

77% Rate Conditions as Positive After Strong ISC West

Coming off the most successful ISC West in several years, more than three out of four respondents to the May-June Security Market Index (SMI) survey reported a positive view of current business conditions in the security industry.

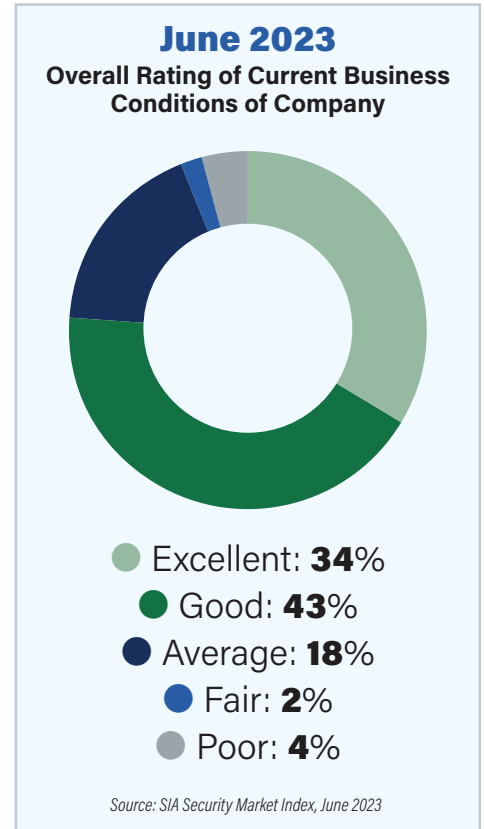
More than one-third of security professionals in the latest survey rated conditions as “excellent,” while 43 percent described them as “good.” Eighteen percent characterized them as “average.” These results were similar to the March-April findings, in which 80 percent reported either “excellent” or “good” conditions.

The May-June survey took place just a few weeks after ISC West, which hosted more than 27,000 people in Las Vegas at the end of March, including more than 18,000 attendees, a 56 percent increase over last year. SIA Chair James

Rothstein said the success of the expo and conference – a record number of people attended SIAEducation@ISC sessions – shows that “the security industry has weathered the challenges of the past three years and is poised for growth.”

Some SMI respondents commented on growth at their companies, with one saying, “We have more projects in the first quarter than any other prior year” and another observing that, “Customers are starting to spend and investigate more tech spending.”

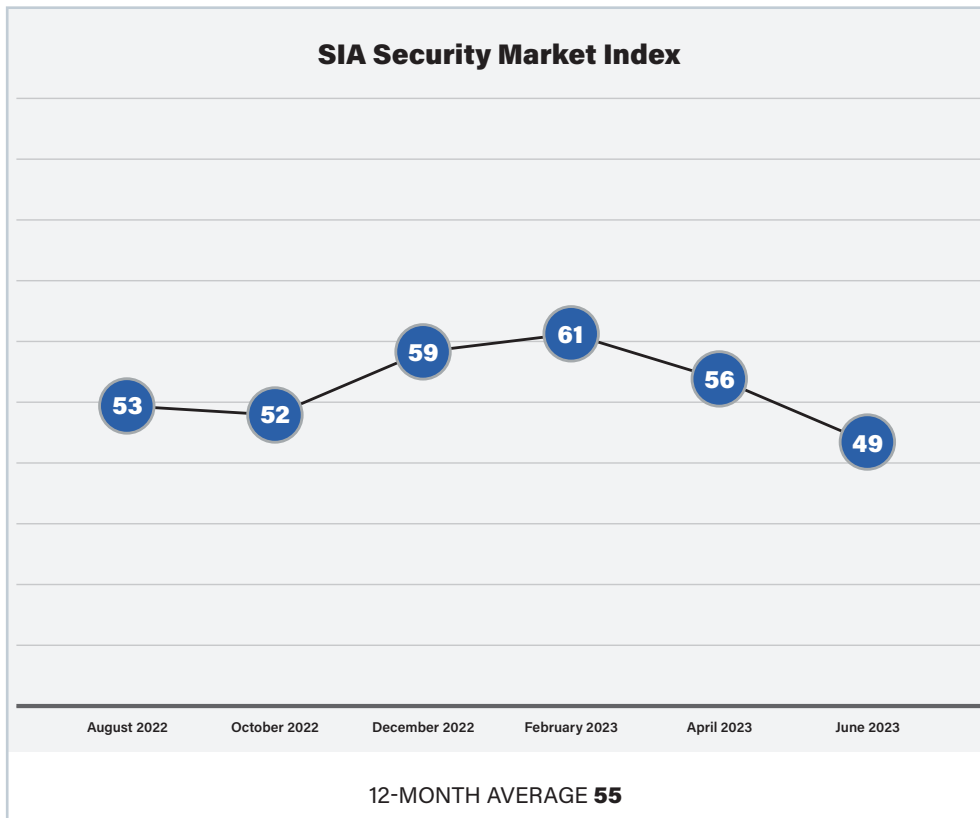
The Index survey results did show some negatives, though, possibly related to lingering concerns about the general economy, with both inflation and fears of a recession still elevated. One commenter, for example, said that there is “a lot of uncertainty caused by the Fed and debt ceiling nonsense.” Another, meanwhile, hinted at the possibility of



