NACE background
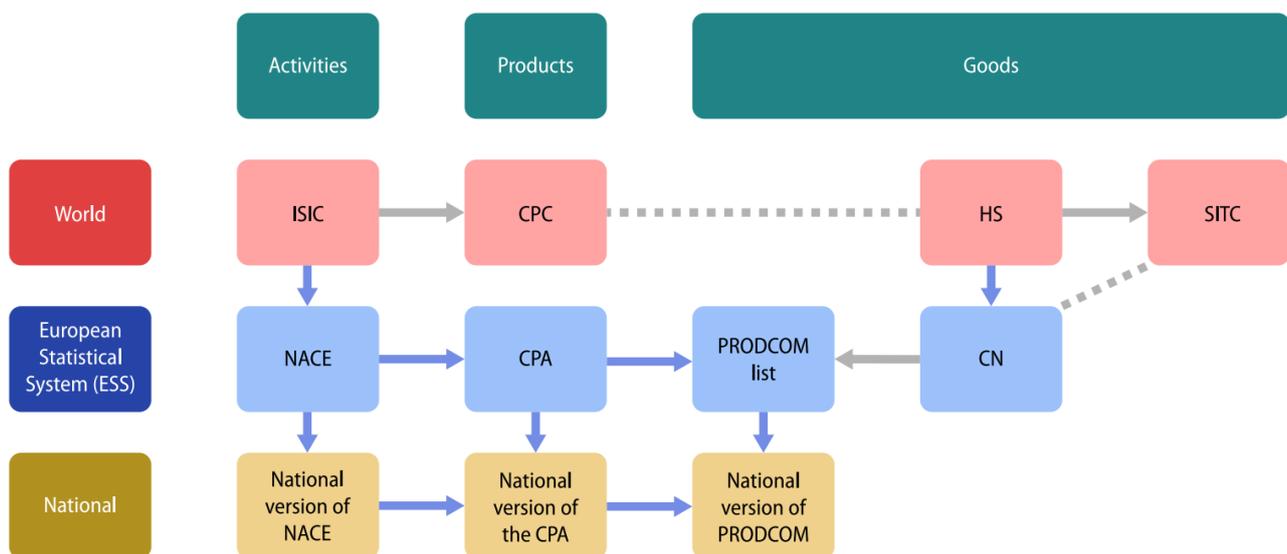
NACE is the acronym used to designate the various statistical classifications of economic activities developed since 1970 in the European Union (EU) . NACE provides the framework for collecting and presenting a large range of statistical data according to economic activity in the fields of economic statistics (e.g. business statistics, labour market statistics, national accounts) and in other statistical domains.

Statistics produced on the basis of NACE are comparable at European and, in general, at world level. The use of NACE is mandatory within the European Statistical System .

The international system of economic classifications

The comparability at world level of statistics produced on the basis of NACE is due to the fact that NACE is part of an integrated system of statistical classifications, developed mainly under the auspices of the United Nations Statistical Division . From the European point of view, this system can be represented as follows:

A ———► B   A is the reference classification of B; classifications A and B are linked by their structures
A ———► B   A is the reference classification of B; classifications A and B are linked by correspondence tables
A ∙∙∙∙∙∙► B   Classifications A and B are linked by correspondence tables

International system of classifications

Where:

- ISIC is the International standard industrial classification of all economic activities.

- CPC is the Central product classification.

- HS is the Harmonized commodity description and coding system.

- CPA is the European Classification of products by activity.

- PRODCOM is the classification of goods used for statistics on industrial production in the EU.

- CN stands for the Combined nomenclature, a European classification of goods used for foreign trade statistics.

Such an integrated system allows the comparability of statistics produced in different statistical domains. As a consequence, for instance, statistics on the production of goods (reported in the EU according to the PRODCOM surveys) could be compared with statistics on trade (with the EU international trade in goods statistics produced according to the CN).

NACE is derived from ISIC, in the sense that it is more detailed than ISIC. ISIC and NACE have exactly the same items at the highest levels, while NACE is typically more detailed at lower levels.

