Newsletter for Small and Medium-sized Businesses

May 2014

In the news

What is NAICS and how can businesses use it?

A quick guide on how to use the North American Industry Classification System (NAICS)

If you are an entrepreneur and have never used the North American Industry Classification System (NAICS), you may be interested to know how it can help you.

Well, first of all NAICS is an industry classification system developed by the statistical agencies of Canada, Mexico and the United States to provide common definitions of the industrial structure of the three countries. It is designed so we can group industries that have similar production processes for statistical purposes.

Why is NAICS important to businesses?

NAICS has many important uses for businesses like yours. Government departments and agencies, including Statistics Canada, use it for statistical and administrative purposes. It is also used by top economic and industry analysts, academics, researchers, businesses and librarians to collect, analyze and compare financial and economic statistics among the three trading partners of the North America Free Trade Agreement, or NAFTA. Therefore, understanding NAICS is crucial to making sense of various types of information on businesses in North America.

Let's say you are developing a business plan and you need information to help you answer the following questions:

- How many existing business establishments are in my industry?
- What has been the financial performance of my industry over the last few years?
- How does my business compare to the industry norms?
- What are the average weekly earnings of employees?

You can find the answers on Statistics Canada's website. You will simply need to understand which NAICS category your business belongs to so that you can gather the right type of industry information to answer your questions.

The Canada Revenue Agency (CRA) is another government organization that uses NAICS. As a business, you may be required to complete Form T2125, Statement of Business or Professional Activities with CRA. Understanding NAICS will help you perform this task.

In short, understanding NAICS helps you monitor your business. Look no further for the most useful and up-to-date information on more than 900 industries.

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Using NAICS

NAICS hierarchical structure has five levels:

- level 1: sectors (two-digit codes)
- level 2: subsectors (three-digit codes)
- level 3: industry groups (four-digit codes)
- level 4: industries (five-digit codes)
- level 5: Canadian industries (six-digit codes)

So how do you find your code?

1. Go to the Statistics Canada website home page and in the SEARCH box type in NAICS. This search will bring you to the **North American Industry Classification System (NAICS) Canada 2012** classification structure by code and sector. Here are the general industry codes that make up the 20 sectors of the Canadian economy.

2. As an example, you might own a music store where you sell new musical instruments and supplies. Choose the sector that describes your kind of business – **44-45 Retail Trade sector**. This brings you to subsector **451 Sporting goods, hobby, book and music stores.** You now choose industry group **4511 Sporting goods, hobby, and music instrument stores** because your main activity is selling music instruments. The next level is **45114 Musical instrument and supplies stores** which is designed to correspond to your Canadian industry code **451140**.

In this article, we have shown you a few ways to use NAICS to help you in your business. If you are interested in digging further into this standard classification system, you can discover more details here.

Whether you need to know how codes have changed over time or need data on a subsector of interest to your enterprise or anything in between, NAICS is there for you.

If you have questions, simply contact our information agents by email at infostats@statcan.gc.ca or by telephone at 1-800-263-1136, Monday to Friday, except holidays, from 8:30 a.m. to 16:30 p.m. in all Canadian time zones.

Gross Domestic Product by Industry - National (Monthly) (GDP)

You probably are aware that, every month, Statistics Canada publishes the Gross Domestic Product (GDP). But did you know that you can find monthly GDP analysis from an industry point of view?

For example, the latest February 2014 GDP by Industry release reported that:

- The mining, quarrying and oil and gas extraction sector increased
- Manufacturing output rose
- Wholesale and retail trades grew
- The art and entertainment sectors decreased
- Construction was unchanged

Gross Domestic Product (GDP) by industry at basic prices is a measure of the economic production which takes place within the geographical boundaries of Canada. The term "gross" in GDP means that capital consumption costs, that is the costs associated with the depreciation of

capital assets (buildings, machinery and equipment), are included. The production estimates are prepared for 214 separate industries using the North American Industrial Classification System (NAICS 2007).

The sources for these data come in part directly from business, through the collection of many Statistics Canada surveys. For example, data from the Monthly Survey of Manufacturing are used for most (but not all) manufacturing industries. Data from the Survey of Employment, Payrolls and Hours are used for many service industries.

March GDP data will be released on May 30, 2014.

Retail Sales

Retail sales are an important component of the Canadian economy. Statistics Canada conducts different surveys to measure the performance of the retail industry. The Monthly Retail Trade Survey and the Monthly Survey of Large Retailers present retail sales estimates for retail locations in Canada, by trade group and by province/territory. Further, the Quarterly Retail Commodity Survey (RCS), a subset of the monthly retail surveys, as its name suggests breaks quarterly retail sales down by type of products.

The information provided by RCS can be used to track commodity sales within and across various types of retail stores, as well as to calculate commodity market share, and to gain a better understanding of the rapidly changing retail industry. The data show the type of outlets where consumers prefer to buy certain commodities, and shifts in what the different types of commodities retailers decide to sell. Analysis of this data assists in establishing trends in commodity sales over time.

March Retail trade data will be released on May 22, 2014.

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Questions or comments?

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