

HYPERINFLATIONARY ECONOMIES UPDATE

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BACKGROUND

IAS 29, *Financial reporting in hyperinflationary economies* applies when an entity's functional currency is 'hyperinflationary'.

IAS 29 requires the financial statements (including any comparative periods) to be stated in terms of the measuring unit current at the end of the applicable reporting period. This is because the currency of a hyperinflationary economy loses a significant amount of purchasing power from period to period such that presenting financial information based on historical amounts, even if only a few months old, does not provide relevant information to users of financial statement.

The term 'hyperinflation' is not defined in IAS 29, as it is a matter of judgment. IAS 29 provides the following characteristics of a hyperinflationary economy (IAS 29.3):

- (a) *the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;*
- (b) *the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;*
- (c) *sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;*
- (d) *interest rates, wages and prices are linked to a price index; and*
- (e) *the cumulative inflation rate over three years is approaching, or exceeds, 100%.*

International Monetary Fund (IMF) publishes historical and projected inflation data by country.

During 2024, the list of hyperinflationary economies (and those economies on our watchlist) has continued to evolve due to deteriorating economic conditions and high inflation in several countries. The jurisdictions on the list of hyperinflationary economies must apply IAS 29, which results in financial statements (both current and prior comparative periods) being restated to reflect current inflation rates.

Based on the IMF's [October 2024 World Economic Outlook](#) (IMF WEO), below is an updated snapshot of countries which were hyperinflationary in 2023, countries which have become hyperinflationary (or have ceased to be hyperinflationary) during 2024, and countries which are at risk of becoming hyperinflationary in 2025.

ACCOUNTING IMPACT

With increasing inflation rates and declining economic conditions around the world, more countries have become hyperinflationary in 2024, including Lao People's Democratic Republic and Malawi.



<i>ECONOMIES WHICH WERE HYPERINFLATIONARY AS AT 31 DECEMBER 2023</i>	<i>ECONOMIES WHICH HAVE BECOME HYPERINFLATIONARY IN 2024</i>	<i>ECONOMIES WHICH HAVE CEASED TO BE HYPERINFLATIONARY IN 2024</i>	<i>ECONOMIES THAT HAVE A RISK OF BECOMING HYPERINFLATIONARY WATCHLIST FOR 2025 AND ONWARDS</i>
<ul style="list-style-type: none"> ▶ Argentina ▶ Ethiopia ▶ Ghana ▶ Haiti ▶ Islamic Republic of Iran ▶ Lebanon ▶ Sierra Leone ▶ South Sudan ▶ Sudan ▶ Suriname ▶ Turkey ▶ Venezuela ▶ Yemen¹ ▶ Zimbabwe² 	<ul style="list-style-type: none"> ▶ Lao People's Democratic Republic³ ▶ Malawi⁴ 	<ul style="list-style-type: none"> ▶ Yemen¹ ▶ Zimbabwe² 	<ul style="list-style-type: none"> ▶ Angola⁵ ▶ Burundi⁶ ▶ Egypt⁷ ▶ Myanmar⁸ ▶ Nigeria⁹ ▶ Pakistan¹⁰ ▶ Sri Lanka¹¹ ▶ Syria¹² ▶ Zimbabwe²

¹ **Yemen's** 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 28% by the end of 2024, down significantly from previous years. Given current inflation rates and expected further decreases, Yemen is no longer considered hyperinflationary from 30 June 2024 onwards.

² **Zimbabwe's** Zimbabwean Dollar (ZWL) currency was considered hyperinflationary for a number of years, however, in mid-2024, the Zimbabwe Gold (ZiG or ZWG) was introduced. ZiG is not considered to be simply a redenomination of the ZWL, therefore, its classification as hyperinflationary or not is considered independently. The rate of inflation appears to indicate that the ZiG is not hyperinflationary, however, numerous qualitative factors noted in IAS 29.3 remain applicable in Zimbabwe. Zimbabwe will remain on the watchlist in 2025.

³ **Lao People's Democratic Republic's** (Lao P.D.R.) 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 101% by the end of 2024, with inflation forecasted to increase further from 2025-2027. Given current inflation rates and expected further increases, Lao P.D.R. is considered hyperinflationary as at 31 December 2024.

⁴ **Malawi's** 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 106% by the end of 2024. The National Statistics Office of Malawi released local statistics which also show 3-year cumulative inflation rate of 116%. Malawi is considered hyperinflationary as at 31 December 2024.

⁵ **Angola's** 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 75% by the end of 2024 and 83% for 2025. Given current inflation rates and future forecasts, Angola is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

⁶ **Burundi's** 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 83% by the end of 2024 and 86% for 2025. Given current inflation rates and future forecasts, Burundi is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

⁷ **Egypt's** 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 96% by the 30 June 2024 and 101% for 30 June 2025. Numerous qualitative factors noted in IAS 29.3 remain applicable in Egypt, and local data published by the Central Agency for Public Mobilization and Statistics reported 3-year cumulative inflation as at 30 September 2024 of 101%. Considering all of the factors in IAS 29, and expected financial interventions, Egypt is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high and Egypt may become hyperinflationary in 2025.



⁸ **Myanmar** 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 97% by the end of 2024 and 68% for 2025. Given current inflation rates and future forecasts, Myanmar is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

⁹ **Nigeria's** 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 102% by the end of 2024 and 101% for 2025. Numerous qualitative factors noted in IAS 29.3 remain applicable in Nigeria, and local data published by the Central Bank of Nigeria reported 3-year cumulative inflation as at 31 August 2024 slightly over 100%. Considering all the factors in IAS 29, and expected financial interventions, Nigeria is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high and Nigeria may become hyperinflationary in 2025.

¹⁰ **Pakistan's** 3-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 61% by the end of 30 June 2024 and 33% for 30 June 2025. Given current inflation rates and future forecasts, Pakistan is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

¹¹ The October 2024 IMF WEO does not report data and projections for 2023 due to ongoing discussions on restructuring of sovereign debt, making the 3-year cumulative inflation rate difficult to estimate. Local data published by the Central Bank of **Sri Lanka** reports 12-month cumulative inflation of 0% as at 30 September 2024. Given current inflation rates and future forecasts, Sri Lanka is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

¹² **Syria's** 3-year cumulative inflation rate may already be over 100%, however, data is incomplete. Syria was previously considered hyperinflationary, and given ongoing political instability in the country, entities with operations in Syria should consider monitoring the hyperinflationary status of the country.



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