

# SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association



NOVEMBER | DECEMBER 2024



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## Nearly 4 in 5 Security Companies See Positive Conditions

The security industry ended the year on a high, with 78 percent of respondents to the SIA Security Market Index survey describing current conditions for their company in positive terms.

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One respondent from a brokerage and consulting firm in the alarm sector noted that, after opening in April of this year, “we have closed seven deals with a full pipeline of sellers and buyers we represent.”

As in recent surveys, some participants noted frustrations with the congressional appropriations process – “No federal budget is in place,” an integrator lamented – as well as concerns with the overall economy.

“The economy needs to pick up to change from average to good and possibly excellent,” a participant from the access control sector commented.

A respondent from the video surveillance space observed that the buying patterns of their customers seems to have shifted, writing,

“More companies are looking for a quick fix as opposed to fit-to-purpose” solutions.

The November-December Security Market Index, which is calculated using a proprietary formula based on three-month projections related to five key business components, held steady at 55 following a seven-point increase two months ago. This is two points above the 12-month average of 53.

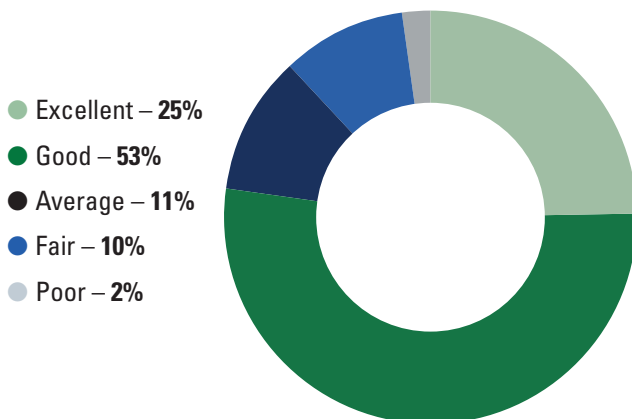
Survey respondents represented all of the main sectors of the security industry, with access control/identity management, integration and video surveillance accounting for just over half of participants.

“With innovative solutions and a dedicated workforce, the security industry in 2024 continued to advance the protection of people, assets and critical infrastructure,” SIA Board of Directors Chair Scott Dunn of Axis Communications said. “The positive sentiments and confidence that are reflected in the latest Security Market Index indicate that we are entering 2025 in a strong position, poised for additional progress and further growth.”

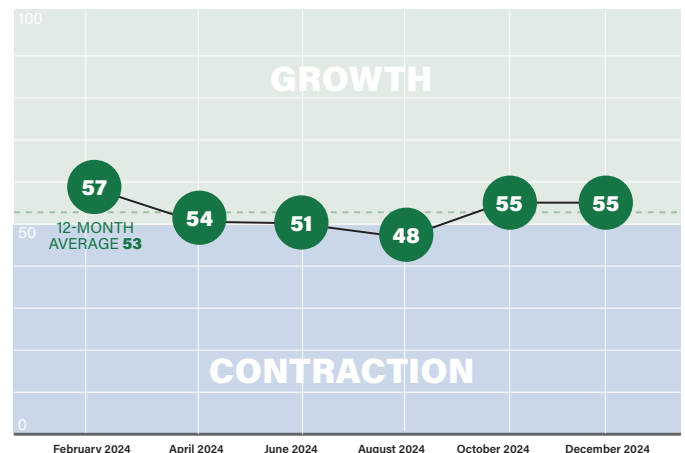
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### December 2024

Overall Rating of Current Business Conditions of Company



### SIA Security Market Index



# Most in Industry Foresee Growth in Next Quarter

**When asked what they expect conditions for their business to be like in three months, 77 percent of SIA Security Market Index survey respondents said they foresee growth.**

Nearly three out of five said things will likely be “a little better” and almost one out of five were even more optimistic, saying they will be “much better.” Only 5 percent expect them to get “a little worse,” and no respondents said they will get “much worse.” The results are largely unchanged from the September-October index.

