

Impact of the COVID-19 pandemic on the quarterly financial accounts statistics from 2020 to the second quarter of 2021

1. Introduction

The coronavirus (COVID-19) pandemic has had an impact on the compilation and results of the quarterly financial accounts (QFA), which combine and reconcile primary European System of Central Banks statistics, surveys and other data sources. Most of the data are collected by national central banks (NCBs). Collecting complete and timely source data has been more challenging due to the pandemic measures taken. The quality of some of the data may also have been affected.¹ However, official statistics are well equipped to deal with the challenges, and mitigation measures have been implemented,² making it possible to produce reliable and comparable results. Furthermore, several methodological notes have been published, some of which are also relevant for the QFA.³

The QFA, along with the quarterly non-financial accounts (compiled by Eurostat), form the integrated system of euro area sectoral accounts. This is an essential tool for policymakers and aids in understanding economic developments in the euro area and individual countries in a comprehensive manner. The integrated system guarantees a consistent picture across accounts, sectors, instruments and time. It can therefore be used to assess the effect of the crisis on the economy and of specific policy measures applied during the pandemic.

This note explains the impact of the COVID-19 crisis on the quality of the QFA, and summarises the effects of the crisis on main statistical results for 2020 and the first half of 2021.

2. Availability and quality of the QFA input data

The QFA comprises statistics from multiple sources, drawing on euro area aggregated statistics and national data based on information from reporting agents (e.g. banks and other financial institutions).

NCBs (and NSIs where relevant) confirmed that both data collection at the national level and statistical production systems proved resilient and flexible. It was therefore possible to compile the national QFA data for all four quarters of 2020 and the first half of 2021 and send them to the ECB on time,

¹ The ECB – for its part – has decided to alleviate reporting agents in some areas under the current circumstances and to postpone the remittance dates, affecting also primary statistics used for the QFA. See the [ECB's communication on this matter](#).

² These include upgrading technical infrastructure and systems, reviewing alternative data sources and models and working remotely.

³ See Eurostat's [webpage on guidelines and methodological notes in the context of the COVID-19 crisis](#).

maintaining high quality standards.

The main building blocks required to compile the euro area QFA (balance sheets of the monetary financial institutions (MFIs), securities issues and holdings statistics, and insurance corporation statistics) were made available, compiled and published on time. Only in the case of pension funds statistics did the COVID-19 situation entail a postponement of remittance dates for reporting agents, which affected compilation of the QFA in the first quarter 2020.⁴ Limited compilation challenges were observed in the balance of payments statistics (b.o.p.), as explained in a note⁵ released with the monthly b.o.p. data for March 2020, but the impact was confined.

Overall, the availability and quality of the input data enabled the compilation of high-quality QFA data. Section 5 of this note reviews the stability of the data in terms of revisions to the initially compiled data.

3. Methodological issues in QFA

The European system of accounts (ESA 2010) provides comprehensive methodological guidance for the QFA. This section provides information on the recording of financial operations specific to the current pandemic in the QFA and on other additional methodological guidance.⁶

Euro area governments initiated support programmes to mitigate the economic impact of the pandemic. A wide range of national policy measures raised some challenges, both in relation to recording these measures in government finance statistics and in the statistics of sectors benefitting government support programmes (particularly households and corporations). While methodological considerations are more pronounced in the non-financial accounts, they also indirectly affect financial accounts since both are integrated. More information on this topic can be found in a methodological note on the implications of selected policy measures on the government finance statistics⁷ and in a clarification note on the recording of non-market output,⁸ both issued by Eurostat.

One of the measures implemented in several countries concerns temporary loan moratoria which provide relief to households and corporations. These measures have different features that may affect, for example, principal repayments and/or interest payments. The recording of deferred and waived interest payments in national accounts was clarified by Eurostat in a methodological note.⁹

Another challenging topic refers to the estimation of missing infra-annual data, e.g. some elements of a corporate balance sheet (like trade credits and other accounts payable), which are available with a substantial time lag on an annual basis. While national compilers generally employ well-established estimation models as a routine component of quarterly statistical production, these may yield less

⁴ The delay in the most detailed annual pension funds data required additional estimations for the release of the QFA on 3 July 2020.

⁵ See "[Some considerations on the possible impact of the COVID-19 pandemic on balance of payments statistics](#)", ECB, 2020.

⁶ "[Guidance on quarterly sector accounts](#)", Eurostat, June 2020.

⁷ "[Draft note on statistical implications of some policy measures in the context of the COVID-19 crisis](#)", Eurostat, April 2020.

⁸ "[Guidance on non-market output in the context of the COVID-19 crisis](#)", Eurostat, May 2020.

⁹ "[Guidance on deferred and waived interest payments of households](#)", Eurostat, June 2020.

reliable results given the exceptional economic developments due to the COVID-19 pandemic. A further assessment of data stability is presented in Section 5 of this note.

