

# HYPERINFLATIONARY ECONOMIES UPDATE - H1 2025

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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.

During the first half of 2025, the list of hyperinflationary economies (and those economies on our watchlist) has continued to evolve due to deteriorating economic conditions and high inflation in several countries. The jurisdictions on the list of hyperinflationary economies 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 IMF's [April 2025 World Economic Outlook](#) (IMF WEO), below is an updated snapshot of countries which are hyperinflationary as at 30 June 2025, countries which have become hyperinflationary (or have ceased to be hyperinflationary) during 2025, and countries which are at risk of becoming hyperinflationary in the second half of 2025 and beyond.

### ACCOUNTING IMPACT

With increasing inflation rates and declining economic conditions around the world, another country has become hyperinflationary in the first half of 2025 – Burundi. Several jurisdictions remain on the watchlist, with Nigeria having a significant risk of becoming hyperinflationary in the second half of 2025.

<i>ECONOMIES WHICH ARE HYPERINFLATIONARY AS AT 30 JUNE 2025</i>	<i>ECONOMIES WHICH HAVE BECOME HYPERINFLATIONARY IN 2025</i>	<i>ECONOMIES WHICH HAVE CEASED TO BE HYPERINFLATIONARY IN 2025</i>	<i>ECONOMIES THAT HAVE A RISK OF BECOMING HYPERINFLATIONARY - WATCHLIST FOR 2025 AND ONWARDS (NEW TO THE WATCHLIST)</i>
<ul style="list-style-type: none"> <li>▶ Argentina</li> <li>▶ Burundi<sup>1</sup></li> <li>▶ Ghana</li> <li>▶ Haiti</li> <li>▶ Islamic Republic of Iran</li> <li>▶ Lao People's Democratic Republic</li> <li>▶ Lebanon</li> <li>▶ Malawi</li> <li>▶ Sierra Leone</li> <li>▶ South Sudan</li> <li>▶ Sudan</li> <li>▶ Suriname</li> <li>▶ Türkiye (Turkey)</li> <li>▶ Venezuela</li> </ul>	<ul style="list-style-type: none"> <li>▶ Burundi<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>▶ Ethiopia<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▶ Angola<sup>3</sup></li> <li>▶ Egypt<sup>4</sup></li> <li>▶ Myanmar<sup>5</sup></li> <li>▶ Nigeria<sup>6</sup></li> <li>▶ Syria<sup>7</sup></li> <li>▶ Zimbabwe<sup>8</sup></li> </ul>

<sup>1</sup> **Burundi's** three-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 123% by the end of 2025 and 138% for 2026. Given current inflation rates and the expectation that the three-year cumulative inflation rate will remain well in excess of 100% for the foreseeable future, Burundi is considered hyperinflationary as at 30 June 2025.

<sup>2</sup> **Ethiopia** had previously been classified as hyperinflationary; however, inflation rates have decreased significantly. The IMF WEO's forecasts project the three-year cumulative inflation rates for 2025 and 2026 to be 80% and 54% respectively. Given the sustained decrease in the actual and forecasted inflation rate (from 30% and 22% in 2023 and 2024 to 21% and 16% in 2025 and 2026), we no longer consider Ethiopia to be hyperinflationary.

<sup>3</sup> **Angola's** three-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 84% by the end of 2025 and 74% for 2026. Given current inflation rates and future forecasts, Angola is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

<sup>4</sup> **Egypt's** three-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 95% by the end of 2025 and 61% by the end of 2026. Local data published by the Central Agency for Public Mobilization and Statistics reported three-year cumulative inflation as at 30 March 2025 of 101%. Considering all of the factors in IAS 29, Egypt is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high and Egypt may become hyperinflationary in the future.

<sup>5</sup> Reliable inflation data is not available for **Myanmar**, however, qualitative factors indicate that the actual rate of inflation is likely to be high. Given the lack of appropriate data, Myanmar is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

<sup>6</sup> **Nigeria's** three-year cumulative inflation rate in the IMF WEO's forecasts was projected to be 126% by the end of 2025 and 119% for 2026. Numerous qualitative factors noted in IAS 29.3 remain applicable in Nigeria, however, the National Bureau of Statistics has recently changed the composition of goods that make up its consumer price index, making it difficult to conclude whether Nigeria is hyperinflationary given the lack of easily comparable local data. Considering all the factors in IAS 29 and the available data, Nigeria is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high and Nigeria may become hyperinflationary in the second half of 2025. If the rate of inflation does not ease markedly in the second half of 2025, it is likely that Nigeria will be classified as hyperinflationary by 31 December 2025.

<sup>7</sup> Reliable inflation data is not available for **Syria**, however, qualitative factors indicate that the actual rate of inflation is likely to be high. Given the lack of appropriate data, Syria is not currently considered to be hyperinflationary, but its hyperinflationary status should continue to be monitored as inflation remains high.

<sup>8</sup> **Zimbabwe's** previous currency, the Zimbabwean Dollar (ZWL) was considered hyperinflationary until mid-2024, however, that currency is now considered defunct. Zimbabwe Gold (ZWG) has replaced ZWL, however, we believe few entities have ZWG as a functional currency, with the US dollar circulating widely. Reliable information on the rate of inflation for ZWG does not exist, therefore, Zimbabwe remains on the watchlist.



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