

International Practices Task Force

DOCUMENT FOR DISCUSSION

Monitoring Inflation in Certain Countries

November 9, 2023

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Introduction

Registrants are responsible for monitoring inflation in countries in which they have operations. Under U.S. GAAP (ASC 830), the determination of a highly inflationary economy begins by calculating the cumulative inflation rate for the three-year period that precedes the beginning of the reporting period, including interim reporting periods. If that calculation results in a cumulative inflation rate in excess of 100%, the economy should be considered highly-inflationary in all instances. However, if that calculation results in the cumulative rate being less than 100%, historical inflation rate trends and other pertinent factors should be considered to determine whether such information suggests that classification of the economy as highly inflationary is appropriate. Registrants should be especially prudent when monitoring inflation data in countries where there is a concern about the reliability of the inflation data.

Additionally, significant professional judgment is required when determining if there is sufficient evidence to conclude the country should no longer be classified as highly inflationary.

In an effort to facilitate greater consistency, the CAQ International Practices Task Force (the “Task Force”) developed a framework for compiling inflation data to assist registrants in monitoring inflation statistics in connection with their determination of the inflationary status of countries in which they have operations. The information herein may be helpful to management in applying ASC 830, in conjunction with its internal controls over financial reporting to reach a conclusion on whether a country’s economy should be considered highly-inflationary.

The Task Force compiled cumulative inflation data by country (for those countries for which the International Monetary Fund [IMF] publishes data), and then categorized the countries based on their cumulative inflation rates and the implementation guidance in ASC 830. (See the Appendix for a detailed description of how inflation rates are calculated.) In addition, the Task Force identified countries where projected cumulative inflation rates would have been categorized into categories considering the guidance in ASC 830 and in circumstances where there was not consistent reliable data.

The categories, the countries in each of the categories for this period, and reference to the page in this Document where inflation data is provided, are as follows:

1a. Countries with three-year cumulative inflation rates exceeding 100% (ASC 830, Case A)

Argentina	4
Ethiopia	4
Ghana	4 Moved from Category 1.b
Iran	4
Lebanon	5
Sierra Leone	5 Moved from Category 1.b
Sudan	6
Suriname	6
Turkey	6
Venezuela	6
Yemen	6 Moved from Category 2
Zimbabwe	7

1b. Countries with projected three-year cumulative inflation rates greater than 100% in the current year

Haiti	7 Moved from Category 1.a
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2. Countries with three-year cumulative inflation rates exceeding 100% in recent years, but with three-year cumulative inflation rates between 70% and 100% in the last calendar year (ASC 830, Case B)

South Sudan	8 Moved from Category 1.a
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3. Countries with recent three-year cumulative inflation rates exceeding 100% after a spike in inflation in a discrete period (ASC 830, Case C)

None

4. Countries with three-year cumulative inflation rates between 70% and 100% in the current year, or with a significant (25% or more) increase in inflation during the last calendar year, or a significant increase in projected inflation in the current year, or with projected three-year cumulative inflation rates greater than 100% in the next year

Angola	10
Burundi	10
Egypt	10
Lao P.D.R	10
Malawi	10
Moldova	10
Nigeria	10 New in October 2023
Pakistan	11
Sao Tome and Principe	11
Sri Lanka	11 Moved from Category 1.b
Ukraine	11

There may be additional countries with three-year cumulative inflation rates exceeding 100% or that should be monitored which are not included in the analysis because the sources used to compile this list do not include inflation data for all countries or current inflation data, for example, Eritrea, Syria and Afghanistan. Numerous other countries that are not members of the IMF are not included in the WEO Reports.

The data referred to herein is derived from the IMF World Economic Outlook Report Database – October 2023 (“IMF WEO Report”), unless otherwise indicated. The IMF WEO Report presents inflation data on a calendar year basis. Data presented in the IMF WEO Report as estimated is identified with an “*”.

While the below data may be a useful resource for registrants, management should have adequate controls to independently verify and analyze any data on which they are basing a conclusion about an economy’s highly inflationary status.

Below is a discussion of the countries included in each of the above categories.

1a. Countries with three-year cumulative inflation rates exceeding 100%

Case A in ASC 830-10-55-24 provides an example when the three-year cumulative rate exceeds 100% requiring a company to classify the economy as highly inflationary.

