

## IFRS Developments

# Hyperinflationary economies

(Updated May 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, Lebanon, Sierra Leone, South Sudan, Sudan, Suriname, Turkey, Venezuela, and Zimbabwe.
- ▶ Yemen may cease to be hyperinflationary by 30 June 2024, subject to further monitoring.
- ▶ We believe the following countries are not currently hyperinflationary, but should be monitored: Burundi, Egypt, Lao P.D.R., Malawi, 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 do 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 only discusses the absolute inflation rates.

This publication sets out a summary of the inflation data of countries that are considered to be hyperinflationary for IFRS purposes as at 30 June 2024, as well as economies that are not currently hyperinflationary for IFRS purposes, but which should be monitored. The inflation data is based on the International Monetary Fund (IMF) World Economic Outlook (WEO) April 2024 ([www.imf.org](http://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 149% for 2024 (45% for 2025). The Argentine National Institute of Statistics and Census ([www.indec.gob.ar](http://www.indec.gob.ar)) reported a 3-year and 12-month cumulative rate of inflation of 1,129% and 288%, respectively, as of March 2024. Therefore, 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 22% (2025: 16%) and a 3-year cumulative rate of inflation of 109% (2025: 81%). The Ethiopian national statistics office ([www.statsethiopia.gov.et](http://www.statsethiopia.gov.et)) reported a 3-year and 12-month cumulative rate of inflation of 129% and 26%, respectively, as of March 2024. Therefore, we believe that Ethiopia remains hyperinflationary.

### Ghana

The IMF WEO reported a 3-year cumulative rate of inflation of 111% as of December 2023 and forecast 3-year cumulative rates of inflation of 115% for 2024 (53% for 2025). The Ghana Statistical Service ([statsghana.gov.gh](http://statsghana.gov.gh)) reported a 3-year and 12-month cumulative rate of inflation of 118% and 26%, respectively, as of March 2024. Therefore, 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 3-year cumulative rates of inflation of 123% for September 2024. The central bank of Haiti ([www.brh.ht](http://www.brh.ht)) reported a 3-year and 12-month cumulative rate of inflation, for February 2024, of 128% and 23%, respectively. Therefore, we believe that Haiti remains hyperinflationary.

### Islamic Republic of Iran

The IMF WEO reported a 3-year cumulative rate of inflation of 190% as of 2023. For 2024, the IMF WEO forecasts an annual rate of inflation of 35% (2024: 30%) and a 3-year cumulative rate of inflation of 191% (2025: 146%). Therefore, we believe that Iran remains hyperinflationary.

### Lebanon

The IMF WEO noted in April 2024 that "Data for 2021-22 are IMF staff estimates and not provided by the national authorities. Estimates and projections for 2023-29 are omitted owing to an unusually high degree of uncertainty." The Lebanese Central Administration of Statistics ([www.cas.gov.lb](http://www.cas.gov.lb)) reported 3-year and 12-month cumulative rates of inflation of 1,810% and 70%, respectively, as of March 2024. Therefore, we believe that Lebanon remains hyperinflationary.

### 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 163% for 2024 (125% for 2025). Statistics Sierra Leone ([www.statistics.sl](http://www.statistics.sl)) reported a 3-year and 12-month cumulative rate of inflation of 140% and 43%, respectively, as of February 2024. Therefore, we believe that Sierra Leone remains hyperinflationary.

### South Sudan

South Sudan had been considered hyperinflationary since 2011. In October 2023, the IMF WEO revised the 3-year cumulative rate of inflation as of December 2022 down to 67%. Therefore, at the time, it was expected that South Sudan might no longer be hyperinflationary at the end of 2023 subject to further monitoring. However, the IMF WEO as of April 2024 reports a forecast 3-year cumulative rate

of inflation of 137% and 198% for 2024 and 2025, respectively, and a 12-month rate of inflation of 60% for 2024. Therefore, we believe that South Sudan remains hyperinflationary.

#### **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 1,832% as of December 2023 and forecast annual rates of inflation of 147% and 115% 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 134% and 68% for 2024 and 2025, respectively. Therefore, 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 45% (2025: 28%) and a 3-year cumulative rate of inflation of 293% (2025: 207%). The Turkish Statistical Institute ([www.tuik.gov.tr](http://www.tuik.gov.tr)) reported a 3-year and 12-month cumulative rate of inflation of 309% and 68%, respectively, as of March 2024. Therefore, we believe that Turkey remains hyperinflationary.

#### **Venezuela**

Venezuela remains hyperinflationary with the 3-year cumulative inflation rate of 7,516% as of December 2023 and a forecast annual inflation rate of 160% and 150% 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 has been considered hyperinflationary since 2019 and continues to be hyperinflationary. The IMF WEO reported a 3-year cumulative rate of inflation of 4,756% as of December 2023 and forecast annual rates of inflation of 603% and 534% for 2024 and 2025, respectively. In April 2024, the Reserve Bank of Zimbabwe announced that the Zimbabwean dollar (ZWL) would be converted into Zimbabwe Gold (ZiG) balances. Entities should exercise care when assessing which currency is their functional currency and continue to monitor the situation.

