

Security Industry Confidence Remains High

Respondents to the November-December Security Market Index

survey expressed bullish opinions regarding business conditions, despite some possible headwinds.

The vast majority – 85 percent – described current conditions for their company as “excellent” (29 percent) or “good” (56 percent), while 11 percent characterized them as “average” and 4 percent said “fair.” No respondents said that conditions are “poor.”

“Business is remaining solid with strong opportunities while increased competition is happening,” one survey participant said. Others, meanwhile, described 2023 as the “best year ever” and conditions as “better than ever.”

Some respondents did cite caveats, though, typically related to the overall economy.

One response, for example, noted that there is “Lots of momentum, but much concern about the economy and economic confidence,” while another similarly stated, “We see some slowing with new commercial construction starts. There appears to be a

general overall concern about the state of everything, including the economy.”

The security industry, however, is unique, leading a survey participant to observe, “It’s crazy times for most, but wars, weather, protests, etc., drive our business.”

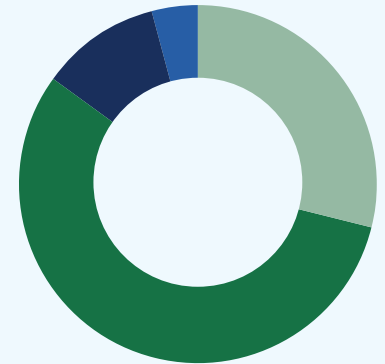
And one respondent said that economic changes simply mean that adjustments must be made in order to grow.

“Market demand is clearly cooling with softness in commercial real estate and higher education being the most notable,” the respondent said. “Opportunity remains for newer technology offers with credible, specific value propositions.”

The November-December Security Market Index was 54, down from the September-October reading of 59 but still near its 12-month average of 56. A reading over 50 indicates growth in the security industry.

The survey was conducted in early November, a few days before ISC East. The expo and conference in New York provided additional signs of robustness in the industry, with attendance increasing 25 percent over the 2022 level.

December 2023 Overall Rating of Current Business Conditions of Company

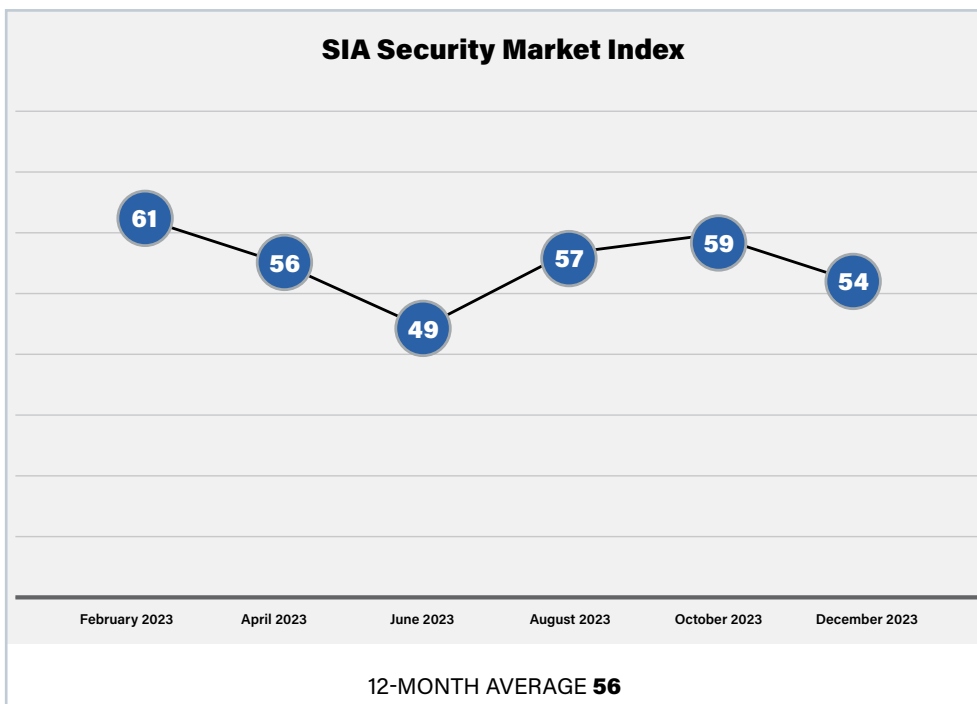


- Excellent: **29%**
- Good: **56%**
- Average: **11%**
- Fair: **4%**
- Poor: **0%**

