

SMI Falls to 53

The Security Market Index (SMI)

decreased to 53 this August. In June, the Index was 61; 72 in April; 72 in February, 44 in November; and 64 in August. 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, 22% of security professionals rated current business conditions as being "excellent," 64% said they were "good," 12% said they were "average," 2% rated them as fair, and no one said conditions were "poor." In June, 21% of security professionals said current business conditions were "excellent," 59% said they were "good," 13% said they were "average," 5% rated them as fair, and 2% said conditions were "poor."

Most respondents indicated they are still dealing with supply chain issues and inflation. "Supply chain shortages and backlog and constrained labor market [are] impacting our industry," said a security systems integration respondent.

Another respondent said, "Supply chain & inflation continue to impact the market, but demand is still strong."

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, 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. In June, 73% of

survey respondents reported an increase in the number of employees or hours worked, while 20% said the numbers remained the same, and 7% reported decreases.

Thirty-eight percent of security professionals surveyed in August reported increases in marketing spending, while 5% reported a decrease, and 48% said spending remained the same. In June, 52% of respondents reported an increase in marketing spending, while 13% reported a decrease and 34% said spending remained the same.

In addition, 24% of June SMI respondents reported increases in capital equipment spending, 10% reported decreases, and 62% said spending remained the same. In June, 38% of professionals said capital equipment spending had increased, 11% said it had decreased, and 47% said it had remained the same.

Within the next three months, 73% of security professionals believe business conditions will be either "much better" or "a little better," while 17% expect no change in business conditions, and 10% expect them to be worse. In June, 73% of respondents expected improved conditions in the next three months, 20% expected conditions to remain the same, and 7% expected conditions to worsen. One respondent said, "With no end in sight for runaway inflation and the compounding supply chain challenges we continue to face it's impossible to imagine that we'll see any improvement in business conditions in the near-term."

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

SIA Security Market Index August 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

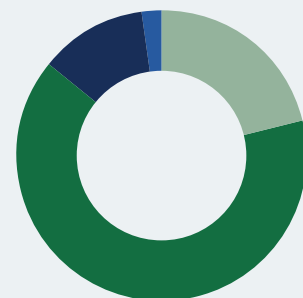
August 2022 **53**

June 2022 **61**

Source: SIA Security Market Index, August 2022

The Industry's outlook dropped to 53.

August 2022 Overall Rating of Current Business Conditions of Company



- Excellent: **22%**
- Good: **64%**
- Average: **12%**
- Fair: **2%**
- Poor: **0%**

Source: SIA Security Market Index, August 2022

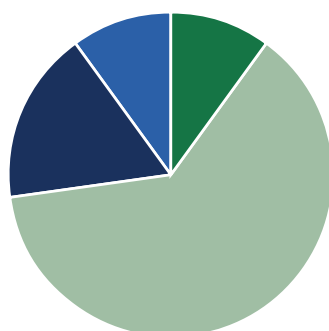
This month, 22% of security professionals rated current business conditions as "excellent," and 64% said they were "good." Twelve percent said conditions were "average," 2% said conditions were "fair," and no Security Market Index respondents considered current conditions to be "poor."

Confidence ▼

- Chief Executive's CEO Confidence Index ▼
- National Association of Manufacturers (NAM) Outlook Survey ▼
- The U.S. Bureau of Labor Statistics Employment Situation Summary ▲

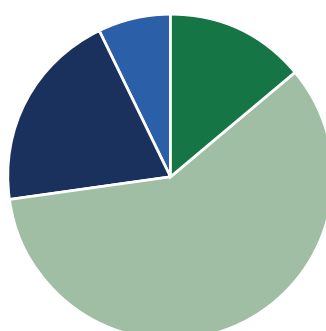
Expected Business Conditions for Companies in Next Three Months

AUGUST 2022



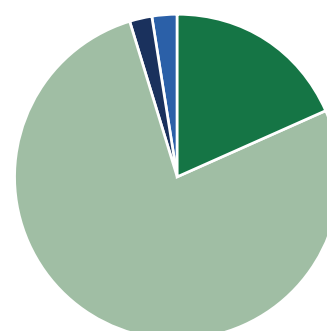
- Much Better - **10%**
- A Little Better - **63%**
- No Change - **17%**
- A Little Worse - **10%**
- Much Worse - **0%**

