



Hyperinflationary Economies Update May 2024

INTERNATIONAL FINANCIAL REPORTING BULLETIN

2024/05

May 2024

IBDO

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 [April 2024 World Economic Outlook](#) (IMF WEO), below is an updated snapshot of countries which were hyperinflationary in 2023 and which ones have become hyperinflationary or are expected to become hyperinflationary in 2024.

No new countries have yet been classified as hyperinflationary in 2024, however, it appears likely that Egypt will become hyperinflationary by the end of 2024.

ACCOUNTING IMPACT

With increasing inflation rates and declining economic conditions around the world, more countries are at risk of becoming hyperinflationary in 2024, including Egypt.

<i>Economies which were hyperinflationary as at 31 December 2023</i>	<i>Economies which have become hyperinflationary in 2024</i>	<i>Economies that have a risk of becoming hyperinflationary watchlist⁶ for 2024 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 ▪ Zimbabwe 	<ul style="list-style-type: none"> ▪ None, however, see Egypt and corresponding explanation below 	<ul style="list-style-type: none"> • Angola • Burundi² • Egypt³ • Lao People’s Democratic Republic • Malawi • Nigeria⁴ • Pakistan⁵ • Sri Lanka⁶ • Syria

¹ Yemen’s inflation has eased as the April 2024 IMF WEO report forecasts 3-year cumulative inflation of 47% and 110% as at 31 December 2023 and 2022 respectively. The IMF WEO’s forecasts the 12-month inflation rate to be 20% and 15% for 2024 and 2025 respectively. It is likely that Yemen will cease to be considered hyperinflationary by 30 June 2024, however, Yemen’s status should continue to be monitored based on final inflation figures to be published in the future.

² Burundi’s 3-year cumulative inflation rate was 67% as at 31 December 2023 as reported by the April 2024 IMF WEO report. The 3-year cumulative inflation rate is forecasted to be 87% and 74% for 2024 and 2025 respectively. Burundi is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

³ Egypt’s 3-year cumulative inflation rate was 61% as at June 2023 as reported by the April 2024 IMF WEO report. The 3-year cumulative inflation rate is forecasted to be 103% and 107% for June 2024 and June 2025 respectively. As recent monthly inflation rates remain high compared to previous years, we consider it likely that Egypt will be classified as hyperinflationary by 31 December 2024.

⁴ Nigeria’s 3-year cumulative inflation rate was 81% as at December 2023 as reported by the April 2024 IMF WEO report. The 3-year cumulative inflation rate is forecasted to be 94% and 90% for 2024 and 2025 respectively. Nigeria is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

⁵ Pakistan’s 3-year cumulative inflation rate was 72% as at June 2023 as reported by the April 2024 IMF WEO report. The 3-year cumulative inflation rate is forecasted to be 88% and 69% for June 2024 and June 2025 respectively. Pakistan is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

⁶ The IMF WEO had previously reported the Sri Lanka 3-year cumulative inflation rate to be 81% as at 31 December 2022. The IMF WEO has not reported data and projections for 2023-2029 ‘owing to ongoing discussions on sovereign debt restructuring.’ The Sri Lanka Department of Census and Statistics has reported 12-month cumulative inflation of 0.9% as at March 2024. Sri Lanka is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored.



This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your respective BDO Member Firm to discuss these matters in the context of your particular circumstances. Neither BDO IFR Advisory Limited, Brussels Worldwide Services BV, BDO International Limited and/or BDO Member Firms, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

Service provision within the international BDO network of independent Member Firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board and IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium with its statutory seat in Zaventem.

Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BV, BDO IFR Advisory Limited and the Member Firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the Member Firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

© 2024 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

www.bdo.global