

Industry Confidence On the Rise: SMI at 61

The Security Market Index (SMI) has increased to 61 this February. In December, the index was 59. In October, the Index was 52; 53 in August; 61 in June; and 72 in April. 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," 50% said they were "good," 19% said they were "average," 4% said they were "fair," and 1% said conditions were "poor." In December, 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."

A respondent in the video surveillance space noted that while conditions are generally good, "The U.S. and global economic conditions including inflation and its impact, has put a cap on growth for the foreseeable future."

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, 68% of survey respondents reported an increase in the number of employees or hours worked, while 25% said the numbers remained the same, and 6% reported decreases. In December, 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.

This February, 54% of security professionals surveyed reported increases in marketing spending, while 8% reported a decrease, 37% said spending remained the same, and 1% said they did not know. 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 addition, 35% of February SMI respondents reported increases in capital equipment spending, 5% reported decreases, 52% said spending remained the same, and 8% did not know. In December, 34% of MI respondents reported increases in capital equipment spending, 8% reported decreases, 51% said spending remained the same, and 7% did not know.

Within the next three months, 85% of security professionals believe business conditions will be either "much better" or "a little better," while 9% expect no change in business conditions, and 6% expect them to be worse. In December, 70% of security professionals believed business conditions would be either "much better" or "a little better," while 23% expected no change in business conditions, and 7% expected them to be worse. A respondent said, "The U.S. and global economic conditions including inflation has a direct impact on our growth for the near future."

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 ▼
- The U.S. Bureau of Labor Statistics Employment Situation Summary ▼

SIA Security Market Index February 2023

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:

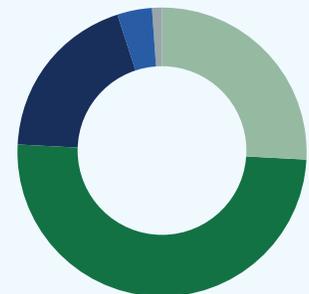
- Number of Employees or Hours Worked
- Marketing Spending
- Product Production/Service Output
- Capital Equipment Spending
- R&D Spending
- New Orders/New Contracts



Source: SIA Security Market Index, February 2023

The Industry's outlook increased to 61.

February 2023 Overall Rating of Current Business Conditions of Company



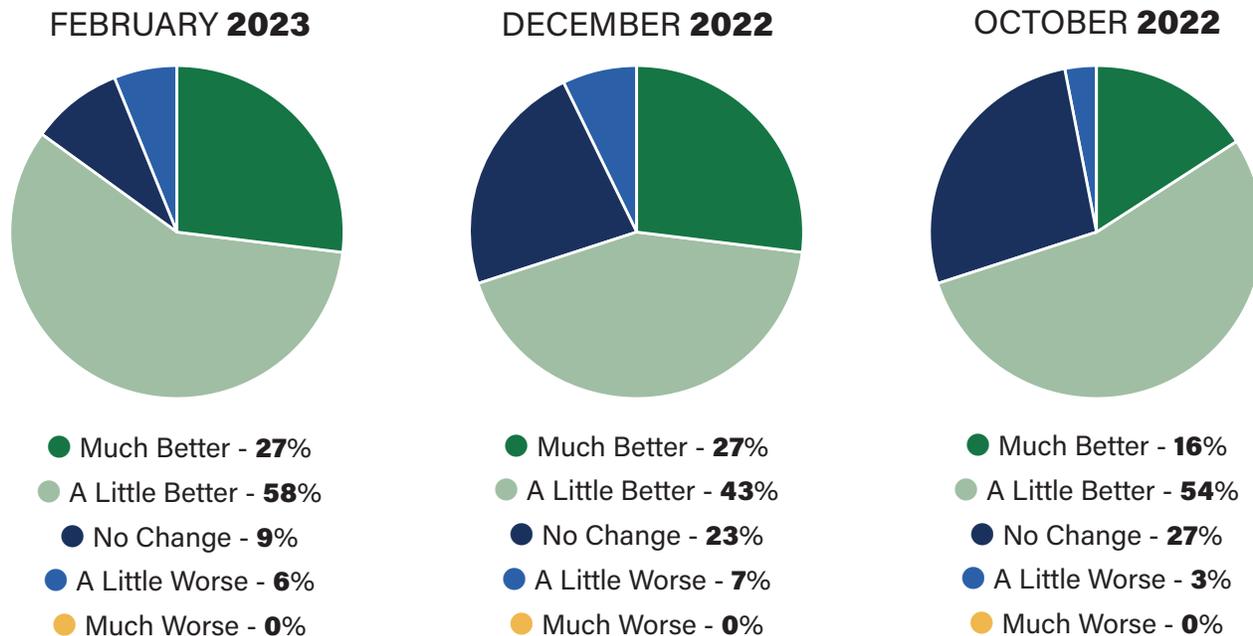
- Excellent: **26%**
- Good: **50%**
- Average: **19%**
- Fair: **4%**
- Poor: **1%**

Source: SIA Security Market Index, February 2023

This month, 76% of security professionals rated current business conditions as "excellent," or "good," 19% said conditions were "average," 4% said they were "fair" and 1% said conditions were "poor"



Expected Business Conditions for Companies in Next Three Months



Source: SIA Security Market Index, February 2023

Moving forward, 85% of security leaders believe that business conditions will improve by some degree over the next three months, with 9% predicting no change over the next quarter, and 6% expecting conditions to become worse.

