

Eurosystem

Video title: Risks and Outlook for the Financial System (June 2023)

What are the key risks facing the financial system?

Inflation continues to prove **more persistent than expected**, eroding living standards and requiring higher interest rates.

After a decade of elevated risk-taking, global financial markets remain vulnerable.

Higher interest rates and further difficulties in the **global banking sector** could lead to a **tighter supply of credit**.

High inflation and interest rates in Ireland pose downside risks to our economy and could expose **vulnerabilities**, particularly in real estate markets.

However, the **Irish economy** continues to **perform strongly**, and **households and businesses** have proven **resilient** to the shock so far.

The outlook for the **domestic banking sector** is for **continued resilience**. To help protect the sector against future shocks, we are **increasing the level of capital** required.

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