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Introduction to ISIC, Rev. 5

United Nations Statistics Division

Regional Workshop on International Statistical Classifications

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Outline of presentation

- What is ISIC
- ISIC Classification Principles
- ISIC, Rev. 5 Revision Process
- Overview on the Main changes in ISIC, Rev. 5
- Alignment of ISIC Rev. 5 with 2025 SNA

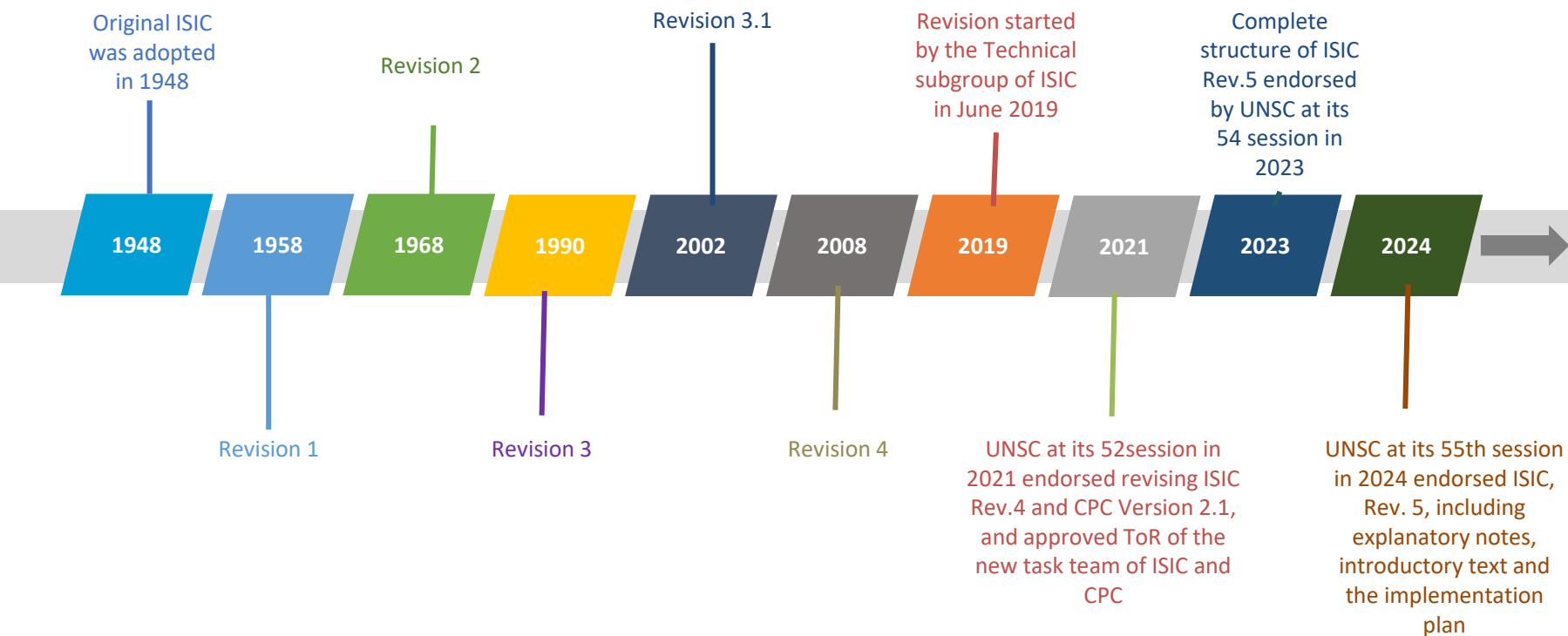


What is ISIC

- ISIC stands for International Standard Industrial Classification of All Economic Activities
- It is the international standard classification of economic activities
- It is used to group statistical units into industries, e.g. the industry of “raising camels and camelids” as defined in ISIC, Rev. 5 class 0143
- It is increasingly used for administrative purposes, such as in tax collection, issuing of business licenses, etc.



