



**Hyperinflationary Economies Update
30 April 2022**

INTERNATIONAL FINANCIAL REPORTING BULLETIN

2022/03

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.

Over the first quarter of 2022, the list of hyperinflationary economies has continued to evolve rapidly due to deteriorating economic conditions and high inflation in several countries. Some of these jurisdictions may need to apply IAS 29 in 2022, which results in financial statements (both current and prior comparative periods) being restated to reflect current inflation rates.

Based on the latest IMF's forecasts (available [here](#)), along with inflation data observed locally, below is an updated snapshot of countries which were hyperinflationary as at 31 December 2021 along with countries that have been or are expected to become hyperinflationary in 2022. Also included are the countries which are on the watchlist for 2022.

For details on hyperinflationary economies, BDO issues a list annually as at 31 December. The latest publication may be accessed [here](#).

ACCOUNTING IMPACT

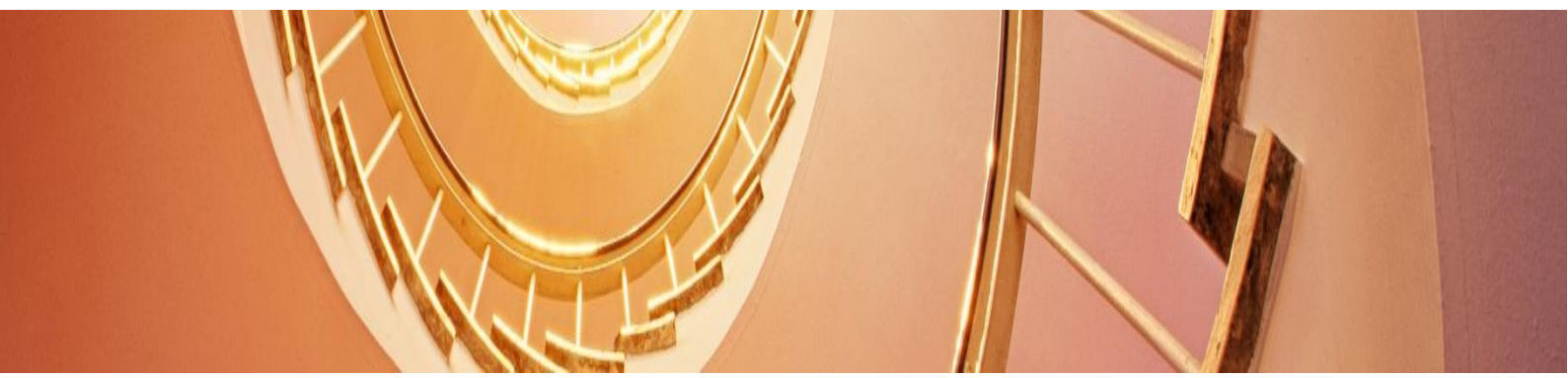
With the increasing inflation rates and declining economic conditions around the world, more and more countries are turning hyperinflationary.

This is an update to our 31 December 2021 bulletin to include economies which have been added to the watch list and expected to adopt IAS 29 *Hyperinflationary Economies* soon.

<i>Economies which were hyperinflationary as at 31 December 2021</i>	<i>Economies which are expected to become hyperinflationary in 2022</i>	<i>Economies that have a risk of becoming hyperinflationary Watchlist for 2022</i>
<ul style="list-style-type: none"> ▪ Argentina ▪ Iran ▪ Lebanon ▪ South Sudan ▪ Sudan ▪ Suriname ▪ Venezuela ▪ Yemen ▪ Zimbabwe 	<ul style="list-style-type: none"> ▪ Turkey: for periods ending 30 June 2022 onward* ▪ Ethiopia: expected for periods ending 31 December 2022 onward** 	<ul style="list-style-type: none"> • Angola • Haiti • Liberia

* Inflation rates in Turkey were high throughout 2021, however, rates increased substantially in early 2022. The IMF's [April 2022 World Economic Outlook database](#) forecasts three-year cumulative inflation in Turkey to exceed 138% by 31 December 2022.

** The three-year cumulative inflation in Ethiopia was approaching 100% by 31 March 2022, therefore, it is expected that Ethiopia will likely become hyperinflationary by 31 December 2022.



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