

SMI Remains Steady at 52

The Security Market Index (SMI)

remains steady at 52 this October. In August, the Index was 53; 61 in June; 72 in April; 72 in February; and 44 in November. An Index above 50 indicates that conditions within the industry are largely positive and that security industry professionals are predominantly confident in their business outlooks.

This month, 24% of security professionals rated current business conditions as being "excellent," 60% said they were "good," 16% said they were "average," and no one said conditions were "fair" or "poor." In August, 22% of security professionals said current business conditions were "excellent," 64% said they were "good," 12% said they were "average," 2% rated them as fair, and no one said conditions were "poor."

A respondent in security officer/guarding services noted that the demand for security services remains "robust."

The SMI measures security industry executives' current status and future expectations through a select survey of SIA members. The Index's goal is to provide a macro-view of confidence levels in the security industry every two months while closely examining six specific business measures:

- Number of employees or hours worked
- Marketing spending
- Product production or service output
- Capital equipment spending
- R&D spending
- Product or service sales

This month, 60% of survey respondents reported an increase in the number of employees or hours worked, while 35% said the numbers remained the same, and 5% reported decreases. In August, 57% of survey respondents reported an increase in the number of employees or hours worked, while 7% said the numbers remained the same, and 36% reported decreases.

This October, 46% of security professionals surveyed reported increases in marketing spending, while 8% reported a decrease, and 46% said spending remained the same. In August, 38% of respondents reported an increase in marketing spending, while 5% reported a decrease, and 48% said spending remained the same.

In addition, 32% of October SMI respondents reported increases in capital equipment spending, 11% reported decreases, and 64% said spending remained the same. In August, 24% of professionals said capital equipment spending had increased, 10% said it had decreased, and 62% said it had remained the same.

Within the next three months, 75% of security professionals believe business conditions will be either "much better" or "a little better," while 27% expect no change in business conditions, and 3% expect them to be worse. In August, 73% of respondents expected improved conditions in the next three months, 17% expected conditions to remain the same, and 10% expected conditions to worsen. One respondent said, "Demand for security services remains very strong, but inflationary impacts on the cost of goods and resources are a huge concern and will likely temper expansion of sales and marketing expenditures."

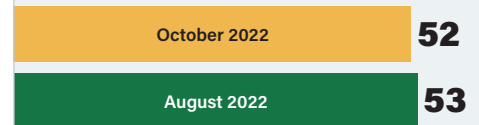
To provide a broader view of business conditions, the SMI also cross-checks against other surveys and reports from a select list of sources that generally match the time range and themes of the Index.

- The Conference Board's Consumer Confidence Index ▲
- The National Association of Realtors' Home Sales ▼
- The Conference Board's Measure of CEO Confidence ▼
- Chief Executive's CEO Confidence Index ▲
- National Association of Manufacturers (NAM) Outlook Survey ▼

SIA Security Market Index October 2022

Overall, the Index survey measures general business conditions but also gauges six elements to reach one Index number that signals security industry executives' confidence. The elements are:

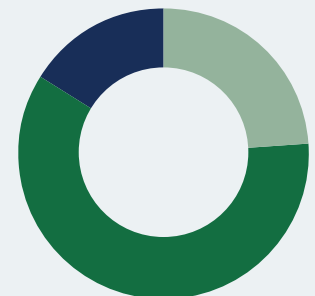
- Number of Employees or Hours Worked
- Marketing Spending
- Product Production/Service Output
- Capital Equipment Spending
- R&D Spending
- New Orders/New Contracts



Source: SIA Security Market Index, October 2022

The Industry's outlook remained largely unchanged at 52.

