SECURITY MARKET INDEX
A Bimonthly Measure from the Security Industry Association

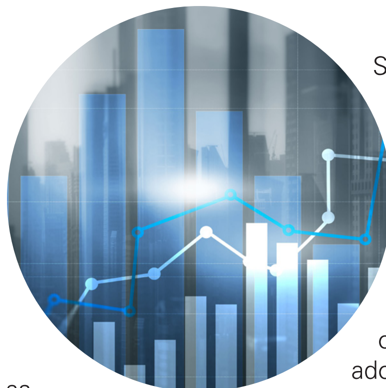
SECURITY INDUSTRY ASSOCIATION

MAY | JUNE **2024**

75% Cite Positive Business Conditions

"The security industry is in outstanding shape. We are looking forward to a strong second half of 2024."

Three-fourths of respondents to the May-June SIA Security Market Index survey reported a positive assessment of current conditions at their company.



Nearly one in four (24 percent) rated conditions as "excellent," while just over half (51 percent) said they are "good." Twenty-two percent characterized things as "average," 2 percent said "fair," and 1 percent said "poor."

"As was seen at ISC West in April, the security industry is in outstanding shape," SIA Board of Directors Chair Scott Dunn of Axis Communications said. "We are looking forward to a strong second half of 2024."

A respondent from the access control sector observed a "positive trend, exceeding pre-pandemic revenue," while another survey participant staked out the middle ground between the top two descriptors: "Actually, [the] rating is *very* good" [emphasis added].

Several survey participants cited concerns not with the security industry, but with broader macroeconomic and government issues, including one who said, "High level of activity and interest, but still political and privacy headwinds in the U.S.; less objections in other global geographies, so adoption is faster." In addition, a respondent noted uncertainty and disruption resulting from the fact that the "federal budget was late in being signed."

The May-June Security Market Index dipped three points from two months earlier to 51, a bit below the 12-month average of 55. A reading over 50 indicates growth in the industry. The Index is calculated using a proprietary formula based on three-month projections related to five key business components.

SIA thanks
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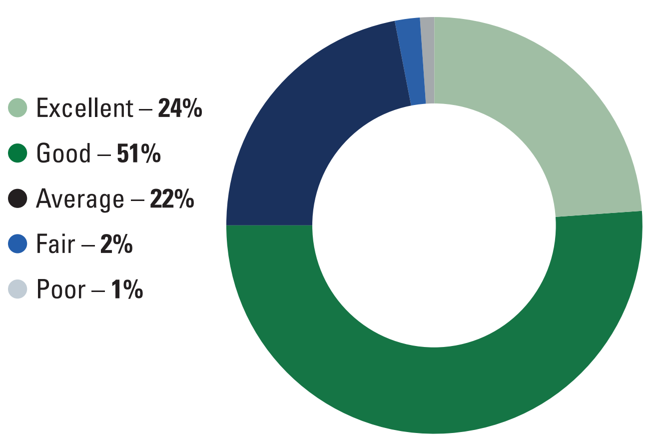
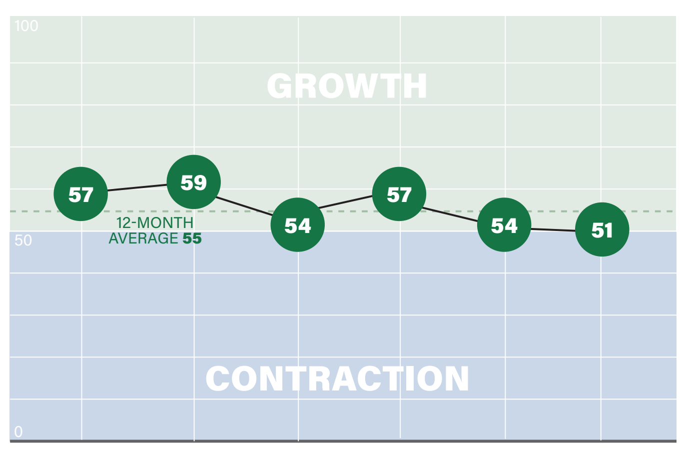
June 2024

Overall Rating of Current Business Conditions of Company



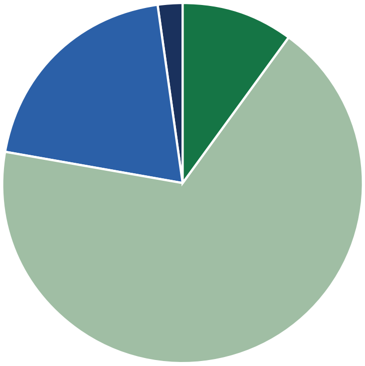
SIA Security Market Index



Forecasts for Next 3 Months Largely Positive

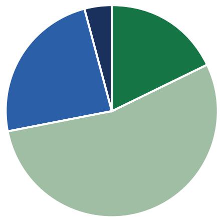
Expected Business Conditions for Companies in Next Three Months

