



# **Hyperinflationary Economies for the period ended 31 December 2021**

**INTERNATIONAL FINANCIAL REPORTING BULLETIN**

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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.

Based on the IMF's forecasts for 2021, published in October 2021 (available [here](#)), certain countries are identified as hyperinflationary or at a risk of being hyperinflationary in future.

### Hyperinflationary economies for the year-ended 31 December 2021

The following countries are hyperinflationary economies in 2021, considering that the 3-year cumulative inflation rate significantly exceeds 100% (IAS 29.3(e)), along with qualitative factors such as the local population maintaining wealth in the currency of other countries and indexed interest rates being utilised in many countries.

Changes in a country's classification from 2020 are denoted by **red text**.

Country	3-year cumulative inflation **	Notes
Argentina	No data available	Argentina has been hyperinflationary since June 2018 as its 3-year cumulative inflation rate has significantly exceeded 100% since then. The IMF reported a 3-year cumulative rate of inflation of 209% as of 31 December 2020. There has not yet been any IMF published data for 2021 or 2022, but the National Institute of Statistics and Census of Argentina reported a 3-year cumulative rate of inflation of 220% as of 30 September 2021. Therefore, we believe Argentina remains a hyperinflationary economy.

### ACCOUNTING IMPACT

The financial statements of an entity, with a functional currency being the currency of a hyperinflationary country, need to be restated in accordance with IAS 29.

Certain countries are identified as hyperinflationary countries for the year 2021 based on the inflation forecasts published by International Monetary Fund (IMF).



Country	3-year cumulative inflation **	Notes
Iran	136%	Inflation rates in Iran began to increase significantly in 2018, moving from 9.6% in 2017 to 31.2% in 2018. Based on IMF published data, Iran's three-year cumulative inflation rate as of December 2020 was 170% and have forecasted an annual rate of inflation of 30% for 2021 and 25% for 2022.
Lebanon	No data available	While the three-year cumulative inflation forecast for 2021 is not published by IMF, the actual inflation rate for 2020 exceeded 100% to be at 178%, therefore the cumulative 3-year inflation rate for 2021 will have exceeded 100% regardless of the actual inflation rates in 2021.
South Sudan	164%	South Sudan remains hyperinflationary.
Sudan	1149%	Sudan has been considered hyperinflationary since 2013 and continues to be hyperinflationary. The IMF reported a 3-year cumulative rate of inflation of 903% as of December 2020 and forecast annual rates of inflation of 115% and 27% for 2021 and 2022, respectively.
<u>Suriname</u>	<u>149%</u>	Suriname was previously considered hyperinflationary from 2000 to 2005 as well as from 2016 to 2017. The 3-year cumulative rate of inflation was reported to be 77% as of December 2020 by IMF. The IMF forecasts an annual rate of inflation of 49% for 2021. Therefore, Suriname should be considered hyperinflationary going forward.
Venezuela	8.3M%	The three-year cumulative inflation rate has been over 100% for a number of years. Due to ongoing political instability and the devaluation of its currency, Venezuela remains hyperinflationary, as it has been since 2009.
<u>Yemen</u>	<u>115%</u>	IMF published a 3-year cumulative rate of inflation of 70% as of December 2020 and forecast 3-year cumulative rates of inflation of 115% for 2021 and 139% for 2022. Therefore, Yemen should be considered hyperinflationary going forward.
Zimbabwe	3800%	For a number of years, transactions in Zimbabwe were based on the use of US dollars. However, in 2019, a 'parallel' Zimbabwe currency emerged, which was pegged to the US dollar for a period. Subsequent developments mean that the Zimbabwe dollar emerged as the functional currency for many entities in Zimbabwe on 1 October 2018 and has been considered to exist for accounting purposes with effect from that date, with inflation data being tracked from that date for the purposes of determining whether Zimbabwe has become hyperinflationary. For 2021, IMF estimates annual rates of inflation to be 41% (2022: 23%)

### Economies that have a risk of becoming hyperinflationary in future ('watch list')

The following countries do not have a 3-year cumulative inflation rate of 100% or more, however, given how high their rates are, the trend of the inflation rates and other qualitative factors, these economies may become hyperinflationary in future.

Country	3-year cumulative inflation **	Notes
Angola	78%	Angola was considered hyperinflationary prior to 2019. As per reports published by IMF, the 3-year cumulative rate of inflation was noted to be 73% as of December 2020 with a forecast of 3-year cumulative rate of inflation of 78% for 2021 and 69% for 2022. Angola is not currently considered hyperinflationary for the reporting periods ended 31 December 2021 but should be monitored for future periods.
Haiti	72%	The IMF published a 3-year cumulative rate of inflation of 70% as of December 2020 and forecast 3-year cumulative rates of inflation of 72% and 67% for 2021 and 2022, respectively. Haiti's three-year cumulative inflation rate has not yet reached 100%, however, it should be monitored.
Liberia	46%	IMF reported a 3-year cumulative rate of inflation of 75% as of December 2020. Although preliminary data indicated that annual inflation rates will decrease, IMF forecasts three-year cumulative inflation of 46% and 38% for December 2021 and 2022 respectively.  Liberia should not be considered hyperinflationary for annual reporting periods ended on or after 31 December 2021 but should be monitored for future periods.

### Economies that may be hyperinflationary

The following country may be hyperinflationary in 2022, however, sufficient data does not exist to reach a definite conclusion.

Country	3-year cumulative inflation **	Notes
Syria	Unknown	Syria has previously been identified as hyperinflationary. Due to ongoing unrest and conflict, reliable information is not available in Syria. Based on data that is available and qualitative considerations, Syria may be a hyperinflationary economy.

(\*\*) The above inflation figures are based on IMF's forecasts for the year 2021. The final figures are expected to be published by IMF in early 2022. The above listings may require an update on the basis of final inflation figures.



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