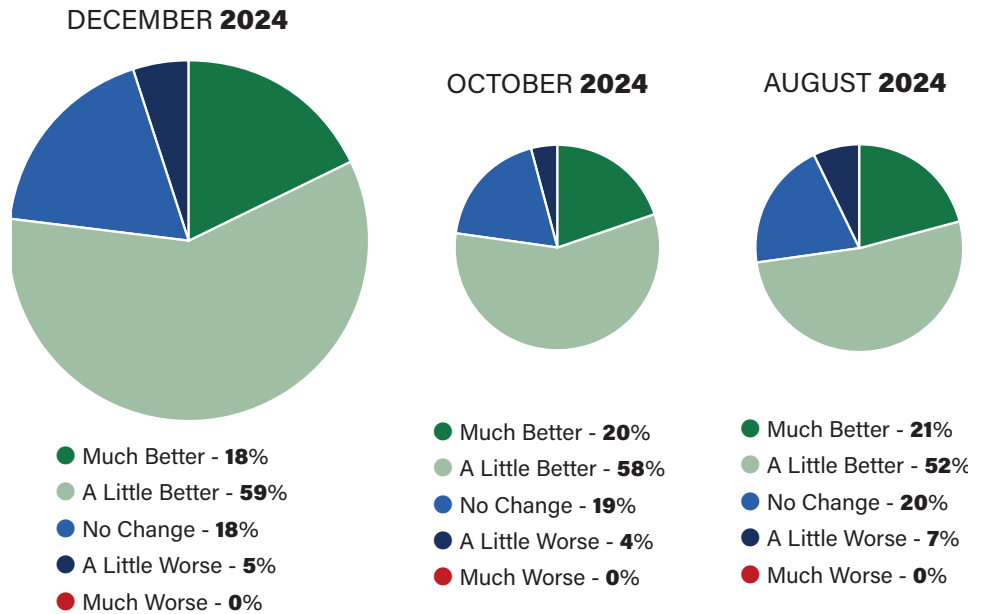
“We think Q1 2025 will be much better than Q1 2024 was,” a representative of the audio/voice communication sector wrote.

Regarding product and service sales, specifically, 79 percent said they expect to see growth during the coming quarter, which is up two points from September-October and up seven points from July-August. An integrator said they “are seeing increased spending in retail and tech,” while an audio/voice communication respondent is already looking forward to heading to Las Vegas in a few months: “We will have several key product and service rollouts at ISC West.”

Almost three in five respondents forecast increases in employees or hours worked during the next three months, which is down six points from two months ago. Just over half expect to boost their marketing spending, though one survey participant noted that, because of increasing costs, “we are getting more targeted and less general.” Another simply noted, “More publication ads, trade shows and events.”

Increases in research and development spending during the next three months are seen as likely by half of respondents, while 37 percent say that capital expenditures will probably go up.

## Expected Business Conditions for Companies in Next Three Months



## Percent of Respondents Saying They Will Increase Activity or Dollars in

### DECEMBER 2024

CapEx: **37%**  
 Employees/Hours: **59%**  
 Marketing: **51%**  
 Product/Service Sales: **79%**  
 R&D: **50%**

### OCTOBER 2024

CapEx: **36%**  
 Employees/Hours: **65%**  
 Marketing: **52%**  
 Product/Service Sales: **77%**  
 R&D: **57%**

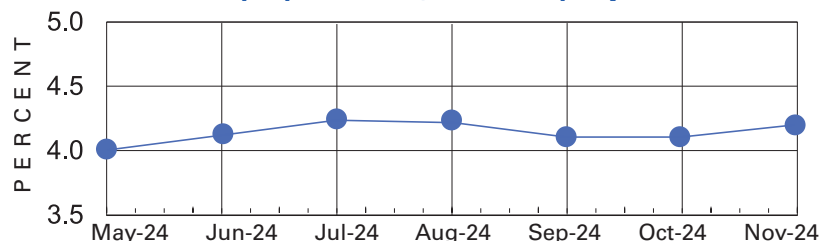
### AUGUST 2024

CapEx: **30%**  
 Employees/Hours: **52%**  
 Marketing: **42%**  
 Product/Service Sales: **72%**  
 R&D: **41%**

