

Impact of the COVID-19 pandemic on the quarterly financial accounts statistics

1. Introduction

The coronavirus (COVID-19) pandemic affected the compilation and results of the quarterly financial accounts (QFA), which combine and reconcile primary European System of Central Bank 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.

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.

To assess the impact of the COVID-19 pandemic on statistical systems, the European Central Bank (ECB) and Eurostat, together with the NCBs and national statistical institutes (NSIs), closely monitor the situation. Institutions collect information from the data compilers on potential disruptions in the compilation processes and the measures taken to overcome them. Furthermore, several methodological notes have been published by the ECB and Eurostat, some of which are also relevant to the QFA.³

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

¹ The ECB, for its part, has decided to alleviate the burden for 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](#).

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 the first two quarters of 2020 and send them to the ECB on time, 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 fund statistics did the COVID-19 situation entail a postponement of remittance dates for reporting agents that affected compilation of the QFA in the first quarter 2020.⁴ Limited compilation challenges were observed in the balance of payments (b.o.p.) statistics, 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 for the first two quarters of 2020. Section 5 of this note highlights some potential challenges due to possible revisions in the future.

3. Methodological issues in the QFA

The European system of accounts (ESA 2010)⁶ 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.⁷

Euro area governments initiated support programmes to mitigate the economic impact of the pandemic. A wide range of national policy measures raised some challenges in relation to recording these measures both in government finance statistics and in the statistics of sectors benefiting from 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 statistics⁸ and in a clarification note on the recording of non-market output,⁹ 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

⁴ The delay in the most detailed annual pension fund 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 "[European system of accounts \(ESA 2010\)](#)", Eurostat, June 2013.

⁷ "[Guidance on quarterly sector accounts](#)", Eurostat, June 2020.

⁸ "[Draft note on statistical implications of some policy measures in the context of the COVID-19 crisis](#)", Eurostat, April 2020.

⁹ "[Guidance on non-market output in the context of the COVID-19 crisis](#)", Eurostat, May 2020.

waived interest payments in national accounts was clarified by Eurostat in a methodological note.¹⁰

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-reliable results given the exceptional economic developments in the first quarters of 2020. Accordingly, a review of the models and methods used may be necessary. A full assessment will only be possible once more complete data are reported in the coming quarters.

In addition, the estimation of the market valuation of unlisted shares and other equity is particularly challenging in 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. All in all, the data on unlisted shares and other equity may be subject to greater uncertainty and future revisions.

4. Impact on published QFA statistics

The releases of the QFA data confirmed the substantial impact of the COVID-19 pandemic on the euro area economic indicators.¹¹ This section highlights the most striking developments in the second quarter of 2020.

The “Households and non-profit institutions serving households” sector recorded high financial investments. This development was consistent with the increase in savings due to consumption declining strongly in the context of the heightened uncertainty and lockdowns. High financial investments by households were recorded, notably for currency and bank deposits.

The composition of the financing of “Non-financial corporations” (NFC) sector showed significant developments in the second quarter of 2020. In particular, loans from MFIs recorded one of the highest quarterly net flows on record, albeit lower than in the previous quarter.¹² NFC financing was also supported by the highest recorded issuance of debt securities. Conversely, significant net redemptions were recorded for loans from the rest-of-the-world.

The activity of the government sector in the second quarter of 2020 resulted in the highest ever issues of debt securities.¹³ This development was mirrored in the highest recorded net purchases of debt securities by the MFI sector (which includes the Eurosystem). The investment fund sector recorded a rebound in net purchases of debt securities in the second quarter, after net sales in the first quarter of 2020.

¹⁰ [“Guidance on deferred and waived interest payments of households”](#), Eurostat, June 2020.

¹¹ See the [relevant page on the QFA data](#) in the ECB’s Statistical Data Warehouse (SDW).

¹² See also the section entitled [“Money and credit”](#), *Economic Bulletin*, Issue 3, ECB, Frankfurt am Main, May 2020.

¹³ See the SDW page on [Debt securities issuance and service by EU governments](#).

The MFI sector continued reporting a very high net issuance of banknotes in the second quarter of 2020. This is consistent with the precautionary motive for holding money driving the demand for currency in uncertain times.

In the “Rest of the world” sector, portfolio investment transactions reflected sharp portfolio rebalancing actions, which were mirrored by movements in deposits. In particular, this included record high net purchases of euro area money market fund shares/units by euro area non-residents.

5. Possible revisions to the data in upcoming quarters

Despite the robustness of the data sources and compilation methods employed in the QFA compilation process, more substantial revisions to the data for the first two quarters of 2020 may occur as a result of the following factors:

- More substantial revisions of some of the source data are expected, which may well affect certain sectors or instruments.
- Proper statistical recording of the recently introduced 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 for 2020, it may be necessary to re-estimate infra-annual data. This is a normal process, but could lead to more substantial revisions than usual in upcoming quarters as the established models to produce quarterly data based on lower-frequency data may yield 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 pandemic poses substantial and rapidly evolving challenges to the data collection and compilation process, leading to demands for more substantial revisions than are usually possible. However, official statistics are based on well-established sources and methods which are continuously assessed for quality and improved. Overall, data compilers are well equipped to cope with the exceptional circumstances and produce sound figures for the QFA.

This note was updated on 29 October 2020 and is the third version of the note; it may be subject to subsequent updates if new or updated information becomes available.