

SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association



JANUARY | FEBRUARY 2024

Optimism Reigns, Despite Concerns About Global Events

Nearly 1 in 4 participants in the SIA Security Market Index survey said that conditions are "excellent."

The security industry appears strong starting off 2024, with 84 percent of respondents in the January-February SIA Security Market Index describing conditions at their company in positive terms.

Nearly 1 in 4 participants in the SIA Security Market Index survey said that conditions are "excellent," while more than 3 in 5 said they are good. About 11 percent said things are average, while 2 percent said "fair," and 1 percent said "poor." The numbers are largely unchanged from the November-December survey.

One respondent noted that this is a "busy time" for their company, while another related that "New service offerings are gaining traction."

Notwithstanding the solid ratings, though, some worries remain, especially regarding geopolitical issues and economic factors outside of the United States.

"Q1 will be very telling," a respondent said, referencing the "world economy and disruptions in [the] Middle East and Asia."

Another comment expressed concern that conflicts in other parts of the world "may disturb sales."

Geographic economic differences were noted

by a respondent who observed that the "North American market [is] strong" but "Building/real estate issues in China [are] impacting installations."

The January-February Security Market Index increased three points from two months earlier to 57, a bit above the 12-month average of 55. A reading over 50 indicates growth in the security industry. The Index is calculated using a proprietary formula based on three-month projections related to five key business components. The methodology was changed slightly for this edition and future ones by removing what was a sixth input.

"We are excited to see the security industry continue to thrive as we all prepare for ISC West in April," SIA Board of Directors Chairman James Rothstein said. "The new and enhanced products and emerging technologies that we will see at that show and going forward will not only improve safety and security for businesses, organizations and residences, but will also provide an impetus for continued growth."

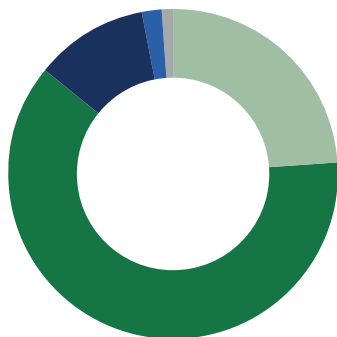
SIA thanks

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January 2024

Overall Rating of Current Business Conditions of Company

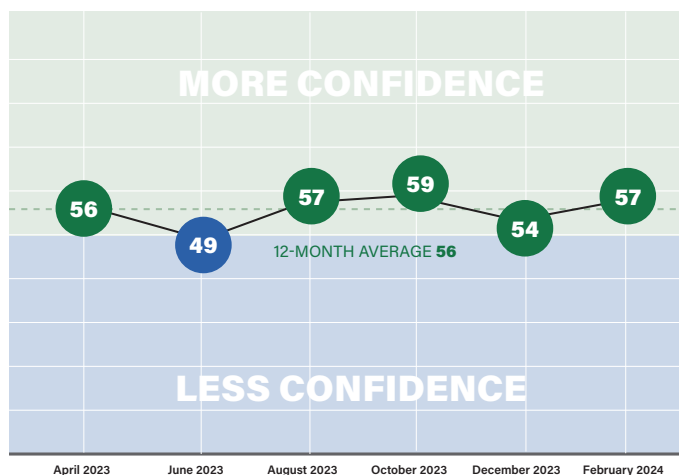
- Excellent – 24%
- Good – 62%
- Average – 11%
- Fair – 2%
- Poor – 1%



Ratings for current business conditions are largely unchanged from November-December 2023.

Source: SIA Security Market Index, January 2024

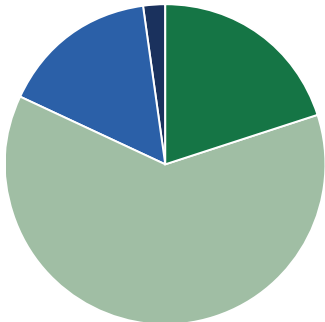
SIA Security Market Index



Forecasts for Next 3 Months Largely Positive

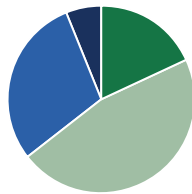
Expected Business Conditions for Companies in Next Three Months

FEBRUARY 2024



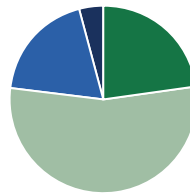
- Much Better - 20%
- A Little Better - 62%
- No Change - 16%
- A Little Worse - 2%
- Much Worse - 0%

DECEMBER 2023



- Much Better - 18%
- A Little Better - 46%
- No Change - 29%
- A Little Worse - 6%
- Much Worse - 0%

OCTOBER 2023



- Much Better - 23%
- A Little Better - 54%
- No Change - 19%
- A Little Worse - 4%
- Much Worse - 0%

The percentage of respondents anticipating improved business conditions in the next three months jumped 18 points from the previous survey to 82 %

Source: SIA Security Market Index, February 2024

Positive near-term outlooks in the security industry have increased significantly,

with more than four out of five respondents to the latest SIA Security Market Index survey expecting conditions for their company to improve during that time.

