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# What a difference a day makes

Although the eurozone economy is rapidly losing momentum, growth in 2020 might be supported by a higher number of working days. While insufficient to reverse the slowdown, extra working days are likely to add 0.2 percentage points to GDP growth next year

Quarterly growth rates are typically adjusted for seasonal variations and the number of working days. Without this modification, growth would show a very sawtooth pattern, as some quarters have more working days and some economic activities are typically weaker in a particular season (think of construction during the winter). However, for the yearly growth figures, such adjustments are not usually made, even though the number of working days can differ from one year to the next.

## Leap year

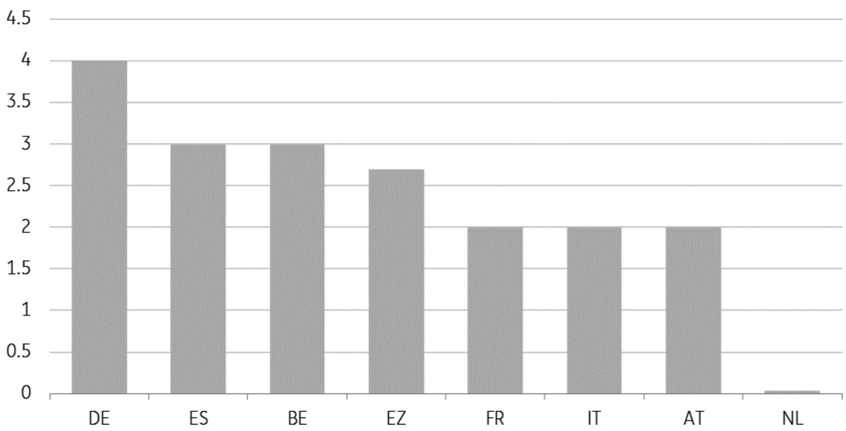
2020 is a leap year and on top of that, public holidays in a number of countries fall on a Sunday, which actually increases the number of working days. For Germany, this amounts to four more working days in 2020 while for most of the other bigger member states, there are two to three additional 'days of toil'. A weighted average of the seven biggest member states yields 2.7 extra working days next year for the eurozone as a whole. A back of the envelope calculation would state that with about 250 working days, one additional day is equivalent to 0.4 percentage point of additional growth.

## Not every working day means extra work

But not so fast. Additional working days don't necessarily mean that the total number of days worked will be higher. In fact, some countries grant additional days of leave when public holidays fall on weekends. In an analysis on the impact of the number of working days, the European Central Bank also noted that in industries with continuous production, there is hardly any effect (though a leap year still implies one additional day of production), while retail trade is often higher during the weekends and therefore doesn't benefit much when there are more working days during the week.

For construction activity, it depends on whether the extra days fall during the warm season or in winter. After all, an extra working day doesn't add much to building activity when it snows or freezes. Moreover, sectors like tourism and catering might even experience a negative effect in years with a higher number of working days (for those who cannot get enough of these calendar effects, the Bundesbank computed working elasticity for different sectors).

## Number of extra working days in 2020




Source: www.arbeitstage.de, ING

At the end of the day, the overall effect is not so easy to compute and might differ from country to country. The available estimates suggest that each extra working day in the eurozone increases annual GDP by 0.05 to 0.1%. Taking this into account, we forecast a positive growth effect of 0.2 percentage points for 2020.

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