

Industry Outlook Rebounds

The Security Market Index (SMI)

rebounded this month to 54 — the same reading as in December 2020 — after dipping down to 44 in February. 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, 26% of security professionals rated current business conditions as being “excellent,” 43% said they were “good,” 23% said they were “average,” 6% rated them as “fair,” and 3% said conditions were “poor.” In February, 25% of respondents said conditions were “excellent,” 50% said they were “good,” 6% said they were “average,” 13% said they were “fair,” and 6% said conditions were “poor.” In December 2020, 13% of respondents said conditions were “excellent,” 53% said they were “good,” 7% said they were “average,” 13% said they were “fair,” and 13% said conditions were “poor.”

The Security Market Index measures the current status and future expectations of security industry executives 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, 63% of survey respondents reported an increase in the number of employees or hours worked, while 34% said the numbers were remaining the same and no one reported decreases. In February, 44% reported increases, 38% reported consistency, and

19% reported decreases.

Twenty-six percent of April SMI respondents reported increases in capital equipment spending, 9% reported decreases, and 57% said spending had remained the same. In February, 25% of professionals said capital equipment spending had increased, 13% said it had decreased, and 63% said it had remained the same.

An impressive 46% of security professionals surveyed in April reported increases in marketing spending, while 6% reported a decrease, and 40% said spending was remaining the same. In February, 19% of respondents reported an increase in marketing spending, while 25% reported a decrease and 50% reported consistency.

Within the next three months, 85% of security professionals believe business conditions will be either “much better” or “a little better.” Eleven percent expect no change in business conditions, and 3% expect them to be worse. In February, 75% of respondents expected improved conditions in the next three months, 19% expected conditions to remain the same, and 6% expected conditions to be worse.

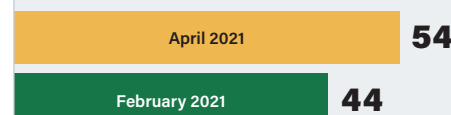
To provide a broader view of business conditions, the Security Market Index also cross checks against other surveys and reports from a select list of sources that generally match the time range and themes of the Index.

- The Conference Board’s Consumer Confidence Index ▲
- The National Association of Realtors’ Home Prices ▼
- The Conference Board’s Measure of CEO Confidence ▲
- Chief Executive’s CEO Confidence Index ▲
- National Association of Manufacturers’ (NAM) Outlook Survey ▲
- The U.S. Bureau of Labor Statistics’ Employment Situation Summary ▲

SIA Security Market Index April 2021

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:

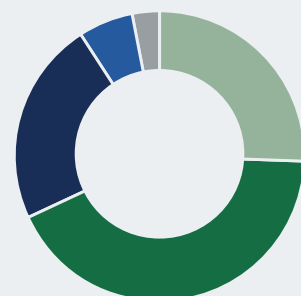
- Number of Employees or Hours Worked
- Marketing Spending
- Product Production/Service Output
- Capital Equipment Spending
- R&D Spending
- New Orders/New Contracts



Source: SIA Security Market Index, April 2021

The industry’s outlook rebounded to its December levels this month with an Index of 54.

April 2021 Overall Rating of Current Business Conditions of Company



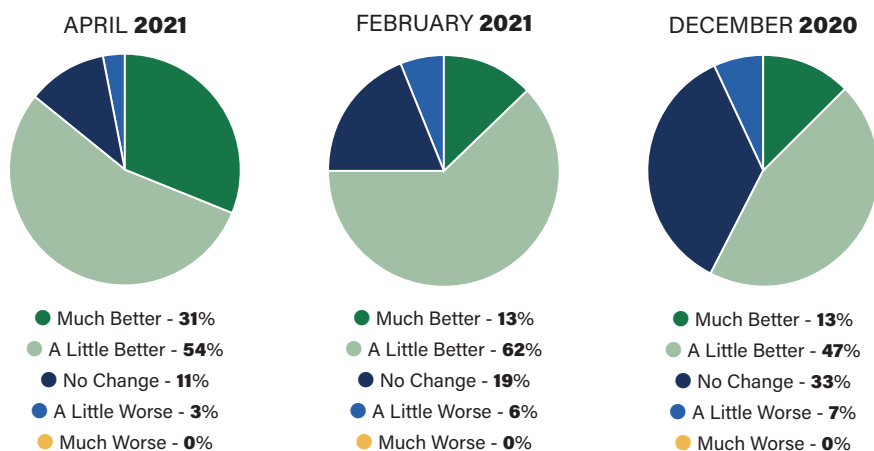
- Excellent: **26%**
- Good: **43%**
- Average: **23%**
- Fair: **6%**
- Poor: **3%**

Source: SIA Security Market Index, April 2021

This month, 26% of security professionals rated current business conditions as “excellent,” and 43% said they were “good.” Twenty-three percent said conditions were “average,” 6% said conditions were “fair,” and 3% of Security Market Index respondents considered current conditions to be “poor.”