October 2022 Overall Rating of Current Business Conditions of Company



- Excellent: 24%
- Good: 60%
- Average: 16%
- Fair: 0%
- Poor: 0%

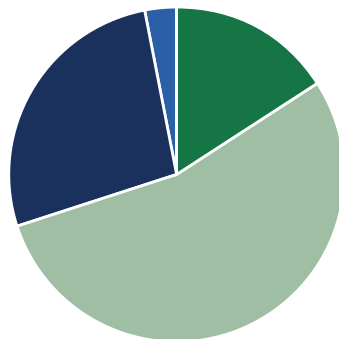
Source: SIA Security Market Index, October 2022

This month, 24% of security professionals rated current business conditions as "excellent," 60% said they were "good," and 16% said conditions were "average." No SMI respondents considered current conditions to be "fair" or "poor."

- The U.S. Bureau of Labor Statistics Employment Situation Summary ▼
The Conference Board Consumer Confidence Index increased in September. The Index now stands at 108.0, up from 103.6 in August. Based on consumers'

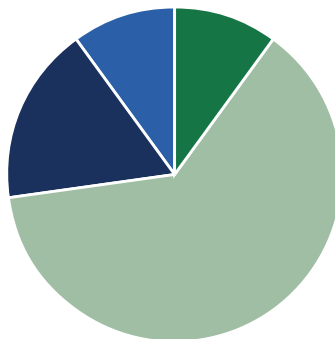
Expected Business Conditions for Companies in Next Three Months

OCTOBER 2022



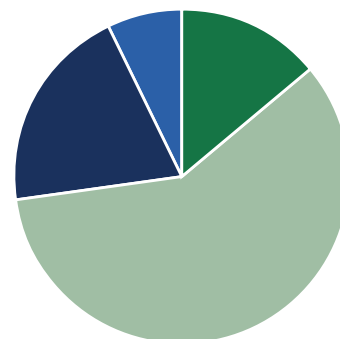
- Much Better - **16%**
- A Little Better - **54%**
- No Change - **27%**
- A Little Worse - **3%**
- Much Worse - **0%**

AUGUST 2022



- Much Better - **10%**
- A Little Better - **63%**
- No Change - **17%**
- A Little Worse - **10%**
- Much Worse - **0%**

JUNE 2022



- Much Better - **14%**
- A Little Better - **59%**
- No Change - **20%**
- A Little Worse - **7%**
- Much Worse - **0%**

Source: SIA Security Market Index, October 2022

Moving forward, 70% of security leaders believe that business conditions will improve by some degree over the next three months, with 27% predicting no change over the next quarter, and 3% expecting conditions to become worse.

assessment of current business and labor market conditions, the Present Situation Index rose to 149.6 from 145.3 in August; and the Expectations Index — based on consumers' short-term outlook for income, business, and labor market conditions — increased to 80.3 from 75.8.

The National Association of Realtors' Pending Home Sales Index (PHSI) — a forward-looking indicator of home

sales based on contract signings — fell 2% to 88.4 in August. An index of 100 is equal to the level of contract activity in 2001. Three out of four major regions experienced month-over-month decreases in transactions; however, the West saw a modest gain. Year-over-year, all four regions posted double-digit declines.

In collaboration with The Business

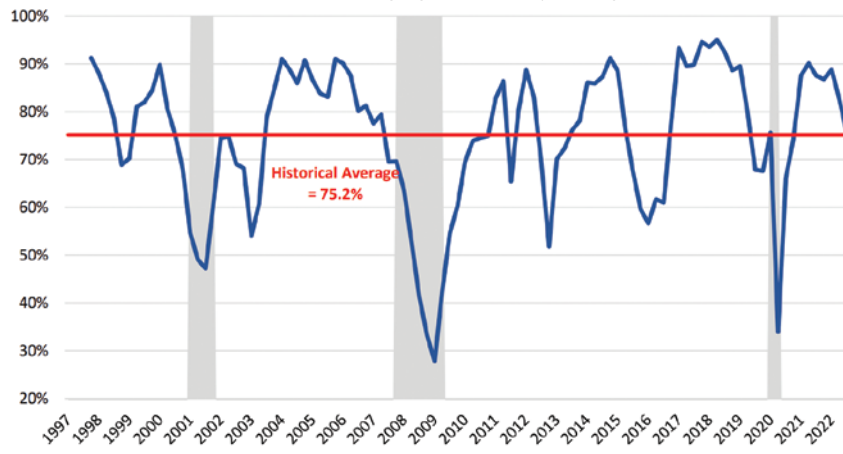
Council, The Conference Board's Measure of CEO Confidence deteriorated further in Q3, and the Measure stands at 34, down from 42 in Q2. A reading below 50 points reflects more negative than positive responses. An overwhelming majority — 81% — said they were preparing for a brief and shallow recession, with limited global spillover, while only 7% said they do not expect a recession.

