

IFRS Developments

Hyperinflationary economies

(Updated October 2024)

What you need to know

- ▶ We believe that IAS 29 needs to be applied by entities whose functional currency is the currency of any one of the following countries: Argentina, Ethiopia, Ghana, Haiti, Islamic Republic of Iran, Lao P.D.R., Lebanon, Malawi, Sierra Leone, South Sudan, Sudan, Suriname, Turkey, Venezuela, and Zimbabwe.
- ▶ Yemen ceased to be hyper-inflationary by 30 June 2024.
- ▶ We believe the following countries are not currently hyperinflationary, but ought to be monitored: Angola, Burundi, Egypt, Myanmar, Nigeria, Pakistan, Sri Lanka, and Syria.

Overview

Accounting standards are applied on the assumption that the value of money (the unit of measurement) is constant over time. However, when the rate of inflation is no longer negligible, a number of issues arise impacting the true and fair nature of the accounts of entities that prepare their financial statements on a historical cost basis, for example:

- ▶ Historical cost figures are less meaningful than they are in a low inflation environment
- ▶ Holding gains on non-monetary assets that are reported as operating profits does not represent real economic gains
- ▶ Current and prior period financial information is not comparable
- ▶ 'Real' capital can be reduced because profits reported do not take account of the higher replacement costs of resources used in the period

To address such concerns, entities are required to apply IAS 29 *Financial Reporting in Hyperinflationary Economies* from the beginning of the period in which the existence of hyperinflation is identified. IAS 29 does not establish an absolute inflation rate at which an economy is considered hyperinflationary. Instead, it considers a variety of non-exhaustive characteristics of the economic environment of a country that are seen as strong indicators of the existence of hyperinflation. This publication explicitly mentions inflation statistics - as they indicate the severity of the situation in a country - but our assessment also considers additional factors and the other indicators that are listed in paragraph 3 of IAS 29.

This publication sets out a summary of the inflation data of countries that are considered to be hyperinflationary for the purposes of IFRS Accounting Standards as at 31 December 2024, as well as economies that are not currently

hyperinflationary for those purposes, but which ought to be monitored. The inflation data is based on the International Monetary Fund (IMF) World Economic Outlook (WEO) October 2024 (www.imf.org).

Hyperinflationary economies

Argentina - The IMF WEO reported a 3-year cumulative rate of inflation of 816% as of December 2023 and a forecast annual rate of inflation of 140% for 2024 (45% for 2025). The Argentine National Institute of Statistics and Census (www.indec.gob.ar) reported 3-year and 12-month cumulative rates of inflation of 1,248% and 209%, respectively, as of September 2024. We believe that Argentina remains hyperinflationary.

Ethiopia - The IMF WEO reported a 3-year cumulative rate of inflation of 133% as of December 2023. For 2024, the IMF WEO forecasts an annual rate of inflation of 25% (2025: 15%) and a 3-year cumulative rate of inflation of 116% (2025: 85%). The Ethiopian national statistics office (www.statsethiopia.gov.et) reported 3-year and 12-month cumulative rates of inflation of 97% and 17%, respectively, as of September 2024. While inflation is expected to continue to come down, we believe it is too early to conclude that Ethiopia is no longer hyperinflationary.

Ghana - The IMF WEO reported a 3-year cumulative rate of inflation of 114% as of December 2023 and forecast a 3-year cumulative rate of inflation of 118% for 2024 (53% for 2025). The Ghana Statistical Service (statsghana.gov.gh) reported 3-year and 12-month cumulative rates of inflation of 131% and 21%, respectively, as of September 2024. We believe that Ghana remains hyperinflationary.

Haiti - The IMF WEO reported a 3-year cumulative rate of inflation of 107% as of September 2023 and forecast a 3-year cumulative rate of inflation of 136% for September 2024 (102% for September 2025). The central bank of Haiti (www.brh.ht) reported 3-year and 12-month cumulative rates of inflation for August 2024 of 134% and 29%, respectively. We believe that Haiti remains hyperinflationary.

Islamic Republic of Iran - The IMF WEO reported a 3-year cumulative rate of inflation of 173% as of March 2024. For March 2025, the IMF WEO forecasts an annual rate of inflation of 30% (March 2026: 28%) and a 3-year cumulative rate of inflation of 165% (March 2025: 120%). We believe that Iran remains hyperinflationary.

