



Hyperinflationary economies at 31 December 2021

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What is the impact and for whom?

IAS 29 should be applied in 2021 to entities with a functional currency of the countries listed below:

- Argentina;
- Islamic Republic of Iran;
- Lebanon;
- South Sudan;
- Sudan;
- Suriname (new in 2021);
- Venezuela;
- Yemen (new in 2021); and
- Zimbabwe.

The following economies are not hyper-inflationary in 2021, but should be kept under review in 2022:

- Angola;
- Ethiopia (new in 2021); and
- Haiti.

Other potentially hyper-inflationary economies (lack of reliable information):

- Afghanistan (new in 2021); and
- Syrian Arab Republic.

Hyper-inflationary economies

Argentina

Argentina became a hyper-inflationary economy in 2018. Local data published by the National Institute of Statistics and Censuses of Argentina¹ shows that the three-year cumulative inflation rate is expected to remain significantly above 100%, regardless of 2021 projections no longer published by the IMF. Additionally, based on the inflation data for 2019 and 2020, the cumulative inflation of those two periods would exceed 100% cumulative three-year inflation; therefore, the cumulative three-year inflation rate for 2021 will exceed 100%, regardless of the actual inflation rates in 2021. Argentina continues to be a hyper-inflationary economy in 2021. Entities with the currency of Argentina as their functional currency should continue to apply IAS 29.

Islamic Republic of Iran

Inflation in Iran started to increase at the end of 2018 and beginning of 2019. After a slight decrease and stabilisation by the end of 2019, inflation in Iran sharply increased during 2020. IMF data and forecasts provided by the Iranian Statistical Centre² show that the three-year cumulative local inflation rate will be above 100% at the end of December 2021. Entities with the currency of Iran as their functional currency should continue to apply IAS 29 in 2021.

Lebanon

Since the beginning of 2020, inflation in Lebanon has increased significantly. Regardless of the fact that 2021 projections are no longer published by the IMF, local actual data at 31 March 2021 published by the Central Administration of Statistics³ showed that three-year cumulative inflation is expected to significantly exceed 100% at 31 December 2021. Based on the inflation data for 2019 and 2020, the cumulative inflation of those two periods would exceed 100% cumulative three-year inflation. Entities with the currency of Lebanon as their functional currency should continue to apply IAS 29 in 2021.

South Sudan

IMF data shows that three-year cumulative inflation is expected to exceed 100% at 31 December 2021, with a significant decrease compared with 2020. This tendency is expected to continue in 2022. South Sudan continues to be a hyper-inflationary economy in 2021. Entities with the currency of South Sudan as their functional currency should continue to apply IAS 29 in 2021. However,

such entities should monitor the inflation in South Sudan during 2022 to confirm whether the currency of South Sudan continues to be hyper-inflationary.

Sudan

Sudan became a hyper-inflationary economy in 2013. In 2016, it ceased to be hyper-inflationary, because three-year cumulative inflation at the end of that year was below 100% and was forecast to remain below 100%. Sudan became hyper-inflationary again in 2018. IMF data shows that three-year cumulative inflation is expected to significantly exceed 100% at 31 December 2021, and it is expected to remain significantly above that threshold in future years. Sudan continues to be a hyper-inflationary economy in 2021. Entities with the currency of Sudan as their functional currency should continue to apply IAS 29 in 2021.

Suriname

Since the middle of 2020, inflation in Suriname has increased significantly. IMF and local data published by the General Bureau of Statistics of Suriname⁴ show that three-year cumulative inflation was 59% at 30 September 2020, 77% at 31 December 2020, 84% at 31 March 2021, and 132% at 31 August 2021, and it is expected to significantly exceed 100% at 31 December 2021. Entities with the currency of Suriname as their functional currency should use the actual data and apply IAS 29 for periods ending December 2021 as if the economy had always been hyper-inflationary. Such entities should continue to monitor inflation during 2022.

Venezuela

Venezuela became hyper-inflationary in 2009. IMF data shows that three-year cumulative inflation is expected to significantly exceed 100% at 31 December 2021 and in future years. Venezuela remains a hyper-inflationary economy in 2021. Entities with the currency of Venezuela as their functional currency should continue to apply IAS 29 in 2021.