### **Economies which may cease to be hyperinflationary by 30 June 2024, subject to further monitoring**

#### **Yemen**

The IMF WEO reported a 3-year cumulative rate of inflation of 110% and 47% as of December 2022 and December 2023, respectively. The forecast 12-month rate of inflation is forecast to be 20% and 15% in 2024 and 2025, respectively. Therefore, we believe that Yemen is no longer expected to be hyperinflationary by 30 June 2024, but entities should continue to monitor the situation.

### **Non-hyperinflationary economies subject to monitoring**

#### **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 87% and 74% for 2024 and 2025, respectively. Burundi is not currently considered to be hyperinflationary, but entities should continue to monitor the situation.

## Egypt

The IMF WEO reported a 3-year cumulative rate of inflation of 61% as of June 2023 and forecast 3-year cumulative rates of inflation of 103% and 107% for June 2024 and June 2025, respectively. The Central Agency for Public Mobilization and Statistics ([www.capmas.gov.eg](http://www.capmas.gov.eg)) reported a 3-year and 12-month cumulative rate of inflation of 95.5% and 33.3%, respectively, as of March 2024. Depending on actual inflation in the coming months, it is likely that Egypt will become hyperinflationary by 31 December 2024 and entities should monitor the situation.

## 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 105% and 64% for 2024 and 2025, respectively. The Lao Statistics Bureau ([www.lsb.gov.la](http://www.lsb.gov.la)) reported a 3-year and 12-month cumulative rate of inflation of 91% and 25%, respectively, as of March 2024. Depending on actual inflation in the coming months, it is likely that Lao P.D.R. will become hyperinflationary by 31 December 2024 and entities should monitor the situation.

## Malawi

The IMF WEO reported a 3-year cumulative rate of inflation of 96% as of December 2023 and forecast 3-year cumulative rates of inflation of 108% and 82% for 2024 and 2025, respectively. The National Statistics Office ([www.nsomalawi.mw](http://www.nsomalawi.mw)) reported a 3-year and 12-month cumulative rate of inflation of 91% and 33%, respectively, as of February 2024. Depending on actual inflation in the coming months, it is likely that Malawi will become hyperinflationary by 31 December 2024 and entities should 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 94% and 90% for 2024 and 2025, respectively. The National Bureau of Statistics ([nigerianstat.gov.ng](http://nigerianstat.gov.ng)) reported a 3-year and 12-month cumulative rate of inflation of 88% and 33%, respectively, as of March 2024. Nigeria is not currently considered to be hyperinflationary, but entities should continue to monitor the situation.

## Pakistan

The IMF WEO reported a 3-year cumulative rate of inflation of 72% as of June 2023 and forecast 3-year cumulative rates of inflation of 88% and 69% for June 2024 and June 2025, respectively. The State Bank of Pakistan ([www.sbp.org.pk](http://www.sbp.org.pk)) reported a 3-year and 12-month cumulative rate of inflation of 84% and 21%, respectively, as of March 2024. Pakistan is not currently considered to be hyperinflationary, but entities should continue to monitor the situation.

## Sri Lanka

The IMF WEO reported a 3-year cumulative rate of inflation of 81% as of December 2022. The IMF WEO noted that for Sri Lanka, "Data and projections for 2023-29 are excluded from publication owing to ongoing discussions on sovereign debt restructuring." However, the Sri Lanka Department of Census and Statistics ([www.statistics.gov.lk](http://www.statistics.gov.lk)) reported a 12-month cumulative rate of inflation of 0.9% as of March 2024. Sri Lanka is not currently considered to be hyperinflationary, but entities should 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 in the IMF WEO report nor from the national statistics office. As the country was previously considered hyperinflationary, entities should continue to monitor the situation and apply significant judgement before reaching a conclusion on the status of the country.

## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

## About EY Global Corporate Reporting Services Group

A global set of accounting and sustainability disclosure standards provides the global economy with one measure to assess and compare the financial position and performance of entities, and the sustainability-related factors affecting them. For entities applying or transitioning to International Financial Reporting Standards (IFRS) – which includes IFRS Accounting Standards and IFRS Sustainability Disclosure Standards (collectively, IFRS Standards) – authoritative and timely guidance is essential to navigating IFRS Standards that continue to develop and evolve. The EY Global Corporate Reporting Services Group has helped develop international resources – people and knowledge – to support the application and interpretation of IFRS accounting and sustainability disclosure standards. In doing so, the EY Global Corporate Reporting Services Group provides deep subject matter knowledge and broad sector experience to the market, including the latest insights from the global EY network.

© 2024 EYGM Limited.  
All Rights Reserved.

This publication contains copyright material of the IFRS® Foundation in respect of which all rights are reserved. Reproduced by EY with the permission of the IFRS Foundation. No permission granted to third parties to reproduce or distribute. For full access to IFRS Standards and the work of the IFRS Foundation please visit <http://eifrs.ifrs.org>

EYG No. 004021-24Gbl

ED None

In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](http://ey.com)