

## 4 in 5 Security Leaders Hold Positive View

With expectations high for the first postpandemic ISC West - and the ensuing business year - the March-April Security Market Index survey of security professionals found that 80 percent of respondents have a positive view of the industry's current condition. An even higher number, meanwhile, forecast improvements during the next three months, while fewer than one in 20 expect conditions to decline.

This month, 32% of security professionals rated current business conditions as being "excellent," 48% said they were "good," 14% said they were "average," 3% said they were "fair," and 3% said conditions were "poor." In February, 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."

One respondent, who described current business conditions as "good," added, "Good at this point but lots of angst in the market which is causing some slowness in sales pipeline. Coupled with layoffs, it's a bit troubling." While another, who described conditions as "excellent," stated, "In the 23 year history of my company, this is the first time I am starting the year with five active projects."

This month, 65% of survey respondents reported an increase in the number of employees or hours worked, while 28% said the numbers remained the same, and 7% reported decreases. In February, 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.

This April, 51% of security professionals surveyed reported increases in marketing spending, while 5% reported a decrease, and 44% said spending remained the same. In 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 addition, 34% of April SMI respondents reported increases in capital equipment spending, 4% reported decreases, 59% said spending remained the same, and 3% did not know. In February, 35% of SMI respondents reported increases in capital equipment spending, 5% reported decreases, 52% said spending remained the same, and 8% did not know.

Within the next three months, 83% of security professionals believe business conditions will be either "much better" or "a little better," while 13% expect no change in business conditions, and 4% expect them to be worse. In February, 85% of security professionals believed business conditions would be either "much better" or "a little better," while 9% expected no change in business conditions, and 6% expected them to be worse. One respondent noted that future business conditions "will depend on capital markets and what inflation/recession looks like."

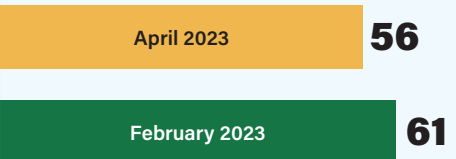
To provide a broader view of business conditions, the SMI also cross-checks against other surveys and reports from a select list of sources that generally match the time range and themes of the Index.

- 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 April 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:

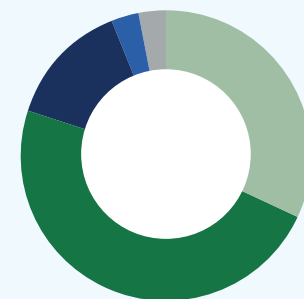
- Number of Employees or Hours Worked
- Marketing Spending
- Product Production/Service Output
- Capital Equipment Spending
- R&D Spending
- New Orders/New Contracts



Source: SIA Security Market Index, April 2023

The Industry's outlook decreased to 56.

### April 2023 Overall Rating of Current Business Conditions of Company



- Excellent: **32%**
- Good: **48%**
- Average: **14%**
- Fair: **3%**
- Poor: **3%**

Source: SIA Security Market Index, April 2023

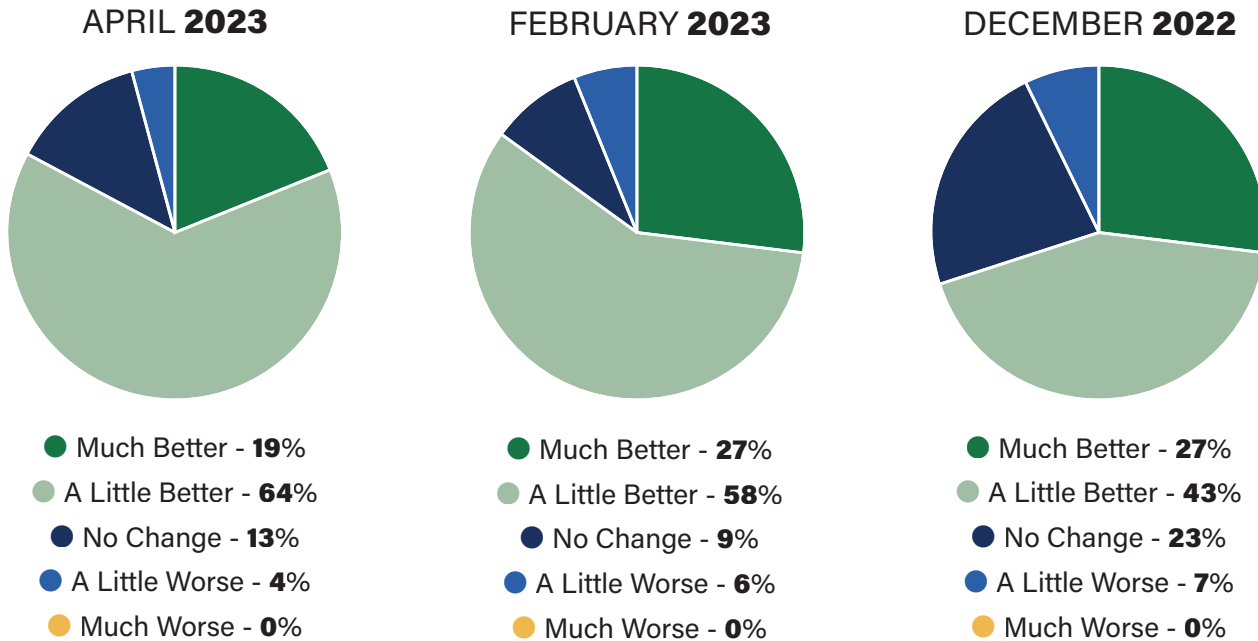
This month, 80% of security professionals rated current business conditions as "excellent," or "good," 14% said conditions were "average," 3% said they were "fair" and 3% said conditions were "poor"

