



The Standard Industrial Classification (SIC) was originally developed in the 1930's to classify establishments by the type of activity in which they are primarily engaged and to promote the comparability of establishment data describing various facets of the U.S. economy.

The SIC covers the entire field of economic activities by defining industries in accordance with the composition and structure of the economy. Over the years, it was revised periodically to reflect the economy's changing industry composition and organization. The Office of Management and Budget (OMB) last updated the SIC in 1987.

In recent years, rapid changes in both the U.S. and world economies brought the SIC under increasing criticism. The 1991 International Conference on the Classification of Economic Activities provided a forum for exploring the issues and for considering new approaches to classifying economic activity. In July 1992, the OMB established the Economic Classification Policy Committee chaired by the Bureau of Economic Analysis, U.S. Department of Commerce, with representatives from the Bureau of the Census, U.S. Department of Commerce, and the Bureau of Labor Statistics, U.S. Department of Labor. The OMB charged the ECPC with conducting a "fresh slate" examination of economic classifications for statistical purposes and determining the desirability of developing a new industry classification system for the United States based on a single economic concept. A March 31, 1993, Federal Register notice (pp. 16990-17004) announced OMB's intention to revise the SIC for 1997, the establishment of the Economic Classification Policy Committee, and the process for revising the SIC.

The ECPC and Statistics Canada reviewed the existing structure of detailed "4-digit" industries in the 1987 U.S. SIC and the 1980 Canadian SIC for conformance to economic concepts.

Principles of NAICS Development

The principles upon which the three countries proposed to develop NAICS are as follows:

1. NAICS will be erected on a production-oriented, or supply-based, conceptual framework. This means that producing units that use identical or similar production processes will be grouped together in NAICS.

2. The system will give special attention to developing production-oriented classifications for (a) new and emerging industries, (b) service industries in general, and (c) industries engaged in the production of advanced technologies.
3. Time series continuity will be maintained to the extent possible. However, changes in the economy and proposals from data users must be considered. In addition, adjustments will be required for sectors where Canada, Mexico, and the United States presently have incompatible industry classification definitions in order to produce a common industry system for all three North American countries.
4. The system will strive for compatibility with the 2-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev. 3) of the United Nations.

NAICS Structure

NAICS industries are identified by a 6-digit code, in contrast to the 4-digit SIC code. The longer code accommodates the larger number of sectors and allows more flexibility in designating subsectors. It also provides for additional detail not necessarily appropriate for all three NAICS countries. The international NAICS agreement fixes only the first five digits of the code. The sixth digit, where used, identifies subdivisions of NAICS industries that accommodate user needs in individual countries. Thus, 6-digit U.S. codes may differ from counterparts in Canada or Mexico, but at the 5-digit level they are standardized.

The New Hierarchical Structure

XX	Industry Sector (20 broad sectors up from 10 SIC)
XXX	Industry Subsector
XXXX	Industry Group
XXXXX	Industry
XXXXXX	U.S., Canadian, or Mexican National specific

The following are the 20 broad sectors (up from the 10 divisions of the SIC system):

Code	NAICS Sectors
11	Agriculture, Forestry, Fishing and Hunting
21	Mining
22	Utilities
23	Construction
31-33	Manufacturing
42	Wholesale Trade
44-45	Retail Trade
48-49	Transportation and Warehousing
51	Information

52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific, and Technical Services
55	Management of Companies and Enterprises
56	Administrative and Support and Waste Management and Remediation Services
61	Education Services
62	Health Care and Social Assistance
71	Arts, Entertainment, and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

Many of the new sectors reflect recognizable parts of SIC divisions, such as the Utilities and Transportation sectors, broken out from the SIC division Transportation, Communications, and Utilities. Similarly, the SIC division for Service Industries has been subdivided to form several new sectors, as shown in the chart below.

Other sectors represent combinations of pieces from more than one SIC division. The new Information sector includes major components from Transportation, Communications, and Utilities (broadcasting and telecommunications), Manufacturing (publishing), and Services Industries (software publishing, data processing, information services, motion picture and sound recording). The Accommodation and Foodservices sector puts together hotels and other lodging places from Service Industries and eating and drinking places from Retail Trade.