JUNE 2022



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

APRIL 2021



- Much Better - **16%**
- A Little Better - **67%**
- No Change - **2%**
- A Little Worse - **2%**
- Much Worse - **0%**

Source: SIA Security Market Index, August 2022

Moving forward, 73% of security leaders surveyed for the August 2022 Security Market Index believe that business conditions will improve by some degree over the next three months, with 17% predict no change over the next quarter, and 10% expect conditions to become worse.

The Conference Board Consumer Confidence Index decreased again in July, following a larger decline in June. The Index now stands at 95.7, down 2.7 points from 98.4 in June. Based on consumers' assessment of current business and labor market conditions, the Present Situation Index fell to 141.3 from 147.2 in June; and the Expectations Index — based on consumers' short-term outlook for income, business, and labor market conditions —

ticked down to 65.3 from 65.8.

The National Association of Realtors' Pending Home Sales Index (PHSI) — a forward-looking indicator of home sales based on contract signings — dipped 8.6% to 91 in June. Year-over-year, transactions shrank 20%. All four major regions posted month-over-month and year-over-year pullbacks, the largest of which occurred in the West. An index of 100 is equal to the level of contract activity in 2001.

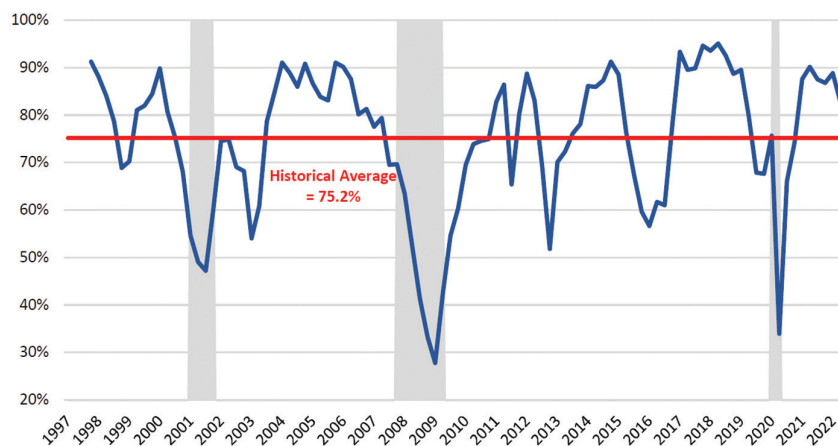
In collaboration with The Business Council, the Conference Board's Measure of CEO Confidence stands at 34, down from 42 in Q2. The Measure has fallen deeper into negative territory, to lows not seen since the start of the COVID-19 pandemic in 2020, but consistent with prior contractionary periods. (A reading below 50 points reflects more negative than positive responses.)

Chief Executive's July reading of CEO Confidence Index shows the leading indicator at 5.1 out of 10, down 8% since June alone — and down 26% from where it began the year. CEO optimism for the U.S. business environment 12 months from now is at its lowest level of the decade, teetering on the edge of "Weak" according to a 10-point scale where 10 is Excellent and 1 is Poor. Confidence in current business conditions also dropped in July, down 8% to 5.9 on the Index's 10-point scale. That is 12% lower than where it started the year and back in line with levels observed in the fall of 2020, before COVID vaccines and amid the federal election upheaval.

The National Association of Manufacturers' Q2 Outlook Survey measured 55.0, down from 59.2 in March, despite manufacturing production experiencing strong growth over the past

Manufacturing Business Outlook by Quarter, 1997-2022

(Recessions Are Highlighted with Gray Shading)



The 2022 Q2 Manufacturer's Outlook Index from the National Association of Manufacturers (NAM) shows 82.6% 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

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**

April 2022

Product/Service Sales: **71% Increase**
Employees/Hours: **81% Increase**
Capital Equip Spend: **54% Increase**

Source: SIA Security Market Index, August 2022

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

three months, rebounding from omicron and supply chain issues at year's end, with 4.6% growth since the start of the pandemic. Factory orders, manufacturing construction activity and consumer spending have also jumped mightily over the past year, with pent-up demand and solid spending helping to prop up growth.