## Other Private Sector Economic Indicators

- Chief Executive CEO Confidence Index (December) ▲
- Institute for Supply Management Purchasing Managers Index (December) ▲
- National Association of Home Builders/Wells Fargo Housing Market Index (December) ⬅➡
- National Association of Realtors Existing Home Sales (October) ▲
- The Conference Board Consumer Confidence Index (November) ▲

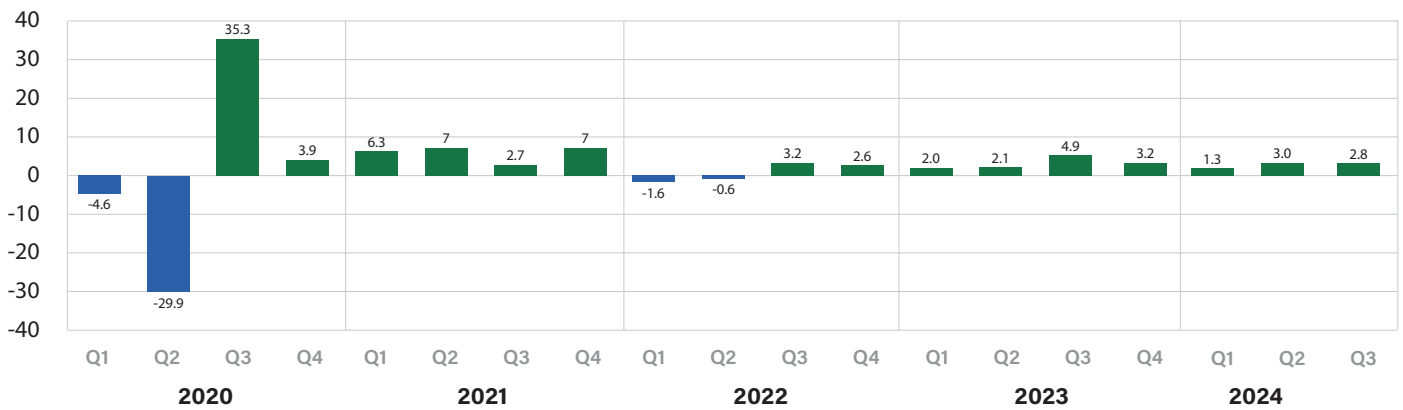
## Unemployment rate, seasonally adjusted



Source: Bureau of Labor Statistics

# Federal Reserve Announces 3rd Rate Cut in a Row

Real GDP: Percent Change from Preceding Quarter



Source: Bureau of Economic Analysis

## The Federal Reserve has now cut interest rates at three meetings in a row, even while concerns about inflation linger.

The central bank has reduced rates by a full percentage point since September, bringing the target range for the Federal Funds Rate to 4.25-4.5 percent. The most recent cut was a quarter-point reduction on Dec. 18.

“Recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low,” the Federal Reserve Federal Open Market

Committee stated in announcing the December cut. “Inflation has made progress toward the Committee’s 2 percent objective but remains somewhat elevated.”

At the same time it cut rates, the Fed also lowered expectations for additional reductions in 2025. While it had been forecasting four as recently as in September, it is now projecting two, likely because of “somewhat elevated” inflation, which could be exacerbated if the economy is over-stimulated.

