

International Practices Task Force

DOCUMENT FOR DISCUSSION

Monitoring Inflation in Certain Countries

May 20, 2024

The Center for Audit Quality (CAQ) SEC Regulations Committee and its International Practices Task Force (IPTF) periodically accumulates and discusses certain inflation data. This document represents the accumulation of information that was used to facilitate a discussion among IPTF members, but does not represent formal views or conclusions of the IPTF or its members. This document has not been considered and acted on by senior technical committees of the CAQ or the American Institute of CPAs (AICPA) and does not represent an official position of the CAQ or the AICPA. As with all other documents issued by the CAQ, this document is not considered authoritative and users are urged to refer directly to applicable authoritative pronouncements for the text of the technical literature. This document does not purport to be applicable or sufficient to the circumstances of any work performed by practitioners and is not intended to be a substitute for professional judgment applied by practitioners.

This document has not been considered or acted on by any accounting or regulatory bodies or their staff, including the Financial Accounting Standards Board (FASB) or the U.S. Securities and Exchange Commission (SEC), and does not represent a position of any accounting or regulatory bodies or their staff. Any entity wishing to request the formal views of the SEC staff regarding that entity's conclusions are encouraged to consult with the SEC staff.

As available on this website, these documents are not updated for the subsequent issuance of technical pronouncements or positions taken by the SEC or its staff, nor are they deleted when they are superseded by the issuance of subsequent documents for discussion or authoritative accounting or auditing literature. As a result, the information, commentary, or guidance contained herein may not be current or accurate and the CAQ is under no obligation to update such information. Readers are therefore urged to refer to current authoritative or source material.

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	3
Ethiopia	4
Ghana	4
Haiti	4 Moved from Category 1b
Iran	4
Lebanon	4
Sierra Leone	5
Sudan	5
Suriname	5
Turkey	5
Venezuela	6
Zimbabwe	6

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

Egypt	6 Moved from Category 4
Lao P.D.R.	7 Moved from Category 4
Malawi	7 Moved from Category 4
South Sudan	8 Moved from Category 2

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)

Yemen	9 Moved from Category 1a
-------	---------------------------------

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
Myanmar	10 New in April 2024
Nigeria	10
Pakistan	11
Sri Lanka	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 – April 2024 (“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	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	36%	51%	95%	211%	149%	45%
Cumulative three-year rate		216%	300%	816%	1413%	1026%

Ethiopia

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	18%	35%	34%	29%	22%	16%
Cumulative three-year rate		91%	114%	133%	109%	81%

Ghana

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	10%	13%	54%	23%	15%	8%
Cumulative three-year rate		34%	92%	111%	115%	53%

Haiti – Moved from Category 1b

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	25%	13%	39%	32%	22%	13%
Cumulative three-year rate		69%	96%	107%	123%	83%

Additional Information/Observations/Questions

Despite noting inconsistencies between the 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% and the inflation data from the October 2023 and April 2024 IMF WEO Reports showing the three-year cumulative inflation is 96% at December 2022, however, both show that the three-year cumulative inflation at December 2023 is above 100% while also showing that the three-year cumulative inflation is expected to be over 100% for 2024.

Iran

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	49%	34%	54%	40%	35%	30%
Cumulative three-year rate		144%	207%	190%	191%	146%

Lebanon

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	146%	224%	122%	N/A	N/A	N/A
Cumulative three-year rate		753%	1671%	N/A	N/A	N/A

Additional Information/Observations/Questions

The April IMF WEO Report did not provide actual annual inflation or the cumulative three-year inflation rate data for 2023 nor did they provide projected annual inflation or the cumulative three-year inflation rate data for 2024 and 2025. However, given the actual historical annual inflation and cumulative three-year inflation rate provided in previous IMF WEO Reports, 2023 annual inflation would have to be around -75% for the 2023 cumulative three-year inflation rate to fall below 100%. We also note that local data from the Lebanese Republic Central Administration of Statistics which shows that the three-year cumulative inflation rate as of December 2023 was at 2004.7% with the three-year cumulative inflation rate remaining above 1800% through March 2024.

Sierra Leone

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	10%	18%	37%	52%	26%	17%
Cumulative three-year rate		48%	79%	146%	163%	125%

Sudan

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	269%	318%	87%	147%	115%	43%
Cumulative three-year rate		2325%	2793%	1832%	891%	657%

Suriname

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	61%	61%	55%	33%	14%	11%
Cumulative three-year rate		169%	299%	229%	134%	68%

Turkey

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	15%	36%	64%	65%	45%	28%
Cumulative three-year rate		74%	156%	268%	293%	207%

Venezuela

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	2960%	686%	234%	190%	160%	150%
Cumulative three-year rate		2330K%	80K%	7516%	2418K%	1785K%

Zimbabwe

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	349%	61%	244%	779%	603%	534%
Cumulative three-year rate		4379%	2379%	4756%	21K%	39K%

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 countries have a projected three-year cumulative inflation rate greater than 100% in the current year but have 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 countries should be considered highly inflationary:

Egypt - Moved from Category 4

Calendar year	ACTUAL (June)				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	6%	5%	13%	36%	32%	15%
Cumulative three-year rate		21%	25%	61%	103%	107%

Additional Information/Observations/Questions

Inflation data from the April 2024 IMF WEO Reports show the three-year cumulative inflation rate is 61% as of June 2023 while also showing the three-year cumulative inflation rate is expected to be over

100% for 2024. We also note that local data published by the Central Agency for Public Mobilization and Statistics (CAPMAS), and included in the Central Bank of Egypt's Monetary Policy Inflation Note, which shows that the three-year cumulative inflation rate as of December 2023 was at 72% with the three-year cumulative inflation rate increasing from 72% to 96% through March 2024 which helps support the validity of the IMF's 2024 projected three-year cumulative inflation rate.

