

What is NAICS?

NAICS is the product of a cooperative effort on the part of the statistical agencies of the United States, Canada, and Mexico. Employers with similar production processes are classified in the same industry. NAICS focuses on how products and services are created, as opposed to SIC which focuses on what is produced. Using NAICS yields significantly different industry groupings than those produced using SIC. Due to these differences in NAICS and SIC structures, NAICS data will not be directly comparable to the SIC based data for earlier years.

Why is NAICS Better Than SIC?

- **Relevance:** NAICS identifies hundreds of new, emerging, and advanced technology industries. NAICS also reorganizes industries into more meaningful sectors--especially in the service-providing segments of the economy.

Data users will be able to work with new NAICS industrial groupings that better reflect the workings of the U.S. economy. For example, a new industry sector, called the Information sector, brings together units that turn information into a commodity with units that distribute the commodity and units that provide information services. Information's major components are publishing, broadcasting, telecommunications, information services, and data processing. Under the SIC system, these units were spread among the manufacturing, communications, business services, and amusement services groups. Another new sector of interest is the Professional, Scientific, and Technical Services sector. This sector is comprised of establishments engaged in activities where human capital is the major input.

- **International Comparability:** NAICS was developed in cooperation with Canada and Mexico. NAICS provides for comparable statistics among the three North American Free Trade Agreement (NAFTA) trading partners.
- **Consistency:** NAICS defines industries according to a consistent principle: businesses that use similar production processes are grouped together.
- **Adaptability:** NAICS will be reviewed every five years, so classifications and industry information will adjust to changes in our economy

For more information, browse <http://www.census.gov/eos/www/naics>