This month, 77% of security professionals rated current business conditions as “excellent” or “good,” 18% said conditions were “average,” 2% said they were “fair” and 4% said conditions were “poor.” Positive responses were down slightly from the last survey, when 80% rated current conditions as “excellent” or “good.”

an economic downturn: “Companies are starting to pull back on expenditures. We are seeing layoffs beginning and budgets retracting.”

As a result, the Index’s overall rating dipped from 56 in April to 49 in June, just below the 50 threshold that indicates broad confidence in the sector.



SIA thanks

wesco
 for supporting the
 Security Market Index
wesco.com

Large Majority Predicts Strong Q3

Most respondents to the May-June SMI survey expect conditions to improve in the third quarter of the year, with a combined 78 percent saying things will be “much better” or “a little better” than they are now. Eighteen percent forecast no change, while four percent said conditions are likely to get worse.

The optimism is down slightly from the March-April Index, when 83 percent had a positive view of the coming three months.

One respondent this time around noted that conflicting factors make predictions difficult, since there is “continued strong demand for all types of security services/solutions [but] inflationary pressures, reductions in capital spending and availability of qualified labor are headwinds we expect to grow stronger in the second half of the year.”

Many companies are still investing for growth, with 56 percent of survey respondents reporting that they expect to increase the number of employees

or hours worked at their company. This, though, is down from 65 percent in the March-April Index. One respondent said that a difficulty for companies in this area is that “limited resources of high-caliber professional experts are hard to find.”

Two in five respondents expect increases in marketing activity or spending, down from 51 percent in March-April. One commenter said their company is “prioritizing investments in digital demand generation, new solution launch support, and industry thought leadership.”

In regard to capital equipment spending, 40 percent foresee increases, which is up from 34 percent in the previous Index. Meanwhile, 64 percent expect product and/or service sales to increase, a dip from 74 percent two months ago.

In each of these categories, only single-digit percentages predicted decreases in activity or spending, with the remainder expecting levels to stay about the same.

Percent of Respondents Saying They Will Increase Activity or Dollars in

JUNE 2023

Product/Service Sales: **64%** Increase
 Employees/Hours: **56%** Increase
 Capital Equip Spend: **40%** Increase

APRIL 2023

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

FEBRUARY 2023

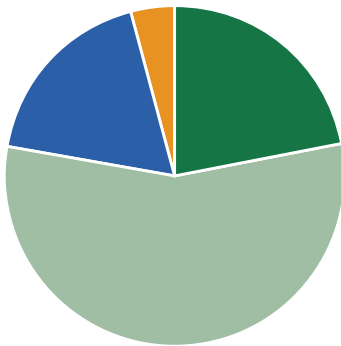
Product/Service Sales: **84%** Increase
 Employees/Hours: **66%** Increase
 Capital Equip Spend: **35%** Increase

Source: SIA Security Market Index, June 2023

While many companies foresee increased activity or spending in sales and employee hours, the percentages have steadily declined since the start of the year. Expectations for increased capital equipment spending or activity have increased recently, however. Very few companies project decreased activity or spending in these categories.

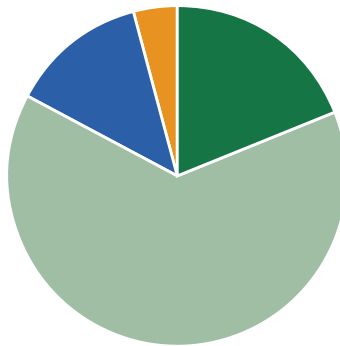
Expected Business Conditions for Companies in Next Three Months

JUNE 2023



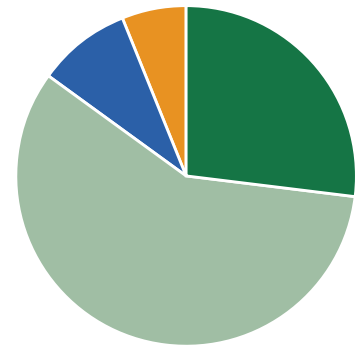
- Much Better - **22%**
- A Little Better - **56%**
- No Change - **18%**
- A Little Worse - **4%**
- Much Worse - **0%**

