

SUPPORTING STATEMENT
U.S. Department of Commerce
U.S. Census Bureau
Monthly Retail Trade Survey
OMB Control No. 0607-0717

Part A. **Justification**

1. **Necessity of the Information Collection**

This request is for approval of an extension to the Monthly Retail Trade Survey.

The Monthly Retail Trade Survey provides estimates of monthly retail sales, end-of-month merchandise inventories, and quarterly e-commerce sales of retailers in the United States. In addition, the survey also provides an estimate of monthly sales at food service establishments and drinking places.

Sales and inventories data provide a current statistical picture of the retail portion of consumer activity. The sales and inventories estimates in the Monthly Retail Trade Survey measure current trends of economic activity that occur in the United States. The survey estimates provide valuable information for economic policy decisions and actions by the government and are widely used by private businesses, trade organizations, professional associations, and others for market research and analysis. The Bureau of Economic Analysis (BEA) uses these data in determining the consumption portion of Gross Domestic Product (GDP).

Retail and Food Services Sales during 2009 amounted to \$3.7 trillion. The estimates produced in the Monthly Retail Trade Survey are critical to the accurate measurement of total economic activity. The estimates of retail sales represent all operating receipts, including receipts from wholesale sales made at retail locations and services rendered as part of the sale of the goods, by businesses that primarily sell at retail. The sales estimates include sales made on credit as well as on a cash basis, but exclude receipts from sales taxes and interest charges from credit sales. Also excluded is non-operating income from such services as investments and real estate.

The estimates of merchandise inventories owned by retailers represent all merchandise located in retail stores, warehouses, offices, or in transit for distribution to retail establishments. The estimates of merchandise inventories exclude fixtures and supplies not held for sale, as well as merchandise held on consignment owned by others. BEA uses inventories data to determine the investment portion of the GDP.

Retail e-commerce sales are estimated from the same sample used in the Monthly Retail Trade Survey to estimate preliminary and final U.S. retail sales. The

Monthly Retail Trade sample is updated on an ongoing basis to account for new retail employer businesses (including those selling via the Internet), business deaths, and other changes to the retail business universe. Research was conducted to ensure that retail firms selected in the Monthly Retail Trade Survey sample engaged in e-commerce are representative of the universe of e-commerce retailers. Total e-commerce sales for 2009 were estimated at \$205 billion.

We publish retail sales and inventories estimates based on the North American Industry Classification System (NAICS).

The U. S. Census Bureau conducts this voluntary survey under the authority of Title 13, Section 182 of the United States Code.

Listed below are the retail form numbers and a description of each form:

| <u>Series</u> | <u>Description</u> |
|----------------------|---|
| SM-44(06)S | Non Department Store/Sales Only/WO E-Commerce |
| SM-44(06)SE | Non Department Store/Sales Only W E-Commerce |
| SM-44(06)SS | Non Department Store/Sales Only/Screener |
| SM-44(06)B | Non Department Store/Sales and Inventory/WO E-Comm. |
| SM-44(06)BE | Non Department Store/Sales and Inventory/ W E-Comm. |
| SM-44(06)BS | Non Department Store/Sales and Inventory/Screener |
| SM-45(06)S | Department Store/Sales Only/WO E-Commerce |
| SM-45(06)SE | Department Store/Sales Only/W E-Commerce |
| SM-45(06)SS | Department Store/Sales Only/Screener |
| SM-45(06)B | Department Store/Sales and Inventory/WO E-Commerce |
| SM-45(06)BE | Department Store/Sales and Inventory/W E-Commerce |
| SM-45(06)BS | Department Store/Sales and Inventory/Screener |
| SM-72(06)S | Food Services/Sales Only/WO E-Commerce |
| SM-20(06)I | Non Department and Department Store/Inventory Only |

2. **Needs and Uses**

BEA is the primary Federal user of data collected in the Monthly Retail Trade Survey. BEA uses the information in its preparation of the National Income and Products Accounts, and its benchmark and annual input-output tables. Statistics provided from retail sales and inventories estimates are used in the calculation of GDP. If the survey were not conducted, BEA would lack comprehensive data from the retail sector. This would adversely affect the reliability of the National Income and Products Accounts and the GDP.

The Bureau of Labor Statistics (BLS) uses the data as input to their Producer Price Indexes and in developing productivity measurements. The data are also used for gauging current economic trends of the economy. Private businesses use the retail sales and inventories data to compute business activity indexes. The private sector also uses retail sales as a reliable indicator of consumer activity.

Information quality reviews are an integral part of the pre-dissemination review of the information disseminated by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality reviews are also integral to the information collections conducted by the Census Bureau and are part of the clearance process that is required by the Paperwork Reduction Act.

3. **Use of Information Technology**

An automated system for check-in of returned forms allows for timely identification of completed questionnaires and removal from the delinquent workload. The automated telephone follow-up call scheduling system considers when data are typically available and reduces the number of telephone calls to respondents.