Source: SIA Security Market Index, December 2023

This month, 85 percent of security professionals rated current business conditions as “excellent,” or “good,” up 2 percentage points from the previous survey. Eleven percent said conditions were “average,” and 4 percent said they were “fair.” None said conditions were “poor.”

“Data from the Security Market Index and from ISC East show that the security industry is ending 2023 the same way it started it – with strong upward momentum,” SIA Chairman James Rothstein said. “We are excited to work with our members to continue to advance the industry in the coming year.”



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Continued Growth Expected in Next 3 Months

Nearly two-thirds of November-December Security Market Index

survey respondents said they expect business conditions to improve in the next three months.

The 64 percent who said that things will get “much better” (18 percent) or “a little better” (46 percent), however, was down from the two previous surveys, with concerns about geopolitical conflicts, the budget impasse in Congress (lawmakers passed a stopgap bill to fund the government into early next year after the survey closed), and a possible recession top of mind.

“It will be interesting to watch the world events, wars, and economic growth or stagnation,” a survey participant said, while another stated, “The Feds do not have their fiscal year 2024 budget in place, so no major spending until it’s been approved.”

Nearly one in three – 29 percent – foresee no change in conditions, while 6 percent expect things to get “a little worse.” No respondents said that things will get “much worse.”

One respondent noted the disruptive effects that a very contentious presidential election is likely to have soon.

“Business owners and shareholders

will be motivated to make and close on strategic changes before end of June 2024 ahead of the American general election,” the respondent said.

As was the case in the September-October report, the highest level of optimism was seen in product/service sales, where 71 percent of respondents reported that they plan to increase spending or activity. This was down 6 percentage points from two months earlier.

“We are still growing by adding additional revenue sources, increase in analytics and edge computing, adding AI and deep learning, adding solutions in access control and audio enhancements,” one survey participant said. Another said they are expecting increases related to both products and services, with higher percentage increases on the services side.

Expectations for spending or activity boosts in product production increased by 4 percentage points from the last survey to 59 percent, while 63 percent forecast increases in employees and/or hours worked, nearly the same as two months earlier.

Regarding marketing efforts, 42 percent of respondents noted plans for more spending or activity. This marked a

Percent of Respondents Saying They Will Increase Activity or Dollars in

DECEMBER 2023

Product/Service Sales: **71% Increase**
 Employees/Hours: **63% Increase**
 Product Production: **59% Increase**
 Marketing: **42% Increase**

OCTOBER 2023

Product/Service Sales: **77% Increase**
 Employees/Hours: **65% Increase**
 Product Production: **55% Increase**
 Marketing: **47% Increase**

AUGUST 2023

Product/Service Sales: **71% Increase**
 Employees/Hours: **65% Increase**
 Product Production: **58% Increase**
 Marketing: **52% Increase**