History of ISIC





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ISIC Principles





Main Features of ISIC

- Hierarchical structure with four levels
- Categories are mutually exclusive and collectively exhaustive

Example on the wholesale trade industry:

Level of ISIC, Rev. 5	Code	Title
Section	G	Wholesale and retail trade
Division	46	Wholesale trade
Group	464	Wholesale of household goods
Class	4641	Wholesale of textiles, clothing and footwear



Hierarchical Structure of ISIC

- In ISIC, economic activities are subdivided in a hierarchical, four-level structure of mutually exclusive categories.
 - **Sections:** The sections are the highest level of aggregation. The sections are labelled alphabetically and listed in figure B1.
 - **Divisions:** The next level contains two-digit divisions. Examples are Division 03; Fishing and aquaculture; Division 13: Manufacture of textiles.
 - **Groups:** The third level contains three-digit groups. Examples are Group 031 Fishing; Group 131: Spinning, weaving and finishing of textiles.
 - **Classes:** The most detailed level contains four-digit classes. Examples are Class 0312: Freshwater fishing; Class 1312: Weaving of textiles.

ISIC Rev.5 Broad structure

Section	Divisions	Title
A	01—03	Agriculture, forestry and fishing
B	05—09	Mining and quarrying
C	10—33	Manufacturing
D	35	Electricity, gas, steam and air conditioning supply
E	36—39	Water supply; sewerage, waste management and remediation activities
F	41—43	Construction
G	46—47	Wholesale and retail trade
H	49—53	Transportation and storage
I	55—56	Accommodation and food service activities
J	58—60	Publishing, broadcasting, and content production and distribution activities
K	61—63	Telecommunications, computer programming, consultancy, computing infrastructure, and other information service activities
L	64—66	Financial and insurance activities
M	68	Real estate activities
N	69—75	Professional, scientific and technical activities
O	77—82	Administrative and support service activities
P	84	Public administration and defence; compulsory social security
Q	85	Education
R	86—88	Human health and social work activities
S	90—93	Arts, sports and recreation
T	94—96	Other service activities
U	97—98	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
V	99	Activities of extraterritorial organizations and bodies



Detailed structure: Example

Section M – Real estate activities

Division	Group	Class	Title
68			Real estate activities
	681		Real estate activities with own or leased property
		6810	Real estate activities with own or leased property
	682		Real estate activities on a fee or contract basis
		6821	Intermediation service activities for real estate
		6829	Other real estate activities on a fee or contract basis



Main principles – Assigning Code

- ISIC classifies statistical units according to their principal activity
- At each level of ISIC, a statistical unit is assigned to one and only one ISIC code. The set of statistical units that are classified into the same ISIC category is often referred to as an “industry”.

Examples are:

- The furniture industry – all units classified in ISIC division 31 (Manufacture of furniture).
- The construction industry – all units classified in ISIC section F (Construction).



Main principles – Statistical Units

- Theoretically, all types of units can be classified
- However, structure and detail of ISIC is geared toward measuring production and establishment and kind-of-activity unit are the most suitable units
- Ideally, units should be homogeneous with respect to activities and location
 - However, the choice of unit is not really an ISIC issue
 - Limitations are often set by data availability



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Statistical Units – Four Types

		Partition by location	
		No	Yes
Partition by activity	No	Enterprise	Local unit
	Yes	Kind-of-activity unit	Establishment (local kind-of-activity unit)



Main principles – Principal Activity

- The principal activity of an economic entity is the activity that contributes most to the value added of the entity
- Only the principal activity is used to classify a unit.
- Classification of units is based on their actual activity, not their appearance or setup
 - E.g. a shipyard that only dismantles ships is classified in 3830 (Materials and other waste recovery) according to its activity (ship-breaking), although similar-looking units are in 3011 (Building of ships and floating structure).



Exercise

What is the principle activity of a shipyard that only dismantles ships?

- 3011 (Building of ships and floating structure).
- 3830 (Materials and other waste recovery)

Exercise

A shipyard that only dismantles ships is classified in 3830 (Materials and other waste recovery) according to its activity (ship-breaking), although similar-looking units are in 3011 (Building of ships and floating structure).