According to data obtained from the IMF WEO Report and other sources identified below, the following countries have three-year cumulative inflation rates exceeding 100%:

Argentina

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	54%	36%	51%	95%	136%	70%
Cumulative 3-year rate			216%	300%	593%	678%

Ethiopia

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	20%	18%	35%	34%	25%	18%
Cumulative 3-year rate			91%	114%	125%	97%

Ghana - Moved from Category 1.b

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	8%	10%	13%	54%	31%	15%
Cumulative 3-year rate			34%	92%	128%	133%

Alternative Index Considered

Index Considered	As of 12/31/22	As of 03/31/23	As of 06/30/23	As of 09/30/23
YTD Consumer Price Index	54%	2%	13%	19%
Cumulative 3-year rate Index	92%	91%	99.5%	110%

The October 2023 IMF WEO report projects three-year cumulative inflation will increase to 128% by the end of 2023. Further data from the Ghanaian Statistic Department (Source Ghana Statistics website) shows that as of September 2023 three-year cumulative inflation has already exceeded 100%.

Iran

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	22%	49%	34%	54%	40%	25%
Cumulative 3-year rate			144%	207%	190%	170%

Additional Information/Observations/Questions

Note that the actual percentages for annual and three-year cumulative inflation for 2022 have been revised since the April 2023 IMF WEO Report from 50% and 200% to 54% and 207% in the October 2023 IMF WEO Report, respectively.

Lebanon

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	7%	146%	224%	122%	N/A	N/A
Cumulative 3-year rate			753%	1671%	N/A	N/A

Additional Information/Observations/Questions

Note the actual percentages for annual and three-year cumulative inflation rate for 2021 and 2022 have been revised since the April 2023 IMF WEO Report. The April IMF WEO Report did not provide any estimates for annual and three-year cumulative inflation rate for 2021 and 2022, which have been revised to 224% and 753% for 2021 and 122% and 1671% for 2022 in the October 2023 IMF WEO Report, respectively.

Sierra Leone – Moved from Category 1.b

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	14%	10%	18%	37%	38%	22%
Cumulative 3-year rate			48%	79%	123%	130%

Alternative Index Considered

Index Considered	As of 12/31/22	As of 03/31/23	As of 06/30/23	As of 08/31/23
YTD inflation rate	37%	12%	25%	35%
Cumulative 3-year rate	79%	88%	104%	114%

Additional Information/Observations/Questions

The October 2023 IMF WEO report projects three-year cumulative inflation will exceed 100% by the end of 2023. Further the inflation data from the Sierra Leone National Statistics department shows that by August 2023 the three-year cumulative inflation has already exceeded 100%.

Sudan

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	57%	269%	318%	87%	238%	127%
Cumulative 3-year rate			2325%	2793%	2550%	1341%

Suriname

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	4%	61%	61%	55%	40%	20%
Cumulative 3-year rate			169%	299%	248%	160%

Turkey

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	12%	15%	36%	64%	64%	54%
Cumulative 3-year rate			74%	156%	267%	316%

Venezuela

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	9585%	2960%	686%	234%	250%	230%
Cumulative 3-year rate			2330K%	80K%	9K%	3.7K%

Additional Information/Observations/Questions

Note that the actual percentages for annual and three-year cumulative inflation for 2022 have been revised since the April 2023 IMF WEO report from 310% and 98K% to 234% and 80K%, respectively.

Yemen – Moved from Category 2

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	1%	43%	50%	-3%	20%	15%
Cumulative 3-year rate			118%	110%	76%	34%

Additional Information/Observations/Questions

In the April 2023 IMF Outlook the 2021 and 2022 data were estimated and resulted in cumulative inflation to be below 100% as of the end of 2022. The actual estimated three-year cumulative rate for 2021 and 2022 is 118% and 110%, respectively. The October 2023 IMF Outlook shows actual inflation data for 2021, and 2022 that shows Yemen reaching three-year cumulative inflation over 100% in both 2021 and 2022. Therefore, Yemen is included in this category in this report. However, it is worth noting that, as showed in the table above, the projected three-year cumulative rate for 2023 and 2024 is expected to decrease below 100%. However, we note that no official data exists for 2023 inflation.