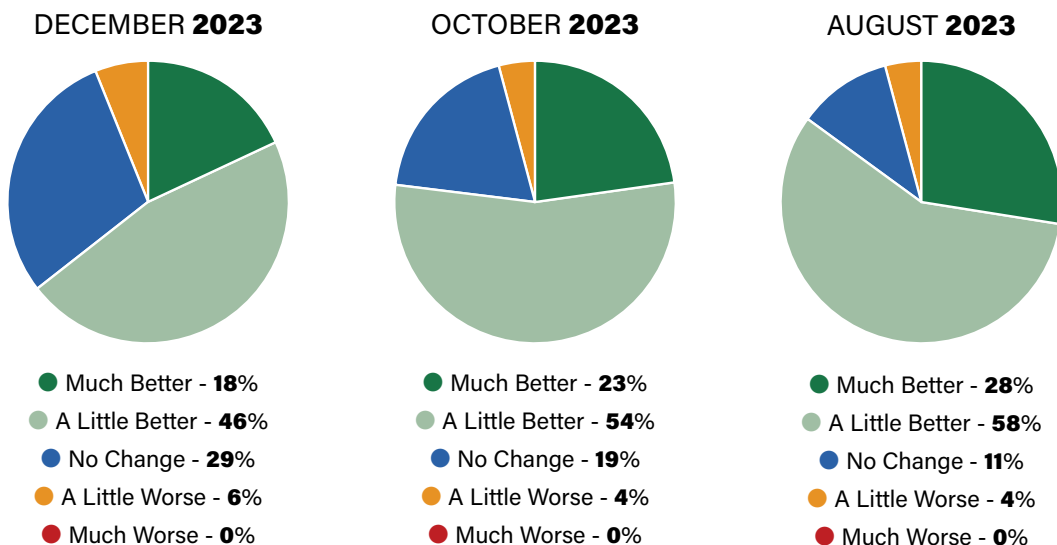
Source: SIA Security Market Index, December 2023

Compared to two months ago, a higher percentage of respondents are planning to increase product production, but product/service sales, labor, and marketing are all down by 2 to 6 percentage points.

decrease of 5 percentage points from two months ago.

“The cost of doing business has gone up exponentially,” one respondent said of their marketing activity.

Expected Business Conditions for Companies in Next Three Months



Source: SIA Security Market Index, December 2023

Looking ahead, 64% of security leaders believe that business conditions will improve by some degree over the next three months, with 29% predicting no change, and 6% expecting conditions to become worse. This is a 13 percentage point decrease from the September-October report in those predicting better conditions. This closely corresponds with significantly more respondents predicting “no change” (up 10 percentage points over the last report) rather than conditions getting worse.

Economic Indicators Still Positive, With Cautionary Notes

Despite persistent fears of a recession, the economy in the third quarter turned in its best performance in nearly two years, with gross domestic product (GDP) increasing by 4.9 percent, according to the Bureau of Economic Analysis.

The Q3 growth, which more than doubled the 2.1 percent expansion in the preceding three months, “reflected accelerations in consumer spending, private inventory investment, and federal government spending and upturns in exports and residential fixed investment,” the bureau reported. “These movements were partly offset by a downturn in nonresidential fixed investment and a deceleration in state and local government spending.”

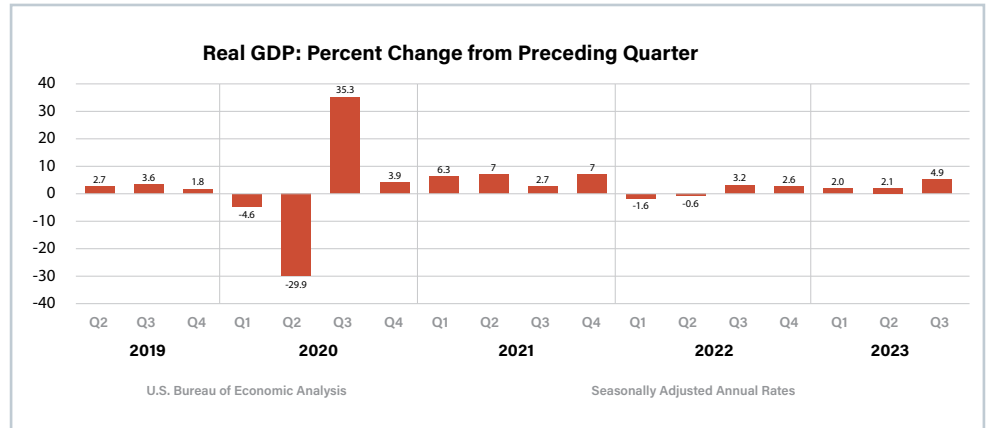
The economy added 150,000 jobs in October while the unemployment rate rose slightly to 3.9 percent, according to the Bureau of Labor Statistics. Unemployment has remained under 4 percent since March 2022, but monthly job growth has slowed since this spring.