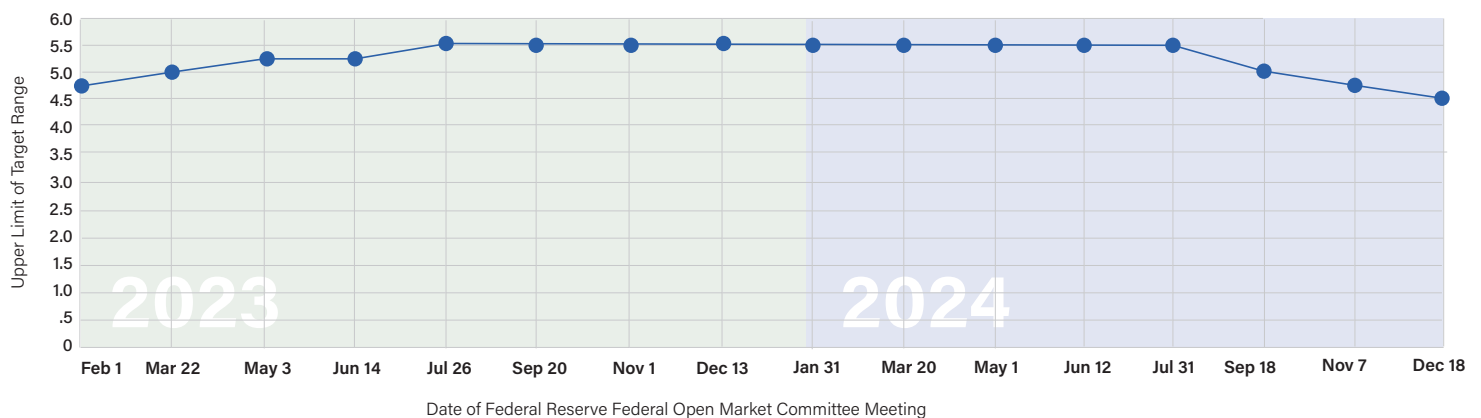
“We have been moving sideways on 12-month inflation,” Fed Chair Jerome Powell said.

The Consumer Price Index from the Bureau of Labor Statistics recorded a 2.7 percent increase from November 2023 to November 2024. Energy costs, which are often a driver of inflation, actually decreased by 3.2 percent during those 12 months.

The economy created 277,000 jobs in November and the unemployment rate is now 4.2 percent, according to the bureau, which also revised job creation in September and October upward by 56,000.

During the third quarter, the economy grew at an annualized rate of 2.8 percent, the Bureau of Economic Analysis reported. This followed Q2 growth of 3 percent.

Federal Funds Interest Rate



# Forecast for 2025 Positive for Security Industry

## Members of the security industry appear to be looking forward to big things in 2025.

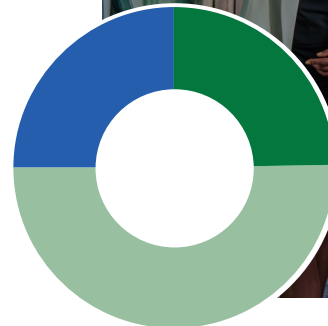
About one-fourth of respondents to the SIA Security Market Index survey described their expectations for their business in the coming year as “very high,” while just over half characterized them as “high.” While 24 percent have a “medium” forecast, none said they are anticipating “low” or “very low” performance.

“2023 was a record year for us,” a cybersecurity respondent said. “It made the goals of 2024 pretty hard to hit, and 2025 should be a great growth year again.”

Some commenters connected their optimism to the coming change in power in Washington, D.C., with a consultant saying, “With elections over, new policies will be beneficial to the electronic security industry.”

A residential security respondent, however, expressed wariness regarding one of the president-elect’s main policy goals: “Trump tariffs could kill some of us selling hardware.”

- Very High – 25%
- High – 51%
- Medium – 25%
- Low – 0%
- Very Low – 0%



How would you describe your expectations for your business in 2025?



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SECURITY MARKET INDEX

**Optimism Reigns, Despite Concerns About Global Events**

The Security Market Index (SMI) survey shows that 76% of respondents expect their business to grow in 2025, up from 71% in 2024. This optimism is driven by a combination of factors, including the end of the election cycle and the expectation of more stable government policies. However, concerns about global events, such as the conflict in Ukraine and the ongoing tensions in the Middle East, continue to weigh on respondents' confidence.

Key findings from the survey include:

- 76% of respondents expect their business to grow in 2025, up from 71% in 2024.
- 51% of respondents expect their business to be "High" in 2025, up from 48% in 2024.
- 25% of respondents expect their business to be "Medium" in 2025, down from 27% in 2024.
- 0% of respondents expect their business to be "Low" or "Very Low" in 2025, up from 0% in 2024.

**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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