PUBLIC ACCOUNTANTS AND AUDITORS BOARD

Update Paper 06/26: Zimbabwe's Roadmap Towards Exiting Hyperinflation Accounting.

PAAB Mandate.

PAAB was established and operates through the provisions of the Public Accountants and Auditors Act [Chapter 27:12]. PAAB's mandate is to protect the public interest and that of investors, the PAAB has oversight over the accountancy profession in Zimbabwe through setting high standards of financial reporting and auditing, and by holding to account those responsible for delivering them.

1. Introduction

International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) that are in use in Zimbabwe focus on historical general purpose financial reporting. Given that reporting is for a past reporting period, accounting standards do not report on forecast financial and economic phenomena. This paper is therefore restricted to the specific scope of reporting under IFRS /IPSAS.

Since the introduction of the Zimbabwe Gold currency, ZiG on 5 April 2024, Zimbabwe has experienced a period of price and exchange rate stability. Official ZiG CPI data shows that inflation has decreased to single digit inflation of 4.8% per annum being achieved in April 2026.

This paper provides an update to the market following the commitment made by the Public Accountants and Auditors Board (PAAB) in its Heatmap on hyperinflationary reporting issues issued on 8 October 2024, that is to continue monitoring the developments in the inflationary conditions in the economy and their impact on financial reporting.

2. Scope

This paper is meant to update the market on the monitoring of economic conditions that the PAAB has been undertaking in relation to the continued application of Financial Reporting in Hyperinflationary Economies. The paper also highlights the roadmap to exiting hyperinflationary reporting.

This paper does not override any of the accounting standards legislated under Statutory Instrument 41 of 2019, Public Accountants and Auditors (Prescription of International Standards) Regulations 2019, nor does it purport to deal with all considerations that may be relevant in the circumstances of such reporting or audit engagements.

This paper does not override the PAAB 2019 Pronouncement on Hyperinflationary Reporting and should be read in conjunction with this pronouncement.

3. IAS 29/IPSAS 10 Technical requirements

IAS 29 does not establish an absolute inflation rate at which hyperinflation is deemed to arise. It describes hyperinflation as a matter of judgement, based on characteristics of the economic environment of the country in whose currency an entity reports. IPSAS 10 adopts a similar principle for public sector entities.

The indicators include:

i. whether the general population prefers to keep wealth in non-monetary assets or stable foreign currency,

ii. whether prices are commonly quoted in a stable foreign currency,
iii. whether credit sales and purchases compensate for expected loss of purchasing power,
iv. whether interest rates, wages and prices are linked to a price index, and
v. whether cumulative inflation over three years is approaching, or exceeds, 100%.

PAAB has therefore evaluated all these factors in developing this update. The update does not cover the projected trajectory of these factors including inflation rates. It however will comment on the expectations that would provide, a roadmap to the cessation of hyperinflation accounting in Zimbabwe.

4. Inflation evidence and accumulated inflation analysis

Current Quantitative Assessment

The table below summarises the key official ZiG CPI data points and calculated inflation movements on a rolling 3-year basis as one of the factors considered under the respective standards on inflation accounting used in PAAB's current assessment as of April 2026.

Period / measure	CPI basis	Result	Assessment relevance
Initial 2024 period after ZiG introduction to December 2024	Apr 2024 = 100.00; Dec 2024 = 166.30	66.3%	Shows that the early post introduction period carried significant inflationary adjustment that still dominates the cumulative position.
2025 accumulated inflation	Dec 2024 = 166.30; Dec 2025 = 191.31	15.0%	Shows significant moderation in 2025, but does not by itself support immediate cessation.
2026 cumulative inflation to April	Dec 2025 = 191.31; Apr 2026 = 194.68	1.8%	Shows very low current inflation in 2026 to date.
Cumulative inflation from ZiG base to April 2026	Apr 2024 = 100.00; Apr 2026 = 194.68	94.7%	Approaching 100%. IAS 29 / IPSAS 10 quantitative indicator is still positive.

Note: April 2024 (Apr 2024 = 100) was adopted as the base period because it marks the commencement of the ZiG-denominated CPI series following the introduction of the ZiG currency; therefore, no directly comparable ZiG CPI data exists prior to this date. It should be further noted that the annual inflation rate in 2024 was elevated as a result of the devaluation exercise undertaken by the RBZ, which was a once-off event. Following the exercise, there have been no further significant increases in inflation rates.

Qualitative and quantitative assessment of the path to exit from hyperinflation accounting

PAAB does not base the exit from hyperinflation accounting solely on CPI calculations but also assesses whether the broader economic environment has normalised and whether hyperinflationary behaviours have diminished.