NAICS Sector to SIC Divisions

The chart below shows the NAICS sectors and the SIC divisions from which their primary components were derived. Text linked from the chart discusses the makeup of the new sectors in greater detail.

Code	NAICS Sectors	SIC Divisions
11	Agriculture, Forestry, Hunting, and Hunting	Agriculture, Forestry, and Fishing
21	Mining	Mining
23	Construction	Construction
31-33	Manufacturing	Manufacturing
22	Utilities	Transportation, Communications and Public Utilities
48-49	Transportation and Warehousing	
42	Wholesale Trade	Wholesale Trade
44-45	Retail Trade	Retail Trade

72	Accommodation and Food Services	
52	Finance and Insurance	Finance, Insurance, and Real Estate
53	Real Estate and Rental and Leasing	
51	Information	Services
54	Professional, Scientific, and Technical Services	
56	Administrative Support; Waste Management and Remediation Services	
61	Educational Services	
62	Health Care and Social Assistance	
71	Arts, Entertainment, and Recreation	
81	Other Services (except Public Administration)	
92	Public Administration	Public Administration
55	Management of Companies and Enterprises	(parts of all divisions)

IMPORTANT CHANGES BY SECTOR

Manufacturing

The Manufacturing sector is reorganized and resequenced to achieve comparability with Canada and Mexico. Seventy-nine new industries are recognized and another 186 are revised. In all, there are 474 NAICS industries in manufacturing as compared with 459 in the 1987 SIC. The most significant change to manufacturing is the creation of the Computer and Electronic Product Manufacturing subsector. This new subsector brings together those establishments engaged in the production of computers, computer peripherals, communications equipment, similar electronic products, and the components for such products. The subsector was created because of the economic significance these industries have obtained, because their rapid growth suggests that the products of these industries will become even more important to the economies of the North American countries, and because the production processes of the establishments in these industries are fundamentally different from the production processes for other machinery and equipment.

A number of important activities have been moved out of manufacturing while other activities have moved in. Publishing has moved to the new Information sector and logging to Agriculture, Forestry, and Fishing. Coming into manufacturing are bakeries that bake on the premise and custom manufacturing.

Retail and Wholesale Trade

NAICS redefines the boundaries between Retail and Wholesale Trade. The new NAICS definition emphasizes what the establishment does, rather than to whom it sells. Retailers are defined as those establishments that sell merchandise, generally without transformation, and attract customers using methods such as advertising, point-of-sale location, and display of merchandise. A store retailer has a selling place open to the public; merchandise on display or available through sales clerks; facilities for making cash or credit card transactions; and services provided to retail customers.

Wholesale establishments, on the other hand, are primarily engaged in selling or arranging the purchase or sale of: (a) goods for resale, (b) capital or durable nonconsumer goods, and (c) raw and intermediate materials and supplies used in production. Wholesalers normally operate from a warehouse or office and are characterized by having little or no display of merchandise. In addition, neither the design nor the location of the premises is intended to solicit walk-in traffic. Wholesalers also do not normally use advertising directed to the general public.

The 1987 SIC defined retailers as those establishments that sold primarily to consumers while wholesalers were those establishments that sold primarily to business customers. The distinction between the boundaries of the two SIC divisions was based on class of customer rather than the selling characteristics of the establishment. It is estimated that seven percent of computer wholesalers; 22 percent of office supply wholesalers; 35 percent of farm supply wholesalers; and 57 percent of petroleum bulk stations will move to retail.

Another major change to the retail trade sector is the removal of restaurants from retail trade. Restaurants are combined with accommodations to form a new sector in NAICS, Accommodation and Foodservices. Restaurants accounted for about 10 percent of retail trade as defined by the 1987 SIC.

Information

Perhaps the most important change in NAICS is the recognition of a new Information sector. This new sector includes those establishments that create, disseminate, or provide the means to distribute information. It also includes establishments that provide data processing services. Industries included in this new sector are newspaper, book, and periodical publishers, previously included in the manufacturing sector in the SIC; software publishers, previously included in services; broadcasting and telecommunications producers and distributors, previously included with utilities and transportation; and motion picture and sound recording industries, information services, and data processing services, previously included in services.

