Abstract

The thesis investigates the linkages between macroeconomic performance and banks loans portfolio quality represented by the non-performing loans ratio in the Czech banking system in years 2003–2013. The empirical analysis evaluates how banks non-performing loans are influenced by several macroeconomic indicators such as GDP, inflation, interest rate, unemployment rate and exchange rate. First we investigate loans quality on the aggregate level, next we analyze the quality of loans of households and non-financial corporations sector separately as the macroeconomic variables may affect these two sectors of borrowers differently. Finally the analysis of mutual links is done for different loan categories according to the level of failure also. The empirical results from vector autoregression model and impulse response analysis generally suggest that favorable macroeconomic conditions improve banks loans quality by lowering the non-performing loans ratio and vice versa. The thesis also identifies the feedback effect of increasing non-performing loans ratio on economic performance.

Keywords: banks loans quality, macrofinancial linkages, non-performing loans, Czech banking system