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## Expected Business Conditions for Companies in Next Three Months



Source: SIA Security Market Index, April 2023

Moving forward, 83% of security leaders believe that business conditions will improve by some degree over the next three months, with 13% predicting no change over the next quarter, and 4% expecting conditions to become worse.

The U.S. Bureau of Labor Statistics Employment Situation Summary ▲ The Conference Board Consumer Confidence Index decreased in February for the second consecutive month. The Index now stands at 102.9, down from 106 in January. The Present Situation Index —

based on consumers' assessment of current business and labor market conditions — increased to 152.8 from 151.1 last month. The Expectations Index — based on consumers' short-term outlook for income, business, and labor market conditions — fell further to 69.7 from a downwardly revised 76.0 in January.

Notably, the Expectations Index has now fallen well below 80 — the level that often signals a recession within the next year. It has been below this level for 11 of the past 12 months.

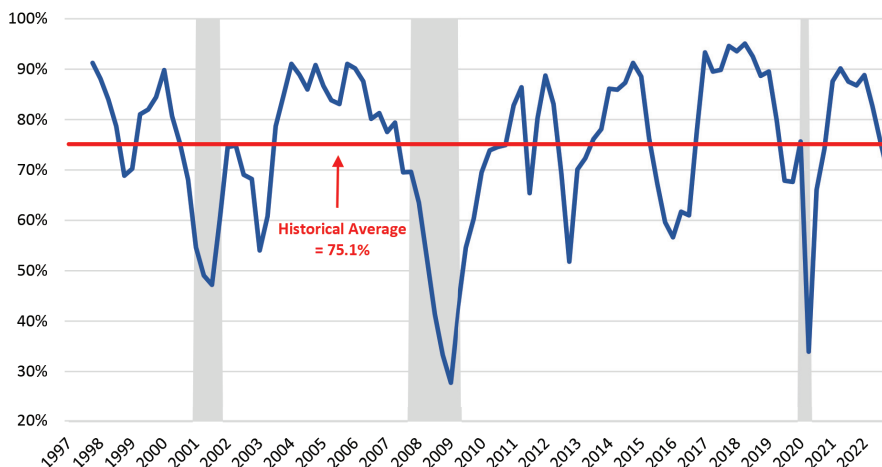
The National Association of Realtors' Pending Home Sales Index (PHSI) — a forward-looking indicator of home sales based on contract signings — improved for the second straight month, up 8.1% to 82.5 in January. It had increased 2.5% to 76.9 in December, following six consecutive months of declines. Year-over-year, pending transactions dropped by 24.1%. 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, stood at 43 at the start of 2023, up from 32 in Q4 2022. The Measure's improvement represents an uptick from the extreme weakness seen last year, which brought it to lows comparable to the depths of the COVID-19 recession in 2020. However, it is still below a reading of 50, which suggests CEOs remain cautious at the start of 2023.

Chief Executive's CEO Confidence Index, which measures CEOs' outlook for business over the coming year, fell for the first time in months in March. It now stands at 6.1 on a 10-point scale, as an increasing proportion

### 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.

of CEOs are now expecting conditions to worsen over the course of the year.

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.

The U.S. Bureau of Labor Statistics Employment Situation Summary showed that the unemployment rate edged up to 3.6% in February with total nonfarm payroll employment rising by 311,000.