APRIL 2023



- Much Better - **19%**
- A Little Better - **64%**
- No Change - **13%**
- A Little Worse - **4%**
- Much Worse - **0%**

FEBRUARY 2023

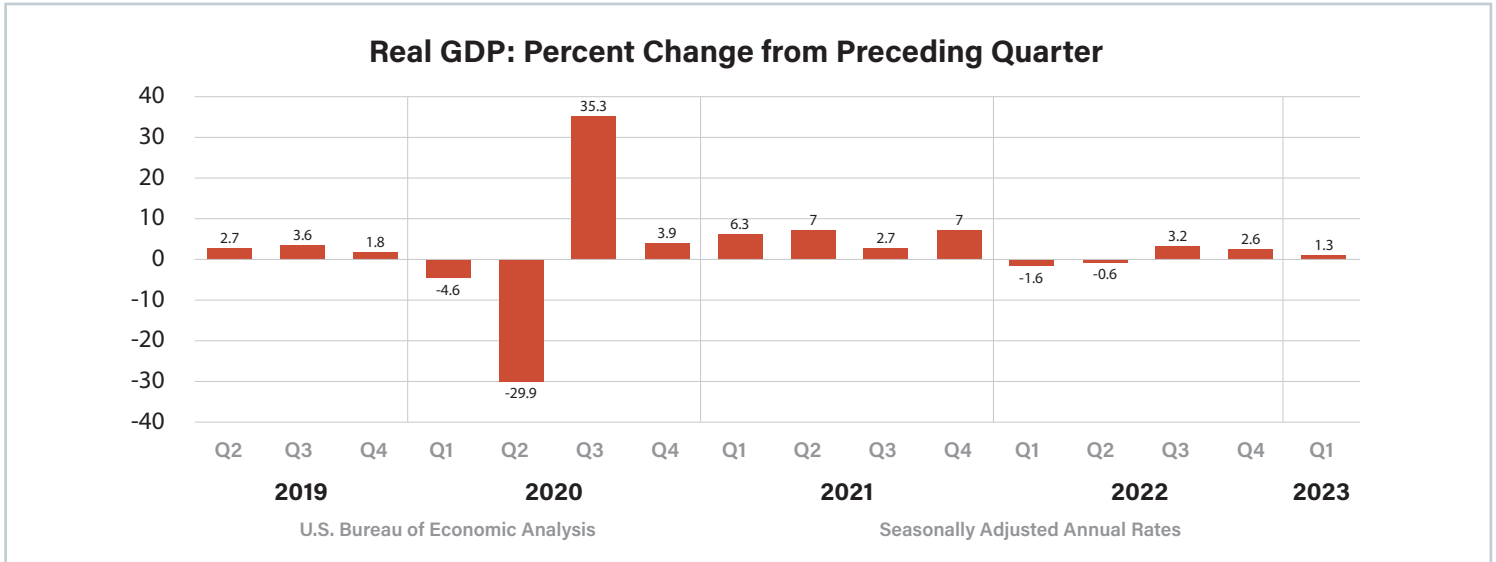


- Much Better - **27%**
- A Little Better - **58%**
- No Change - **9%**
- A Little Worse - **6%**
- Much Worse - **0%**

Source: SIA Security Market Index, June 2023

Moving forward, 78% of security leaders believe that business conditions will improve by some degree over the next three months, with 18% predicting no change over the next quarter, and 4% expecting conditions to become worse.

Indicators Mixed, Even as Economy Expands, Job Growth Remains Healthy



Real GDP increased 1.3 percent in the first quarter of 2023, down from 2.6 percent in the fourth quarter of 2022. Source: Bureau of Economic Analysis

The U.S. economy grew at a 1.3 percent annualized rate during the first quarter, the Bureau of Economic Analysis reported, down from 2.6 percent during Q4 of 2022 and 3.2 percent in Q3.

The modest expansion was attributed to “increases in consumer spending, exports, federal government spending, state and local government spending, and nonresidential fixed investment” by the bureau, which noted that growth was slowed by “decreases in private inventory investment and residential fixed investment.”

The labor market continues to be strong, with the economy surpassing expectations by adding 339,000 jobs in May, the Bureau of Labor Statistics reported. The unemployment rate is now at 3.7 percent.

Year-over-year inflation, which reached 9.1 percent in June 2022, has declined for 10 months in a row and came in at 4.9 percent in April.

