

Abstract

The thesis evaluates relationship between probability of default of non-financial corporations and households and evolution of macroeconomic environment. This work contributes to the literature of credit risk proving importance of macroeconomic variables in determining the PDs both on aggregate level and for sector of non-financial corporations and sector of households in the Czech Republic. Evaluation of an impact of the recent financial crisis on the PDs are done by employing latent factor model and FAVAR model on monthly data of non-performing loans and other macroeconomic variables covering the period 01/2002–06/2013. Finally, an ability to forecast and fit the data of FAVAR model and one factor latent model are compared. The comparison indicates that latent factor model should be more appropriate than FAVAR model.