The Bureau of Labor Statistics also reported that prices, on average, were unchanged from September to October, while year-over-year inflation was 3.2 percent.

With price increases easing and job growth slowing, the Federal Reserve in November decided for the second meeting in a row to leave interest rates unchanged. While there are some indications that the central bank’s aggressive campaign of rate hikes – which has put the target range for the Federal Funds Rate at 5.25 to 5.5 percent – may be over, Fed Chairman Jerome Powell stressed that more increases remain an option and that he and his colleagues are wary of being “misled by a few good months of data.”

The Fed’s interest rate target is 2 percent.

CEOs and consumers also appear to still be wary. The *Chief Executive* CEO Confidence Index declined in October, and a poll in early November returned the lowest ratings of current business conditions since 2020. While there is a “sizeable proportion of CEOs who remain optimistic about inflation and the



Gross domestic product (GDP) increased at a 4.9 percent annualized rate during the third quarter according to the “advance” estimate, compared to 2.1 percent in the second quarter. Source: Bureau of Economic Analysis

economy,” the majority anticipate flat or worsening conditions.

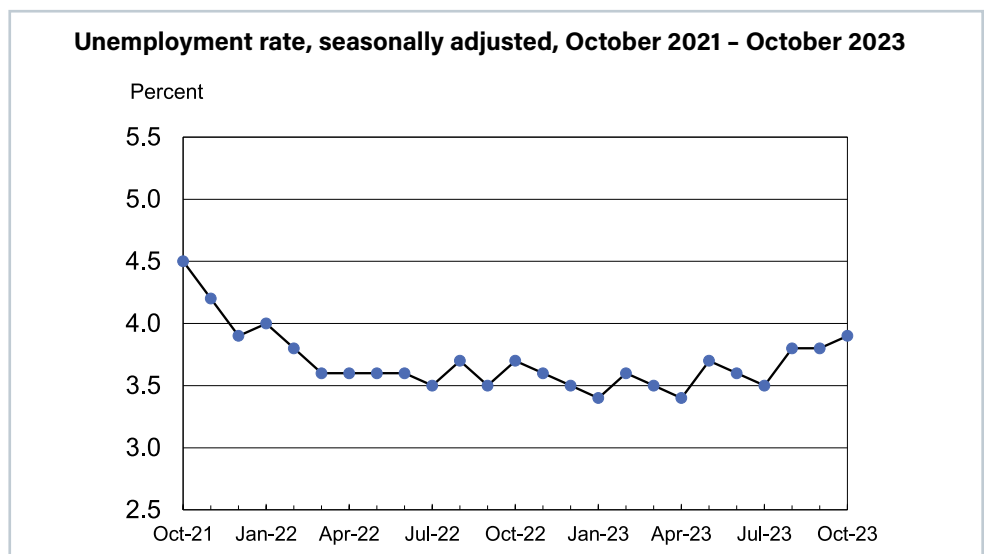
The Conference Board’s Consumer Confidence Index, meanwhile, dipped “moderately” in October. The Expectations index is still below the level that historically signals a recession within the next year.

“Consumer confidence fell again in October 2023, marking three consecutive months of decline,” the board’s chief economist said. “October’s retreat reflected pullbacks in both the Present Situation and Expectations Index. Write-in responses showed that consumers continued to be preoccupied with rising prices in general, and for grocery and gasoline prices in particular. Consumers also expressed concerns about the

political situation and higher interest rates. Worries around war/conflicts also rose, amid the recent turmoil in the Middle East.”