The Conference Board Consumer Confidence Index decreased in January following an upwardly revised increase in December. The Index now stands at 107.1, down from 109 in December. The Present Situation Index — based on consumers' assessment of current business and labor

market conditions — increased to 150.9 from 147.4 last month. The Expectations Index — based on consumers' short-term outlook for income, business, and labor market conditions — fell to 77.8 from 83.4.

The National Association of Realtors' Pending Home Sales Index (PHSI) — a

forward-looking indicator of home sales based on contract signings — increased 2.5% to 76.9 in December, following six consecutive months of declines. The Northeast and Midwest recorded month-over-month reductions, while the South and West posted monthly gains. All four U.S. regions saw year-over-year decreases in transactions, with the West experiencing the largest decline at 37.5%.

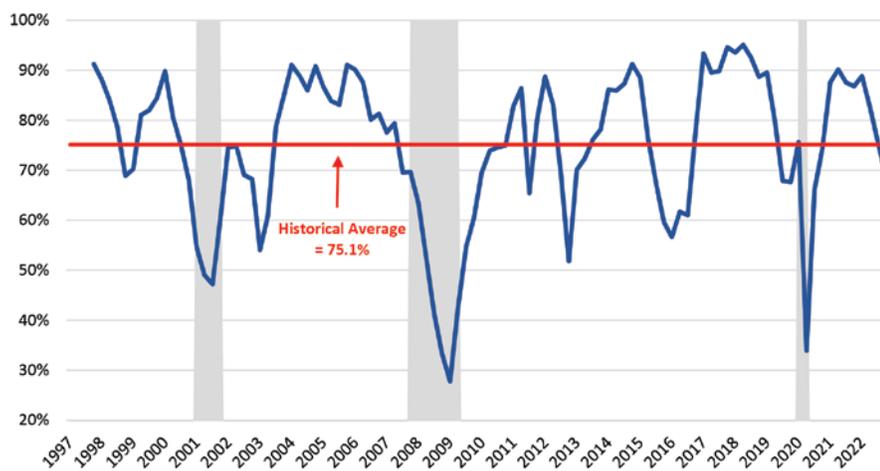
The Conference Board Measure of CEO Confidence, in collaboration with The Business Council, stood at 32 to start Q4 2022, down from 34 in Q3. The Measure fell deeper into negative territory, to lows not seen since the depths of the Great Recession, as of its latest report last October.

Chief Executive's CEO Confidence Index, which measures CEOs' outlook for business over the coming year, jumped 7% in January, and is now at 6.3 on a 10-point scale, the highest reading since March 2022.

The National Association of Manufacturers' Q4 2022 Outlook Survey measured 45.8, down from 50.3 in September. The survey found 76% of manufacturing leaders citing attracting and retaining a quality workforce as a primary concern, followed by supply chain disruptions at 66%, down from 78.3% in September.

Manufacturing Business Outlook by Quarter, 1997-2022

(Recessions Are Highlighted with Gray Shading)



The 2022 Q4 Manufacturer's Outlook Index from the National Association of Manufacturers (NAM) shows 68.9% of respondents felt either somewhat or very positive about their company outlook, the lowest since Q3 2020. Source: NAM.

The U.S. Bureau of Labor Statistics Employment Situation Summary shows that the unemployment rate dropped to 3.4% in January as 517,000 jobs were created.

Percent of Respondents Saying They Will Increase Activity or Dollars in

February 2023

Product/Service Sales: **84%** Increase

Employees/Hours: **66%** Increase

Capital Equip Spend: **35%** Increase

December 2022

Product/Service Sales: **59%** Increase

Employees/Hours: **65%** Increase

Capital Equip Spend: **34%** Increase

October 2022

Product/Service Sales: **65%** Increase

Employees/Hours: **60%** Increase

Capital Equip Spend: **32%** Increase

Source: SIA Security Market Index, February 2023

The percentage of respondents planning to increase sales, labor and capital equipment spending or activity has changed from December, with product/service sales showing the biggest increase.

