June 2025 Hyperinflation Update

Executive summary

According to data in the World Economic Outlook (WEO) report issued by the International Monetary Fund (IMF) in April 2025, and based on economic conditions that currently exist, certain countries are considered to be hyperinflationary at 30 June 2025. Therefore, reporting entities in those countries will be required to apply MFRS 129 'Financial Reporting in Hyperinflationary Economies'. Consequently, any entities with interim or annual financial reporting requirements at 30 June 2025 or thereafter should reflect MFRS 129 in their MFRS financial statements.

There are two main changes to the countries considered to be hyperinflationary. Firstly, from 30 June 2025 onwards we believe Burundi is considered to be hyperinflationary. The WEO reported a 3-year cumulative rate of inflation of 108% as of December 2024 and predicts a 3-year cumulative inflation rate of 123% for 2025.

Secondly, the WEO report also identifies that Ethiopia and Yemen are no longer considered hyperinflationary as of June 2025 due to the predicted decline in inflation numbers from the succeeding three-year period from 31 December 2024.

This means that from 30 June 2025 onwards there are fifteen countries around the world where MFRS 129 should be applied, when entities want to state they are in full compliance with MFRS Accounting Standards. These countries are Argentina, Burundi, Ghana, Haiti, Iran, Lao PDR, Lebanon, Malawi, Sierra Leone, South Sudan, Sudan, Suriname, Turkey, Venezuela and Zimbabwe (Zimbabwe dollar until April 2024).

Countries that are currently being monitored include Angola, Egypt, Myanmar and Nigeria. For the time being, they are not considered hyperinflationary, but we will be keeping a close eye on further inflation data from these countries.

Countries that could potentially have hyperinflationary economies due to their past inflationary trends but lack reliable information include Syria and Zimbabwe (From April 2024). Entities in these countries should consider the information available at the reporting date to determine whether MFRS 129 is applicable.

Recapping the requirements of MFRS 129

MFRS 129 lists factors that indicate when an economy is hyperinflationary. One of the indicators of hyperinflation is if cumulative inflation over a three-year period approaches or is in excess of 100 per cent.

The mechanics of restatement

MFRS 129 requires amounts in the statement of financial position that are not already expressed in terms of the measuring unit current at the end of the reporting period, are restated by applying a general price index. In summary:

- assets and liabilities linked by agreement to changes in prices, such as index linked bonds and loans, are adjusted in accordance with the agreement
- non-monetary items carried at current amounts at the end of the reporting period (such as net realisable value and fair value) are not restated
- all other non-monetary assets and liabilities are restated
- monetary items (ie money held and items to be received or paid in money) are not restated because they are already expressed in terms of the monetary unit currency at the end of the reporting period, and
- all items in the statement of comprehensive income should be expressed using the measuring unit current at the end of the reporting period, so all amounts need to be restated from the dates when the items of income and expenditure were originally recorded in the financial statements.

Other important factors that should be taken into consideration when applying MFRS 129

MFRS 129 sets out specific requirements on how to restate prior period comparatives. It requires corresponding figures for the previous reporting period to be restated by applying a general price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period.

MFRS 129 may result in the creation of additional temporary differences under MFRS 112 'Income Taxes'. This is because the restatement of items under MFRS 129 will often lead to adjustments to the carrying amounts of items without corresponding changes to their tax bases — MFRS 129 requires these adjustments to be recognised in profit or loss.

Impairment testing should also not be overlooked. MFRS 129 requires any restated non-monetary items to be reduced when it exceeds its recoverable amount, even if those assets were not previously considered impaired under historical cost accounting. It will be important when preparing financial statements to consider whether the restatement of asset carrying values affects the results of impairment tests that were conducted in previous reporting periods, and whether there are any indicators of impairment for assets that were not tested for impairment in previous periods.

IFRIC decisions relating to hyperinflation

The IFRS Interpretations Committee (IFRIC) have previously considered a number of accounting issues in relation to dealing with hyperinflation. These include:

- translating a hyperinflationary foreign operation and presenting exchange differences
- accounting for cumulative exchange differences before a foreign operation becomes hyperinflationary
- presenting comparative amounts when a foreign operation first becomes hyperinflationary, and
- consolidation of a non-hyperinflationary subsidiary by a hyperinflationary parent.

We encourage careful consideration of these issues when preparing MFRS financial statements and applying MFRS 129.

Our thoughts

MFRS 129 is not a Standard that can be quickly implemented, particularly in group situations. Careful consideration needs to be given to the IFRIC guidance dealing with situations where there is a hyperinflationary parent that has subsidiaries who also report in a hyperinflationary currency versus situations where a non-hyperinflationary parent has subsidiaries that report in a hyperinflationary currency. Also be mindful of how a hyperinflationary parent with subsidiaries that do not report in a hyperinflationary currency should be accounted for given the requirements set out in MFRS 121, 'The Effects of Changes in Foreign Exchange Rates'.

Any reporting entity considering MFRS 129 for the first time will have to adapt their existing accounting systems to be able to process the hyperinflationary adjustments. It is important they understand the mechanics of adjusting for hyperinflation so they can restate in their financial statements both current and comparative periods.

How we can help

We hope you find the information in this article helpful in giving you insight into aspects of June 2025 Hyperinflation Update. If you would like to discuss any of the points raised, please speak to your usual Grant Thornton contact.