

SMI Increases to 59

The Security Market Index (SMI) has increased to 59 this December. In October, the Index was 52; 53 in August; 61 in June; 72 in April; and 72 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 outlook.

This month, 35% of security professionals rated current business conditions as being "excellent," 52% said they were "good," 11% said they were "average," 2% said they were "fair," and no one said conditions were "poor." In October, 24% of security professionals said current business conditions were "excellent," 60% said they were "good," 16% said they were "average," and no one said conditions were "fair" or "poor."

A respondent in the security officer/guarding services sector noted that while top line and organic growth remains strong, "the effects of the post - COVID labor market are still being felt. Turnover trending remains higher than historical averages and the ability to pass on the increased cost of labor in client budgets still lags behind the dynamic changes to market pay rates."

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, 65% of survey respondents reported an increase in the number of employees or hours worked, while 31% said the numbers remained the same, and 4% reported decreases. In October, 60% of survey respondents reported an increase in the number of employees or hours worked,

while 35% said the numbers remained the same, and 5% reported decreases.

In December, 51% of security professionals surveyed reported increases in marketing spending, while 3% reported a decrease, and 46% said spending remained the same. In October, 46% of respondents reported an increase in marketing spending, while 8% reported a decrease, and 46% said spending remained the same.

In addition, 34% of December SMI respondents reported increases in capital equipment spending, 8% reported decreases, 51% said spending remained the same, and 7% did not know. In October, 32% of professionals said capital equipment spending had increased, 11% said it had decreased, 54% said it had remained the same, and 3% did not know.

Within the next three months, 70% of security professionals believe business conditions will be either "much better" or "a little better," while 23% expect no change in business conditions, and 7% expect them to be worse. In October, 65% of respondents expected improved conditions in the next three months, 30% expected conditions to remain the same, and 5% expected conditions to worsen. A respondent said, "Three months is probably too short of a time horizon, but we believe conditions will improve slightly in the second half of the year if inflation slows and the labor market loosens up."

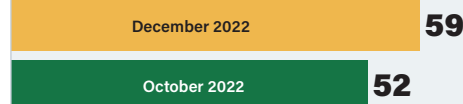
To provide a broader view of business conditions, the SMI also cross-checks against other surveys and reports from a select list of sources that generally match the time range and themes of the Index.

- 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 ▼

SIA Security Market Index December 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:

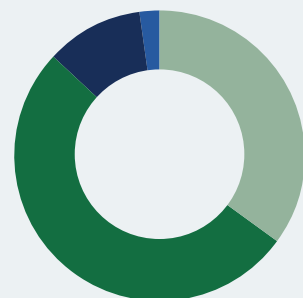
- Number of Employees or Hours Worked
- Marketing Spending
- Product Production/Service Output
- Capital Equipment Spending
- R&D Spending
- New Orders/New Contracts



Source: SIA Security Market Index, December 2022

The Industry's outlook increased to 59.

December 2022 Overall Rating of Current Business Conditions of Company



- Excellent: **35%**
- Good: **52%**
- Average: **11%**
- Fair: **2%**
- Poor: **0%**

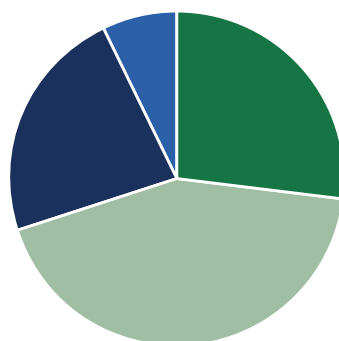
Source: SIA Security Market Index, December 2022

This month, 87% of security professionals rated current business conditions as "excellent," or "good," 11% said conditions were "average," and 2% said conditions are "fair."

- The U.S. Bureau of Labor Statistics Employment Situation Summary ■
The Conference Board Consumer Confidence Index decreased in November. The Index now stands at 100.2, down from 102.2 in October. The Present Situation Index — based on consumers' assessment of

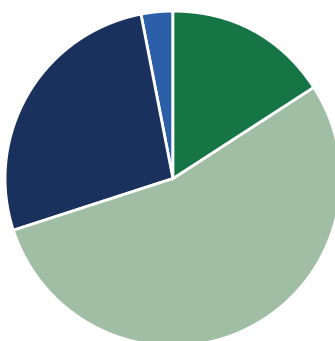
Expected Business Conditions for Companies in Next Three Months