3830 Materials and other waste recovery

This class includes:

- processing of metal and non-metal waste and scrap and other articles into secondary raw materials, usually involving a mechanical or chemical transformation process
- recovery of materials from waste streams in the form of:
 - separating and sorting recoverable materials from non-hazardous waste streams (i.e. garbage)
 - separating and sorting of commingled recoverable materials, such as paper, plastics, used beverage cans and metals, into distinct categoriesExamples of the mechanical or chemical transformation processes that are undertaken are:
 -
 - other methods of mechanical treatment as cutting, pressing to reduce the volume
 - ship-breaking
 - reclaiming metals out of photographic waste, e.g. fixer solution or photographic films and paper
 -



ISIC - Classification Criteria

- The principles and criteria for delineation are based on
 - the inputs of goods, services and factors of production;
 - the process and technology of production; the characteristics of outputs;
 - and the use to which the outputs are put.
- Economic activities that are similar in respect of these criteria have been grouped together in the categories of ISIC.



ISIC - Classification Criteria: Examples

- Type of goods and services produced as outputs
 - e.g. ISIC Rev. Div. 06 Extraction of crude petroleum and natural gas
- Type of inputs used or consumed
 - e.g. ISIC Rev.5 Div. 22 Manufacturing of rubber and plastic products
- Technique of production employed
 - E.g. ISIC Rev.5 Div. 33 Repair, maintenance and installation of machinery and equipment
- Ways in which the outputs are used
 - Support services/activities (e.g. for crop production, mining, transportation, etc.)
 - Intermediation service activities (e.g. for retail trade, real estates, etc.)

Classification principles

- All categories at each level of the classification are mutually exclusive.
- “Similar” activities are grouped together based the defining components for activities
- At the most detailed level of the classification, preference has been given to the process and technology of production to define individual ISIC classes, particularly in the classes related to services.
- At higher levels, characteristics of outputs and the use to which outputs are put become more important to create analytically useful aggregation categories.
- Example: Section J “Publishing, broadcasting, and content production and distribution

Division	Group	Class	Title
58			Publishing activities
59			Motion picture, video and television programme production, sound recording and music publishing activities
	591		Motion picture, video and television programme activities
		5911	Motion picture, video and television programme production activities
		5912	Motion picture, video and television programme post-production activities
		5913	Motion picture, video and television programme distribution activities
		5914	Motion picture projection activities
	592		Sound recording and music publishing activities
60			Programming, broadcasting, news agency and other content distribution activities

Main principles - Output

- Although output (products) is related to the activity, it cannot always be used to determine the activity of a unit. However, with some caveats, it provides a good tool
- Classes of ISIC are defined so that as far as possible the following two conditions are fulfilled:
 - i. The production of the category of goods and services that characterizes a given class accounts for the bulk of the output of the units classified to that class;
 - ii. The class contains the units that produce most of the category of goods and services that characterize it.
- These conditions are required in order that establishments or similar units may be classified according to kind of economic activity uniquely and easily, and in order that the units included in a given class will be as similar to each other as is feasible.

		Partition by location	
		No	Yes
Partition by activity	No	Enterprise	Local unit
	Yes	Kind-of-activity unit	Establishment (local kind-of-activity unit)



ISIC – application rules

- Concepts
 - Top-down method
 - Vertical integration
- Application and impact depends strongly on the selection of units
 - ISIC does not define units, but provides information and definitions
 - Int. Recommendations for Industrial Statistics (IRIS 2008) gives guidance
 - Choice of unit depends on statistics collected and on organizational settings
 - ISIC can theoretically be applied to all units



Top-down method - Principle

- The top-down method follows a hierarchical principle:
 - the classification of a unit at the lowest level of the classification must be consistent with the classification of the unit at the higher levels of the structure.
- To satisfy this condition the process starts with the identification of the relevant position at the highest level and progresses down through the levels of the classification in the following way:



Top-down method - Steps

- Step 1. Identify the section that has the highest share of the value added.
- Step 2. Within this section, identify the division that has the highest share of the value added.
- Step 3. Within this division, identify the group that has the highest share of the value added (see below for exception in the case of wholesale and retail trade activities).
- Step 4. Within this group, identify the class that has the highest share of value added.



