



## NAICS Update Process Fact Sheet

The Office of Management and Budget's North American Industry Classification System (NAICS) is a system for classifying establishments (individual business locations) by type of economic activity in Canada, Mexico, and the United States. Its purposes are: (1) to facilitate the collection, tabulation, presentation, and analysis of data relating to establishments, and (2) to promote uniformity and comparability in the presentation and analysis of statistical data describing the North American economy. NAICS is used by Federal statistical agencies that collect or publish data by industry. It is also widely used by State and local agencies, trade associations, private businesses, and other organizations. NAICS is designed for statistical purposes. Although the classification also may be used for various administrative, regulatory, and taxation purposes, the requirements for nonstatistical purposes played no role in its development or subsequent revisions.

To ensure the relevance, accuracy, and timeliness of the classification, NAICS is reviewed every five years to determine what, if any, changes are required. The Office of Management and Budget (OMB) charged the Economic Classification Policy Committee (ECPC) with the maintenance and review of NAICS. After soliciting and considering proposals for revisions from the public, the ECPC submits recommendations to OMB, which, after further public comment, and in consultation with the ECPC, makes the ultimate decision on changes.

The ECPC recognizes the costs involved when implementing industry classification revisions in statistical programs and the costs for data users when there are disruptions in the comparability of data. The ECPC also recognizes the economic, policy, and statistical implications that arise when the industry classification system does not identify and account for important structural changes in the economy. Balancing the costs of change against the potential for more relevant and accurate economic statistics requires significant input from data providers, data producers, and data users.

### **Schedule for 2027 Revision of NAICS**

Tentative schedule for consideration of changes to NAICS for 2027 (subject to change):

- **Federal Register** notice soliciting proposals: December 2024
- ECPC review of proposals and trilateral negotiation: March 2025 - September 2025
- **Federal Register** notice containing ECPC recommendations to OMB: October 2025
- **Federal Register** notice containing OMB final decisions: March 2026
- 2027 NAICS United States Manual submitted to OMB: June 2026

- 2027 NAICS United States available on NAICS Web Site: January 2027

### **Development Principles and Structure of NAICS**

The ECPC is committed to maintaining the four principles of NAICS as it develops further refinements:

1. NAICS is erected on a production-oriented conceptual framework. This means that producing units that use the same or similar production processes are grouped together in NAICS.
2. NAICS gives 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 is maintained to the extent possible.
4. The system strives for compatibility with the two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC) of the United Nations.

NAICS uses a six-digit coding system to identify industries and their placement in the hierarchical structure of the classification system. The first two digits of the code designate the sector, the third digit designates the subsector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry, and the sixth digit designates the national industry. A zero as the sixth digit generally indicates that the NAICS industry and the U.S. industry are the same.

The subsectors, industry groups, and NAICS industries, in accord with the conceptual principle of NAICS, are production-oriented combinations of establishments. However, the production distinctions become more narrowly defined further down the hierarchy. NAICS agreements permit each country to designate detailed industries, below the level of a NAICS industry, to meet national needs. The United States has such industry detail in many places in the classification system to recognize large, important U.S. industries that cannot be recognized in the other countries because of size, specialization, or organization of the industry.

For a copy of the 2022 NAICS United States structure, see '[2022 NAICS Structure with Change Indicator.xlsx](#)' under the Reference Files tab at [www.census.gov/naics](http://www.census.gov/naics).

### **Process and Criteria for Submitting Change Proposals to NAICS United States**

The ECPC plans to solicit proposals for changes to NAICS United States through a **Federal Register** notice, based on the tentative schedule above. Proposals will be solicited, reviewed, and analyzed. As necessary, proposals for change will be negotiated with our partners in Canada and Mexico. When this process is complete, OMB will publish a **Federal Register** notice that presents the ECPC recommendations for additional public comment prior to a final determination of changes to NAICS for 2027.

Proposals for changes to NAICS must be submitted via [www.regulations.gov](http://www.regulations.gov) during the time period specified in the **Federal Register** notice. Proposals will be evaluated using a variety of criteria and must include the following information:

- a) Specific detail about the economic activities to be covered by the proposed industry, including production processes, specialized labor skills, and any unique materials used. This detail should demonstrate that the proposal groups establishments that have similar and unique production processes clearly separable from the production processes of other industries.
- b) Specific indication of the relationship of the proposed industry to existing NAICS United States six-digit industries and whether the proposed industry would impact trilateral NAICS levels (as specified by “T” superscripts in the 2022 NAICS structure). Proposals that cross trilateral levels of agreement must be negotiated with Canada and Mexico, our partners in NAICS, which may affect final recommendations. Proposals will also be evaluated for the extent of effects on time series.
- c) Documentation of the size and recent and projected growth of the proposed industry in the United States. From a practical standpoint, industries must be of appropriate size. At the national level, this is generally not a major concern but there are a variety of statistical programs that produce industry data at the regional, State, MSA, or even county or local level. Proposed industries must include a sufficient number of establishments so that Federal agencies can publish industry data without disclosing information about the operations of individual firms.
- d) Documentation of the size and importance of the proposed industry in Canada and Mexico, if applicable and available.

In addition, other criteria may influence recommendations for adoption. The ability of government agencies to classify, collect, and publish data on the proposed basis will be taken into account. Proposed changes must be such that they can be applied by agencies within their normal processing operations. Any recommendations for change forwarded by the ECPC to OMB for consideration will also take into account the cost of making the changes. These costs can be substantial, and the availability of funding to make changes is a critical consideration.

Proposals for changes to NAICS will also be evaluated within the context of the North American Product Classification System (NAPCS), which complements the NAICS industry system and provides an alternate way of classifying output. In some cases, the need for specific statistical data is better addressed with product data crossing industries rather than with the creation of a new industry (i.e., through changes to NAPCS rather than NAICS). For more information on NAPCS, see the April 16, 1999, **Federal Register** notice (64 **FR** 18984-18989) and other NAPCS documents available at [www.census.gov/naics/napcs/](http://www.census.gov/naics/napcs/).

**Questions or comments** can be addressed to the Economic Classification Policy Committee via email at:

[econ.naics2027@census.gov](mailto:econ.naics2027@census.gov)