While price increases have slowed, the Federal Reserve in early May still raised interest rates by a quarter-point. This put the target range for the Federal Funds Rate at 5-5.25 percent, up from 0-0.25 percent in March 2022. In announcing the rate hike, the Fed’s Federal Open Market Committee (FOMC) observed that “Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated. The U.S. banking system is sound and resilient. Tighter credit conditions for households

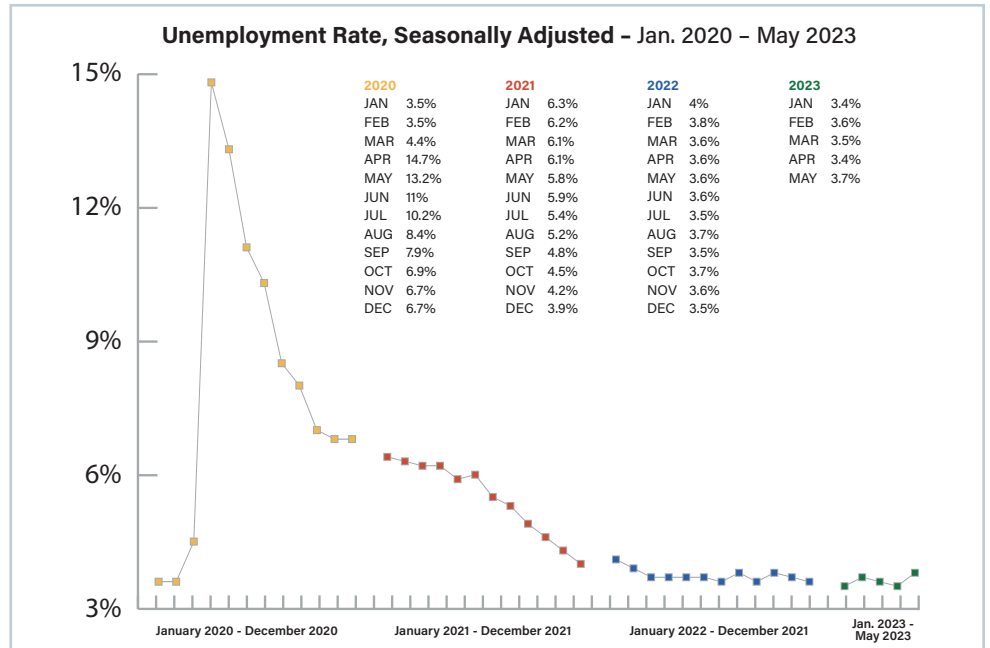
and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain.”

Although Fed Chairman Jerome Powell said following the May 3 meeting that, “A decision on a pause was not made today,” there is speculation that the FOMC will leave rates unchanged in June, amid concerns about a possible recession during the second half of the year.

Even with low unemployment and positive, though middling, growth, several

recent private sector economic indicators are showing downward trends.

- Chief Executive CEO Confidence Index (May) ▼
- Institute for Supply Management Purchasing Managers Index (April) ▲
- National Association of Realtors Existing Home Sales (April) ▼
- The Conference Board Consumer Confidence Index (May) ▼
- University of Michigan Index of Consumer Sentiment (May) ▼



The unemployment rate was at 3.7 percent in May amid job growth that exceeded forecasts. Source: U.S. Bureau of Labor Statistics

ISC West Attendees Give Rave Reviews

Nearly 8 in 10 SMI survey respondents who were at ISC West lauded the highly attended expo and conference in response to an SMI survey question.

When asked, "What did you think of ISC West this year," more than 1 in 4 called the event "one of the best – if not the best – ever" and 53 percent described it as an "excellent show." Just under 1 in 5 called the event "OK," while less than 2 percent of survey participants had negative responses.

About 15 percent of Index respondents did not attend ISC West and were not included in the above results.

More than 27,000 people were at ISC West in Las Vegas from March 28-31. This included more than 18,000 attendees, an increase of 56 percent from 2022.

SIA is the premier sponsor of ISC West and ISC East.

What did you think of ISC West this year?*

One of the best – if not the best – ever - **26%**

Excellent show - **53%**

It was OK - **19%**

Subpar show - **0%**

It was a waste of my time - **2%**



* Results only include survey respondents who attended ISC West



The Bridge area of the ISC West show floor was packed for the SIA Women in Security Forum Networking Breakfast and Power 100 Celebration. *Image source: SIA*



More than 700 security professionals kicked off ISC West week at the SIA Market Leaders Reception at Chateau Rooftop at Paris Las Vegas. *Image source: SIA*



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 Industry Association
8455 Colesville Road, Ste. 1200
Silver Spring, MD 20910
Tel: (301) 804-4700
securityindustry.org



© 2023 Security Industry Association. All rights reserved

The SMI is supported by (wesco.com)

