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MARKET
MONITOR

Reading the Warning Signs: Detecting Volatility Before It Hits

About the Market Monitor

What we track and why it matters

About the Market Monitor

Birches Group tracks salary trends and labor market conditions across 160+ countries, publishing compensation updates three times a year.

APRIL — JULY — OCTOBER

We also monitor key economic indicators, primarily exchange rate movements against the US Dollar, to flag potential market volatility early. Our Market Monitor, published monthly, keeps clients informed about conditions worth watching.

Why You Should Monitor Market Volatility

Each organization sets its own triggers for when to act on labor market changes. In most cases, a planned annual salary review is enough. But when an economy starts showing signs of volatility, you need to have policies in place to enable your organization to respond quickly and keep your pay system competitive.

As a **general guide**, an exchange rate or inflation movement under 10% annually is typically captured in standard market adjustments. Once movement exceeds 10% over six months or less, closer monitoring and faster action become necessary.

SUBSCRIBE NOW TO OUR MARKET MONITOR!

Subscribers to our Compensation and Benefits Survey Report can now access the updated July 2026 labor market data to review the latest movements in their markets.

Why Exchange Rates Are Our Early Warning Signal

Currency moves first, Inflation follows

Why Track Exchange Rates Instead of Inflation

Salaries are set based on what other employers pay for similar roles. In stable markets, that is all you need to stay competitive. But in volatile markets, currency devaluation and inflation come into play.

Exchange rates are a **leading indicator**. They are published in real-time, widely available, and based on observed market data.

Inflation, by contrast, is a **lagging indicator** that is often incomplete.

For example, the International Monetary Fund's World Economic Outlook (published twice per year), uses historical data that is at least one year old together with IMF projections.

In short, currency devaluation tends to signal inflation before it shows up in official data, making it a more practical and reliable early warning signal. Organizations that monitor and respond to devaluation proactively are better positioned to stay competitive, even in difficult economic conditions.

Understanding the Volatility Framework

Six levels, one clear picture

Levels of Volatility

To guide an organization on appropriate measures against timeframes for managing the updating of salary scales, the table below has been prepared aligning the measure against the market condition.

1	Standard Market Conditions 0 to 20% exchange rate movement in six months
2	Dynamic Market Conditions 20+% exchange rate movement in six months
3	Rapid Evolving Market Conditions 40+% exchange rate movement in six months Multiple reviews and revisions typical amongst comparators
4	Sudden, Unexpected Social/Economic Event Currency devaluation of 50% or more in six months or less Disjointed and unclear comparator response
5	National currency aligned Dollars/Euros Wide prevailing practice to denominate national salaries in Dollars/Euros Legal for staff to have Dollar/Euro bank accounts
6	Labor market collapse Departure of most comparators from the market Absence of reliable data on currency and inflation

1 2 3 4 *These levels apply to markets where salaries continue to be denominated in local currency, with each level reflecting an escalating degree of exchange rate movement and the corresponding response it requires.*

5 *This level represents a distinct threshold, one where currency instability has become severe enough that the prevailing employer practice has shifted to paying salaries in a hard currency such as US Dollars or Euros. This is the condition that defines the Hard Currency Markets category in our section on Markets to Watch This Month.*

Responding to Volatility

The volatility categories in this table are a starting point. Organizations should review and discuss the volatility levels as a basis for building a coordinated response.

Whatever measures your organization puts in place to maintain competitive pay and business continuity, make sure they are clearly communicated. Everyone in the organization should understand how, when and why pay will be reviewed and adjusted during volatile conditions. Preparation matters too: the right measures need to be in place **before** conditions shift, not after. Close coordination with your data provider is essential throughout.

Understanding the Volatility Framework

How we classify markets

Exchange rate movements are calculated by comparing the prevailing rate at the start and end of each six-month period, using UN Operational Exchange Rates as the data source. Countries are classified based on where their movement falls within our six-level volatility framework, with the 10% threshold serving as the baseline for standard market conditions. Classifications are reviewed and updated monthly and may shift between levels as conditions evolve.

STABILIZING MARKETS

Countries where the average exchange rate movement over the past six months has fallen below the 10% threshold. Movement at this level is consistent with standard market adjustment and does not require any additional monitoring or response beyond your organization's normal annual review cycle.

WATCH OUT MARKETS

Countries where the average exchange rate movement over the past six months has exceeded 10%. Inclusion in this category signals ongoing volatility that warrants closer attention. Organizations operating in these markets are encouraged to review their triggers and ensure the appropriate response measures are in place.

HARD CURRENCY MARKETS

Countries where employers typically pay salaries in a hard currency, like US Dollars or Euros. While local currency conditions in these markets may show signs of stabilization over time, the shift to hard currency compensation among employers remains the norm. Organizations should continue to monitor these markets closely and ensure their pay policies reflect the realities on the ground.

The question is not whether volatility will hit your markets, it is whether you will be ready when it does.

Subscribe to our Market Monitor and receive real-time insights on compensation trends, volatility signals, and strategic responses that can help your organization stay ahead.

SIGN UP TO CONTINUE RECEIVING UPDATES!

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Markets to Watch This Month

Stabilizing, Watch Out, and Hard Currency Markets at a glance

Countries tracked in this issue of the Market Monitor are grouped into three categories based on their exchange rate movement over the past six months.