There are 34 industries included in this new subsector, 20 of which are new. Some of the new industries include paging, cellular and other wireless telecommunications, and satellite telecommunications.

Finance and Insurance

This new sector recognizes the important and dynamic changes occurring in the U.S. financial sector. Real estate--part of this grouping in the SIC--was moved to a new sector called Real Estate and Rental and Leasing. Deregulation and the constantly changing structure of financial industries made it difficult to construct a system among the three countries. Therefore, agreement with Mexico for this sector reaches only to the 3-digit level (subsector) for finance and 4-digit level (industry group) for insurance. However, Canada and the United States reached agreement down to the 5-digit level.

Real Estate and Rental and Leasing

This sector includes industries from Services; Finance, Insurance, and Real Estate; and Transportation, Communications, and Public Utilities

Professional, Scientific, and Technical Services

Those businesses whose major input is human capital are grouped together in this new sector. The industries within this sector are each defined by the expertise and training of the service provider. The sector includes such industries as offices of lawyers, engineering services, architectural services, advertising services, veterinary services, advertising services, and interior design services. Forty-seven industries are grouped in this sector, 28 of which are new.

Administrative and Support; Waste Management and Remediation Services

This sector includes industries from Services; Transportation, Communications, and Utilities; Construction; and Agriculture, Forestry, and Fishing

Educational Services

Health and Social Assistance

This new sector recognizes that it is sometimes difficult to distinguish between the boundaries of health care and social assistance; therefore, NAICS groups these industries together in a new Health and Social Assistance sector. The industries are grouped in order from those providing the most intensive type of health care to those providing minimal health care with social assistance to those providing only social assistance.

There are 39 industries in this new sector, 27 of which are new. Some of the new industries include HMO Medical Centers, Family Planning Centers, Blood and Organ Banks, Diagnostic Imaging Centers, Continuing Care Retirement Communities, and Community Food Services. The sector also includes ambulance services transferred from Transportation, Communications, and Public Utilities.

Accommodation and Food Services

This sector includes lodging from Services and food services from Retail Trade

Arts, Entertainment, and Recreation

Those businesses engaged in meeting the cultural, entertainment, and recreational interests of their patrons are grouped together in this new sector. Casinos and other gambling businesses are recognized for the first time in NAICS, as are historical sites and sports teams and clubs. In all, there are 25 industries in the sector, most of which are new -- 19 in all. While most of the industries in the sector come from the SIC Services division, others come from Retail Trade and Finance, Insurance, and Real Estate.

Other Services

This sector includes industries from Services; Agriculture, Forestry, and Fishing; Manufacturing; and Finance, Insurance, and Real Estate

Auxiliary Establishments

Auxiliary establishments are those establishments that primarily produce support services for other establishments of the enterprise. Generally, these support services are not intended for use outside of the enterprise. In NAICS, these establishments are classified according to the establishment's primary activity. For example, an establishment providing data processing services for an enterprise is classified in NAICS 51421, Data Processing Services. An establishment that is the head office of an enterprise is classified in the new NAICS industry 551113, Corporate, Subsidiary, and Regional Managing Offices. In the 1987 SIC, each of these establishments was classified according to the primary activity of the establishment for which the support activity was performed. In the above examples, if those support units primarily served an automobile making plant, the support establishment was classified in automobile manufacturing.

The SIC, however, treated the production of goods for other establishments of the same enterprise differently. If a manufacturing establishment produced goods for use within the enterprise, the manufacturing establishment was classified according to its primary activity, not the primary activity of the establishment it served. This different treatment of service producing versus manufacturing auxiliary establishments was inconsistent and NAICS recognized this inconsistency. NAICS classifies auxiliary establishments based on what they do, not on whom they serve. The production oriented concept of NAICS mandated this change.

This change will result in significant shifts in employment data. In 1992, Census data showed over 1,000,000 auxiliary employees assigned to manufacturing and over 840,000 auxiliary employees assigned to retail trade. These employees are most likely to move to either the Management of Companies and Enterprises sector; the Warehousing and Storage subsector; the Computer Systems Design and Related Services

subsector; the Accounting, Tax Preparation, Bookkeeping and Payroll Services subsector; or some other services-related subsector. For the 1997 Economic Census, these auxiliary establishments will be dual coded by primary activity and by whom they serve. The data will be shown separately to provide data users with the necessary links to prior information.

