend a smaller share of their income on essentials, while low- and middle-income families devote a larger portion of their budgets to commuting and food. Because these costs are spread across a smaller income base, even modest increases can have an outsized impact. When energy prices spike, these households are hit hardest.

Food Prices: Rising diesel fuel prices will push up the price of food. Diesel fuels trucks, trains, ships, and farm equipment, making it central to the food supply chain. Higher diesel costs raise transportation expenses, which gradually increase food prices. Rising fertilizer prices will further increase food costs. Fertilizer is a key input tied to global energy markets, and higher costs move through the supply chain to consumers.

Heating Oil: Heating oil price increases significantly impact families in the Northeast, where many households rely on it for home heating.

Policy: Some members of Congress have already warned that the attacks on Iran and the resulting conflict are pushing gasoline prices higher and putting additional strain on American families. Senator Jack Reed, for example, called on the administration to "shield Americans from rising energy prices" caused by the war, warning that higher prices at the pump were predictable. The most immediate need, however, is direct assistance to households to offset rising costs. Rising oil prices are not just a market issue they are a household affordability issue, adding significant pressure to family budgets every day that the conflict drags on.

Background: Rising oil prices may be framed in Washington as the cost of geopolitical conflict. But for millions of Americans, they show up somewhere far more personal: the monthly household budget. President Trump recently suggested that higher gasoline prices are "a small price to pay." Secretary Wright has echoed that statement. A Senate candidate said that families can just cut back on their purchases of Starbucks coffee.

That may be how the issue looks from Washington. But for families already struggling to cover rent, groceries and prescription medicines, there is nothing small about a spike in petroleum prices. The following chart summarizes the impact of rising oil prices on US households at the price of petroleum increases. The worst case scenario oil goes to $200 a barrel would show families spending up to $400 more for gasoline, food and home heating fuels.

Rising oil prices add to the affordability burden at the same time essential costs are rising rapidly. In the last 12 months alone, utility prices increased by 6.1 percent, food by 3.1 percent and medical care by 4.1 percent adding further pressure to already stretched household budgets. And it's magnified under an administration that has blocked more stable solar and wind power, in favor of inherently volatile oil and gas. At the end of the day, this isn't about markets it's about whether families can afford to get to work, keep the lights on, and put food on the table.

If rising oil prices are part of the economic cost of war, then fairness demands that the burden not fall disproportionately on the families least able to afford it. Yet that is exactly what is happening today. Higher-income households may feel the impact of rising fuel prices, but they are far better positioned to absorb the cost. For many low- and middle-income families, another increase in gasoline or heating oil prices can mean cutting back on groceries, delaying medical care or falling behind on bills.

Rising gasoline prices add to the affordability burden: the average family uses 60 gallons of gasoline a month, so for every $1 increase per gallon at the pump, the average family spends $60 a month more for gasoline. With prices set to continue to rise, families should expect to pay at least $100 more a month than prior to the war. And this will not end once the war ends, it could take up to six months to rebuild the energy infrastructure that was destroyed during the war.

Estimated Gasoline Price per Gallon as Oil Prices Rise

Oil Price ($/barrel)	Estimated Gas Price ($/gallon)	Increase vs Pre-War ($/gallon)
75 (Pre-war)	3.10–3.25	—
80	3.30	+0.10–0.15
100	3.90–4.00	+0.75
120	4.40–4.60	+1.25–1.45
150	5.25–5.60	+2.10–2.40
200	6.75–7.25	+3.60–4.00

There isn't a simple official rule like "every 10-cent increase in diesel fuel costs raises food prices by X." The pass-through exists, but it is indirect, uneven. Higher fuel prices do push food prices up, but not one-for-one. The effect mainly works through diesel, trucking, and distribution costs, so the biggest impacts are on food that travels long distances.

Rising diesel fuel prices will push up the price of food: Diesel fuel, like gasoline, is refined from crude oil, but it is primarily used to power trucks, trains, ships, and farm equipment rather than passenger vehicles. Because diesel drives the transportation and distribution system for food, its price has a direct impact on food costs. While diesel and gasoline prices generally move together with oil prices, diesel plays a larger role in the supply chain. There isn't a simple rule linking diesel increases to food prices, and the pass-through is indirect and uneven. Still, higher diesel costs raise transportation expenses, which gradually push food prices higher especially for goods that travel long distances.

A rule of thumb for food prices: 10% increase in gasoline/oil prices → 1–2% increase in food prices. 50% increase in fuel prices → 3–5% increase in food prices. 100% increase in fuel/transport costs → up to 10% increase in food prices. Typical family food spending is $8,000/year. So, a 1–2% increase in food prices add $80–$160/year to a family's budget, a 5% increase $400/year.

Rising fertilizer prices will further push up food costs: The impact of higher energy prices on food goes beyond transportation and diesel. Fertilizer is a key input in growing crops, and its price is closely tied to energy markets, particularly natural gas. When fertilizer prices rise, farmers face higher costs to plant and produce crops. Those higher production costs move through the food supply chain and eventually show up in grocery prices. While the impact is not immediate or one-for-one, it adds another layer of upward pressure on food costs over time.

Why fertilizer prices can rise even if U.S. natural gas prices are stable: Fertilizer prices are set in global markets, not just domestic ones. Even if U.S. natural gas prices remain relatively stable, fertilizer costs can still rise because strong global demand for agricultural products can push fertilizer prices higher. As a result, U.S. farmers and consumers can face higher fertilizer and food costs even when domestic natural gas prices are not rising significantly.

Heating oil prices increases impact families in the Northeast: And the impact goes well beyond gasoline. In the northeast, where millions of homes still rely on heating oil, winter is not yet over. Many households will still need to purchase additional fuel before the cold weather cycle is over. For families already managing tight budgets, higher oil prices mean not only more expensive commutes but higher heating bills as well. That may be how the issue looks from Washington. But for families already struggling to cover rent, groceries and prescription medicines, there is nothing small about a spike in heating oil.

Monthly Household Impact of Rising Oil Prices on Gasoline, Food and Heating Oil: Gasoline impacts are immediate, heating oil impacts are significant in colder regions, and food costs rise more gradually through higher diesel, transportation, and distribution costs.

Oil Price ($/barrel)	Gas Increase ($/month)	Food Increase ($/month)	Heating Increase ($/month)	Total Monthly Impact ($)
75 (Pre-war)	0	0	0	0
80	10.5	3	8	21.5
100	49.5	10	25	84.5
120	82.5	18	45	145.5
150	139.5	30	75	244.5
200	229.5	50	120	399.5

Notes:
1. Gasoline estimates assume approximately 60 gallons per month and reflect typical relationships between crude oil and retail gasoline prices.
2. Food estimates assume a mid-range pass-through to a household food budget of about $8,000 per year.
3. Heating estimates reflect illustrative monthly impacts for households using heating oil or propane; impacts can be larger in winter or colder regions.