

## The 2007 North American Industry Classification System (NAICS)

Industry classification systems provide information about different businesses in the U.S. economy. For instance, if you were interested in starting a business that sells pagers, you might want to know how many companies were already in that business. Or, you might want to know about the number of people employed in the industry and the total value of shipments. The answers to these and other questions can be found by using classification systems such as the North American Industry Classification System (NAICS).

The NAICS is a standardized classification system for the three partners of the North American Free Trade Agreement (NAFTA): Canada, Mexico, and the United States. It uses a six-digit code to classify industries into 20 different sectors. Since the first five digits of the NAICS code are the same for Canada, Mexico, and the United States, you can compare industry trends among NAFTA partners. The sixth digit of the NAICS code is country-specific; it varies to accommodate special identification needs in different countries.

The six-digit NAICS code contains varying levels of specificity about a classification. The first two digits comprise the economic sector code, the third digit comprises the subsector, the fourth the industry group, the fifth the NAICS industry, and the sixth digit designates

the national industry. The broadest classification is the two-digit code, which simply classifies firms into one of 20 possible sectors. The six-digit code provides the most specific information about a firm's classification: It places firms into a country-specific industry.

To illustrate, suppose a U.S. firm is assigned an NAICS code of 512131. As shown in the accompanying table, the first two digits (51) of this code tell us that the firm belongs to the sector called *Information (51)*. This is a very broad classification that includes publishing industries (newspapers, periodicals, books, and software); motion pictures and sound recording industries; TV and radio broadcasting; telecommunications; and data processing, hosting, and related services. The first three digits provide a more specific classification: The firm belongs to a subsector called *Motion Picture and Sound Recording (512)*. Looking at the first four digits further refines the nature of the firm's product: The firm belongs to an industry group called *Motion Picture and Video Industries (5121)*. Moving to the five-digit code, we see that the firm belongs to the NAICS industry called *Motion Picture and Video Exhibition (51213)*. All digits together tell us that the firm belongs to the national industry that the United States calls *Motion Picture Theaters except Drive-Ins (512131)*.

### Interpreting NAICS Code

NAICS Level	NAICS Code	Description
Sector	51	Information
Subsector	512	Motion Picture and Sound Recording
Industry Group	5121	Motion Picture and Video Industries
NAICS Industry	51213	Motion Picture and Video Exhibition
National Industry	512131	Motion Picture Theaters (except Drive-Ins)