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Sector-specific analysis of Non-Performing loans in the US Banking system and their Macroeconomic Impact.

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Highlights

- Uses data on the 100 largest commercial banks in the US for 1992q4-2016q1.
- Examines both total and sector-specific determinants of NPLs.
- Real estate and C&I loans are most sensitive to balance sheet and macro conditions.
- Explores the feedback from NPLs to specific product and labor markets.
- Construction & land development, C&I NPLs reduce employment growth most.

Abstract:

Although a growing literature has analyzed the determinants of non-performing loans (henceforth NPLs), very few studies have explored the issue at the disaggregate level. Such an analysis unmasks important differences in the inter-relationships between macroeconomic and balance sheet conditions and different categories of NPLs. The present study examines sector-specific NPLs in the US using data for the 100 largest commercial banks over the period 1992q4-2016q1. While total NPLs remain sensitive to different balance sheet and US macroeconomic conditions, this is most accentuated for real estate loans and its different constituent categories, and commercial & industrial loans. The paper further explores the impact of NPLs on sector-

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