Chief Executive's September reading of CEO Confidence Index shows the leading indicator at 5.92 out of 10. The Index, which gauges CEO sentiment for business 12 months out, rose by 2% in early September, after soaring 14% in August. America's business chiefs are anticipating a late-2023 recovery, which many expect will put an end to supply chain woes, labor shortages, interest rate hikes and, of course, record-high inflation. Many are basing their outlook for the next 12 months on their projection for the upcoming midterm elections, continued strength in consumer demand and indications that supply chains will have eased by this time next year — along with the Fed's interest rate hikes.

NAM's October Outlook Index measured 50.3, down from 55.0 in June. The

Manufacturing Business Outlook by Quarter, 1997-2022

(Recessions Are Highlighted with Gray Shading)



The 2022 Q3 Manufacturer's Outlook Index from the National Association of Manufacturers (NAM) shows 75.6% of respondents felt either somewhat or very positive about their company outlook. Source: NAM.

Percent of Respondents Saying They Will Increase Activity or Dollars in

October 2022

Product/Service Sales: **65% Increase**
 Employees/Hours: **60% Increase**
 Capital Equip Spend: **32% Increase**

August 2022

Product/Service Sales: **76% Increase**
 Employees/Hours: **57% Increase**
 Capital Equip Spend: **24% Increase**

June 2022

Product/Service Sales: **75% Increase**
 Employees/Hours: **73% Increase**
 Capital Equip Spend: **38% Increase**

Source: SIA Security Market Index, October 2022

The percentage of respondents planning to increase sales, labor and capital equipment spending or activity has changed from August.

survey showed mixed results around a challenging economic environment, inflation, supply chains and the workforce, and 78.3% of manufacturing leaders listed supply chain disruptions as a primary business challenge, with only 10.8% believing improvement will occur by the end of the year.

The U.S. Bureau of Labor Statistics Employment Situation Summary shows that the unemployment rate rose to 3.7% in August. The number of unemployed persons increased by 344,000 to 6.0 million. In July, these measures had returned to their levels in February 2020, prior to the coronavirus (COVID-19) pandemic.



Behind the SIA Security Market Index

The Security Market Index, a bi-monthly survey and report, measures overall industry confidence in

addition to specifics by executives' product and service focus. A select group of top leaders, representing the SIA membership, is surveyed throughout the month of publication via a series of emails with a link to an online and confidential questionnaire.

Respondents can add comments to most recurring questions. When comments are referenced in this report, they are not attributed to any specific individuals or member firms.

SECURITY VIDEO

Video Surveillance SMI Falls to 50



Ratchapon Supprasert / Stock / Getty Images Plus via Getty Images

The Security Market Index (SMI) reading for the video surveillance sector decreased this October, with a reading of 50. In August, the sector-specific SMI was 58, and in April, it was 82.

Confidence in the sector remained positive, however, with 33% of video surveillance professionals rating business conditions as "excellent," while 50% said conditions were "good," and 17% said conditions were "average." In August, 12% of professionals in the sector considered conditions to be "excellent," 63% said they were "good," and 25% said conditions were "average."

Moving forward, 100% of those surveyed in the video sector said they expect business conditions to be "a little better" in three months. In August, all respondents said they also expected business conditions to be "a little better."