Lao P.D.R. - The IMF WEO reported a 3-year cumulative rate of inflation of 82% as of December 2023 and forecast 3-year cumulative rates of inflation of between 99% and 159% for years ending between 2024 and 2027. The Lao Statistics Bureau (www.lsb.gov.la) reported 3-year and 12-month cumulative rates of inflation of 105% and 22%, respectively, as of September 2024. Based on the current level of inflation and its expected rise, we believe that Lao P.D.R. must be considered hyperinflationary as of 31 December 2024.

Lebanon - The IMF WEO noted in October 2024 that, "Fiscal and national accounts data for 2022-23 as well as debt data for 2023 are IMF staff estimates and not provided by the national authorities. Estimates and projections for 2024-29 are omitted owing to an unusually high degree of uncertainty." The Lebanese Central Adminstration of Statistics (www.cas.gov.lb) reported 3-year and 12-month cumulative rates of inflation of 976% and 33%, respectively, as of September 2024. We believe that Lebanon remains hyperinflationary.

Malawi - The IMF WEO reported a 3-year cumulative rate of inflation of 88% as of December 2023 and forecast 3-year cumulative rates of inflation of 106% and 80% for 2024 and 2025, respectively. The National Statistics Office (www.nsomalawi.mw) reported 3-year and 12-month cumulative rates of inflation of 116% and 34%, respectively, as of September 2024. We believe that Malawi must be considered hyperinflationary as at 31 December 2024.

Sierra Leone - The IMF WEO reported a 3-year cumulative rate of inflation of 146% as of December 2023 and forecast 3-year cumulative rates of inflation of 152% for 2024 (112% for 2025). Statistics Sierra Leone (www.statistics.sl) reported 3-year and 12-month cumulative rates of inflation of 140% and 20%, respectively, as of September 2024. We believe that Sierra Leone remains hyperinflationary.

South Sudan - South Sudan had been considered hyperinflationary since 2011 and continues to be hyperinflationary. In October 2023, the IMF WEO revised the 3-year cumulative rate of inflation as of December 2022 down to 67%. However, the IMF WEO as of October 2024 forecast 3-year cumulative rates of inflation of 368% and 534% for 2024 and 2025, respectively, and a 12-month rate of inflation of 216% for 2024.

Sudan - Sudan has been considered hyperinflationary since 2013 and continues to be hyperinflationary. The IMF WEO reported a 3-year cumulative rate of inflation of 1,571% as of December 2023 and forecast annual rates of inflation of 242% and 50% for 2024 and 2025, respectively.

Suriname - The IMF WEO reported a 3-year cumulative rate of inflation of 229% as of December 2023 and forecast 3-year cumulative rates of inflation of 131% and 66% for 2024 and 2025, respectively. *Algemeen Bureau voor de Statistiek* (statistics-suriname.org) reported 3-year and 12-month cumulative rates of inflation of 136% and 10%, respectively, as of September 2024. We believe that Suriname remains hyperinflationary.

Turkey - The IMF WEO reported a 3-year cumulative rate of inflation of 268% as of December 2023. For 2024, the IMF WEO forecasts an annual rate of inflation of 43% (2025: 24%) and a 3-year cumulative rate of inflation of 287% (2025: 192%). The Turkish Statistical Institute (www.tuik.gov.tr) reported 3-year and 12-month cumulative rates of inflation of 343% and 49%, respectively, as of September 2024. We believe that Turkey remains hyperinflationary.

Venezuela - Venezuela remains hyperinflationary with the IMF WEO reporting a 3-year cumulative inflation rate of 7,516% as of December 2023 and forecast 3-year inflation rates of 1,450% and 643% for 2024 and 2025, respectively. However, the IMF WEO noted that, "the effects of hyperinflation and the paucity of reported data mean that the IMF staff's projected macroeconomic indicators should be interpreted with caution. Broad uncertainty surrounds these projections."