Several other private sector economic indicators are also showing signs of downward expectations:

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



The unemployment rate rose slightly to 3.9 percent in October, up 0.1 percent from 3.8 percent in September. Source: Bureau of Labor Statistics

Majority of Survey Respondents Expect 5% or Better Growth in 2024

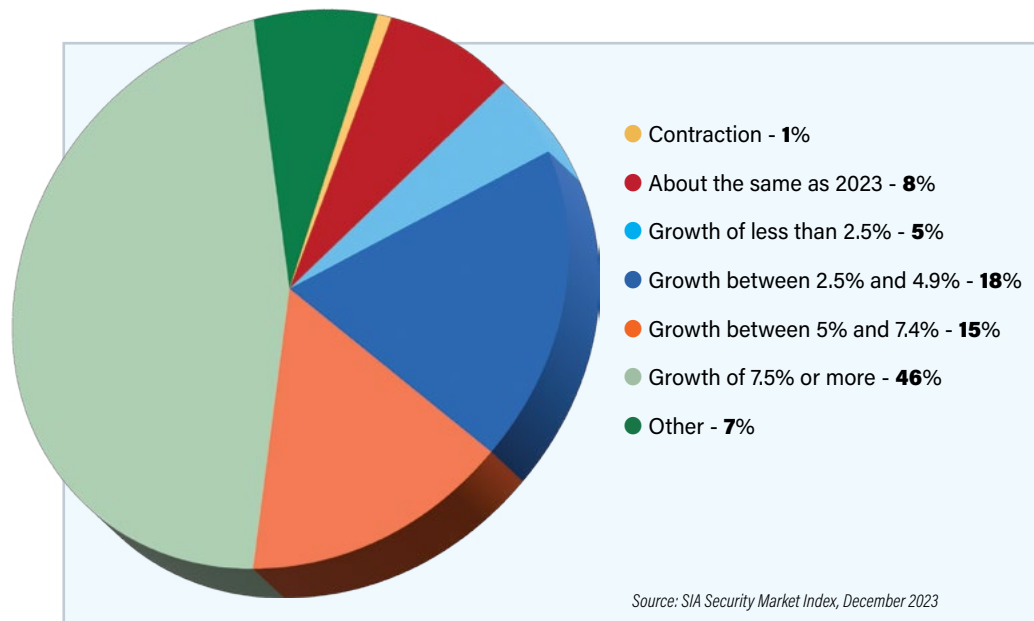
Nearly half of Security Market Index survey respondents said their company is expecting growth of 7.5 percent or more next year, and more than 3 out of 5 foresee expansion of at least 5 percent.

When asked, "What is projected for your business in 2024, 46 percent said growth of 7.5 percent or more and 15 percent said growth of 5 to 7.4 percent. Another 18 percent expect their business to expand by 2.5 to 4.9 percent, while 5 percent said they will likely see growth of less than 2.5 percent. Eight percent said business would stay the same as in 2023, while 1 percent predicted that it would contract next year.

Some respondents were reluctant to offer a projection, with 7 percent selecting the "other" option.

"Tough to answer," one respondent said. "DIY is growing but the products considered security are not the traditional products so it's tough to have a like for like comparison."

What is projected for your business in 2024?



Security Industry Compensation Study

The Security Industry Association (SIA), the Electronic Security Association, the Foundation for Advancing Security Talent (FAST), PSA Security Network, and *Security Sales & Integration* have partnered to launch the 2023 Security Industry Compensation Study. This initiative is the security industry's largest widely partnered study on salary and compensation.

Participating in this study will provide your company with essential benchmarking data on industry salaries and benefits to help you effectively recruit and retain top talent. All companies who participate in the survey will get the executive summary prior to the release of the full report and will receive the full report once it is released. With standardized job titles and descriptions, participants in the study will get valuable data to help make informed hiring decisions.

For more information, visit <https://advancingsecurity.org/discover-the-securityindustry/fast-security-industry-compensation-study>.



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.

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