DECEMBER 2022



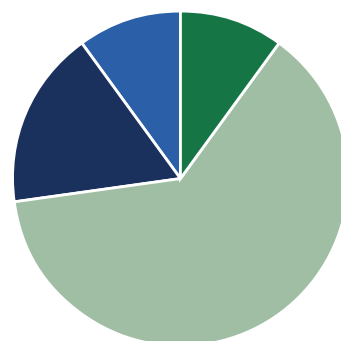
- Much Better - **27%**
- A Little Better - **43%**
- No Change - **23%**
- A Little Worse - **7%**
- Much Worse - **0%**

OCTOBER 2022



- Much Better - **16%**
- A Little Better - **54%**
- No Change - **27%**
- A Little Worse - **3%**
- Much Worse - **0%**

AUGUST 2022



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

Source: SIA Security Market Index, December 2022

Moving forward, 70% of security leaders believe that business conditions will improve by some degree over the next three months, with 23% predicting no change over the next quarter, and 7% expecting conditions to become worse.

current business and labor market conditions — decreased to 137.4 from 138.7 last month. The Expectations Index — based on consumers' short-term outlook for income, business, and labor market conditions — declined to 75.4 from 77.9.

The National Association of Realtors' Pending Home Sales Index (PHSI) — a forward-looking indicator of home sales

based on contract signings — sank 4.6% to 77.1 in October. An index of 100 is equal to the level of contract activity in 2001. Three out of four major regions experienced month-over-month decreases in contract signings, while the Midwest registered an increase. Pending sales declined in all regions compared to one year ago.

The Conference Board Measure of CEO

Confidence, in collaboration with The Business Council, stood at 32 to start Q4 2022, down from 34 in Q3. The Measure fell deeper into negative territory, to lows not seen since the depths of the Great Recession. (A reading below 50 points reflects more negative than positive responses.) An overwhelming majority of CEOs — 98% — said they were preparing for a U.S. recession. Moreover, 99% of CEOs said they were preparing for an E.U. recession.

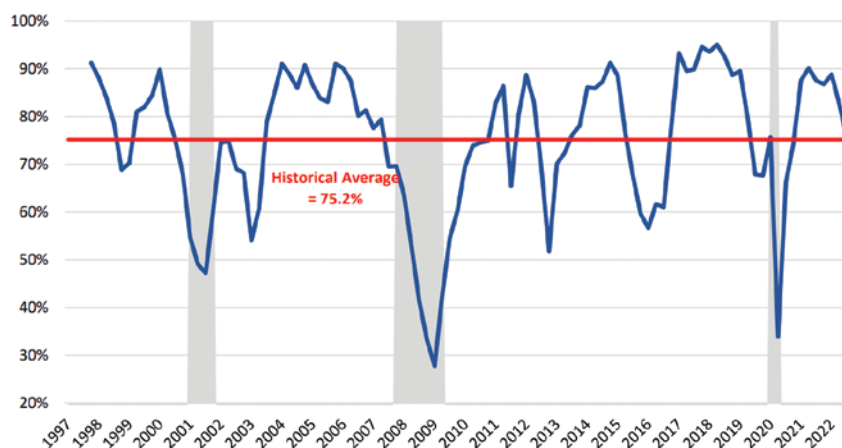
After back-to-back monthly increases in optimism, Chief Executive's CEO Confidence Index, which measures CEOs' outlook for business over the coming year, dipped 3% in October, settling at 5.75 on a scale of 1-10, down from 5.92 in September.

The National Association of Manufacturers' Q3 2022 Outlook Index before measured 50.3, down from 55.0 in June. The survey showed mixed results mid challenges related to the economic environment, inflation, supply chains and the workforce, and 78.3% of manufacturing leaders listed supply chain disruptions as a primary business challenge, with only 10.8% believing improvement will occur by the end of the year.

The U.S. Bureau of Labor Statistics Employment Situation Summary shows that the unemployment rate was unchanged

Manufacturing Business Outlook by Quarter, 1997-2022

(Recessions Are Highlighted with Gray Shading)



The 2022 Q3 Manufacturer's Outlook Index from the National Association of Manufacturers (NAM) shows 75.6% 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

December 2022

Product/Service Sales: **59%**
Employees/Hours: **65%**
Capital Equip Spend: **34%**

October 2022

Product/Service Sales: **65%**
Employees/Hours: **60%**
Capital Equip Spend: **32%**

August 2022

Product/Service Sales: **76%**
Employees/Hours: **57%**
Capital Equip Spend: **24%**

Source: SIA Security Market Index, December 2022

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

at 3.7% in November and has been in a narrow range of 3.5% to 3.7% since March. The number of unemployed persons was essentially unchanged at 6.0 million in November.