Example of an enterprise engaging in multiple activities

Section	Division	Group	Class	Description of the class	Share of value added (percentage)
C	25	251	2512	Manufacture of tanks, reservoirs and containers of metal	7
		281	2816	Manufacture of lifting and handling equipment	8
			2821	Manufacture of agricultural and forestry machinery	3
	28	282	2822	Manufacture of metal-forming machinery and machine tools	21
			2824	Manufacture of machinery for mining, quarrying and construction	8
	29	293	2930	Manufacture of parts and accessories for motor vehicles	5
G	46	461	4610	Wholesale on a fee or contract basis	7
		465	4659	Wholesale of other machinery and equipment	28
N	71	711	7110	Architectural and engineering, and related technical consultancy activities	13



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Example – Application of the Top-down method

Section	Division	Group	Class	Description of the class	Share of value added (percentage)
D ✓	28	281	2812	Manufacture of tanks, reservoirs and containers of metal	7
	29 ✓	291	2915	Manufacture of lifting and handling equipment	8
		292 ✓	2921	Manufacture of agricultural and forestry machinery	3
			2922	Manufacture of machine-tools	21
			2924	Manufacture of machinery for mining, quarrying and construction	8
	34	343	3430	Manufacture of parts and accessories for motor vehicles and their engines	5
G	51	511	5110	Wholesale on a fee or contract basis	7
		515	5159	Wholesale of other machinery, equipment and supplies	28
K	74	742	7421	Architectural and engineering activities and related technical consultancy	13



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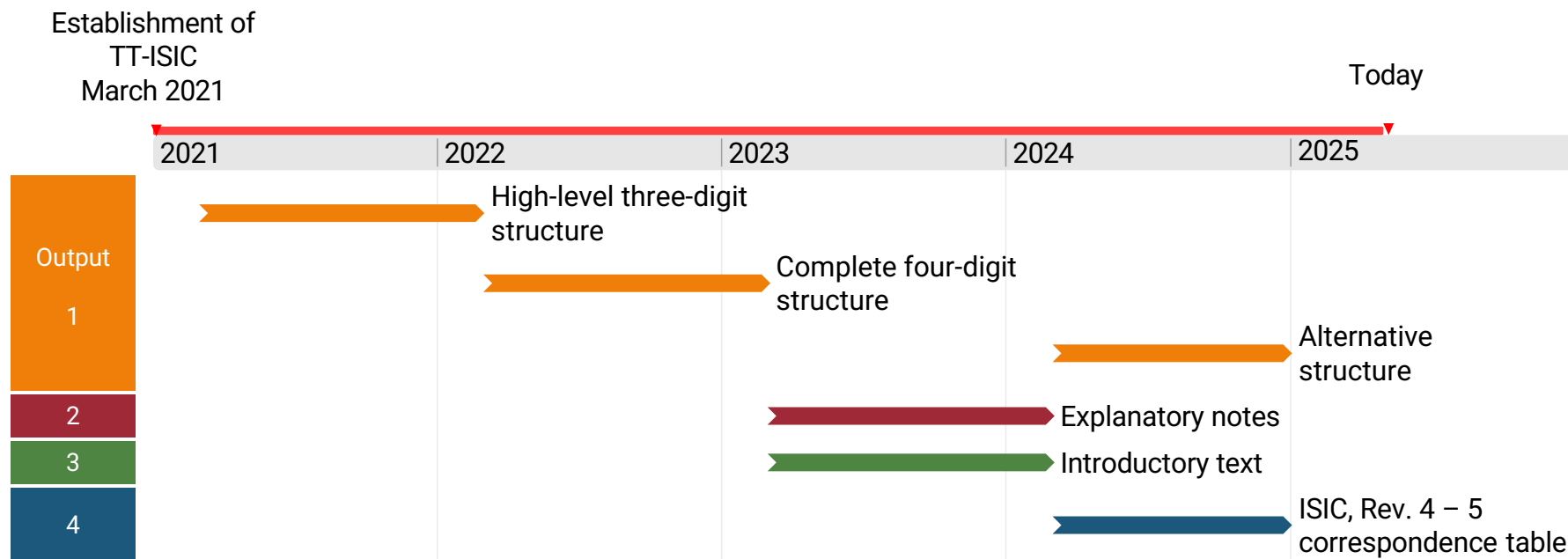
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ISIC Rev. 5





Timeline of ISIC, Rev. 5





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Objectives of the ISIC revision

- **Relevance**
 - Reflect new industries, new production pattern, new needs for economic analysis
- **Comparability**
 - Improve linkages to major regional classifications
- **Continuity**
 - Maintain close links to the previous version of ISIC
- **Main task: balancing these three objectives**



