



# **Hyperinflationary Economies Update 30 November 2022**

**INTERNATIONAL FINANCIAL REPORTING BULLETIN**

**2022/08**

## 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 2022, the list of hyperinflationary economies has continued to evolve rapidly due to deteriorating economic conditions and high inflation in several countries. These jurisdictions 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 latest IMF's forecasts, available [here](#), below is an updated snapshot of countries which were hyperinflationary in 2021 and which ones have become hyperinflationary or are expected to become hyperinflationary in 2022. Also included are the countries which are on the watchlist for 2022 and onwards.

For details on hyperinflationary economies, BDO issues a list annually as at 31 December. The 2021 publication may be accessed [here](#).

### ACCOUNTING IMPACT

With increasing inflation rates and declining economic conditions around the world, more countries are becoming hyperinflationary, including two new jurisdictions that are hyperinflationary at the end of 2022.



<i>Economies which were hyperinflationary as at 31 December 2021</i>	<i>Economies which have become hyperinflationary in 2022</i>	<i>Economies that have a risk of becoming hyperinflationary watchlist for 2023 and onwards</i>
<ul style="list-style-type: none"> <li>▪ Argentina</li> <li>▪ Iran</li> <li>▪ Lebanon</li> <li>▪ South Sudan</li> <li>▪ Sudan</li> <li>▪ Suriname</li> <li>▪ Venezuela</li> <li>▪ Yemen</li> <li>▪ Zimbabwe</li> </ul>	<ul style="list-style-type: none"> <li>▪ Turkey: from 30 June 2022 periods onwards*</li> <li>▪ Ethiopia: from 31 December 2022 period ends**</li> </ul>	<ul style="list-style-type: none"> <li>• Angola</li> <li>• Haiti</li> <li>• Liberia</li> <li>• Sri Lanka***</li> </ul>

\* Inflation rates in Turkey were high throughout 2021 and rates increased significantly in early 2022. Both the IMF and the Turkish Statistical Institute have reported the 3-year cumulative inflation rate exceeding 100% as of 31 March 2022. Projections of the 3-year cumulative inflation rate up to 31 December 2022 also exceed 100%. Turkey is considered hyperinflationary for reporting periods ending on or after 30 June 2022.

\*\* The World Economic Outlook issued by the IMF reported the 3-year cumulative inflation rate at 91% as of 31 December 2021. The IMF and the Ethiopian national statistics office have both reported the 3-year cumulative inflation rate exceeding 100% as of 31 August 2022. Ethiopia is considered hyperinflationary for reporting periods ending on or after 31 December 2022.

\*\*\* Although inflation rates increased significantly during 2022, there was a significant levelling off in the latter part of 2022 with three year cumulative inflation at the end of October being below 100% (National Consumer Price Index: 94.77% and Colombo Consumer Price Index: 85.68%). Sri Lanka is not expected to be hyperinflationary in 2022. However, depending on inflation rates in the early part of 2023, Sri Lanka might be considered hyperinflationary for reporting periods ending on or after 31 March 2023.

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 IFR S (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.

© 2022 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

[www.bdo.global](http://www.bdo.global)