SECURITY VIDEO

Video Surveillance SMI Down



Supersmario / iStock / Getty Images Plus via Getty Images

The Security Market Index (SMI) reading for the video surveillance sector decreased this February, with a reading of 53. In December, the sector-specific SMI was 64; 50 in October; and 58 in August.

Only 8% of video surveillance professionals rated business conditions as "excellent," with 54% rating them "good," 23% rating them "average," 8% rating them "fair," and 8% saying conditions were "poor." In December 27% of video surveillance professionals rated business conditions as "excellent," 55% said conditions were "good," 9% said conditions were "average," and 9% said conditions were "fair."

Moving forward, 15% of those surveyed in the video sector said they expect conditions to be "much better," 69% expect them to be "a little better," 8% predict "no change," and 8% expect them to be worse. In December, 20% said they expected business conditions to be "much better," 70% said "a little better," and 10% expected conditions to be "worse."



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: 53 Security Market Index, Overall: 61

Expected Business Conditions over the Next Three Months

February 2023

- Much better: **15%**
- A Little Better: **69%**
- No change: **8%**
- Worse: **8%**

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%**

Source: SIA Security Market Index, February 2023

Integration SMI Stays Steady at 67



D-Keine / iStock / Getty Images Plus via Getty Images

The segment-specific February Index for security systems integrators is 67 this month — down slightly from 68 in December. The Index was 56 in October, 42 in August, and 61 in June.

When asked how they would rate current business conditions, 37% said “excellent,” 53% said “good,” and 11% said “average.” In December 45% said “excellent,” 50% said “good,” and 5% said “average.”

In three months, 17% of integrators surveyed expect business conditions to be “much better,” 67% expect them to be “a little better,” 11% expect them to have “no change,” and 6% expect them to be “worse.” In December, 15% of integrators expected business conditions to be “much better,” 55% said “a little better,” 20% expected “no change,” and 10% expected conditions to be “worse.”

SECURITY MARKET INDEX

Security Systems Integrator Segment: **67**

SMI Overall: **61**

Confidence in Current Business Conditions

SMI Overall:
 Excellent: **26%**
 Good: **50%**
 Average: **19%**
 Fair: **4%**
 Poor: **1%**

Security Systems Integrator Segment

Excellent: **37%**
 Good: **53%**
 Average: **11%**
 Fair: **0%**
 Poor: **0%**

Source: SIA Security Market Index, February 2023

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SECURITY TECHNOLOGY FUTURE

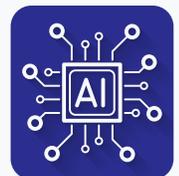
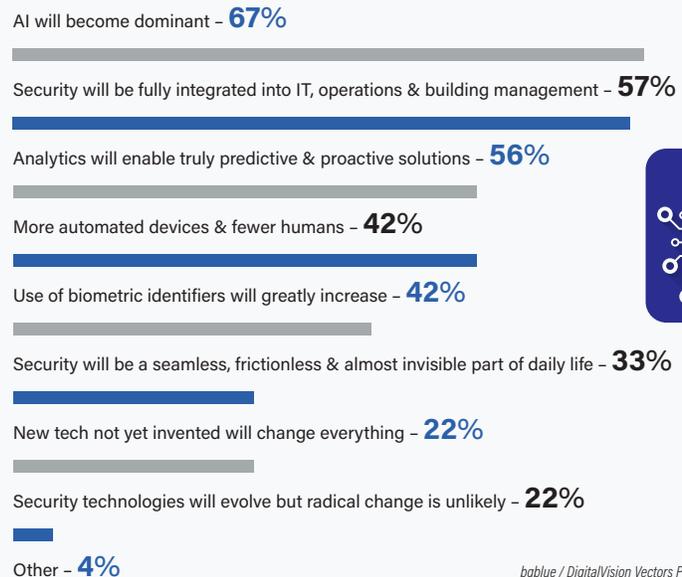
What Will Be the Biggest Security Changes in the Next Generation?

SIA's Security Market Index (SMI) asked security industry professionals to pull out their crystal balls and predict the biggest changes the security industry will see in the next 15-20 years. SMI respondents were asked, “Looking ahead to the next generation (15-20 years from now), what do you expect will be the biggest change(s) in security? Allowed to check all that apply, there was a wide variety of strong predictions.

The most cited prediction was that “AI will become a dominant factor” with 67% of security professionals selecting this choice. The next most common choice was “Security will be fully integrated into IT, operations and building management” at 57%, followed closely by “Analytics will enable truly predictive and proactive solutions” at 56%.

Other popular selections included “Use of biometric identifiers will greatly increase” and “There will be more automated devices and fewer humans,” both with 42% of security professionals predicting these trends will be some of the biggest changes.

What do you expect to be the biggest changes in security in the next generation?



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Source: SIA Security Market Index, February 2023