Main structural changes in ISIC, Rev. 5

- Classification criteria and rules for the application of ISIC, Rev. 5 remain largely unchanged in comparison with the previous revision of ISIC,
- Significant number of structural changes at the lower levels.
- A notable change is the treatment of intermediation service activities, which resulted in the creation of 18 new classes.
- On the other hand, there was only one structural change at the section level, which resulted in the split of one section (ISIC, Rev. 4 section J “Information and communication”) into two (ISIC, Rev. 5 sections J “Publishing, broadcasting, and content production and distribution activities”, and K “Telecommunications, computer programming, consultancy, computing infrastructure and other information service activities”).
- One change at the division level, resulting in the deletion of ISIC, Rev. 4 division 45 “Wholesale and retail trade and repair of motor vehicles and motorcycles”.



Main changes in ISIC, Rev. 5 – intermediation services

- Identification of intermediation service activities
- Definition of non-financial intermediation service
- No distinction in the ISIC classification criteria between “digital” and other means (face-to-face, telephone, mail, email, etc.)
- A number of groups and classes were created exclusively for intermediation services
 - ✓ ...
 - ✓ 4790 Intermediation service activities for retail sale
 - ✓ ...
 - ✓ 5540 Intermediation service activities for accommodation
 - ✓ ...
 - ✓ 6120 Telecommunication reselling activities and intermediation service activities for telecommunication
 - ✓ ...



Main changes in ISIC, Rev. 5 – FGP

- Updated criteria for defining Factoryless Goods Producers (FGPs)
 - Ownership of input also includes intellectual property products (IPP)
 - FGPs should cover some aspects of the control of the transformation process, including quality control and oversight of the production process
- FGPs will continue to be classified in the same class where they would be classified if they carried out the manufacturing process themselves in Section C (Manufacturing).



Main changes in ISIC, Rev. 5 – section G (Wholesale and retail trade)

- Elimination of distinction between online and in-store sales channels in section G
- New treatment of wholesale and retail trade and repair of motor vehicles and motorcycles
 - ISIC, Rev. 4 division 45 (Wholesale and retail trade and repair of motor vehicles and motorcycles) was removed, and its activities were moved to other divisions.
 - The activities of maintenance and repair of motor vehicles and motorcycles
 - moved away from ISIC section G to section T (Other service activities)
 - placed in Division 95 (Repair and maintenance of computers, personal and household goods, and motor vehicles and motorcycles), together with the repair of computers and personal and household goods.
 - Activities on the wholesale and retail trade of motor vehicles and motorcycles were moved to the respective divisions on wholesale and retail trade.



Main changes in ISIC, Rev. 5 – new activities in ICT and finance

- A split of ISIC, Rev. 4 Section J (Information and communication) into two
 - ISIC Rev.5 Section J - Publishing, content production and distribution
 - ISIC Rev.5 Section K - Telecommunications, computer programming, consultancy, computing infrastructure, and other information service activities.
- The distinction at the group level between wired, wireless, and satellite telecommunications activities has been removed.
- A new group, ISIC Rev. 5 group 631 “Computing infrastructure, data processing, hosting and related activities” containing a single class “Computing infrastructure, data processing, hosting and related activities” has been created to include activities such as cloud infrastructure , platform provision and cloud computing
- A new group, ISIC Rev. 5 group 639, “Web search portal activities and other information service activities”.
- Cybersecurity activities will be integrated in activities of software development, programming, consultancy activities and incident/information management



Main changes in ISIC, Rev. 5 – new activities in finance

- More breakdowns for financial activities and updated explanatory notes to reflect new technology
- Compared to section K in ISIC, Rev. 4, the new section L (Financial and Insurance activities) includes some new classes for financial services
 - ...
 - 6422 Activities of financing conduits
 - 6431 Activities of money market funds
 - 6491 Financial leasing activities
 - ...



