

The Security Market Index Heats Up

The industry's outlook is heating up, with a reported Security Market Index (SMI) of 67 this month. In April, the Index was 54, and in February, it was just 44. 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, 31% of security professionals rated current business conditions as being "excellent," 53% said they were "good," 11% said they were "average," 4% rated them as "fair," and no one said conditions were "poor." In April, 26% of respondents said conditions were "excellent," 43% said they were "good," 23% said they were "average," 6% said they were "fair," and 3% said conditions were "poor."

"Business activity generally is up," said one respondent in the consulting sector who rates current conditions as excellent. "All of my clients are experiencing good business activity right now and many are expanding capacity or into new markets."

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, 73% of survey respondents reported an increase in

the number of employees or hours worked, while 24% said the numbers were remaining the same and no one reported decreases. In April, 63% reported increases, 34% reported consistency, and no one reported decreases.

"We are hiring and we are re-opening our offices and getting people back moving in the field," said one respondent in the video surveillance sector who reported an increase in the number of employees or hours worked.

Thirty-three percent of June SMI respondents reported increases in capital equipment spending, 7% reported decreases, and 47% said spending had remained the same. In April, 26% of professionals said capital equipment spending had increased, 9% said it had decreased, and 57% said it had remained the same.

A whopping 60% of security professionals surveyed in June reported increases in marketing spending, while 9% reported a decrease, and 29% said spending was remaining the same. In April, 46% of respondents reported an increase in marketing spending, while 6% reported a decrease and 40% reported consistency.

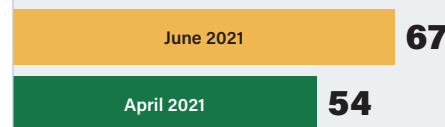
Within the next three months, 93% of security professionals believe business conditions will be either "much better" or "a little better." Four percent expect no change in business conditions, and 2% expect them to be worse. In April, 85% of respondents expected improved conditions in the next three months, 11% expected conditions to remain the same, and 3% 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

SIA Security Market Index June 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:

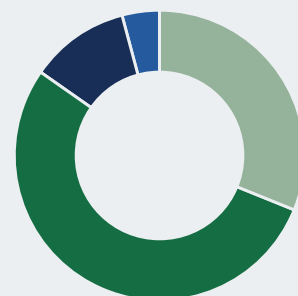
- Number of Employees or Hours Worked
- Marketing Spending
- Product Production/Service Output
- Capital Equipment Spending
- R&D Spending
- New Orders/New Contracts



Source: SIA Security Market Index, June 2021

The industry's outlook surged this month, leading to an Index of 67.

June 2021 Overall Rating of Current Business Conditions of Company



- Excellent: **31%**
- Good: **53%**
- Average: **11%**
- Fair: **4%**
- Poor: **0%**

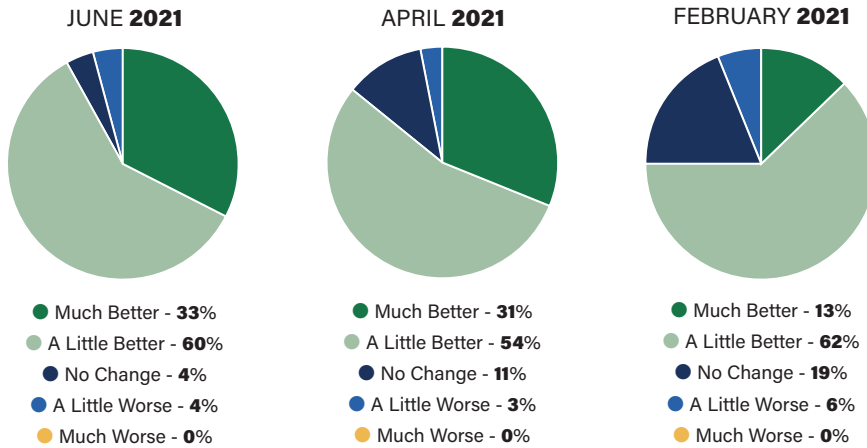
Source: SIA Security Market Index, June 2021

This month, 31% of security professionals rated current business conditions as "excellent," and 53% said they were "good." Eleven percent said conditions were "average," 4% said conditions were "fair," and zero Security Market Index respondents considered current conditions to be "poor."

that generally match the time range and themes of the Index.