Zimbabwe - Zimbabwe was considered hyperinflationary until April 2024, when its previous currency - the Zimbabwean Dollar (ZWL) - became defunct. Its new currency - Zimbabwe Gold (ZiG/ZWG) - is not considered a redenomination of the old currency, as it has different legal and economic characteristics. At the time of writing, ZiG was not considered hyperinflationary on the basis of the inflation index, but qualitative hyperinflation indicators remain present in Zimbabwe and the currency has devalued significantly since inception. Entities with ZiG as their functional currency ought to monitor the situation and stand ready to apply IAS 29 for reporting periods ending on or after 31 December 2024.

Many entities in Zimbabwe have concluded that the US Dollar is their functional currency. Entities must exercise care when assessing which currency is their functional currency and continue to monitor the situation.

Economies no longer considered to be hyperinflationary

Yemen - The IMF WEO reported 3-year cumulative rates of inflation of 110% and 44% as of December 2022 and December 2023, respectively. The forecast 12-month rate of inflation is expected to be 28% and 15% in 2024 and 2025, respectively. We believe that Yemen is no longer considered hyperinflationary after 30 June 2024.

Non-hyperinflationary economies subject to monitoring

Angola - The IMF WEO reported a 3-year cumulative rate of inflation of 74% as of December 2023 and forecast 3-year cumulative rates of inflation of 75% and 83% for 2024 and 2025, respectively. Angola is not currently considered to be hyperinflationary, but entities ought to continue to monitor the situation.

Burundi - The IMF WEO reported a 3-year cumulative rate of inflation of 67% as of December 2023 and forecast 3-year cumulative rates of inflation of 83% and 86% for 2024 and 2025, respectively. Burundi is not currently considered to be hyperinflationary, but entities ought to continue to monitor the situation.

Egypt - The IMF WEO reported a 3-year cumulative rate of inflation of 96% as of June 2024 and forecast 3-year cumulative rates of inflation of 101% and 67% for June 2025 and June 2026, respectively. The Central Agency for Public Mobilization and Statistics (www.capmas.gov.eg) reported 3-year and 12-month cumulative rates of inflation of 101% and 26%, respectively, as of September 2024. Egypt is not currently considered to be hyperinflationary, but entities ought to continue to monitor the situation and be prepared to apply IAS 29 if the assessment were to change.

Myanmar - The IMF WEO estimates a 3-year cumulative rate of inflation of 76% for 2023 and forecast 3-year cumulative rates of inflation of 97% and 68% for 2024 and 2025, respectively. Myanmar is not currently considered to be hyperinflationary, but entities ought to continue to monitor the situation.

Nigeria - The IMF WEO reported a 3-year cumulative rate of inflation of 81% as of December 2023 and forecast 3-year cumulative rates of inflation of 102% and 101% for 2024 and 2025, respectively. The National Bureau of Statistics (nigerianstat.gov.ng) reported 3-year and 12-month cumulative rates of inflation of 103% and 33%, respectively, as of September 2024. Nigeria is not currently considered to be hyperinflationary, but entities ought to continue to monitor the situation and be prepared to apply IAS 29 if the assessment were to change.

Pakistan - The IMF WEO reported a 3-year cumulative rate of inflation of 77% as of June 2024 and forecast 3-year cumulative rates of inflation of 61% and 33% for June 2025 and June 2026, respectively. The Pakistan Bureau of Statistics (www.pbs.gov.pk) reported 3-year and 12-month cumulative rates of inflation of 73% and 7%, respectively, as of September 2024. Pakistan is not currently considered to be hyperinflationary, but entities ought to continue to monitor the situation.

Sri Lanka - The IMF WEO noted that for Sri Lanka, "Data and projections for 2023-29 are excluded from publication owing to ongoing discussions on restructuring of sovereign debt." However, the Central Bank of Sri Lanka (www.cbsl.gov.lk) reported 3-year and 12-month cumulative rates of inflation of 69% and 0%, respectively, as of September 2024. Sri Lanka is not currently considered to be hyperinflationary, but entities ought to continue to monitor the situation.

Syria - Syria may have a 3-year cumulative rate of inflation rate that exceeds 100%, but the necessary data to conclude on the status of the country is not available. As the country was previously considered hyperinflationary, entities ought to continue to monitor the situation and apply significant judgement before reaching a conclusion on the status of the country.

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