Main changes in ISIC, Rev. 5 – education, arts, culture

- Updated the structure of section P on education to better align with International Standard of Classification of Education (ISCED).
 - For example, ISIC Rev. 4 Group 851 - "Pre-primary and primary education" was split into two new groups: "Pre-primary education" and "Primary education".
- More breakdowns for activities related to Section S on arts and cultural activities.
 - The structure of ISIC Rev. 4 division 90 - "Creative, arts and entertainment activities" and division 91 - "Libraries, archives, museums, and other cultural activities" were reorganized to distinguish arts creation activities, performing arts, museums, collections, historical sites, and monuments activities, 913 - Conservation, restoration and other support activities for cultural heritage, etc.



Main changes in ISIC, Rev. 5 –environment, and others

- Environmental Issues
 - Division 39 (remediation and other waste management service activities): inclusion of carbon remediation, capture and storage activities
 - New classes 3511 and 3512 on electric power generation activities from non-renewable sources vs. renewable sources
 - New class 8413 - Regulation of the activities of providing environmental services
 - Class 8130 (Landscape service activities) - Improved explanatory notes to reflect selected activities on managing and conserving ecosystem and biodiversity
 - Separate Nature reserve activities (9412) from Botanical and zoological garden activities (9411)
- Other changes at the class level
 - Further breakdown of 2610: new class for the manufacture of solar cells and panels, and photovoltaic inverters vs. for other electronic components
 - Further breakdown of 3100: news class for the manufacture of wooden furniture vs. for other furniture



Changes in the ISIC, Rev. 5 explanatory notes

- Comprehensive review of specific activities. A few examples among the many changes are given below:
 - Quails are explicitly included in 0146 (Raising of poultry).
 - Manufacture of intercontinental ballistic missiles (ICBM) is removed from 3030 (Manufacture of air and spacecraft and related machinery) and implicitly included in 2520 (Manufacture of weapons and ammunition)
 - Distinction between 5510 (Hotels and similar accommodation activities) and 5520 (Other short term accommodation activities) in the relevant explanatory notes
- Alignment with SNA guidance notes
 - Treatment of crypto assets with and without liabilities in 6310, 6499, 6612, 6619 and 8299
 - No change in ISIC, Rev. 5 on Islamic finance



ISIC, Rev. 5 Introduction

- Drafted based on the ISIC Rev.4 introduction
- Increased alignment with 2008 SNA (e.g., para 39 on the characteristics of activities)
- Updated description on the treatment of repair and maintenance activities (pp. 138-139)
- Updated definition and treatment of FGPs, based on feedback from the ongoing SNA revision (pp. 140-150)
- New discussion on intermediation services (pp. 157-159)
- New discussion on financial activities (e.g. SPEs, in pp. 160-164)
- List of changes from ISIC, Rev. 4 to Rev. 5 (Part Four – Changes in ISIC, Rev. 5)



Changes in the ISIC, Rev. 5 introductory text

- Increased alignment with 2008 SNA (e.g., para 39 on the characteristics of activities)
- Updated description on the treatment of repair and maintenance activities (pp. 138-139)
- Updated criteria on FGPs (pp. 146-150)
- New discussion on intermediation services (pp. 157-159)
- New discussion on financial activities (e.g. SPEs, in pp. 160-164)
- List of changes from ISIC, Rev. 4 to Rev. 5



Increased detail of ISIC during each revision process

	ISIC Rev.3	ISIC Rev.4	ISIC Rev.5
Sections	17	21	22
Divisions	60	88	87
Groups	159	238	258
Classes	292	419	463



The way forward with ISIC, Rev. 5

- Planned work on correspondences:
 - ISIC, Rev. 4 – ISIC, Rev. 5
 - ISIC, Rev. 5 – NACE, Rev. 2.1
 - ISIC, Rev. 5 – CPC Ver. 3.0
- More planned work on ISIC
 - Develop other supplementary materials, such as alphabetical index, a case law center, alternative structure, implementation guidelines, etc.
 - Establish a Standing Task Team on ISIC and CPC, make ISIC revision process more predictable and transparent in the future, and keep ISIC responsive to new user needs and emerging issues.



Resources

- ISIC, Rev. 5 will become available as an official UN publication
- Currently ISIC, Rev. 5 and other UNSD classifications on economic statistics are available on UNSD website
 - <https://unstats.un.org/unsd/classifications/Econ>
- ISIC, Rev. 5 is a member of the International Family of Classifications
 - <https://unstats.un.org/unsd/classifications/Family>



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