In addition, the estimation of the market valuation of unlisted shares and other equity is particularly challenging under the current atypical economic situation given that the market price for these instruments is typically not directly observable. In some countries, the estimation is based on annual data sources available with a substantial time lag and in others it is assumed that the movements in the value of unlisted companies are related to those of similar listed companies. For the latter, as this relationship is based on long-term trends, it may not accurately reflect short-term movements in financial market prices.

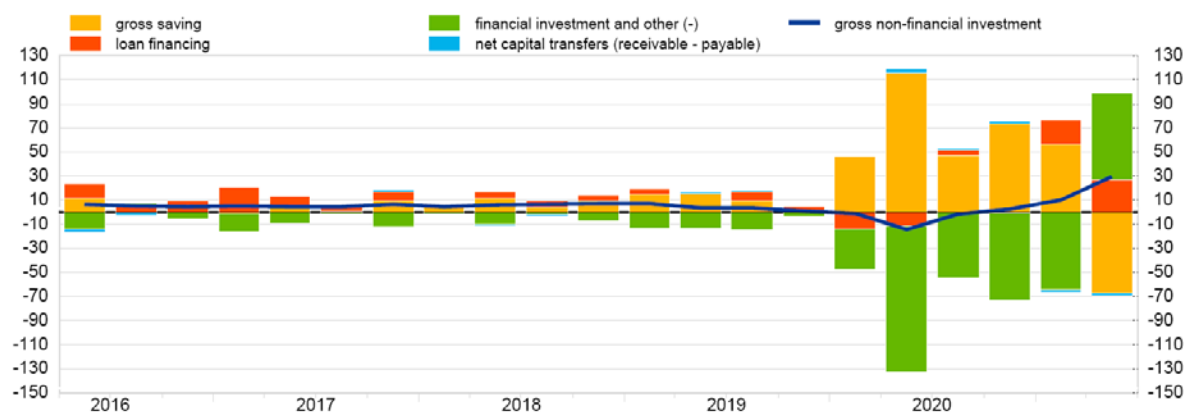
4. Impact of the COVID-19 pandemic on published QFA statistics

The releases of the QFA data confirmed the substantial impact of the COVID-19 pandemic (and measures taken to overcome this crisis) on the euro area economic indicators¹⁰. This section highlights the most striking developments in 2020 and the first half of 2021.

The “households and non-profit institutions serving households” sector recorded high financial investment in 2020 and the first half of 2021. This development was mirrored in the increase in savings as a result of consumption declining strongly in the context of the heightened uncertainty and lockdowns (see Chart 1). High financial investment by households was recorded mainly in currency and deposits, listed shares, and investment fund shares (particularly in the first half of 2021).

Chart 1: Growth of households' non-financial investment and contributions by source of internal and external financing

(annual percentage changes and percentage point contributions)



Source: ECB.

Note: Annual growth rates in Q2 2021 are impacted by exceptional Q2 2020 developments, in particular for financial investment and gross saving.

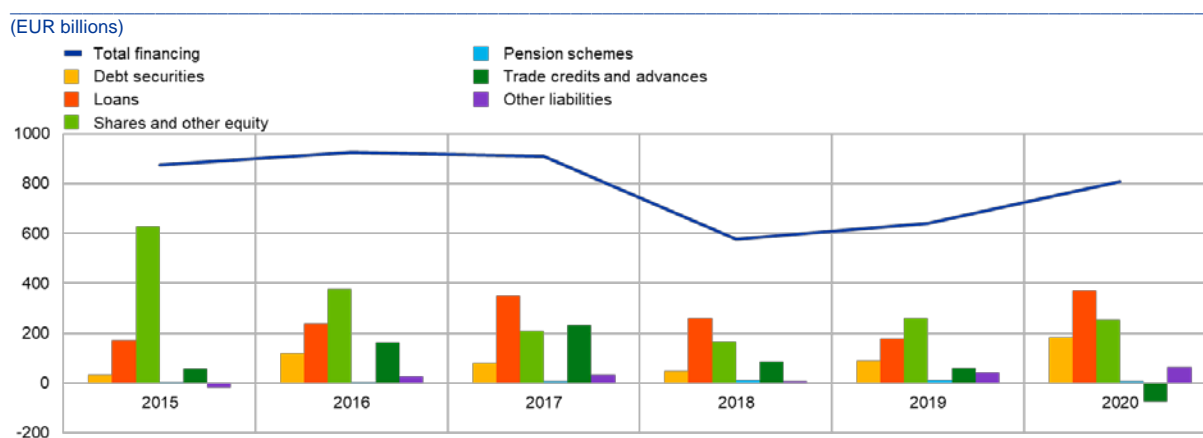
The annual growth rate of household net worth continued to increase in 2020 and the first half of 2021. Household net worth benefitted from revaluation gains for non-financial assets, largely driven by a continued increase in house prices, and revaluation gains for life insurance and pension

¹⁰ See the [relevant page on the QFA data](#) in the ECB's Statistical Data Warehouse.

entitlements. Household net worth also benefitted from the developments in the equity markets, with a strong recovery from the second quarter of 2020 to the second quarter of 2021, after a slump in the first quarter of 2020. Furthermore, only moderate growth in loan financing and household debt was recorded.

