



In brief

Hyper-inflationary economies as at June 2024

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What is the issue?

The IMF World Economic Outlook ('WEO') report released in April 2024 provides updated data in respect of current and projected levels of inflation. The most significant changes from the updates provided in October 2023 relate to:

- Egypt, Lao P.D.R. and Malawi, which are expected to become hyper-inflationary by the end of 2024;
- South Sudan, which is expected to continue to be a hyper-inflationary economy in 2024; and
- Yemen, which is no longer considered to be a hyper-inflationary economy from 30 June 2024.

What is the impact and for whom?

Hyper-inflationary economies

The IMF WEO report shows that entities with the currency of the following countries as their functional currency should apply IAS 29, 'Financial Reporting in Hyper-inflationary Economies', as at June 2024:

- Argentina;
- Ethiopia;
- Ghana;

- Haiti;
- Iran;
- Lebanon;
- Sierra Leone;
- South Sudan (updated in 2024);
- Sudan;
- Suriname;
- Turkey;
- Venezuela and
- Zimbabwe.

All economies that were hyper-inflationary in 2023 continue to be hyper-inflationary in 2024, apart from Yemen which is no longer hyper-inflationary from June 2024. The projected three-year cumulative inflation of the economies in the list above is expected to continue to exceed 100% during 2024.

South Sudan

In the October 2023 release of the WEO report, it was anticipated that inflation in South Sudan would experience a substantial decline in 2023 and 2024, and our In-brief INT2023-09 mentioned that entities should consider significant events or conditions before ceasing application of IAS 29. There has been a significant change in the inflation data; the WEO report issued in April 2024 shows that three-year cumulative inflation is expected to increase significantly, to 137% in 2024 and 198% in 2025. It is therefore expected that entities with the currency of South Sudan as their functional currency will continue to be hyper-inflationary in 2024, and they should continue applying IAS 29 in 2024.

Economies that will no longer be hyper-inflationary

Yemen

The WEO report indicates that three-year cumulative inflation was 47% in 2023, that it is expected to decrease to 17% in 2024, and that it is expected to increase again to 39% in 2025. Based on the above, entities with the currency of Yemen as their functional currency should stop applying IAS 29 for reporting periods ending 30 June 2024.

Economies expected to become hyper-inflationary at year-end

The IMF WEO report shows that entities with the currency of the following countries as their functional currency should prepare to apply IAS 29 by the end of 2024:

- Egypt (new in 2024)
- Lao P.D.R. (new in 2024) and
- Malawi (new in 2024).

Egypt

The WEO report shows that the projected three-year cumulative inflation will increase to 103% in 2024 and 107% in 2025. Local actual data (provided by the Central Bank of Egypt) supports this conclusion. However, entities should consider any significant events or conditions that might contradict this conclusion between now and the end of 2024. This will include new IMF WEO data that will be issued in October 2024. Entities with the currency of

Egypt as their functional currency should therefore prepare to start applying IAS 29 for reporting periods ending on or after 31 December 2024.

Lao P.D.R.

The WEO report shows that the projected three-year cumulative inflation will increase to 105% in 2024, supporting Lao P.D.R. being a hyper-inflationary economy. Local data (provided by the Bank of the Lao PDR) supports this conclusion. However, the WEO report also shows that the projected three-year cumulative inflation will decrease to 64% in 2025. Entities should consider any significant events or conditions that might contradict the conclusion that Lao P.D.R. is hyper-inflationary between now and the end of 2024 – which will include new data from the IMF WEO that will be issued in October 2024 – but be prepared to apply IAS 29 for reporting periods ending on or after 31 December 2024.

Malawi

The WEO report shows that the projected three-year cumulative inflation will increase to 108% in 2024, supporting Malawi being a hyper-inflationary economy. Entities with the currency of Malawi as their functional currency should start applying IAS 29 for reporting periods ending on or after 31 December 2024. However, the WEO report also shows that the projected three-year cumulative inflation will decrease to 82% in 2025. Entities should consider any significant events or conditions that might contradict the conclusion that Malawi is hyper-inflationary between now and the end of 2024 – which will include new data from the IMF WEO that will be issued in October 2024 – but be prepared to apply IAS 29 for reporting periods ending on or after 31 December 2024.

Economies to be kept under review in 2024 and 2025

The following economies are not hyper-inflationary, but they should be kept under review in 2024 and 2025:

- Burundi (new in 2024);
- Nigeria;
- Pakistan and
- Sri Lanka.

Burundi

The WEO report issued in April 2024 shows that three-year cumulative inflation is expected to increase to 87% in 2024 (74% in 2025). Although the projections indicate that Burundi is not expected to become hyper-inflationary in the next year, it continues to have high rates of inflation. Entities with the currency of Burundi as their functional currency should monitor developments of inflation during 2024 and 2025.

Sri Lanka

The WEO report, updated in April 2024, shows no reliable data available from 2023 onwards. However, local data provided by the Central Bank of Sri Lanka for Colombo CPI shows that the year-on-year inflation rates have significantly decreased during 2023 and remain stable during the first quarter of 2024. Sri Lanka is not currently considered to be a hyper-inflationary economy, but entities with the currency of Sri Lanka as their functional currency should closely monitor developments of inflation during 2024 and 2025.

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

Consistent and reliable inflation data is not available for the following countries:

- Afghanistan;
- Eritrea;
- Syrian Arab Republic; and
- West Bank and Gaza (new in 2024).

Entities with the currency of these countries as their functional currency should consider the information available at the reporting date to determine whether IAS 29 is applicable.

When does it apply?

Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyper-inflationary economy to apply the standard at the same date; and the standard should be applied as if the economy had always been hyper-inflationary.



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