NAICS Implementation Schedule

U.S. Statistical Agencies

Bureau of the Census
Bureau of Economic Analysis
Bureau of Labor Statistics
Internal Revenue Service
Key Government Contacts

Agency and Series	Publication Date
NAICS United States Manual	Spring 1998
BUREAU OF THE CENSUS Implementation Plans	
1997 Economic Census Reports	
Advance General Statistics data for manufacturing, construction, retail trade, wholesale trade, finance, insurance, real estate, services, communications, transportation, and public utilities (limited NAICS, SIC Information)	1st Qtr 1999
Industry, Geographic, Subject reports for all trade areas listed above - NAICS only	Flow basis beginning 2nd Qtr 1999 through 2001
Final Report showing "bridge" tables - 1997 by NAICS and SIC (all trade areas)	Mar-00
Current Surveys	
1998 County Business Patterns (annual)	Jun-00
1998 Annual Survey of Manufactures	Mar-00
Manufactures Shipments, Inventories, and Unfilled Orders (monthly)	2001
Research and Development Survey (annual) - show 97 and 98 data on NAICS basis	Mar-01
Monthly Wholesale Trade Survey	2001
Advance/Monthly Retail Trade Survey	2001
Manufacturing and Trade Inventories and Sales (monthly)	2001
Plant Capacity	
1999 Annual Trade Survey (collect and publish 1999 and	Mar-01

1998 data on NAICS basis)	
1999 Annual Retail Trade Survey (collect and publish 1999 and 1998 data on NAICS basis)	Apr-01
Quarterly Financial Report (4th quarter 2000 with 1-5 quarters restated NAICS data)	Mar-01
1999 Annual Capital Expenditures Survey	Feb-01
1999 Service Annual Survey (collect and publish 1999 and 1998 data on a NAICS basis)	Feb. 2001
1999 Transportation Annual Survey (collect and publish 1999 and 1998 data on a NAICS basis)	Feb. 2001
1999 Annual Survey of Communication Services (collect and publish 1999 and 1998 data on a NAICS basis)	Dec. 2000
Foreign Trade Import/Export Data Converted to a NAICS Basis	1998

Census Surveys for which conversion to NAICS is Not Applicable (or will not be converted to NAICS)

1997 Census of Outlying Areas (Puerto Rico, etc.- conducted every 5 years)

1997 Business Expenditure Survey (conducted every 5 years)

1997 Nonemployer Statistics (derived from administrative records- IRS will not convert to NAICS until tax year 1998)

1997 Commodity Flow Survey

1997 Truck Inventory and Use Survey (TIUS)

Current Industrial Reports (product based surveys)

Housing Starts and Building Permits (monthly)

New One-Family Houses Sold and For Sale (monthly)

Value of Construction Put in Place (monthly)

Housing Completions (monthly)

Manufactured (Mobile) Homes (monthly)

Expenditures for Residential Improvements and Repairs (quarterly)

BUREAU OF ECONOMIC ANALYSIS Implementation Plans

1997 Foreign Direct Investment Benchmark Survey	1999
1999 U.S. Direct Investment Abroad Benchmark Survey	2001
1998 Annual Foreign Direct Investment Survey	2000
2000 Annual U.S. Direct Investment Abroad Survey	2002
Quarterly Foreign Direct Investment Survey (data year 2001)	2001
Quarterly U.S. Direct Investment Abroad Survey (data year 2002)	2002
1997 Benchmark Input-Output Accounts	2002
1998 Corporate Profits	2001
2000 State Personal Income	2001
2001 Gross Product Originating by Industry	2002
2001 Real Inventories, Sales, and Inventory-Sales Ratios for	2002

BUREAU OF LABOR STATISTICS Implementation Plans

2000 Employment and Wages Report (annual)	2001
2002 Current Employment Statistics Survey (monthly)	2003
2002 Occupational Employment Statistics (annual)	2003
Producer Price Index/1997 Net Output Indexes (monthly)	2004

Internal Revenue Service

Internal Revenue Service Jan. 1, 1999

Key Government Contacts

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