SECURITY VIDEO

Video Surveillance SMI Rises



Magdalena Wysocka / iStock / Getty Images Plus via Getty Images

The Security Market Index (SMI) reading for the video surveillance sector increased this December, with a reading of 64. In October, the sector-specific SMI was 50; 58 in August, and 82 in April.

Confidence in the sector remained positive, with 27% of video surveillance professionals rating business conditions as "excellent," 55% saying conditions were "good," 9% saying conditions were "average," and 9% saying conditions were "fair." In October, 33% of professionals in the sector considered conditions to be "excellent," 50% said they were "good," and 17% said conditions were "average."

Moving forward, 20% of those surveyed in the video sector said they expect business conditions to be "much better" in the next three months, 70% said "a little better," and 10% expect conditions to be "worse." In October, all respondents said they expected business conditions to be "a little better."



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 Market Index, Video Surveillance Segment: **64** Security Market Index, Overall: **59**

Expected Business Conditions over the Next Three Months

December 2022

- Much better: **20%**
- A Little Better: **70%**
- No change: **0%**
- Worse: **10%**

October 2022

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

August 2022

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

Source: SIA Security Market Index, December 2022

Integration SMI Increases to 68



The segment-specific December Index for security systems integrators is 68 this month — an increase from the Index reading of 56 in October. The Index was 42 in August, 61 in June, and 62 in April.

When asked how they would rate current business conditions, 45% said “excellent,” 50% said “good,” and 5% said “average.” In October, 20% of survey respondents in the sector reported their confidence in current business conditions to be “excellent,” while 70% said “good,” and 10% said “average.”

In three months, 15% of integrators surveyed expect business conditions to be “much better,” 55% expect conditions to be “a little better,” 20% expect conditions to remain the same, and 10% expect conditions to be “worse.” In October, 80% of integrators surveyed expected business conditions to be “a little better,” 10% said no change, and 10% expected conditions to be “worse.”

SECURITY MARKET INDEX

Security Systems
Integrator Segment: **68**

SMI Overall: **59**

Confidence in Current Business Conditions

SMI Overall:

Excellent: **35%**

Good: **52%**

Average: **11%**

Fair: **2%**

Poor: **0%**

Security Systems Integrator Segment

Excellent: **45%**

Good: **50%**

Average: **5%**

Fair: **0%**

Poor: **0%**

Source: SIA Security Market Index, December 2022

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BUSINESS CONDITIONS IN 2023

2023 Outlook: Insights for What's Ahead

As the year ends, SIA's Security Market Index (SMI) polled security industry professionals to gauge their business expectations for 2023. Nearly one-fourth, 24%, of security respondents feel their business will experience “strong expansion,” while 61% think their business will experience “moderate growth” in 2023.

A respondent in the video surveillance market expects their business to experience “strong expansion,” and noted, “As times get tougher, the demand for security will increase, especially for those who offer a significant value proposition.”

The survey also showed that 13% of respondents feel their business will hold “steady,” 2% expect “some cutbacks,” and no one expects a “serious decline.”

The optimism shown by SMI survey respondents mirrors the optimism of CEOs polled by *Chief Executive* for the latest CEO Confidence Index, which measures CEOs' outlook for business over the coming year. Forecasting for the year ahead, 53% of CEOs say they expect profits to be up by this time next year, according to the publication.

Similarly, 69% expect revenues to increase over the next 12 months. Although 78% of the CEOs *Chief Executive* polled expect to cut costs across various business areas in response to rising wages and overall inflation pressures, 48% intend to add to their workforce during the year. Another area that is seeing an uptick is capital expenditures, with 45% of CEOs saying they plan to have upped spending by this time next year.

What expectations do you have for your business in 2023?

Strong expansion - **24%**

Moderate growth - **61%**

Holding steady - **13%**

Some cutbacks - **2%**

Serious decline - **0%**



Vyacheslav Motserenkov / iStock / Getty Images Plus via Getty Images

Source: SIA Security Market Index, December 2022