The “non-financial corporations” (NFC) sector received more financing in 2020 than in the previous two years. This trend continued in the first half of 2021. In particular, loans from MFIs recorded two of the highest quarterly net flows in the first two quarters of 2020.¹¹ NFC financing was also supported by the highest recorded issuance of debt securities in 2020 (see Chart 2), in particular in the second quarter of the year. The liquidity of NFCs was supported by a significant increase in deposits.

Chart 2: Transactions in non-financial corporations' financing by instrument



Source: ECB.

Regarding the equity of NFCs, very high net redemptions (on the liabilities side) and net sales (on the asset side) of listed shares reflected mainly corporate restructuring activities. These developments were mirrored by similarly high net sales by the “rest of the world” sector. As described above, high net purchases were recorded by euro area households.

The NFC financing was mainly used to cover the decrease in profits in 2020, explained by the decrease in gross value added, which was only partly offset by the fall in compensation of employees and taxes on production and the increase in subsidies on production.¹²

The activity of the government sector in 2020 and the first half of 2021 resulted in the highest recorded issues of debt securities.¹³ In parallel, governments strongly increased their deposit assets and, only in 2020, the provision of loans.

The high debt securities issuance of the government sector was mirrored by the highest recorded net purchases of debt securities by the MFI sector (which includes the Eurosystem). Looking at quarterly developments, the investment fund sector recorded very high net sales of debt securities in the

¹¹ See also the section entitled “[Money and credit](#)”, *Economic Bulletin*, Issue 3, ECB, Frankfurt am Main, 2020.

¹² See “[Impact of Covid-19 crisis on non-financial corporation and household accounts](#)”, Eurostat, 2021.

¹³ See the page on [debt securities issuance and service by EU governments](#) in the ECB’s Statistical Data Warehouse.

second quarter of 2020, which were reversed in the following quarters. Conversely, the highest recorded net sales of debt securities by the “rest of the world” in the fourth quarter of 2020 were preceded by strong net purchases in the first three quarters of the year.

In the “rest of the world” accounts, transactions in traded securities reflected sharp portfolio rebalancing actions by non-euro area residents, in particular in the last quarter of 2020, which were mirrored in movements in deposits, and resulted in increased holdings of listed shares and investment fund units/shares. Finally, very high net redemptions were recorded for loans between euro area residents and non-residents in 2020, both for assets and liabilities, which were partly reversed in the first quarter of 2021, before increasing again in the second quarter of 2021.

5. Revisions to the initially compiled data

The data sources and compilation methods employed in the QFA compilation process proved to be robust, as there were no substantial revisions to the data with reference to 2020 and the first quarter of 2021 (as measured by the data available in October 2021). Some less prominent revisions occurred as a result of the following factors:

- Regular revisions to source data affected certain sectors or instruments.
- Proper statistical recording of the COVID-19 related government support programmes is highly challenging since these programmes are very broad in scope and size and are relatively complicated.
- With the release of the annual corporate balance sheet data and other low-frequency data, it may be necessary to re-estimate infra-annual data. This is a normal process but could explain slightly higher revisions than usual in 2020 and the first quarter of 2021, as the established models used to produce quarterly data based on lower-frequency data may have yielded less-reliable estimates.
- QFA data form an internally consistent system of accounts. As a result, revisions to the input data may affect the balancing of the accounts and lead to further revisions in other instruments or sectors.

The revisions for the euro area as a whole have been assessed by comparing the initial and final vintages, where the relative size indicators measure the absolute difference between the first vintage and the most recent vintage.

Revisions to household financial investment data (symmetric mean absolute percentage error, SMAPE, of 0.08%) in all quarters in 2020 and the first quarter of 2021 were slightly higher compared with revisions in all quarters of 2019 (SMAPE of 0.01%). Revisions to the euro area household loan financing data (transactions) were also slightly higher in 2020 and in the first quarter of 2021 compared with revisions to data with reference to 2019.

Data on NFC financing (transaction) with reference to 2020 and the first quarter of 2021 were more stable than the data with reference to 2019. In particular, the intra-NFC loan liabilities (stocks)

recorded significantly lower revisions in 2020 and the first quarter of 2021 with a SMAPE of 0.29% compared with a SMAPE of 2.65% in 2019.

Table 1: Revisions to households' financial investment and the financing of households and NFCs

(symmetric mean absolute percentage errors)

Reference period	Households				Non-financial corporations					
	Loans		Total assets		Debt securities		Loans		Intra-NFC loans	
	Stocks	Transactions	Stocks	Transactions	Stocks	Transactions	Stocks	Transactions	Stocks	Transactions
2020 Q1 - 2021 Q1	0.13	0.03	0.27	0.08	0.08	0.03	0.57	0.03	0.29	0.05
2019 Q1 - 2019 Q4	0.02	0.01	0.21	0.01	0.16	0.04	0.59	0.08	2.65	0.08

Source: ECB.

Limited data revisions despite the statistical challenges mentioned above confirmed that, overall, data compilers proved well equipped to cope with the exceptional circumstances and produce sound figures for the QFA.

This is the sixth and final version of the note.