Birches Group Exchange rate alert, 1 August 2026

6-MONTH MOVEMENT
February 2026 to August 2026

Exchange Rates vs. USD *(actual rates at start and end of 6-month period ending August 1)*

		Exchange Rate (per 1 USD)			Change in Exchange Rate		
	Country	Feb '26	Aug '26	Trend	Revaluation	Devaluation	Percent Change
VES	Venezuela	355.55	742.81	↑			+108.9%
BOB	Bolivia	6.86	11.89	↑			+73.3%
SDG	Sudan	3,250.00	4,300.00	↑			+32.3%
IRR	Iran	1,209,074.28	1,486,710.13	↑			+23.0%
SSP	South Sudan	4,543.42	5,074.25	↑			+11.7%
SYP	Syria	110.50	122.00	↑			+10.4%
LKR	Sri Lanka	309.30	335.69	↑			+8.5%
ZIG	Zimbabwe	25.08	25.93	↑			+3.4%
ETB	Ethiopia	154.96	159.88	↑			+3.2%
LYD	Libya	6.25	6.38	↑			+2.2%
LBP	Lebanon	89,500.00	89,500.00	—			0.0%

Note: Increase means more local currency per USD; decrease means less local currency per USD.
Source: UN Operational Exchange Rates

STABILIZING MARKETS

Ethiopia
Libya
Sri Lanka

WATCH OUT MARKETS

Bolivia

HARD CURRENCY MARKETS

Iran
Lebanon
South Sudan
Sudan
Syria
Venezuela
Zimbabwe

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Current Conditions at a Glance

What has changed since our last update

Country-by-Country Volatility Levels and Next Steps

Birches Group uses a six-level volatility framework to help organizations understand the degree of market stress and plan accordingly.

LEVEL 01	LEVEL 02	LEVEL 03	LEVEL 04	LEVEL 05	LEVEL 06
			Bolivia	**Iran** **Lebanon** **South Sudan** **Sudan** **Syria** **Venezuela** **Zimbabwe**	

Bolivia has been added to Level Four following its decision to end its 15-year fixed exchange rate peg to the U.S. dollar on June 26, 2026. The transition to a flexible exchange rate resulted in a significant devaluation of the Boliviano.

Iran, Lebanon, South Sudan, Sudan, Syria, Venezuela, and Zimbabwe remain at Level Five – in these markets, most surveyed employers pay salaries in hard currency. We will continue to monitor these situations closely.

Ethiopia, Libya, and **Sri Lanka** have been removed from the list, as their exchange rate movements are now below the 10% threshold.

If your organization decides to respond to conditions beyond Level One, it is worth planning ahead by tracking changes closely and deciding in advance at what point you would return to standard pay management.

How can Birches Group help

Birches Group has developed a range of triggers and measures for each volatility level, and we are happy to work with you to review your current approach and shape a plan that fits your context.

A final note: this information is shared to help organizations stay informed, not to prescribe a course of action. Every organization decides for itself how to respond. That said, having clear policies in place, with defined triggers and planned steps, goes a long way toward making compensation decisions more transparent and manageable.

The analysis and response level anticipates compensation established in local currency. Denomination of compensation in currencies other than the national currency should be highly exceptional. The conditions warranting the possible consideration of this response are detailed in Response Level Five.

Is Your Organization Ready?

Build your Special Measures Policy before volatility strikes

Why a Special Measures Policy Is Essential

Developing markets can be hit quickly by inflation, currency devaluation, local conflict, or natural disasters, and many organizations are not ready when it happens. Too often, the instinct is to wait and see what others do before acting. By then, employees are already feeling the effects, and without clear direction, trust erodes at exactly the moment it matters most.

A Special Measures Policy changes that. It sets out predefined triggers and responses so your organization can act decisively when volatility strikes, not scramble to figure it out in the moment.

Paired with Birches Group's Market Monitor, which tracks exchange rate movements and emerging economic conditions in real time, organizations have what they need to stay ahead of volatility, respond with confidence, and manage their people effectively.

START WITH THESE QUESTIONS

- If a **sudden devaluation hits**, do you know how your organization will respond to protect the purchasing power of your staff and their families?
- If **local salaries come under pressure from a major currency devaluation**, does your organization have a policy ready to address calls to pay in hard currency?
- If you have staff based in countries **prone to earthquakes, typhoons, or other natural disasters**, including those that could knock out critical infrastructure like the national power grid, does your organization know how to respond?
- If **local conflict breaks out**, do you have a plan to ensure business continuity and the safety of your people?

GET IN TOUCH

If any of these questions give you pause, it may be time to put a **Special Measures Policy** in place.

Find out how we can help your organization build a Special Measures Policy tailored to your objectives and the realities of your markets.

Birches Group helps organizations tackle the challenges of managing their workforce in diverse global markets.

We understand that business success depends on fair, data-driven people strategies that attract, engage, and retain talent across all the places you operate. With labor market data from over 160 countries and on-the-ground expertise in key regions, we offer an exceptionally broad global reach to support your workforce needs. Our team has expertise in emerging and developing markets, enabling us to ground your HR and compensation decisions in real-time local labor market insights – not generic benchmarks. We partner with corporate, nonprofit, and public sector leaders to navigate fast-changing market conditions, ensure competitive and equitable pay practices, and proactively address talent risks before they become costly issues. In today's intense competition for skilled talent, Birches Group delivers the strategic rewards and workforce solutions that drive performance and sustainable growth.

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