A 24-hour facsimile machine connected to a toll-free telephone line permits respondents to FAX data to our collection facility in Jeffersonville, Indiana. This process expedites the receipt of questionnaires, thus decreasing the number of telephone follow-up inquiries. Reminders are sent by FAX to companies that do not initially reply. Approximately 44% of forms sent by FAX are received back via FAX each month, with reported data.

4. **Efforts to Identify Duplication**

Research with other governmental agencies, trade associations and other data users (both government and private sector) via telephone conversations, meetings, trade journal articles, and written correspondence indicates that these data are not available from other sources on an ongoing basis.

Annual sales and inventories by retailers are collected in the Annual Retail Trade Survey, (OMB Approval # 0607-0013), and retail sales are collected in the quinquennial Census of Retail Trade. While the annual and quinquennial census data provide levels of sales for retail trade, they do not provide data with the frequency needed to monitor the current state of the economy.

Sales data are also collected in the Advance Monthly Retail Sales Survey (OMB Approval # 0607-0104). The advance sales estimates are based on early reporting of sales by a subsample of firms in the Monthly Retail Trade Survey. Because of the early reporting, the advance estimates can differ from the Monthly Retail Trade Survey estimates, which are based on later reporting.

5. **Minimizing Burden**

The Census Bureau developed a program that transfers data between the Advance Monthly Retail Sales Survey and the Monthly Retail Trade Survey.

Approximately 5,000 firms are canvassed in the Advance Monthly Retail Sales Survey. About 2,700 cases consistently respond and data are transferred from the Advance Monthly Retail Sales Survey to the Monthly Retail Trade Survey.

The Census Bureau accepts data prepared on a company's own form. This relieves the respondent of the burden of posting data to a report form.

The stratified random sample design used in the Monthly Retail Trade Survey (MRTS) uses the least number of sampling units required to produce national level estimates with the desired level of reliability, thus minimizing respondent burden. Sales data are requested from the largest retail firms and from a sample of small and medium-sized firms. The selection of a new sample every five years replaces about 97 percent of the small and medium-sized firms that participate in the survey, thus minimizing respondent burden by redistributing reporting burden.

Furthermore, firms are not required to maintain additional records. The data requested are generally maintained in existing company records. Carefully prepared estimates are acceptable if book figures are not available. Finally, interviewers use computers with on-line edits of response data to conduct follow-up and delinquent interviews, thus reducing the number of callbacks to respondents.

6. **Consequences of Less Frequent Collection**

Estimates from MRTS are used extensively by government and private economists and others to evaluate current economic conditions. The monthly retail sales and inventories estimates are important economic indicators and provide timely input for BEA's computation of the National Income and Product Accounts. Less frequent data collection would create a serious gap in the economic information available to evaluate current economic conditions and to formulate economic policy.

7. **Special Circumstances**

Because the survey is vitally important in determining monthly changes in sales, inventories, and quarterly e-commerce, respondents are selected to report on a monthly basis. Data collected contribute to the Advance Monthly Sales for Retail and Food Services as well as the Manufacturing and Trade Inventories and Sales economic indicators. The data we collect in this survey are normally maintained on a monthly basis by respondents. Because the timeliness of the MRTS is critical to its value, respondents are asked to return completed questionnaires within eight business days of receipt of the form.

8. Consultations Outside the Agency

A pre-submission notice was placed in the Federal Register on January 7, 2011 on page 1131, inviting the general public and other Federal agencies to comment on the information collection. We received three comments.

BEA is the Census Bureau's main source of consultation on items on the Monthly Retail Trade Survey and general survey content. Dennis J. Fixler, Chief Statistician at BEA provided supportive comments for MRTS. Dr. Fixler said "The data collected from this survey are crucial to key components of BEA's economic statistics." He noted that data from MRTS are used to prepare the national income and product accounts (NIPAs), the industry input-output (I-O), and GDP-by-industry accounts.

Additionally, Dr. Christopher Carroll, a former senior economist at the Council of Economic Advisers (CEA), responded with comments of support that highlighted the substantial role that the Monthly Retail Trade Survey plays in the assessment of the economic outlook provided to the President and the rest of the government. Through research, he found that retail sales growth was correlated with other outside sources of data that estimate consumer spending. He said that any change that threatens to impair the quality of monthly retail data would be a serious blow to economists' ability to assess the economy.

Dr. Carroll also had suggestions on how to improve monthly retail data. He expressed interest in making retail data available in monthly or quarterly form for geographic detail such as state or regional levels. However, that is not possible given the design of the Monthly Retail Trade Survey and budget constraints. We have taken Dr. Carroll's suggestions into advisement.