The Conference Board Consumer Confidence Index® surged in March to its highest reading in a year, after a modest increase in February. The Present Situation Index — based on consumers’ assessment

Expected Business Conditions for Companies in Next Three Months

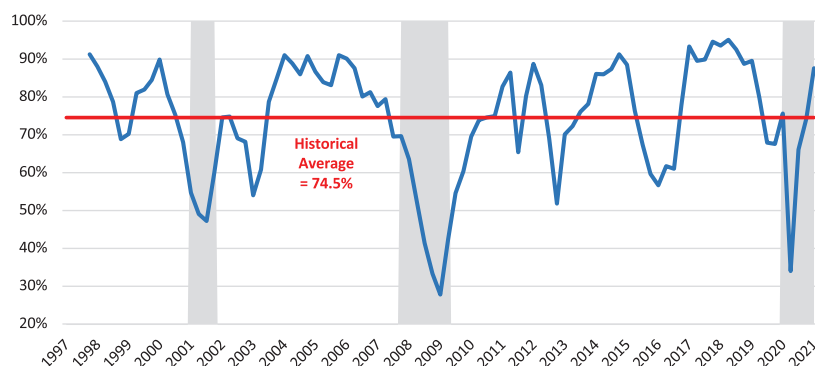


Source: SIA Security Market Index, April 2021

Moving forward, 85% of security leaders surveyed for the April 2021 Security Market Index believe that business conditions will improve by some degree over the next three months, with 11% predicting no change over the next quarter, and 3% expecting conditions to become a little worse.

Manufacturing Business Outlook by Quarter, 1997-2021

(Recessions Are Highlighted with Gray Shading)



Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive. The National Bureau of Economic Research has not officially dated the latest recession, which began in February 2020.

The 2021 Q1 Manufacturer's Outlook Index from the National Association of Manufacturers (NAM) shows that business is rebounding. Source: NAM.

of current business and labor market conditions — climbed from 89.6 to 110. However, the Expectations Index — based on consumers' short-term outlook for income, business, and labor market conditions — also improved, from 90.9 last month to 109.6 in March.

Consumers' optimism about the short-term outlook improved considerably. The percentage of consumers expecting business conditions will improve over the next six months rose from 30.7% to 40.8%, while the proportion expecting business conditions will worsen declined from 17.7% to 11%. Consumers' outlook regarding the job market was also more favorable. The proportion expecting more

jobs in the months ahead increased from 27.4% to 36.1%, while those anticipating fewer jobs declined from 21.3% to 13.4%. Regarding short-term income prospects, 15.5% of consumers expect their incomes to increase in the next six months, up modestly from 14.8% in February. However, 13.3% expect their incomes to decrease, up slightly from 12.9% last month.

Pending home sales dipped for a second straight month in the National Association of Realtors' most recent recording. Each of the four major U.S. regions witnessed month-over-month declines, while results were mixed in the four regions year-over-year.

The Pending Home Sales Index (PHSI),

a forward-looking indicator of home sales based on contract signings, dropped 10.6% to 110.3. Year-over-year, contract signings fell 0.5%. An index of 100 is equal to the level of contract activity in 2001.

"The demand for a home purchase is widespread, multiple offers are prevalent, and days-on-market are swift but contracts are not clicking due to record-low inventory," said Lawrence Yun, NAR's chief economist.

The Conference Board Measure of CEO Confidence™ in collaboration with The Business Council improved further in the first quarter of 2021, following a sharp increase in the previous survey, conducted in September 2020. The measure now stands at 73, up from 64. This marks the highest level of CEO confidence since Q1 2004, when the measure stood at 74. A reading above 50 points reflects more positive than negative responses.

Overall, 82% of CEOs expected economic conditions to improve over the next six months, up from 63% in the previous survey. The proportion expecting conditions to worsen was cut in half — from 15% to 7%. Similarly, 78% of CEOs anticipate short-term prospects in their own industries to improve, up from 65% last September.

After plateauing in March, *Chief Executive's* latest poll of more than 164 U.S. CEOs shows that business conditions 12 months from now have gained 3% in April to reach its highest level since May 2018. CEOs say the vaccine becoming widely available across the nation is fueling their optimism for a full reopening of the economy in the near term. Similarly, their confidence in the current environment jumped 11% from March, snapping back to pre-COVID-19 levels.

CEOs rate their confidence in the current environment as a 7 out of 10 on a 10-point scale, and business conditions by this time next year a 7.3.

In the National Association of Manufacturers' Q1 2021 Outlook Survey, manufacturers reported an increase in optimism for the third straight quarter. The survey found that 87.6% of manufacturers felt either somewhat or very positive about their company's outlook. The number bounced back from the 33.9% reading in the second quarter of 2020, which was the worst since the Great Recession.