Yemen

IMF data shows that projected three-year cumulative inflation at 31 December 2021 is 115%, and it is expected to increase to 139% next year. Entities with the currency of Yemen as their functional currency should use the actual data and apply IAS 29 for periods ending December 2021 as if the economy had always been hyper-inflationary. Such entities should continue to monitor inflation during 2022.

Zimbabwe

Following a period of severe hyper-inflation more than 10 years ago, the government of Zimbabwe abandoned the Zimbabwe dollar, and other currencies such as the US dollar and the South African Rand became widely

used as legal tender. However, in October 2018, the Zimbabwe currency was re-introduced so that other currencies are no longer legal tender. Inflation has increased significantly since the return to a national currency, and cumulative inflation since October 2018 exceeds 100%. IMF data shows that inflation continued to be significantly above the threshold of 100% in 2021. Entities with the currency of Zimbabwe as their functional currency should continue to apply IAS 29 in 2021.

To be kept under review in 2022

Angola

In 2019, Angola ceased to be hyper-inflationary, because three-year cumulative inflation at the end of that year was below 100% and was forecast to remain below 100%. Entities with the currency of Angola as their functional currency should not apply IAS 29 in 2021. Given that inflation remains high (IMF three-year cumulative inflation projections are around 78%), entities with the currency of Angola as their functional currency should monitor developments in inflation during 2022.

Ethiopia

Regardless of the fact that 2021 projections are no longer published by the IMF, data published by the local Central Statistics Agency⁵ showed that three-year cumulative inflation is approximately 90% at 30 September 2021. Given the high level of inflation during 2021, entities with the currency of Ethiopia as their functional currency should consider the information available at 31 December 2021 and, thereafter, consider whether IAS 29 is applicable. Such entities should also continue to monitor inflation during 2022.

Haiti

IMF data shows that three-year cumulative inflation is below 100% in 2021 but remains high (approx. 72%), and it is expected to decrease insignificantly in 2022 (approx. 67%). Entities with the currency of Haiti as their functional currency should not apply IAS 29 in 2021. Such entities should continue to monitor inflation during 2022.

Other potentially hyper-inflationary economies

Afghanistan

Since August 2021, Afghanistan has experienced a significant economic crisis. The October 2021 IMF WEO Report did not provide any estimates for 2021 or 2022. Consistent and reliable inflation data for Afghanistan is not available at 31 December 2021. Entities with the currency of Afghanistan as their functional currency should consider the information available at 31 December 2021 and, thereafter, consider whether IAS 29 is applicable.

Syrian Arab Republic

Consistent and reliable inflation data for Syria is not available. However, European Union and United Nations trade sanctions remain in force. The information that is available, including some local data, suggests that Syria might be a hyper-inflationary economy in 2021. Entities with the currency of Syria as their functional currency should consider the information available at 31 December 2021, to consider whether IAS 29 is applicable.

When does it apply?

IAS 29 should be applied by entities with a functional currency of Argentina, Islamic Republic of Iran, Lebanon, South Sudan, Sudan, Suriname, Venezuela, Yemen and Zimbabwe, and by groups that have investments with those functional currencies for accounting periods ending December 2021; and it should be applied as if the economy had always been hyper-inflationary.

1 National Institute of Statistics and Censuses, www.indec.gob.ar

2 Statistical Center of Iran, www.amar.org.ir

3 Central Administration of Statistics, www.cas.gov.lb

4 General Bureau of Statistics, statistics-suriname.org

5 Central Statistics Agency, www.statsethiopia.gov.et

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Ansprechpartner in Ihrer Nähe



Ulf Kühle

Tel: +43 1 501 88-1688

ulf.kuehle@pwc.com



Beate Butollo

Tel: +43 1 501 88-1814

beate.butollo@pwc.com

Medieninhaber und Herausgeber: PwC Österreich GmbH Wirtschaftsprüfungsgesellschaft, Donau City Straße 7, 1220 Wien

Für den Inhalt verantwortlich: Ulf Kühle, Beate Butollo

Kontakt: IFRS.Aktuell@at.pwc.com

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