Note that the actual percentages for annual and three-year cumulative inflation for 2020, 2021 and 2022 have been revised since the April 2023 IMF WEO report. Below are the previous percentages reported in April 2023 for comparison purposes to the October 2023 IMF WEO report percentages presented above:

Calendar year	ACTUAL (per April 2023 Report)		
	2020	2021	2022
Annual inflation rate	33%	29%	14%
Cumulative 3-year rate		73%	95%

Zimbabwe

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	521%	349%	61%	244%	396%	190%
Cumulative 3-year rate			4379%	2379%	2642%	4849%

1b. Countries with projected three-year cumulative inflation rates greater than 100% in the current year

According to data obtained from the IMF WEO Report, the following country has a projected three-year cumulative inflation rate greater than 100% in the current year but has not yet exceeded 100% as of the most recent year-end and any subsequent comparable monthly data available as of the meeting date. Under ASC 830-10-45-12, an economy must be classified as highly inflationary when the cumulative three-year rate exceeds 100%. However, if that calculation results in the cumulative rate being less than 100%, historical inflation rate trends (increasing or decreasing) and other pertinent economic factors should be considered to determine whether such information suggests that classification of the economy as highly inflationary is appropriate sooner. ASC 830-10-45-13 states that the definition of a highly inflationary economy is necessarily an arbitrary decision requiring judgment and in some instances, the trend of inflation might be as important as the absolute rate.

Registrants should have appropriate controls in place to monitor more current reported inflation data and consider other pertinent economic indicators to determine if and when the following country should be considered highly inflationary:

Haiti – Moved from Category 1.a

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	20%	25%	13%	39%	30%	13%
Cumulative 3-year rate			69%	96%	104%	103%

Additional Information/Observations/Questions

Inflation data from the April 2023 and October 2023 IMF WEO Reports show the three-years cumulative inflation just under 100% at December 2022 while showing the three-year cumulative inflation is expected to be over 100% for 2023 and 2024. However, we note that local data from the Haitian Institute for Statistics and Information (IHSI) published by the Bank of Republic of Haiti shows that the three-year cumulative inflation as of December 2022 was at 120% remaining above 100% through September 2023 the most recent data available. Given the discrepancies in the data, entities should apply judgment as to when and if during 2023 the three-year cumulative inflation may have exceeded 100%.

2. Countries with three-year cumulative inflation rates exceeding 100% in recent years, but with three-year cumulative inflation rates between 70% and 100% in the last calendar year

Case B in ASC 830-10-55-25 provides an illustrative example of a country where an economy continues to be classified as highly inflationary even though the three-year cumulative rate is below 100% because there is no evidence to suggest that the drop below 100% is other than temporary and annual inflation has been high on a consistent basis.

Countries in this category should be monitored by management, who should apply judgment in determining when there is sufficient evidence to conclude the country should no longer be classified as highly inflationary.

South Sudan

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	30%	88%	2%	-13%	46%	6%
Cumulative 3-year rate		221%	150%	67%	30%	34%

Additional Information/Observations/Questions

Please note that there is no published/reliable local data for South Sudan as government does not report information. The information published by the IMF through their WEO Report is based on estimates rather than actual data. The three-year cumulative inflation rate was 150% in 2021 and based on the April 2023 IMF WEO report the three-year cumulative inflation rate was 172% in 2022. However, the October 2023 IMF WEO Report revised the prior year data to 67%, which is below 100% three-years cumulative inflation. Due to the lack of published/reliable local data and due to the material revisions

made to the 2022 inflation data, we caution entities when assessing whether and when South Sudan should no longer be considered a highly inflationary economy in 2023 or 2024.

Please note that the actual percentages for annual and three-year cumulative inflation at the end of calendar 2022 have been revised since the April 2023 IMF WEO Report from 41% and 172% in April 2023 report to -13% and 67% in the October 2023 IMF WEO report, respectively.

3. Countries with recent three-year cumulative inflation rates exceeding 100% after a spike in inflation in a discrete period

Case C in ASC 830-10-55-26 provides an illustrative example where a country's economy no longer exceeds 100% for the cumulative three-year rate and the classification as highly inflationary resulted from an isolated spike in annual inflation. ASC 830-10-55-26 states that this country's economy should no longer be classified as highly inflationary.

According to data obtained from the IMF WEO Report, the following countries three-year cumulative inflation rates have exceeded 100% after a spike in inflation in a discrete period. Countries in this category should be monitored by management, who should apply judgment in determining when there is sufficient evidence to conclude whether the country should be, or should no longer be, classified as highly inflationary:

There are no countries in this category.

4. Countries with a) projected three-year cumulative inflation rates between 70% and 100% in the current year, b) with a significant (25% or more) increase in inflation during the last calendar year, c) a significant increase in projected inflation in the current year, d) with projected three-year cumulative inflation rates greater than 100% in the next year, or e) included in the prior edition of this report and has not experienced a significant decrease

According to data obtained from the IMF WEO Report, the following countries have projected three-year cumulative inflation rates between 70% and 100% in the current year, or a significant (25% or more) increase in inflation during the last calendar year, or a significant increase in projected inflation in the current year, or projected three-year cumulative inflation rates greater than 100% in the next year.