- The Conference Board's Consumer Confidence Index (Arrow pointing down)
- The National Association of Realtors'

Expected Business Conditions for Companies in Next Three Months

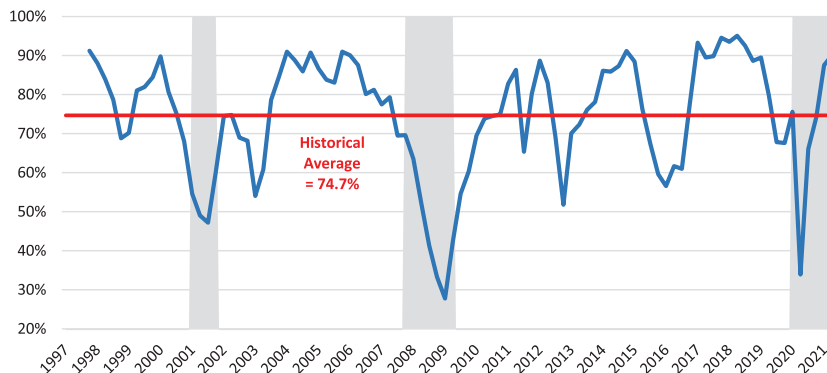


Source: SIA Security Market Index, June 2021

Moving forward, 93% of security leaders surveyed for the June 2021 Security Market Index believe that business conditions will improve by some degree over the next three months, with 4% predicting no change over the next quarter, and 4% 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 said that the recession began in February 2020, but it has not yet dated the end point.

The 2021 Q2 Manufacturer's Outlook Index from the National Association of Manufacturers (NAM) shows that business is rebounding. Source: NAM.

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 ▲

The Conference Board Consumer Confidence Index® held steady in May, following a gain in April. The Index now stands at 117.2, down marginally from 117.5 in April. The Present Situation Index — based on consumers' assessment of current business and

labor market conditions — increased from 131.9 to 144.3. However, the Expectations Index — based on consumers' short-term outlook for income, business, and labor market conditions — fell to 99.1 in May, down from 107.9 last month.

The Pending Home Sales Index (PHSI), a forward-looking indicator of home sales based on contract signings, fell 4.4% to 106.2 in April. Year-over-year, signings jumped 51.7% as last year's pandemic-related shutdowns slumped sales to an all-time low. An index of 100 is equal to the level of contract activity in 2001.

The Conference Board Measure of CEO Confidence™ in collaboration with The Business Council improved further in the second quarter of 2021, following a sharp increase in Q1. The measure now stands at 82, up from 73. This marks the highest level of CEO confidence recorded since the measure began in 1976. A reading above 50 points reflects more positive than negative responses.

CEOs' assessment of current economic conditions rose substantially, after slightly moderating last quarter. In Q2, 94% said conditions are better compared to six months ago, up from 67% in Q1. CEOs also expressed greater optimism about conditions in their own industries, with 89% reporting better conditions compared to six months ago, up from 68% in Q1. Historically high expectations in Q1 climbed even further in Q2: 88% of CEOs expect economic conditions to improve over the next six months, up from 82%.

CEO optimism in an improving business landscape continues to fade in June due to concerns over soaring materials and labor costs, supply chain snarls, inflationary pressures and increasing taxes and regulations, which they say they expect will stall the economic recovery — and growth in their businesses. These are the key findings from *Chief Executive's* latest poll of 233 U.S. CEOs. After five months of expansion, the indicator of CEO confidence declined for the second month in a row in June, to 6.9 out of 10, on a 10-point scale. It is now down more than 5% from its April peak of 7.3 and back to December levels, before vaccination efforts began.

The National Association of Manufacturers' Q2 2021 Outlook Survey found that 90.1% of respondents felt either somewhat or very positive about their company outlook. It was the fourth straight quarterly increase in optimism in the survey, with the outlook bouncing back from the 33.9% reading one year ago, which was the worst since the Great Recession. More importantly, this suggests that manufacturers had the strongest outlook in nearly three years, since the third quarter of 2018, and manufacturers are predicting the highest levels of production, sales and

Percent of Respondents Saying They Will Increase Activity or Dollars in

June 2021

Product/Service Sales: **84% Increase**
Employees/Hours: **73% Increase**
Capital Equip Spend: **33% Increase**

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**

Source: SIA Security Market Index, June 2021

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

job growth in Outlook Survey history.