According to the NAM survey, manufacturing production is likely to

Percent of Respondents Saying They Will Increase Activity or Dollars in

April 2021

Product/Service Sales: **63% Increase**
Employees/Hours: **63% Increase**
Capital Equip Spend: **26% Increase**

February 2021

Product/Service Sales: **69% Increase**
Employees/Hours: **44% Increase**
Capital Equip Spend: **25% Increase**

December 2020

Product/Service Sales: **60% Increase**
Employees/Hours: **53% Increase**
Capital Equip Spend: **20% Increase**

Source: SIA Security Market Index, April 2021

In some areas, more survey respondents reported an increase in activity or dollars for April than they did in February.

exceed pre-pandemic levels in the next couple months, and employment in the sector has risen in all but one month since April 2020. But despite solid growth, the industry still faces supply chain challenges, and companies continue to note workforce challenges. The NAM Manufacturing Outlook Index measured 58.7 in the first quarter, up from 49.8 in the fourth quarter.

The U.S. Bureau of Labor Statistics' Employment Situation Summary shows that the unemployment rate decreased to 6% in March, which is down considerably from its recent high in April 2020, but is 2.5 percentage points higher than its pre-pandemic level in February 2020. The number of unemployed people, at 9.7 million, continued to trend down in March but is 4 million higher than in February 2020.



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 Shoots Up



THE SECURITY MARKET INDEX reading for the video surveillance sector shot up this month with a reading of 63. In February, the sector-specific SMI was 45, and in December 2020, it was 61.

Confidence in the sector also improved this month, with 33% of video surveillance professionals rating current business conditions as "good" and 67% rating conditions as "average." In February, 50% in the sector considered conditions to be "good" and the other 50% said conditions were "poor."

"Q1 2021 was definitely a marked improvement over quarters two through four in 2020," said one respondent in the sector who rated conditions as average. "Quote activity has increased. Capital funding projects put on hold during the first nine months of the pandemic are being released. [These are all] strong leading indicators."

Moving forward, 67% of those surveyed in the video sector said they expect business conditions to be "much better" in three months, while 33% expect no change. In February, 50% of respondents said they expected business conditions to be "a little better" in three months, and 50% expected no change.

Security Market Index, Video Surveillance Segment: **45** Security Market Index, Overall: **44**

Expected Business Conditions over the Next Three Months

April 2021

- Much better: **67%**
- A Little Better: **0%**
- No change: **33%**
- Worse: **0%**

February 2021

- Much better: **0%**
- A Little Better: **50%**
- No change: **50%**
- Worse: **0%**

December 2020

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

Source: SIA Security Market Index, April 2021

Integration SMI Highest Since Start of Pandemic

THE SEGMENT-SPECIFIC APRIL INDEX for security systems integrators is 44 this month — the highest reading since before the COVID-19 pandemic. The Index was at 33 in February, 48 in December, 15 in September, 23 in July,

25 in May, and 41 in March.

When asked how they would rate current business conditions, 33% said “excellent,” 33% said “good,” and 33% said “average.” In February, 33% of survey respondents in the sector reported that their confidence

in current business conditions was “excellent,” while 67% reported their confidence as being “good.” In December, 40% of survey respondents said conditions were “good,” 20% rated conditions as “average,” 20% said they were “fair,” and another 20% said conditions were “poor.”

In three months, 100% of integrators surveyed expect business conditions to be “a little better.” In February, 33% of integrators expected conditions to be “much better,” 33% expected them to be “a little better,” and 33% expected no change in conditions.

“We expect Q2 to be about 15% above Q1,” said one integrator responding to the April survey.



THE FUTURE OF TRADE SHOWS

The Industry Is Looking Forward to Meeting In-Person Again

After the majority (63%) of respondents to our February survey said they expected business travel to resume to pre-pandemic levels in the second half of 2021, April respondents seem eager to get back to in-person meetings after more than a year of virtual tradeshows.

When asked their opinion of virtual events, just 17% of security professionals said they think they’re convenient and hope they continue. Eighty percent said that while virtual events have been okay, they can’t replace meeting in-person. Three percent of April respondents claimed to get very little if anything out of virtual events.

When is your opinion of virtual events?

They’ve been okay, but they can’t replace meeting in-person

80%

They’re convenient and I hope they continue

17%

I get very little, if anything, out of them

3%



Source: April 2021

SECURITY MARKET INDEX

**Security Systems
Integrator Segment: 44**

SMI Overall: 54

Confidence in Current Business Conditions

SMI Overall:

Excellent: **26%**

Good: **43%**

Average: **23%**

Fair: **6%**

Poor: **3%**

Security Systems Integrator Segment

Excellent: **33%**

Good: **33%**

Average: **33%**

Fair: **0%**

Poor: **0%**

Source: SIA Security Market Index, April 2021

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