

**Supporting Statement for the
Intermittent Survey of Businesses
(FR 1374; OMB No. 7100-0302)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the voluntary Intermittent Survey of Businesses (FR 1374; OMB No. 7100-0302). The survey data are used by the Federal Reserve to gather information specifically tailored to the Federal Reserve's policy and operational responsibilities. There are two parts to this event-generated survey. First, under the guidance of Board staff, the Federal Reserve Banks survey business contacts as economic developments warrant. Currently, there are approximately 2,400 business respondents for each survey (about 200 per Reserve Bank); occasionally state and local government officials are called, in which case there are far fewer respondents. It is necessary to conduct these surveys to provide timely information to the members of the Board, and to the presidents of the Reserve Banks. Usually, these surveys are conducted by Reserve Bank economists telephoning or e-mailing purchasing managers, economists, or other knowledgeable individuals at selected, relevant businesses. Reserve Bank staff may also use online survey tools to collect responses to the survey. The frequency and content of the questions, as well as the entities contacted, vary depending on developments in the economy. The attachment provides a sample of the types of questions used in a previous survey to illustrate the format of these surveys. Second, economists at the Board survey business contacts by telephone, inquiring about current business conditions. Board economists conduct these surveys as economic conditions require, with approximately ten respondents for each survey. The total annual burden for the FR 1374 is estimated to be 1,825 hours.

Background and Justification

Prior to the 2002 implementation of this survey, the Federal Reserve found it helpful to collect information on an ad-hoc basis from individuals within the business community on a real-time basis. This information typically reflected current business conditions and ongoing developments in the economy as well as topical issues. Prior to 2002, the Federal Reserve limited its contacts to fewer than nine firms and asked open-ended questions. However, the Federal Reserve believes that it is extremely valuable to talk with firms and ask targeted questions that are critical to understanding the current economic situation and outlook. This is especially true for the surveys conducted by Reserve Banks, many of which have been initiated at the request of Reserve Bank presidents. An in-depth understanding of overall economic conditions and the types of special issues shown in the attachment can only be gleaned in real time through direct discussions with contacts at relevant entities. The information gathered in surveys conducted by Board economists are disseminated to the Board members. For surveys conducted by Reserve Bank economists, information also goes to the presidents of the Reserve Banks. The information is also used by the Federal Reserve as input to its economic forecasting activities.

In 2010, the respondent panel was revised to include state and local governments as warranted by economic conditions. (At that time, understanding how these governments were allocating funds from the American Recovery and Reinvestment Act of 2009 was of particular interest.) Because spending by state and local governments currently accounts for about 11 percent of total Gross Domestic Product (GDP), understanding developments in this sector can help the Board better understand the likely path for overall economic activity.

In 2013, the Federal Reserve increased the permitted number of respondents from 240 to 2,400 for the Reserve Bank surveys. This increase allowed (but did not require) Reserve Banks to survey an average of 200 respondents per District instead of 20, which provided better representation and more complete coverage of economic developments within each District (especially with respect to issues of broad applicability). The Board part of the survey remained unchanged.

Description of Information Collection

The topics discussed with the respondents are time sensitive, and the questions vary with the topic. There is no reporting form because the questions typically change with each survey. For each survey, the Federal Reserve prepares in advance questions of specific topical interest, often at the request of Reserve Bank presidents. The Federal Reserve then determines a relevant target group of firms to contact. If conducted by telephone, the discussions could last up to twenty minutes, with the typical conversation lasting approximately fifteen minutes. If conducted using an online survey tool, the response times are likely to be significantly shorter. The Federal Reserve tabulates the results of the Reserve Bank surveys and prepares a brief summary of the results. The tabulation and the summary, along with the submission from the individual Reserve Banks, are then circulated to the members of the Board and Reserve Bank presidents. For the Board surveys, a memo is prepared for the Board members summarizing the survey results.

Time Schedule for Information Collection

The surveys are conducted intermittently.

Legal Status

The Board's Legal Division has determined that section 2A of the Federal Reserve Act (FRA) requires that the Board and the Federal Open Market Committee maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. § 225a). Under section 12A of the FRA, the Federal Open Market Committee is required to implement regulations relating to the open market operations conducted by the Federal Reserve Banks with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country (12 U.S.C. § 263). The FR 1374 is a voluntary survey.

Because questions may vary from survey to survey, it is difficult to determine whether

the information collected under the FR 1374 will be considered confidential. However, the information collected on the FR 1374 would be of a commercial nature in that it pertains to commerce. Additionally, disclosure would impair the Board’s ability to obtain this necessary information in the future. Some information collected may therefore fall within the reach of exemption (b)(4) of the Freedom of Information Act (5 U.S.C. §552(b)(4)), which protects from disclosure “trade secrets and commercial or financial information obtained from a person and privileged or confidential.” As such, information that meets the preceding standards may be granted confidential treatment. However, if the information does not meet these standards (for example, if the information is already public), it would not be granted confidential treatment.

Consultation Outside the Agency

On October 3, 2016, the Board published an initial notice in the *Federal Register* (81 FR 68018) requesting public comment for 60 days on the extension, without revision, of the FR 1374. The comment period for this notice expired on December 2, 2016. The Board did not receive any comments. On January 17, 2017, the Board published a final notice in the *Federal Register* (82 FR 4883).

Estimate of Respondent Burden

For surveys conducted by the Reserve Banks, the permitted number of respondents is 2,400 (an average of 200 at each Reserve Bank) for each survey. It is anticipated that these surveys will be conducted approximately three times per year. A particular survey would likely be conducted of either businesses or state and local governments, but not both. In the case of state and local governments, the respondent count will be considerably lower. For surveys conducted by Board economists, the number of respondents is 10 and the frequency is event-generated, with approximately 10 surveys per year. The average response time for both parts of the survey is estimated to be 15 minutes. As shown below, the respondent burden for the FR 1374 is estimated to be 1,825 hours annually. These reporting requirements represent less than 1 percent of total Federal Reserve System paperwork burden.

FR 1374	<i>Number of respondents¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Reserve Bank	2,400	3	0.25	1,800
Board	10	10	0.25	<u>25</u>
	<i>Total</i>			1,825

¹ Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

The total cost to the public is estimated to be \$140,525.²

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

Contacting the respondents, compiling the information, and writing the summary memos for the Board surveys involve about 25 hours of staff time per year, at an estimated cost to the Board of \$2,500. Regarding the Reserve Bank surveys, the cost to the Federal Reserve System for collecting and processing the surveys is estimated to be \$88,100.

² Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (50% Financial Managers at \$65 and 50% Chief Executives at \$89). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2015*, published March 30, 2016 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Attachment

Examples of Survey Questions

1. Do you expect your firm's spending on new plant and equipment over the next six to twelve months to increase, decrease, or be about unchanged relative to your actual spending over the past six to twelve months?
2. If your firm plans to increase its spending on new plant and equipment, what are the major factors behind your plan to increase capital spending?
3. How much of the increase in your firm's planned spending on plant and equipment over the next six to twelve months reflects investment that had been postponed because of the recession?
4. If your firm does not plan to increase its spending on new plant and equipment, what are the major factors behind your plan not to increase capital spending?