



Central Bank of Ireland – Governor’s message on...inflation

This is a transcript of text in the video titled “Governor’s message on...inflation”.

Why is inflation so high?

Although inflation is coming down, it is still too high and well above our 2% target.

The high rate of inflation has its roots in the pandemic and the conflict in Ukraine.

These events caused bottlenecks in global supply chains, which meant some goods could not keep up with demand. This resulted in higher prices for consumers and the re-opening of the economy after the pandemic created further inflationary pressures because of pent-up demand.

Why is high inflation harmful?

The current inflationary environment harms every household and business in the euro area and has high costs for the economy. The increase in the cost of living has resulted in a fall in people’s living standards.

We know that lower income households suffer the most because they spend a greater percentage of their income on heating, lighting and food, and that high inflation is particularly hitting the living standards of the poorest in society.

What are central banks doing to fight inflation?

The European Central Bank, working together with national central banks, has been increasing interest rates since last summer. This is the main tool we use to fight inflation.

Increasing interest rates takes money out of the economy by increasing the cost of borrowing and encouraging saving.

This reduces the overall level of demand which, in turn, helps to dampen inflation.

What do you say to borrowers who are worried about rising interest rates?

I know some borrowers will be worried about meeting the repayments on their mortgage.

However, over the last decade, we have strengthened the consumer protection framework, especially for mortgage borrowers dealing with arrears.

If you are at risk of falling into arrears on your mortgage due to rising interest rates – or indeed for any other reason – I would strongly encourage you to contact your lender or credit service provider.



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They are obliged to support you in assessing your financial position and, where necessary, identify an appropriate and sustainable solution to arrears or potential arrears.

When do you expect inflation to reach the 2% target?

We've made progress in our fight against rising prices, but inflation is still too high and we have more ground to cover.

Bringing inflation down matters for all communities, as well as our economy.

The Irish economy is at full capacity. We have full employment, but the economy is at risk of overheating.

Government decisions in the next Budget can help mitigate the impact of higher costs of living on the most vulnerable in our society. But it is important the fiscal stance does not exacerbate inflation.

Our current forecast is for inflation in Ireland to be close to our 2% target in 2025.

This will create the conditions necessary for sustainable growth, and benefit all households and businesses.

FIND OUT MORE: [centralbank.ie/inflation](https://www.centralbank.ie/inflation)