The NAM Manufacturing Outlook Index measured 60.3 in the second quarter, up from 58.6 in the first quarter. This suggests that optimism in the outlook in the second quarter was just over one standard deviation from the historical average (74.7%) — a very robust reading.

The U.S. Bureau of Labor Statistics' Employment Situation Summary shows that the unemployment rate decreased by 0.3 percentage point to 5.8% in June. In addition, the number of unemployed people fell by 496,000 to 9.3 million. These measures are down considerably from their recent highs in April 2020 but remain well above their levels prior to the 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

Confidence in Video Surveillance Continues to Rise



The Security Market Index reading for the video surveillance sector continues to rise this month with a reading of 69. In April, the sector-specific SMI was 63, and in February, it was 45.

Confidence in the sector also continued to improve this month, with 40% of video surveillance professionals rating current business conditions as "excellent," 60% saying they are "good," and none saying conditions are "average," "fair," or "poor." In April, 33% in the sector considered conditions to be "good" and 67% said they were "average."

"Things are improving but still not ideal," said one June respondent who considers current business conditions to be "good."

Moving forward, 20% of those surveyed in the video sector said they expect business conditions to be "much better" in three months, while 60% expect conditions to be "a little better" and 20% expect conditions to grow worse. In April, 67% of respondents said they expected business conditions to be "much better" and 33% expected no change.

Security Market Index, Video Surveillance Segment: **69** Security Market Index, Overall: **67**

Expected Business Conditions over the Next Three Months

June 2021

- Much better: **20%**
- A Little Better: **60%**
- No change: **0%**
- Worse: **20%**

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%**

Source: SIA Security Market Index, June 2021

Integration SMI Surpasses 50

The segment-specific June Index for security systems integrators is 59 this month — the highest reading since

before the COVID-19 pandemic. The Index was 44 in April, 33 in February, 48 in December 2020, 15 in September 2020,

23 in July 2020, 25 in May 2020, and 41 in March 2020.

When asked how they would rate current business conditions, 29% said “excellent,” 57% said “good,” and 14% said “average.” In April, 33% of survey respondents in the sector reported that their confidence in current business conditions was “excellent,” while 33% said it was “good,” and 33% said it was “average.”

In three months, 14% of integrators surveyed expect business conditions to be “much better” and 86% expect conditions to be “a little better.” In April, 100% of integrators expected conditions to be “a little better.”



THE IMPACT OF COVID-19

The Pandemic Had a Mixed Effect on Business

Finally, as the number of vaccinated Americans increases, so does our chances of finally entering a post-pandemic world. Now, business

What was the impact of the past 15 months on business?



attractive services, particularly for the segment of consumers who were able to work from home,” said a respondent from the residential security sector who grew and prospered.

Another respondent, who works in the audio sector and claimed to experience no major impact, said, “The biggest impact was that we had a record year in 2019 and 2020 stopped that growth rate. We need to get back to 2019 (slightly better) and grow from there.”

owners are looking back and reflecting on exactly what impact COVID-19 made on revenues.

When asked how they would describe the impact of the past 15 months on business, 4% said they barely survived, 36% said they took a significant hit, 22% said there was no major impact, 16% said they had some improving numbers, and 22% said they grew and prospered.

One respondent in the integration sector who claimed there was no major impact said, “Overall sales were down year-over-year but in the low single digits. But over the last few months, we have seen a steady increase and are getting back to pre-pandemic numbers.”

“Security and home control remained highly



SECURITY MARKET INDEX

**Security Systems
Integrator Segment: 59**

SMI Overall: 67

Confidence in Current Business Conditions

SMI Overall:

Excellent: **31%**

Good: **53%**

Average: **11%**

Fair: **4%**

Poor: **0%**

Security Systems Integrator Segment

Excellent: **29%**

Good: **57%**

Average: **14%**

Fair: **0%**

Poor: **0%**

Source: SIA Security Market Index, June 2021

Source: June 2021

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



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