We also received a comment from John Bellows, Acting Assistant Secretary for Economic Policy at the Department of the Treasury. Mr. Bellows expressed strong support for the Monthly Retail Trade Survey. He described the survey as playing a "key role in informing [the Treasury Department's] views on the current economic situation." Mr. Bellows described the administration of the survey as "imperative" and said that "discontinuing the Monthly Retail Trade Survey would [thus] eliminate a crucial, timely piece of economic data and seriously hamper our ability to assess the health of the U.S. economy."

9. Paying Respondents

The Census Bureau does not provide any payment or gifts to respondents for participating in the MRTS.

10. **Assurance of Confidentiality**

Data collected in this survey are confidential under Title 13, Section 9 of the United States Code. Only persons sworn to uphold the confidentiality of Census Bureau information may see the questionnaires and may use them only for statistical purposes. Additionally, all reports are immune from legal process. Respondents are advised of this and are told that the survey is voluntary in a letter that accompanies the initial report form. In addition, the survey forms indicate that the survey is voluntary. Copies of the survey forms and the letters are attached.

11. **Justification for Sensitive Questions**

The Monthly Retail Trade Survey requests only routine business information that is generally available from existing company records and is not of a sensitive nature.

12. **Estimate of Hour Burden**

Approximately 8,700 retail businesses are requested to report in the Monthly Retail Trade Survey each month.

According to responses given by a sample of respondents, we computed an average of 7 minutes per response. This results in an annual burden of 12,200 hours (see chart).

| <u>Firm Size</u> | <u>Total Number of Respondents</u> | <u>Responses per Respondent</u> | <u>Annual Responses</u> | <u>Annual Hours per Response</u> | <u>Burden Hours</u> |
|------------------|------------------------------------|---------------------------------|-------------------------|----------------------------------|---------------------|
| EIN's | 6,510 | 12 | 78,120 | .1166/7min. | 9,114 |
| Large Co's | 2,204 | 12 | 26,448 | .1166/7min. | 3,086 |
| Total | 8,714 | 12 | 104,568 | .1166/7min. | 12,200 |

The cost to respondents for fiscal year 2011 is estimated to be \$353,922 based on the median hourly salary of \$29.01 for accountants and auditors. (Occupational Employment Statistics- Bureau of Labor Statistics May 2009 National Occupational Employment and Wage Estimates, \$29.01 represents the median hourly wage of the full-time wage and salary earnings of accountants and auditors SOC code 13-2011) <http://stats.bls.gov/oes/current/oes132011.htm>

13. **Estimate of Cost Burden**

We do not expect respondents to incur any costs other than that of their time to respond. The information requested is of the type and scope normally maintained in company records and no special hardware or accounting software or system is necessary to provide answers to this information collection. Therefore, respondents are not expected to incur any capital and start-up costs or system maintenance costs in responding. Further, purchasing of outside accounting or information collection services, if performed by the respondent, is part of usual business practices and not specifically required for this information collection.

14. **Cost to Federal Government**

The cost to the Federal Government for the Monthly Retail Trade Survey in Fiscal Year 2011 is \$3,325,000, all borne by the Census Bureau. We expect the FY 2012 budget to be at a similar level.

15. **Reason for Change in Burden**

The annual reporting burden for the Monthly Retail Trade Survey is expected to be similar to the burden estimate in the last OMB submission. However, in this submission we rounded our burden estimates, resulting in a 4 hour adjustment.

16. **Project Schedule**

The Census Bureau mails forms to the respondents on the last workday of the reference month. The return date requested is 8 business days after receipt. An automated system screens the questionnaires for completeness and consistency when the data are keyed beginning with the tenth workday of the month. Data are tabulated and edited, summary estimates are analyzed, and data tables are prepared.

Sales data for select industries are released in the press release “Advance Monthly Sales for Retail Trade and Food Services” and inventories data are released in the press release “Manufacturing and Trade Inventories and Sales” approximately 40 days after the reference month. Sales and inventories data are released electronically on the same day. E-commerce sales estimates are released quarterly as part of the “Quarterly Retail E-commerce Sales” report, approximately 45 days following the reference period.

17. **Request to Not Display Expiration Date**

We wish to continue to display the expiration date.

18. **Exceptions to the Certification**

There are no exceptions to the certification statement.

19. **NAICS Codes Affected**

The following are the 3-digit NAICS codes for the retailers affected by the information collection:

| <u>NAICS Code</u> | <u>Description</u> |
|-------------------|---|
| 441 | Motor Vehicle and Parts Dealers |
| 442 | Furniture and Home Furnishings Stores |
| 443 | Electronics and Appliances Stores |
| 444 | Building Material and Garden Equipment and Supplies Dealers |
| 445 | Food and Beverage Stores |
| 446 | Health and Personal Care Stores |
| 447 | Gasoline Stations |
| 448 | Clothing and Clothing Accessories Stores |
| 451 | Sporting Goods, Hobby, Book, and Music Stores |
| 452 | General Merchandise Stores |
| 453 | Miscellaneous Store Retailers |
| 454 | Nonstore Retailers |
| 722 | Food Services and Drinking Places |