

GFD Sector and Industry Classification System Revised

Global Financial Data has revised its sector and industry classification system and has added comparison with the GICS and SIC classification system to help users understand the differences between the three systems.

The GICS (Global Industry Classification System) is provided by MSCI/S&P Global and divides the investing world into 11 Sectors, 24 Industry Groups, 68 Industries and 157 Sub-Industries. The system was established in 1999 to replace the sector groupings that MSCI and S&P had developed over time. The system is revised every couple years and recently underwent two major changes, separating real estate out of finance into its own category and reorganizing Telecommunications into Communications. The GICS reflect current trends in investing, but often ignore the past, for example, by making Transports an industry group rather than a sector.

The SIC (Standard Industry Classification) system was established in 1937 to provide a standardized classification system for industry in the United States. The SIC system uses four-digit codes and was succeeded by the NAICS (North American Industry Classification System) which uses six digits and updated the SIC codes to the 1990s. Nevertheless, the codes reflect that world of the 1930s more than the 2010s, but the SIC codes have become so well established that they are still used despite the fact that they reflect a world that no longer exists. A similar system, the NACE (nomenclature statistique des activités économiques dans la Communauté européenne) has been created by the European Community which classifies economic activities at four levels ranging from 21 industries at the highest level to 615 economic activities at the fourth level.

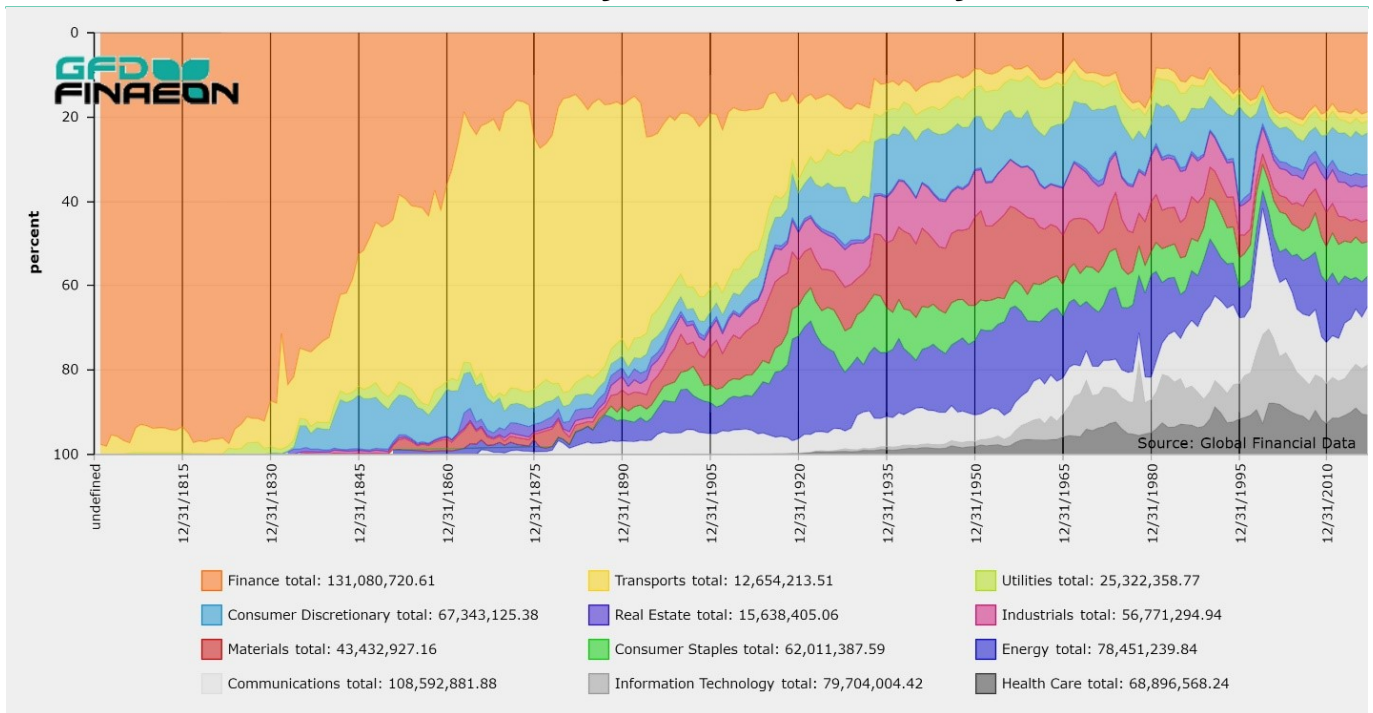
The goal of Global Financial Data's sector and industry classification system is to provide a system that benefits from both of these classification systems. The organization is closer to GICS than the SIC codes, but maintains sectors and industries that were important in the past, such as transports and railroads, but have shrunk in significance during the 20th and 21st century.

One of the main drawbacks of the GICS classification system is that it lacks historical coverage to enable its users to gain a sense of historical perspective and analyze how the different sectors and industries behaved in the past during different market cycles. When S&P introduced the

GICS, they calculated data back to 1989, but not before then. How can investors make informed decisions on the performance of different sectors when they have less than thirty years of data on stock markets that have been around for over 200 years?

Global Financial Data plans to resolve this issue by providing sector indices that go back several centuries, not several decades. We can recalculate our indices so the whole historical record reflects the current classification system. Charts that show how the market capitalization of the different sectors changed over time are already available. Price and total return indices will be available to our customers in 2019.

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To help our customers better understand the differences between the three classification systems, we have put together an equivalency table that allows you to directly compare the GFD, GICS and SIC codes to better understand how they relate to each other. A link to the Excel spreadsheet that provides this comparison is provided here.

[GFD Sector and Industry Classification System](#)

Let us know if you have any questions about any of these classification systems.