This result was up 18 points from the November-December survey, when 64 percent anticipated gains in the next 90 days.

In the current survey, about 20 percent said they think things will get “much better,” while more than 60 percent anticipate that they will get “a little better.” Around 15 percent said conditions will be “about the same,” while 2 percent said they will get “a little worse.” No survey participants said things will get “much worse.”

At least one respondent took an even longer-term view, stating that they are “looking for an excellent Q3/Q4.”

Optimism regarding sales was particularly strong, with more than 90 percent of respondents saying they expect product and/or service sales to increase. Two months ago, 71 percent of respondents expected growth in sales.

One respondent expressed a mixed

analysis of conditions, saying their company is “relying on new product and service introductions to offset end user market softness.”

About 63 percent of survey participants foresee increases in employees or hours worked, the same percentage as in November-December. Only about 2 percent expect decreases. This result is notable when compared to a broader macroeconomic trend: The Bureau of Labor Statistics reported that average weekly working hours dipped to 34.1 in January, its lowest non-pandemic point since 2010.

Almost half of respondents expect increased spending on research and development, 45 percent expect more marketing spending, and about a third expect more investments in capital equipment. In each category, decreased spending was forecast by only 2-3 percent of survey participants.

“It’s ebb and flow,” one respondent said of promotional activity. “In Q4 2023, we were debating decreasing marketing spend. Now [it’s] staying consistent or up slightly in 2024.”

Regarding R&D spending, a respondent noted that they “need to stay current with technology.”



Percent of Respondents Saying They Will Increase Activity or Dollars in

FEBRUARY 2024

- CapEx: **33%**
- Employees/Hours: **63%**
- Marketing: **45%**
- Product/Service Sales: **91%**
- R&D: **49%**

DECEMBER 2023

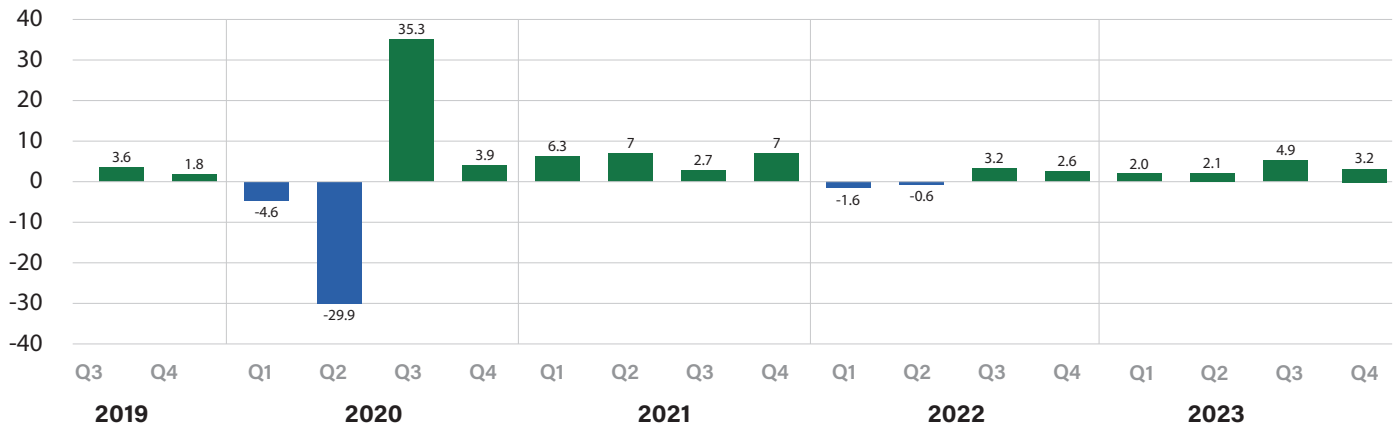
- Product/Service Sales: **71%**
- Employees/Hours: **63%**
- Product Production: **59%**
- Marketing: **42%**

More than 9 out of 10 respondents expect sales to improve in the next three months, compared to about 7 out of 10 in November-December

Source: SIA Security Market Index, February 2024

Economy Grows as Federal Reserve Ponders Rate Cuts

Real GDP: Percent Change from Preceding Quarter



U.S. Bureau of Economic Analysis

Seasonally Adjusted Annual Rates

Source: Bureau of Economic Analysis

The U.S. economy continued to outperform expectations at the end of 2023, as gross domestic product (GDP) grew at an annualized rate of 3.3 percent in the fourth quarter, according to the Bureau of Economic Analysis.

While talk of a possible recession was common throughout the year, the economy posted four positive quarters – including 4.9 percent growth in Q3 –

and grew by 2.5 percent for all of 2023.