Security Market Index, Video Surveillance Segment: **50** Security Market Index, Overall: **52**

Expected Business Conditions over the Next Three Months

October 2022

- Much better: **0%**
- A Little Better: **100%**
- No change: **0%**
- Worse: **0%**

August 2022

- Much better: **0%**
- A Little Better: **100%**
- No change: **0%**
- Worse: **0%**

April 2022

- Much better: **20%**
- A Little Better: **70%**
- No change: **10%**
- Worse: **0%**

Source: SIA Security Market Index, October 2022

Integration SMI Increases to 56



DSCimage / iStock / Getty Images Plus via Getty Images

The segment-specific Index for security systems integrators is 56 this month — an increase from the Index reading of 42 in August 2022. The Index was 61 in June and 62 in April.

When asked how they would rate current business conditions, 20% said “excellent,” 60% said “good,” 10% said “average,” and 10% said fair. In August, 20% of survey respondents in the sector reported their

confidence in current business conditions to be “excellent,” while 50% said “good,” and 20% said “average.”

In three months, 80% of integrators surveyed expect business conditions to be “a little better,” 10% said no change, and 10% said worse. In August, 70% of integrators surveyed expected business conditions to be “much better,” and 10% expected conditions to be “worse.”

SECURITY MARKET INDEX

Security Systems Integrator Segment: **56**

SMI Overall: **52**

Confidence in Current Business Conditions

SMI Overall:
 Excellent: **24%**
 Good: **60%**
 Average: **16%**
 Fair: **0%**
 Poor: **0%**

Security Systems Integrator Segment

Excellent: **20%**
 Good: **70%**
 Average: **10%**
 Fair: **0%**
 Poor: **0%**

Source: SIA Security Market Index, October 2022

Security Industry Association
 8405 Colesville Road, Ste. 500
 Silver Spring, MD 20910
 Tel: (301) 804-4700
 Fax: (301) 804-4701
 www.securityindustry.org
 © Copyright 2022 Security Industry Association.
 ALL RIGHTS RESERVED



INTEREST RATES

Is the Federal Reserve Right to Raise Interest Rates?

In September, with inflation still running stubbornly hot, the Federal Reserve increased the target for the federal funds rate another 0.75% to a range of 3% – 3.25%. The Federal Reserve also released median projections showing that they anticipate the target rate to be 4.4% by the end of 2022.

This October, the Security Market Index (SMI) polled industry professionals to find out their thoughts on the central bank’s strategy. Nearly half (46%) of SMI respondents said that the Federal Reserve is “taking the right approach by raising interest rates,” 22% of respondents believe their actions “might be a little excessive,” and 10% believe the central bank’s strategy is “going too far” and “pushing us into a recession.”

One respondent believed the Fed is taking the right approach, but one that is a little too late. “They should have started tapering earlier and would not have to be so aggressive in such a short time. At this point, I doubt they will be able to engineer a soft landing, and I suspect this will push us into a recession,” the respondent said.

A recent study from the Harris Poll shows respondents are split on this key question. Half of the country wants to tame inflation quickly, even if it means a recession. The other half would prefer avoiding a recession, regardless of inflation ticking higher, according to the study.

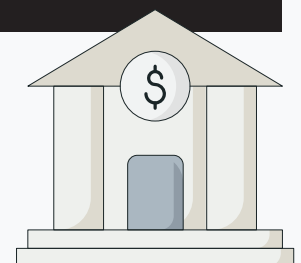
The Federal Reserve has raised interest rates by 3 percentage points this year, with more hikes expected. What do you think of the central bank’s strategy?

With inflation so high, the Fed needs to be even more aggressive **0%**

They're taking the right approach **46%**

Their actions might be a little excessive **22%**

They're going too far and are pushing us into a recession **10%**



Stockyarder / iStock / Getty Images Plus via Getty Images

Source: SIA Security Market Index, October 2022