

Banka Slovenije
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the Research Centre of the School of Economics and Business
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***When Weak Banks Make Strong Waves: Heterogeneous Monetary Policy
Transmission at the Local Level***

Author and speaker:
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The seminar will be held in the
Great Hall of Banka Slovenije
on Thursday, 26 March 2026 at 14:00

Abstract:

This paper investigates the heterogeneous transmission of monetary policy at the local level, focusing on how bank characteristics shape the response of unemployment and wages to monetary policy shocks. Using granular county-level data from the United States, the analysis estimates the dynamic response of local labour market outcomes to monetary tightening through a panel local projection framework. The findings reveal that bank fragility and funding constraints significantly amplify the local effects of monetary policy. In counties where banks exhibit lower asset quality, liquidity, and profitability, the impact of monetary policy on unemployment is more pronounced, consistent with the mechanism of the bank lending channel. Moreover, using a purpose-estimated measure of general bank fragility, the paper shows that higher fragility intensifies the effects of monetary policy shocks. The analysis also indicates that the influence of bank fragility on monetary policy transmission weakens in more concentrated markets and in markets with higher local economic policy uncertainty. Finally, the results highlight that the bank lending channel of monetary policy is as important as the balance sheet channel in explaining the strength of transmission.

About the author and speaker:

Matic Petriček is Assistant Director at the Analysis and Research Centre (ARC) of Banka Slovenije and Head of the Monetary Policy Analysis Section. Before joining ARC, he worked as an analyst in the Banking Operations and Financial Stability departments at Banka Slovenije and served as a research consultant at the European Investment Bank. He studied at the Faculty of Economics in Ljubljana and the University of Amsterdam and earned his PhD in Economics from the European University Institute. His research and analyses focus on the interaction between banking and monetary policy.

How to sign up:

To sign up for the seminar, please send an email to seminar@bsi.si. You can sign up by Wednesday, 25 March 2026. The seminar will be held in English.