Registrants should have appropriate controls in place to monitor more current reported inflation data and consider other pertinent economic indicators to determine if and when the following countries should be considered highly inflationary:

Angola

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	17%	25%	27%	14%	17%	26%
Cumulative 3-year rate			86%	81%	69%	68%

Burundi

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	5%	8%	10%	27%	12%	22%
Cumulative 3-year rate			24%	50%	56%	74%

Egypt

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	9%	6%	5%	13%	36%	26%
Cumulative 3-year rate			21%	25%	61%	93%

Lao P.D.R.

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	6%	3%	5%	39%	17%	3%
Cumulative 3-year rate			15%	51%	71%	68%

Malawi

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	12%	8%	12%	25%	29%	15%
Cumulative 3-year rate			34%	51%	80%	86%

Moldova

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	8%	0%	14%	30%	5%	5%
Cumulative 3-year rate			23%	49%	56%	44%

Nigeria - New in October 2023

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024

Annual inflation rate	12%	16%	16%	21%	31%	15%
Cumulative 3-year rate			50%	62%	83%	83%

Pakistan

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	8%	9%	10%	21%	29%	18%
Cumulative 3-year rate			29%	44%	72%	84%

Sao Tome and Principe

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	8%	9%	9%	25%	15%	7%
Cumulative 3-year rate			29%	50%	58%	55%

Sri Lanka – Moved from Category 1.b

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	5%	4%	11%	55%	N/A	N/A
Cumulative 3-year rate			22%	81%	N/A	N/A

The October 2023 IMF WEO report does not include projected inflation for 2023 and 2024. However, the Central Bank of Sri Lanka publishes monthly inflation data. The Central Bank data states that the National CPI for the first ten months of the 2023 calendar year stands at 1.6%. Based on a linear extrapolation, the projected inflation for 2023 could be estimated at approximately 2%, resulting in a projected 2023 three-years cumulative inflation of approximately 83%.

Ukraine

Calendar year	ACTUAL				PROJECTED	
	2019	2020	2021	2022	2023	2024
Annual inflation rate	4%	5%	10%	27%	16%	10%
Cumulative 3-year rate			20%	46%	61%	61%

Appendix: Description of how inflation rates are calculated

For all countries, data is extracted from the International Monetary Fund (“IMF”) website. IMF data is extracted from www.imf.org as follows:

- On the home page, select the “Data” tab, and then click “World Economic Outlook Databases” link.

- Select the [most recent database](#) (October 2023).
- Select “By Countries (country-level data)”.
- Select “All Countries”, then click the “continue” button.
- Under the “Monetary” subject header, select “Inflation”, “end of period consumer prices” (both the index and percent change); then click the “continue” button.
- Select a date range (e.g., 2018-2023); click “prepare report” and a table is produced with the data; click the “download” link to export to excel. The data table includes the actual and estimated end of period price indices for each country.

The IMF World Economic Outlook (WEO) report estimates inflation when actual inflation data has not been obtained. The text of the report describes the assumptions and conventions used for the projections in the WEO. The data that are estimated are highlighted. While the IMF data has limitations (projected inflation data and varying dates through which actual data is included in the table), the calculated three-year cumulative inflation allows us to determine which country’s calculations require further analysis.

Note: From time to time the WEO refines or updates previously reported actual Consumer Price Index (herein referred to as “Index” or “CPI”) data for certain countries.

Using the downloaded table, the three-year cumulative inflation rate is calculated as follows (assuming the current year is end of year 2023): $(2023 \text{ End of Year CPI} - 2020 \text{ End of Year CPI}) / 2020 \text{ End of Year CPI}$.

It should be noted that the IMF inflation data used to summarize inflation could be different from the inflation data reported by the respective countries’ central banks or governments. The Task Force has not performed procedures to identify any potential differences. Accordingly, this summarized IMF information should be supplemented, to the extent considered necessary, with other pertinent information that may be available.

For registrants that need additional information to monitor inflation for operations in certain countries, it should be noted that annual or month-end CPI information can be obtained from some countries’ central bank or government websites or other publicly available information but that data may differ from the inflation data reported by the IMF and may need to be converted because of differences in presentation or other reasons (for example, some countries have reset their base index back to 100 during recent years). While inflation data published by a central bank or government is often more current than the IMF data, each country releases its inflation data at different times and inflation data for some countries may not be otherwise publicly available.

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