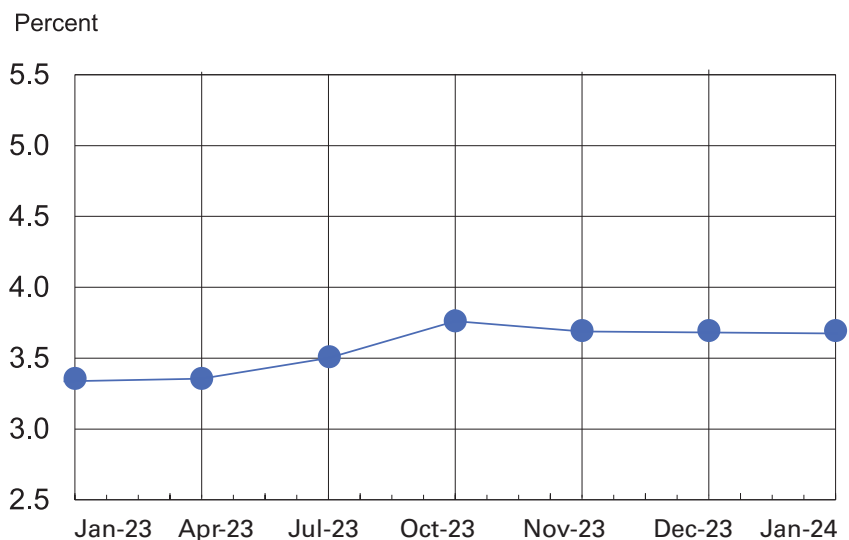
Growth in the fourth quarter, according to the bureau, “reflected increases in consumer spending, exports, state and local government spending, nonresidential fixed investment, federal government spending, private inventory investment, and residential fixed investment.”

The Conference Board’s Consumer Confidence Index hit a two-year high in January, a result that the board’s chief economist said “likely reflected slower inflation, anticipation of lower interest rates ahead, and generally favorable employment conditions as companies continue to hoard labor.”

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

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

Unemployment rate, seasonally adjusted, January 2022 – January 2024



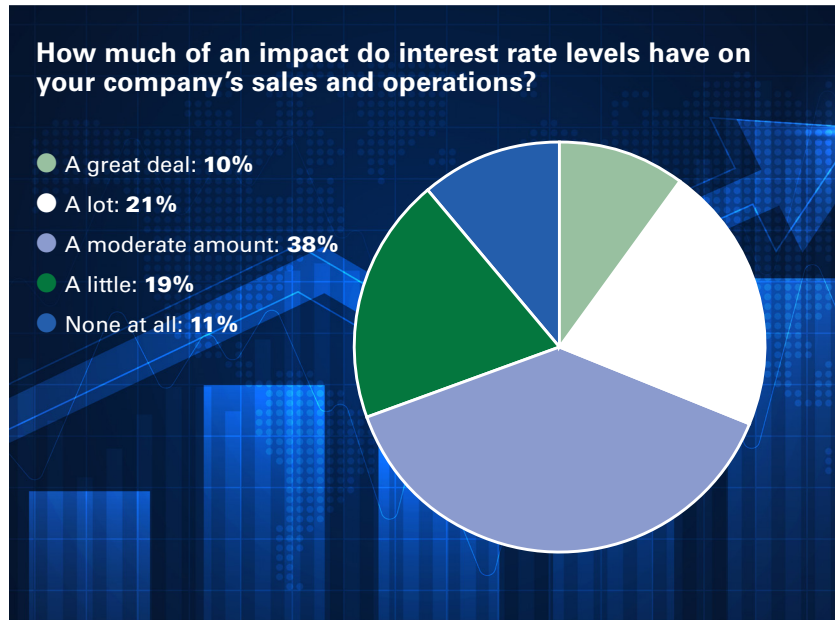
Source: Bureau of Labor Statistics

Opinions Evenly Divided on Impact of Interest Rates

With the Federal Reserve and its monetary policy dominating many economic discussions, the SIA Security Market Index asked respondents just how much of an impact interest rate levels have on their company's sales and operations.

The results, in statistical terms, was a near-perfect normal distribution, spread over five choices. The middle choice – “a moderate amount” – was selected by 38 percent of respondents. The two choices on either side – “a lot” and “a little” – were chosen by 21 percent and 19 percent, respectively. And the end points – “a great deal” and “none at all” – had the support of 10 percent and 11 percent, respectively.

The Fed has increased interest rates by more than 5 points in the past two years. It is expected to reduce them this year, but given persistently elevated inflation rates, it is unclear when.



Source: SIA Security Market Index, February 2024



NEW! The Definitive Market Report for the Security Industry

SIA and ASIS have partnered with researchers at Omdia to produce the definitive market report on the global security industry.

Complexities in the Global Security Market: 2024 Through 2026 analyzes security demand and revenues, with breakdowns by technologies and services, geographic

regions, and leading vertical markets within each region. In addition, the report calculates the jobs created by the security industry worldwide and examines the major trends that are driving growth in the sector. Key findings include:

- The global physical security equipment market is expected to be worth \$60 billion in 2024 and is projected to grow to \$70 billion by 2026.
- The overall physical security equipment and services market is much larger, totaling \$405 billion in 2023 and a projected \$500 billion by 2026.
- The physical security industry employs more than 30 million people worldwide.

SIA members can download the report at no charge. Access the report here:



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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