



Title: Risks and Outlook for the Financial System (November 2023)

Inflation is falling but it has not come down **fast enough**.

This means we may have **higher interest rates** for longer than previously expected.

Commercial real estate prices in Ireland **have fallen by more than 20 per cent since the pandemic**, but so far the **economy and financial system** have remained **resilient**.

However, **a rapid and disorderly fall** in the commercial real estate market would pose potential **risks to financial stability**.

Mark Cassidy, Director of Financial Stability, Central Bank of Ireland:

Globally, long-term interest rates have increased sharply since the summer, raising risks across financial markets.

While the strong performance of the Irish domestic economy has continued, risks are rising.

The full extent of the dampening impact of higher interest rates on demand in our economy may not yet be visible.

Although the early signs of repayment challenges are visible for some borrowers, Irish households and businesses have broadly weathered the shock to inflation and interest rates so far.

The labour market has also remained exceptionally strong.

Here at Central Bank of Ireland, we will continue to closely monitor these risks and adopt appropriate policy responses to ensure our economy and financial system remain strong, stable and resilient.

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