JUNE **2024**



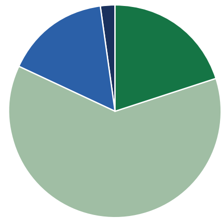
- Much Better - **10**%
- A Little Better - **67**%
- No Change - **20**%
- A Little Worse - **2**%
- Much Worse - **0**%

APRIL **2024**



- Much Better - **18**%
- A Little Better - **54**%
- No Change - **24**%
- A Little Worse - **4**%
- Much Worse - **0**%

FEBRUARY **2024**



- Much Better - **20**%
- A Little Better - **62**%
- No Change - **16**%
- A Little Worse - **2**%
- Much Worse - **0**%

Expectations for the next three months are strong in the security industry, with nearly four out of five survey participants predicting that conditions will improve.

Two-thirds of respondents said they think things will get "a little better," while more than 10 percent expect that conditions will get "much better." Another 20 percent expect little to no change, and 2 percent are bracing for things to get "a little worse."

The results mark a 5 percentage point improvement in the number of people forecasting gains, compared to two months ago.

One manufacturer noted "increased market demand," a sentiment that appears widespread, as 78 percent of respondents anticipate increases in product/service sales during the next three months.

Also, 63 percent said that employees or hours worked at their company would increase in the short-term, with an integrator saying they are "hiring techs and sellers to keep up with market demands" and a respondent from the access control sector commenting that, "Machine shop and production hours will increase to meet increased demand for orders."

One respondent noted the seasonal nature of spending on communications, saying, "We generally slow our marketing investments during the summer months for print and digital."

Increases in research and development spending were predicted by 43 percent of respondents, in marketing spending by 37 percent, and in capital expenditures by 27 percent. In all five categories, only single-digit percentages said spending would decrease.

Percent of Respondents Saying They Will Increase Activity or Dollars in

JUNE 2024

CapEx: **24%**
Employees/Hours: **63%**
Marketing: **37%**
Product/Service Sales: **78%**
R&D: **39%**

APRIL 2024

CapEx: **28%**
Employees/Hours: **66%**
Marketing: **42%**
Product/Service Sales: **82%**
R&D: **45%**

FEBRUARY 2024

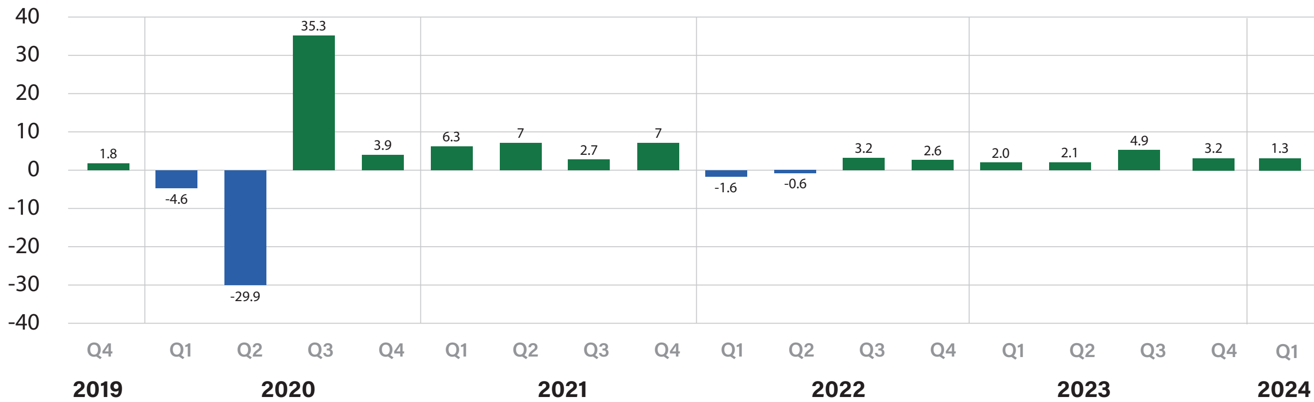
CapEx: **33%**
Employees/Hours: **63%**
Marketing: **45%**
Product/Service Sales: **91%**
R&D: **49%**

Several private sector economic indicators are showing mixed results:

- *Chief Executive* CEO Confidence Index (May) ▲
- Institute for Supply Management Purchasing Managers Index (May) ▼
- National Association of Realtors Existing Home Sales (April) ▼
- The Conference Board Consumer Confidence Index (May) ▲
- University of Michigan Index of Consumer Sentiment (May) ▼

Inflation and Interest Rates Show Little Sign of Easing

Real GDP: Percent Change from Preceding Quarter



Source: Bureau of Economic Analysis

Inflation remains stubbornly high, posing a challenge to the Federal Reserve as economic growth shows signs of slowing.

During the first quarter of 2024, the economy expanded by 1.3 percent, a mediocre performance that could support arguments for a looser monetary policy. However, April's 3.4 percent inflation rate, which continued a nearly year-long trend of the rate hovering between 3 and 3.7 percent, applied pressure in the opposite direction.

