

**NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM (NAICS)**  
*FACT Sheet*

Among other things, the North American Free Trade Agreement (NAFTA), 1993, stimulated interest in eliminating barriers to cross-national flow of goods, services and capital investment for the North American countries. Along with this interest, a need for a common industry classification system and a U.S. effort already underway to revise the outdated U.S. Standard Industrial Classification System (SIC Code), a coordinated effort among U.S., Canada and Mexico took shape to explore new approaches to classifying economic activity.

The U.S. Office of Management and Budget established the Economic Classification Policy Committee to work with comparable committees from Canada and Mexico to establish a new classification system. The new system would generate uniform and comparable economic data for the North American countries. This consolidated effort, an enormous undertaking, was intended to facilitate economic analyses of the economies of these three North American countries. Each country's statistical agency produces information on inputs and outputs, industrial performance, productivity, unit labor costs, and employment. NAICS would replace each country's existing classification system and would be constructed within a single conceptual framework, whereby, economic units having similar production processes are classified in the same industry.

NAICS U.S. generates statistical data describing the U.S. economy. NAICS U.S. also may be used for other administrative, regulatory, taxation, etc., purposes, although these functional areas played no role in system development. The U.S. Federal government uses industry classifications for procurement purposes, both for classifying the procurement action and for procurement data reporting and analyses.

Effective October 1, 2000, the new NAICS will be applied to procurement actions solicited and awarded after that date for industry and size related classification purposes. The Small Business Administration, charged with establishing size standards against industry classifications, established size standards based on number of employees or average annual sales or assets or electric output for determining business size.

The NAICS system, similar in hierarchical structure to the SIC Code system, includes 20 Sectors and 1,170 industries in NAICS U.S. The first 2 of the 6 digit structure represents the sectors of economic activity, the third digit designates the sub sector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry and the sixth digit designates the national industry. A zero sixth digit generally indicates that the NAICS and U.S. industries are the same. There are approximately 150 new NAICS capturing new sectors such as Information, Professional, Scientific and Technical Service, Arts, Entertainment and Recreation.

For more information about NAICS, please visit the following Web sites: <http://www.ntis.gov/naics> and <http://www.sba.gov> and <http://sbo.od.nih.gov>

For Web-based NAICS searching, please visit <http://epic.od.nih.gov> and conduct a "smart search." NAICS smart searching can be conducted by "key word or phrase: or by SIC to NAICS or NAICS to SIC matching.