Indicator area	Current observations	Position to assess by December 2026	Position to assess by December 2027	Implication for exit judgement
Inflation trend	• Inflation has moderated significantly. • December 2025 annual ZiG inflation was 15.0%. • April 2026 annual inflation was 4.8%.	• If the January to April 2026 average month on month rate of approximately 0.4% is sustained, 2026 annual inflation would be approximately 5.1%. • However, cumulative inflation from the April 2024 ZiG base would still be around 101.0%.	• If the same low inflation path is sustained through 2027, annual 2027 inflation would be approximately 4.9%. • Cumulative inflation from December 2024 to December 2027 would be approximately 26.8%.	• The 2026 conclusion remains vulnerable due to the April 2024 base effect; • 2027 would be a quantitatively stronger as an exit year.
Exchange rate stability	• RBZ reported continued exchange rate stability in Q1 2026, with the interbank exchange rate oscillating around ZiG25 per US dollar.	• The stability has been observed since October 2024 and if sustained to end of the year, it provides strong evidence	• The stability has been observed since October 2024 and if sustained to end of the year, it provides strong evidence	• Currently supports exit readiness. However, the strength of this indicator depends on whether

Indicator area	Current observations	Position to assess by December 2026	Position to assess by December 2027	Implication for exit judgement
	• The parallel market premium contained below 20% for most of the quarter.	that stability is durable rather than temporary.	that stability is durable rather than temporary	stability remains credible as ZiG usage and supply broaden.
Foreign currency access	• RBZ reported Q1 2026 positive foreign currency inflows of US$4.97 billion against payments of US$3.32 billion, and reserves of US$1.4 billion at March 2026, equal to about 1.5 months of import cover.			• Improved inflows and access to foreign currency currently support exit readiness.
Use and supply of ZiG	• RBZ reported continued reserve backing for the local currency, with reserves about six times ZiG reserve money and approximately double ZiG deposits at March 2026. • RBZ also launched upgraded ZiG banknotes to support wider use. • However, ZiG loans represented only 16.51% of total loans at March 2026, indicating that the currency remains	• PAAB shall assess whether ZiG supply, bank deposits, transaction volumes, salaries, taxes, public services and private sector acceptance increase meaningfully during 2026. • Where supply remains considerably low, the exit basis is compromised as the currency may not be reflective of full economic realities.	By December 2027, PAAB may have stronger evidence of whether ZiG functions beyond a low supply transactional currency and whether it is sufficiently used as a unit of account and medium of exchange.	Low supply can coexist with low inflation, but it may weaken the case that the economy has normalised around the local currency.

Indicator area	Current observations	Position to assess by December 2026	Position to assess by December 2027	Implication for exit judgement
	relatively limited in the broader financial system.			
Pricing behavior	• Zimbabwe continues to operate in a multicurrency environment. A key accounting question is whether goods, services, rentals and contracts are genuinely priced in ZiG or effectively anchored to USD and converted at settlement. • Due to the multi-currency environment, the preference of the USD to the ZiG will always exist. • At the moment pricing in USD does not seem to be motivated by hyperinflation of the ZiG.	Whether pricing becomes motivated by inflation factors	Whether pricing becomes motivated by inflation factors	Pricing behaviour is mostly motivated by multi-currency environment and not inflation factors.
Savings and lending behavior	• Given Zimbabwe's currency history, households and businesses may still prefer USD, short dated positions or non-monetary assets as stores of value.	• Significant improvement has been noted on persons now holding ZiG beyond immediate transactional needs, and the ZiG lending terms, rates and collateral	A stronger local currency deposit base, longer tenor ZiG lending, and reduced reliance on USD stores of value would support exit by 2027.	The low supply of ZiG weakens early exit. This indicator would support exit more strongly once ZiG balances, deposits and lending become

Indicator area	Current observations	Position to assess by December 2026	Position to assess by December 2027	Implication for exit judgement
	• ZiG lending remains a relatively small share of total loans. ZiG loans represented only 16.51% of total loans at March 2026.	requirements are normalizing. • This assessment is, however, affected by the low ZiG in circulation, thus amounts being held and loaned are still low for a proper conclusion to be done.		broader and more sustained.
Indexation of contracts	• Most wages, rentals, supplier contracts, and other long-term arrangements remain denominated in USD or indexed to USD exchange rates. • The persistence of indexation can indicate that market participants still expect purchasing power erosion. • However it is also affected by the multi-currency system.	• PAAB will continue to assess extent to which market accepts long-term contracts denominated in ZiG with no pricing indexing. • The Government policy to procure in ZiG will demonstrate level of acceptance.	• PAAB will continue to assess extent to which market accepts long term contracts denominated in ZiG with no pricing indexing.	The multi-currency environment affects interpretation, but persistent widespread indexation would still weaken an early exit conclusion.
Policy consistency and financial sector stability	• RBZ has communicated a framework anchored on transparency, market-based instruments, foreign reserves	Policy consistency	Policy consistency	Supports exit if durable.

Indicator area	Current observations	Position to assess by December 2026	Position to assess by December 2027	Implication for exit judgement
	management and monetary-fiscal coordination. • RBZ also reported continued financial sector and national payment system stability in Q1 2026.			
Overall qualitative judgement	• Current observations are improving but not conclusive. • Inflation and exchange rate stability have improved, but currency usage remains too low for conclusion to be made.			

Source: [Quarterly_Economic_Review_Q1_2026_1.pdf]

Conclusion

Based on the quantitative and qualitative assessment, PAAB's regulatory decision is that it will continue to assess these factors and will determine an appropriate exit point only if the evidence remains compelling, the circulation and use of the ZiG broadens significantly, and sufficient time has elapsed to allow for effective monitoring of the sustainability of these developments.

While current indicators show encouraging progress, the evidence is not yet conclusive. The PAAB will continue engaging relevant stakeholders as part of its ongoing assessment and monitoring of economic conditions and their implications for the application of IAS 29 / IPSAS 10.