

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

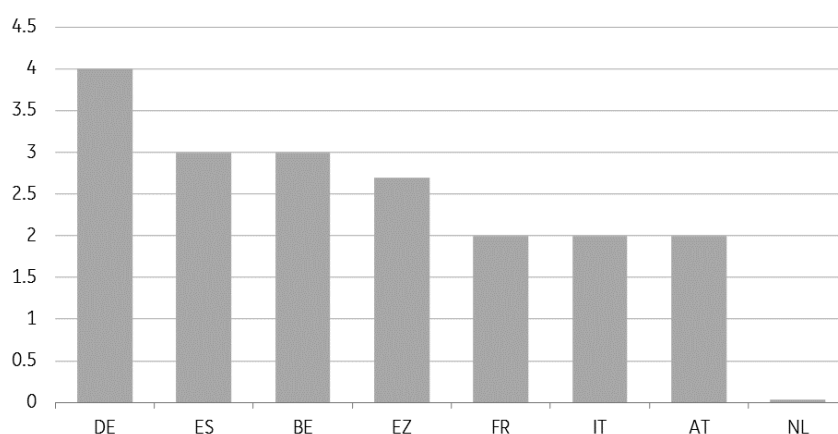
point of additional growth.

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.arbeitsstage.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.

Author

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.