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**MEMORANDUM
TO
STATISTICIAN-GENERAL**

**Subject: Standard Industrial Classification of All Economic Activities (SIC)
edition 5 and 7**

**From : M Gouws
Acting Deputy Director-General**

Date : 2013/02/27

Subject: Standard Industrial Classification of All Economic Activities (SIC) edition 5 and 7

1. Purpose

To request approval to publish edition 7 of the SIC on Stats SA's website. SIC edition 5 is already published on the website and is the official edition for all Stats SA products. The South Africa Revenue Service (SARS) will be implementing SIC edition 7 to allow the administrative system to be aligned to future planned improvements of the Stats SA's statistical system.

2. Background

In the study of economic phenomena, it is not always possible to take all elements simultaneously into account. For the purposes of analysis, certain elements need to be chosen and grouped according to particular characteristics. Thus, all economic phenomena that are to be described in the form of statistics require systematic classification. Classifications are, so to speak, the system of languages used in communication about, and statistical processing of, the phenomena concerned. They divide the universe of statistical data into categories that are as homogeneous as far as possible with respect to those characteristics that are the objects of the statistics in question.

The Standard Industrial Classification of all Economic Activities edition 7 (SIC 7) is based on the latest revision (Rev.) of the United Nations (UN) International Standard Industrial Classification of all Economic Activities (ISIC) Rev. 4.1, published in 2008 with a number of adaptations for local conditions. The seventh edition of SIC provides substantially more detail at all levels than the previous versions of the classification. This increased level of detail responds to requests by both producers and users of statistics. The basic coding system of the classification has been changed so that it could be aligned to ISIC revision 4. The classification still goes up to a five digit level but the categories have changed to section, division, group, class and subclass.

Through collaboration between the two departments: Statistics South Africa (Stats SA) and SARS, it was agreed that SARS will start the implementation of SIC edition 7 during the next round of Company Income Tax (CIT), while Stats SA continues with the use of SIC edition 5. The implementation of SIC edition 7 at Stats SA depends on future funding.

3. Discussion

The Standard Industrial Classification of All Economic Activities (SIC) consists of a coherent and consistent classification structure of economic activities based on a set of agreed concepts, definitions, principles and classification rules. SIC edition 7 is derived from International Standard Industrial Classification (ISIC) Rev 4.0, but adjusted for South African conditions. It provides a comprehensive framework within which economic data can be collected and reported in a format that is designed for purposes of economic analysis, decision-taking and policy-making. The classification structure represents a standard format to organise detailed information about the state of an economy according to economic principles and perceptions.

In practice, the classification is used for providing a continuing flow of information that is indispensable for the monitoring, analysis and evaluation of the performance of an economy over time. In addition to its primary application in statistics and subsequent economic analysis, where information needs to be provided for narrowly defined economic activities (also referred to as "industries"), SIC can also be used for administrative purposes, such as in tax collection, issuing of business licenses etc. It is recommended that public and private institutions, as well as private persons, engaged in the classification of businesses, use the SIC, as a basis as far as this is feasible and also for the classification of statistical units known to statistical agencies. The general application of the principles and definitions of this classification will promote the uniformity and comparability of statistics compiled from different sources.

Through collaboration between the two departments: Statistics South Africa (Stats SA) and South Africa Revenue Service (SARS), it was agreed that SARS will start the implementation of SIC edition 7 during the next round of Company Income Tax (CIT), while Stats SA continues with the use of SIC edition 5. As per Stats SA's work programme a project team will be setup to allow the implementation of SIC edition 7 within the Business Register of Stats SA as well as Stats SA releases.

4. Recommendation

To approve to publish edition 7 of the SIC on Stats SA's website. SIC edition 5 is already published on the website and is the official edition for all Stats SA products. The South Africa Revenue Service will be implementing SIC edition 7 to allow the administrative system to be aligned to future planned improvements of the Stats SA's statistical system.



M Gouws
Acting Deputy Director-General

Date: 27 Feb 2013

Approved/or...



PJ Lehohla
Statistician - General

Date: 27/02/2013