The table below shows the actual local inflation data:

Index Considered	As of 06/30/23	As of 12/31/23	As of 04/30/24
YTD Consumer Price Index	22%	34%	15%
Cumulative three-year rate	61%	72%	96%

Lao P.D.R. - Moved from Category 4

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	3%	5%	39%	24%	18%	11%
Cumulative three-year rate		15%	51%	82%	105%	64%

Additional Information/Observations/Questions

Inflation data from the April 2024 IMF WEO Reports show the three-year cumulative inflation rate is 82% as of December 2023 while also showing the three-year cumulative inflation rate is expected to be over 100% for 2024. We also note that local data from the Bank of Lao P.D.R which shows that the three-year cumulative inflation rate as of December 2023 was at 82% with the three-year cumulative inflation rate increasing from 82% to 92% through April 2024 which helps support the validity of the IMF's 2024 projected three-year cumulative inflation rate.

The table below shows the actual local inflation data:

Index Considered	As of 12/31/23	As of 04/30/24
YTD Consumer Price Index	24%	7%
Cumulative three-year rate	82%	92%

Malawi Moved from Category 4

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	8%	12%	25%	40%	18%	10%
Cumulative three-year rate		34%	51%	96%	108%	82%

Additional Information/Observations/Questions

Inflation data published by the National Statistical Office of Malawi indicates that three-year cumulative inflation rate as of December 2023, was around 90% and the three-year cumulative inflation rate as of March 31, 2024 is around 90%.

The table below shows the actual local inflation data:

Index Considered	As of 12/31/23	As of 03/31/24
YTD Consumer Price Index	29%	8%
Cumulative three-year rate	90%	90%

South Sudan - Moved from Category 2

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	88%	2%	-13%	70%	60%	9%
Cumulative three-year rate		150%	67%	52%	137%	198%

Additional Information/Observations/Questions

Please note that there is no published/reliable local data for South Sudan as the local government does not report such information. Additionally, note that the information published by the IMF through their WEO Report is based on estimates rather than actual data.

The published data per the April 2024 IMF WEO Report shows the current actual and projected three-year cumulative inflation rate for 2023 and 2024, respectively, to be 52% and 137%, respectively. However, we caution entities when assessing whether and when South Sudan should or should not be considered a highly inflationary economy in 2023 or 2024 given the lack of published/reliable local data and due to the material revisions made to the published 2022 inflation data per IMF WEO Reports.

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.

Yemen - Moved from Category 1a

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	43%	50%	-3%	0%	20%	15%
Cumulative three-year rate		118%	110%	47%	17%	39%

Additional Information/Observations/Questions

The October 2023 IMF WEO amounts reported for Yemen indicated actual estimated three-year cumulative inflation rate above 100% for 2021 and 2022 at 118% and 110%, respectively.

The published data per the April 2024 IMF WEO Report shows the current actual and projected three-year cumulative inflation rate for 2023 and 2024, respectively, to be 47% and 17%, respectively. While the most recent year (i.e., 2023) is reported at being below 70% for inclusion in this category, we caution entities when assessing whether and when Yemen should or should not be considered a highly inflationary economy in 2024 given the lack of published/reliable local data and due to the material revisions made to prior published data from IMF WEO Reports over the last few periods.

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	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	25%	27%	14%	20%	18%	10%
Cumulative three-year rate		86%	81%	74%	61%	56%

Burundi

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	8%	10%	27%	20%	23%	18%
Cumulative three-year rate		24%	50%	67%	87%	74%

Myanmar - New in April 2024

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	2%	7%	31%	20%	8%	8%
Cumulative three-year rate		20%	44%	69%	70%	40%

Nigeria

Calendar year	ACTUAL				PROJECTED	
	2020	2021	2022	2023	2024	2025
Annual inflation rate	16%	16%	21%	29%	24%	19%

Cumulative three-year rate	50%	62%	81%	94%	90%
----------------------------	-----	-----	-----	-----	-----

Pakistan

	ACTUAL				PROJECTED	
Calendar year	2020	2021	2022	2023	2024	2025
Annual inflation rate	9%	10%	21%	29%	20%	9%
Cumulative three-year rate		29%	44%	72%	88%	69%

Sri Lanka

	ACTUAL				PROJECTED	
Calendar year	2020	2021	2022	2023	2024	2025
Annual inflation rate	4%	11%	55%	4.2%	N/A	N/A
Cumulative three-year rate		22%	81%	87%	N/A	N/A

The April 2024 IMF WEO report does not include actual inflation for 2023 or projected inflation for 2024 and 2025. However, the Central Bank of Sri Lanka publishes monthly inflation that shows the National CPI for the 2023 calendar year stands at 4.2% with a 2023 three-year cumulative inflation rate standing at 87% for 2023. Based on the first few months of 2024, inflation is following a similar trend as 2023 and annual inflation has remained in the low single digits and the three-year cumulative inflation rate standing at 87% as of March 31, 2024.

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 [World Economic Outlook Database, April 2024 \(imf.org\)](http://www.imf.org) (April 2024).
- 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., 2018-2024); 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 2024): $(2024 \text{ End of Year CPI} - 2021 \text{ End of Year CPI}) / 2021 \text{ End of Year CPI}$.

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.

About the Center for Audit Quality

The Center for Audit Quality is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high-quality performance by public company auditors; convenes and collaborates with other stakeholders to advance the discussion of critical issues that require action and intervention; and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions. Based in Washington, DC, the CAQ is affiliated with the American Institute of CPAs. For more information, visit www.thecaq.org