The U.S. Bureau of Labor Statistics Employment Situation Summary shows that the unemployment rate decreased slightly to 3.5% in July, and the number of unemployed persons edged down to 5.7 million. These measures have 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 Decreases



The Security Market Index (SMI) reading for the video surveillance sector decreased this August, with a reading of 58. In April, the sector-specific SMI was 82, and in February, it was 80.

Confidence in the sector remained positive, however, with 12% of video surveillance professionals rating business conditions as "excellent," 63% said conditions were "good," and 25% said conditions were "average." In April, 20% of professionals in the sector considered conditions to be "excellent," 60% said they were "good," and 20% 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 April, 20% of respondents said they expect business conditions to be "much better" in three months, while 70% expect conditions to be "a little better."

Security Market Index, Video Surveillance Segment: **58** Security Market Index, Overall: **53**

Expected Business Conditions over the Next Three Months

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%**

February 2022

- Much better: **43%**
- A Little Better: **57%**
- No change: **0%**
- Worse: **0%**

Source: SIA Security Market Index, August 2022

Integration SMI Decreases to 42



Hleb Usovich / iStock / Getty Images Plus via Getty Images

The segment-specific August Index for security systems integrators is 42 this month — a decrease from the Index reading of 61 in June 2022. The Index was 62 in April and 68 in February.

When asked how they would rate current business conditions, 20% said “excellent,” 50% said “good,” 20% said “average,” and 10% said fair. In June, 23% of survey respondents in the sector reported their confidence in current

business conditions to be “excellent,” while 54% said “good,” and 15% said “average.”

In three months, 70% of integrators surveyed expect business conditions to be “a little better,” 20% said no change, and 10% said worse. In June, 8% of integrators surveyed expected business conditions to be “much better,” and 77% expected conditions to be “a little better.”

SECURITY MARKET INDEX

Security Systems
Integrator Segment: **42**

SMI Overall: **53**

Confidence in Current Business Conditions

SMI Overall:

Excellent: **22%**

Good: **64%**

Average: **12%**

Fair: **2%**

Poor: **0%**

Security Systems Integrator Segment

Excellent: **20%**

Good: **50%**

Average: **20%**

Fair: **10%**

Poor: **0%**

Source: SIA Security Market Index, August 2022

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RECESSION

Recession Fears Grow

Is the United States in a recession? Perhaps.

The U.S. economy has contracted two quarters in a row. And, a large percentage (44%) of chief executive officers (CEOs) now expect a recession in the U.S. over the next 3 to 6 months — a proportion that is up from 23% just one month prior, according to *Chief Executive's* July reading of CEO Confidence Index.

A combination of inflation, rising interest rates, lack of federal response, and the ongoing war in Ukraine may be fueling concerns of a looming recession.

Yet, unemployment remains low and job growth is robust — all signs that show strength in the U.S. economy. In fact, some experts believe these factors are what may be keeping the U.S. out of a recession, or at least staving off a recession for longer, according to Ellen Zentner, chief U.S. economist for Morgan Stanley.

The threat of a recession is also spreading across many industries, including security. SIA polled SMI survey respondents to gauge how concerned the security industry is about a recession.

The large majority (74%) said they were somewhat concerned but would be fine, and 12% said they were not sure what to expect. Very few respondents (5%) said they were not concerned. Only 2% said they were very concerned.

It's hard to tell if we are in a recession or not. In the meantime, the risks are rising and the security industry should shift strategies to prepare for difficult market conditions. The U.S. economy has contracted two quarters in a row and might be in a recession. How concerned are you for your business?

The U.S. economy has contracted two quarters in a row and might be in a recession. How concerned are you for your business?

Not at all, things are going great **5%**

Somewhat, but we will be fine **74%**

Very, conditions are bleak **2%**

Not sure what to expect **12%**



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Source: August 2022