With the Federal Reserve's target inflation rate of 2 percent still a significant distance away, the central bank decided to keep the target range for the Federal Funds Rate at 5.25 to 5.5 percent, where it has been since July 2023.

"Inflation has eased over the past year but remains elevated," the Fed stated following its April 30-May 1 meeting. "In recent months, there has been a lack of further progress toward the Committee's 2 percent inflation objective. … The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent."

One reason the Federal Reserve has been able to resist any temptation to reduce rates is that the labor market has been healthy since the pandemic. In April, the economy created 175,000 jobs and the unemployment rate was 3.9 percent. The rate has been below 4 percent every month since February 2022.

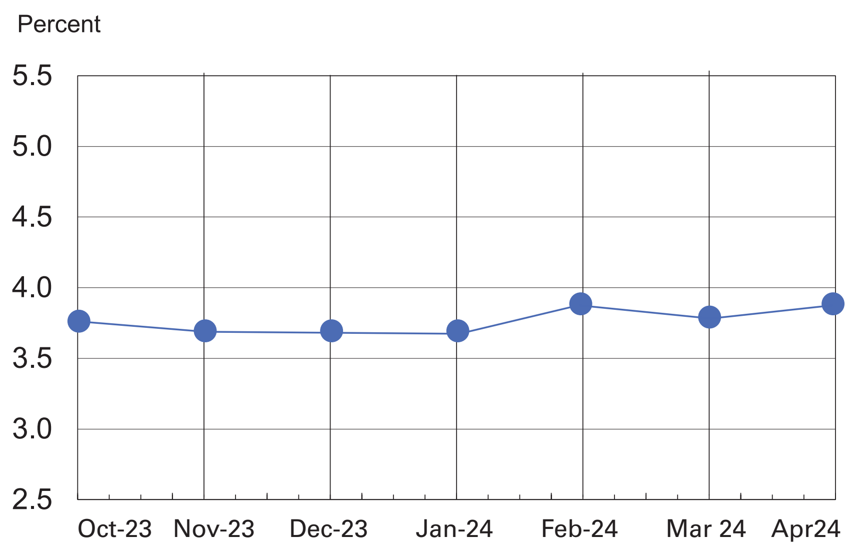
Consumer confidence has been uneven, with most Americans employed but facing a higher cost of living. The Conference Board's Consumer Confidence Index improved by 4.6 percent in May following three straight months of declines.

"Consumers' assessment of current business conditions was slightly less positive than last month," the board's chief economist said. "However, the strong labor market continued to bolster consumers' overall assessment of the present situation."

The Index of Consumer Sentiment from the University of Michigan Surveys of Consumers, meanwhile, decreased by 10.5 percent from April to May.

"The year-ahead outlook for business conditions saw a particularly notable decline, while views about personal finances were little changed," the surveys' director said, adding, "The prospect of continued high interest rates also weighed down consumer views."

Unemployment rate, seasonally adjusted



Source: Bureau of Labor Statistics

ISC West Gets Rave Reviews

More than nine out of 10 survey participants who attended ISC West gave the event high marks.

When asked, "How would you describe your overall ISC West experience," 93 percent said it was either "excellent" (50 percent) or "very good" (43 percent).

Respondents offered several comments about the number of people at the event, noting that it had a "very busy show floor," "Turnout was strong," and "It was incredible how many attended."

Multiple survey participants commented on the practitioner presence, with one saying, "More end users make the event much better."

More than 29,000 security industry professionals were at ISC West in Las Vegas in April, including more than 19,000 (non-exhibitor) attendees.

ISC East is scheduled for Nov. 19-21 in New York City. ISC West 2025 will be held in Las Vegas April 1-4.

New SIA Report Examines Security Industry Changes


SIA SECURITY INDUSTRY ASSOCIATION

The Evolving Security Industry

The adaptation of the systems integrator

Introduction

The security industry is evolving, and multiple disruptive factors are driving systemic changes. This report aims to assess the state of this evolution at the start of 2024.

Security devices are increasingly becoming integrated in wider tech ecosystems such as the Internet of Things. Security systems integrators specialize in installing, combining, and maintaining physical security systems. They need to adapt to the challenges being brought about via new technologies, business models and external societal factors. This report looks in more detail at the changes, suggests potential strategies for integrators to adapt and provides the end-user perspective.

securityindustry.org

With the security industry rapidly evolving, SIA commissioned a research report from Novaira Insights to assess the changes that are occurring and their impact on integrators.

Leveraging the results of interviews with and surveys of integrators and end users, "The Evolving Security Industry," which was released in March, examines the effect of factors such as the Internet of Things (IoT), the cloud, and artificial intelligence (AI), as well as as-a-service models, and suggests potential strategies that can help integrators to adapt and prosper.

The report also includes analyses of, among other things:

- Long-term trends in the industry
- Future disruptors
- The next-generation security capabilities being sought by end users

SIA members can download the report at no charge:

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.

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