In order to ensure international comparability, the definitions and the guidelines established for use of NACE within the EU are consistent with those published in the introduction to ISIC.

Scope and characteristics

Classifications are essential for statistics as they allow the statistics to be organised by meaningful categories, defined in such a way that the universe of statistical observations is partitioned into sets that are as internally homogeneous as possible with respect to the characteristic of interest.

Statistical classifications are characterised by:

- exhaustive coverage of the observed universe: each element should be possible to classify in one of the categories of the classification;

- mutually exclusive categories: each element should be classified in only one category of the classification;

- methodological principles which allow the consistent allocation of the elements to the various categories of the classification.

NACE is the European standard classification of productive economic activities. NACE presents the universe of economic activities partitioned in such a way that a NACE code can be associated with a statistical unit carrying them out.

An economic activity takes place when resources such as capital, goods, labour, manufacturing techniques or intermediary products are combined to produce specific goods or services. Thus, an economic activity is characterised by an input of resources, a production process and an output of products (goods or services).

An activity as defined here may consist of one simple process (for example weaving), but may also cover a whole range of sub-processes, each mentioned in different categories of the classification (for example, the manufacturing of a car consists of specific activities such as casting, forging, welding, assembling, painting, etc.). If the production process is organised as an integrated series of elementary activities within the same statistical unit, the whole combination is regarded as one activity.

Structure and coding of NACE

NACE is a hierarchical classification, meaning that it is possible to use at different levels of granularity - for broad overviews of wide sectors of the economy, as well as for very detailed summary at the level of highly specific activities. The structure of NACE Rev. 2.1 is established in Annex I to Regulation (EC) No 1893/2006 , the introductory guidelines and the explanatory notes . The structure of NACE is described in the Regulation 1893/2006 as follows:

- a first level consisting of headings identified by an alphabetical code (**sections**),

- a second level consisting of headings identified by a two-digit numerical code (**divisions**),

- a third level consisting of headings identified by a three-digit numerical code (**groups**),

- a fourth level consisting of headings identified by a four-digit numerical code (**classes**).

The divisions are coded consecutively. However, some 'gaps' have been provided to allow the introduction of additional divisions without a complete change of the NACE coding. These gaps have been introduced in sections for which it is deemed most likely that there will be a future need for additional divisions.

Historical background and legal context

- Between 1961 and 1963,*Nomenclature des industries établies dans les Communautés européennes* (NICE) (Classification of Industries Established in the European Communities)

- 1965,*Commerce dans la CEE* (NCE) (Classification of Trade and Commerce in the European Communities)

- 1967, Classification for services, followed by one for agriculture, both in broad divisions

- 1970,*Nomenclature générale des activités économiques dans les Communautés Européennes* (NACE) - General Industrial Classification of Economic Activities within the European Communities

- 1990, NACE Rev. 1 - taking the structure of ISIC Rev. 3 as the point of departure, this classification includes additional details to reflect European activities that were inadequately represented in ISIC

- 2002, NACE Rev. 1.1 - minor update of NACE Rev. 1

- 2006, NACE Rev. 2

- 2023, NACE Rev. 2 update 1 (NACE Rev. 2.1) – to be used, in general, for statistics referring to activities performed from 2025 onwards (Article 2 of Commission Delegated Regulation (EU) 2023/137 provides details on implementation). The changes introduced by update 1 to NACE Rev. 2 is presented in the NACE Rev. 2.1 introductory guidelines

Explore further

Publications

- NACE Rev. 2.1 – Statistical classification of economic activities in the European Union

is a detailed publication providing guidance to producers on the classification of economic activities according to NACE Rev. 2.1 as well as guidance to users who would like a better understanding of official statistics based on economic activities.

- NACE Rev. 2 - Statistical classification of economic activities

provides guidance relevant to statistics that have not yet changed over to NACE Rev. 2.1.

Legislation

- Regulation (EC) No 1893/2006 establishing the statistical classification of economic activities NACE Rev. 2 (providing access to the NACE Rev. 2 Regulation - amended to include the update to NACE Rev. 2.1 - in all EU languages)

- Summaries of EU Legislation: Comparable EU-wide statistics on economic activities