### Percent of Respondents Saying They Will Increase Activity or Dollars in

#### April 2023

Product/Service Sales: **74% Increase**  
 Employees/Hours: **65% Increase**  
 Capital Equip Spend: **34% Increase**

#### 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**

Source: SIA Security Market Index, April 2023

The percentage of respondents planning to increase sales, labor and capital equipment spending or activity has changed from February in the product/service sales category, with a 10 percentage point decrease.



## 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 Outlook: 93% Expect Gains



alice-photo / iStock / Getty Images Plus via Getty Images

The Security Market Index (SMI) reading for the video surveillance sector decreased to its lowest level in several months, with a reading of 48. In February, the sector-specific SMI was 53. In December, it was 64; and it was 50 in October.

Still, 27% of video surveillance professionals rated business conditions as "excellent," with another 40% rating them "good," 27% rating them "average," none rating them "fair," and 7% saying conditions were "poor." In February, 8% of video surveillance professionals rated business conditions as "excellent," 54% said conditions were "good," 23% said conditions were "average," 8% said conditions were "fair," and 8% "poor."

Moving forward, 13% of those surveyed in the video sector said they expect conditions during the next three months to be "much better," 80% expect them to be "a little better," and 7% predict "no change." None expect conditions to be worse. In February, 15% said they expected business conditions to be "much better," 69% said "a little better," 8% expected "no change," and 8% expected conditions to be "worse."

## Security Market Index, Video Surveillance Segment: **48** Security Market Index, Overall: **56**

### Expected Business Conditions over the Next Three Months

#### April 2023

- Much better: **13%**
- A Little Better: **80%**
- No change: **7%**
- Worse: **0%**

#### 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%**

Source: SIA Security Market Index, April 2023



# Most Integrators Forecast Strong Q2



**The segment-specific February Index** for security systems integrators is 52 this month — down from 67 in February. The Index was 68 in December; 56 in October; and 42 in August. When asked how they would rate current business conditions, 30% said “excellent,” 45% said “good,” 20% said “average,” and 5% said “fair.” In February, 37% said “excellent,” 53% said “good,” and 11% said “average.”

One respondent, who indicated conditions were average, noted, “Market conditions for our vertical markets have changed a lot.”

In three months, 10% of integrators surveyed expect business conditions to be “much better,” 65% expect them to be “a little better,” 15% expect them to have “no change,” and 10% expect them to be “worse.” In February, 17% of integrators expected business conditions to be “much better,” 67% said “a little better,” 11% expected “no change,” and 6% expected conditions to be “worse.”

## SECURITY MARKET INDEX

Security Systems Integrator Segment: **52**

SMI Overall: **56**

### Confidence in Current Business Conditions

SMI Overall:  
 Excellent: **32%**  
 Good: **48%**  
 Average: **14%**  
 Fair: **3%**  
 Poor: **3%**

### Security Systems Integrator Segment

Excellent: **30%**  
 Good: **45%**  
 Average: **20%**  
 Fair: **5%**  
 Poor: **0%**

Source: SIA Security Market Index, April 2023

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## GROWTH OPPORTUNITIES

# What Verticals Have the Greatest Growth Potential Over the Next Few Years?

SIA's Security Market Index (SMI) asked industry professionals, “From your business’s perspective, the greatest security market growth potential over the next few years can be found in which vertical(s)? (choose all that apply).”

The five strongest verticals cited were government at 47%, healthcare and K-12 each with 40%, utilities at 39%, and higher education at 32%. Ports/maritime was the least chosen option at 13%, along with banking/financial and stadiums/ballparks/arenas, each of which were cited by 19% of respondents. Verticals cited in the “other” category included biotech facilities, critical infrastructure, data centers, ecommerce, multi-family housing, and regulated industries.



From your business’s perspective, the greatest security market growth potential over the next few years can be found in which vertical(s)?

Government	<b>47%</b>
Health Care	<b>40%</b>
K-12	<b>40%</b>
Utilities	<b>39%</b>
Higher education	<b>32%</b>
Airports/aviation	<b>26%</b>
Public transportation	<b>25%</b>
Hospitality/casinos/entertainment	<b>23%</b>
Oil/gas/chemical	<b>23%</b>
Retail	<b>23%</b>
Cannabis	<b>22%</b>
Office buildings	<b>21%</b>
Banking/financial	<b>19%</b>
Stadiums/ballparks/arenas	<b>19%</b>
Other (please specify)	<b>14%</b>
Ports/maritime	<b>13%</b>

Source: SIA Security Market Index, April 2023

