



Risks and Outlook for the Financial System (June 2024)

This is a transcript of text in the video titled “Risks and Outlook for the Financial System (June 2024)”.

The global economy continues to show **resilience to higher interest rates** and there has been a **sustained fall in inflation**.

However, financial markets globally **may be underestimating the possibility of adverse shocks** to growth or inflation.

Ireland is at full employment, with most households and businesses **remaining resilient** to higher interest rates.

Nonetheless, segments of the **domestic commercial property market** are **in the midst of a sharp downturn**.

So far, the financial system has absorbed the decline **without disruption**.

Vasileios Madouros, Deputy Governor, Monetary and Financial Stability, Central Bank of Ireland

Global economic activity has proved resilient and inflation has continued to decline, enabling a recovery in real incomes.

But rising geopolitical tensions risk further shocks, which are particularly relevant for an open, highly-globalised economy like Ireland. If global interest rates remain higher for longer than currently expected, financial markets could prove vulnerable.

Parts of the Irish commercial property market are also experiencing a sharp downturn yet, despite the size of the adjustment, the financial system has absorbed the shock in an orderly way.

Irish household finances have remained resilient amid a strong labour market and lower levels of indebtedness, supported by our mortgage measures.

And Irish government finances are strong, although reliance on a small number of multinationals poses risks, especially in an uncertain geopolitical context.

In the context of those risks, and to safeguard resilience, we have maintained macroprudential bank capital buffers at current levels.

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