

SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association



MARCH | APRIL 2024

Nearly 3 in 4 Say Business Conditions Are on Uptick

“Confidence remains solid in the security industry, even amid inevitable fluctuations from month to month.”

Nearly three in four respondents to the March-April SIA Security Market Index survey rated current business conditions as positive, with almost a third describing them as excellent.

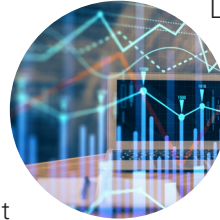
When asked to describe “business conditions for your company,” 29 percent said “excellent” and 43 percent said “good,” while 22 percent assessed conditions as being “average,” and 5 percent as “fair.” No respondents described conditions as “poor.”

“Market still feels a little soft, but numbers are still good,” one survey participant said.

The results are below the numbers from January-February, when 84 percent of respondents reported positive conditions at their respective companies.

One person partially echoed the respondent above – both reported being in the audio solutions space – saying, “Soft start [to] the year.”

A respondent from an identity management company, however, reported “hyper-growth” at their company.



Like other sectors, the security industry faces challenges including elevated inflation and interest rates, armed conflicts in Europe and the Middle East, and economic difficulties in China.

The March-April Security Market Index dipped three points from two months earlier to 54, just below 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.

“Confidence remains solid in the security industry, even amid inevitable fluctuations from month to month,” SIA Board of Directors Chairman James Rothstein said. “We’re all eager for ISC West to ignite enthusiasm in the sector. The security industry year will really start in Las Vegas in April.”

SIA thanks



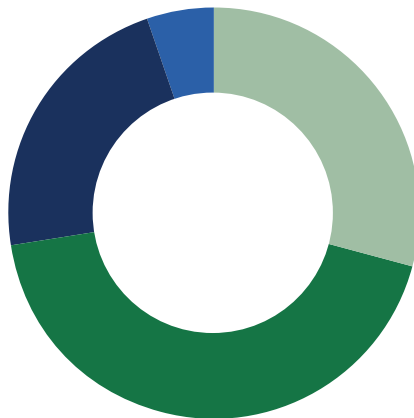
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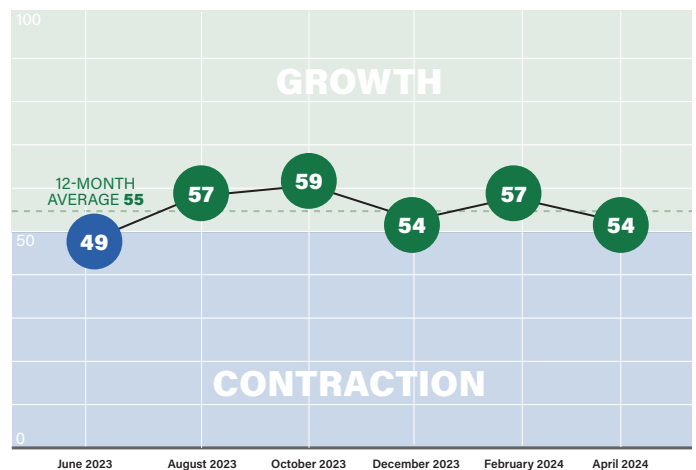
January 2024

Overall Rating of Current Business Conditions of Company

- Excellent – 29%
- Good – 43%
- Average – 22%
- Fair – 5%
- Poor – 0%

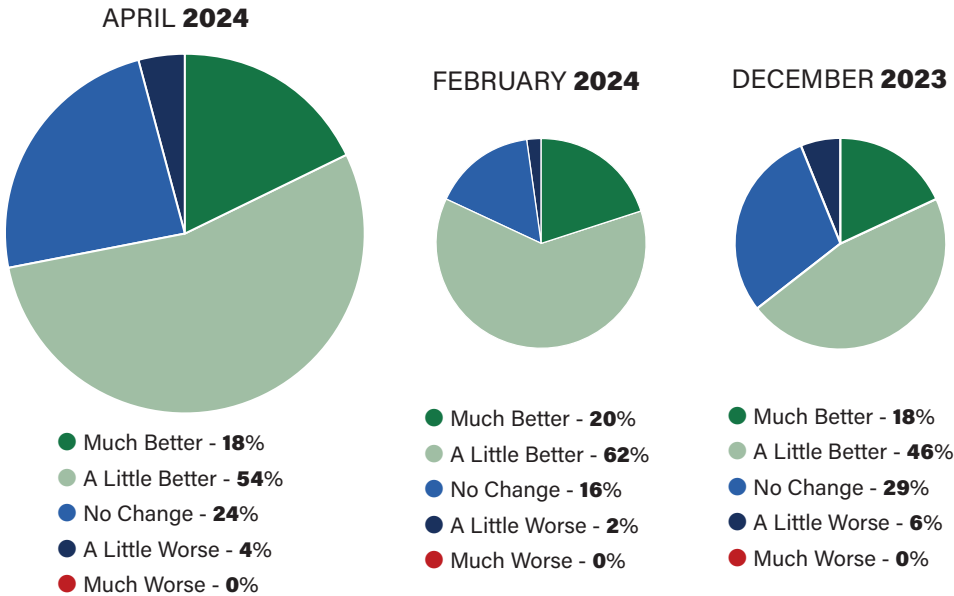


SIA Security Market Index



Forecasts for Next 3 Months Largely Positive

Expected Business Conditions for Companies in Next Three Months



Expectations for business conditions in the next three months are in line with current assessments, with nearly three out of four respondents anticipating gains for their companies.

About 18 percent say they expect conditions to get “much better,” while 54 percent say they are likely to get “a little better.” Nearly one in five (24 percent) think things will stay “about the same,” while 4 percent think they will get “a little worse.” No respondents said they expect conditions to get “much worse.”

The positive responses are down 10 percentage points from the January-February survey but are 8 points higher than in November-December.

“We have a great funnel and no projects lost but many pushed to Q2 and Q3,” one survey participant said.

As has been the case in recent months, expectations regarding product and/or service sales are particularly strong, with 82 percent of respondents foreseeing an increase during the next 90 days.

Two-thirds of respondents expect that employees or hours worked at their company will increase during that time, a

small increase from two months ago.

When asked about research and development (R&D) spending, 45 percent of survey participants said they anticipate an increase, while a similar number, 42 percent, expect an increase in marketing dollars.

“We have more events to do this year than last year,” one respondent noted.

Companies appear to be pulling back on capital equipment spending, with 63 percent of respondents saying that dollars will decrease in this area and only 28 percent expecting an increase. The latter number is down 5 percentage points from January-February.



Percent of Respondents Saying They Will Increase Activity or Dollars in

APRIL 2024

CapEx: **28%**
 Employees/Hours: **66%**
 Marketing: **42%**
 Product/Service Sales: **82%**
 R&D: **45%**

FEBRUARY 2024

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

DECEMBER 2023

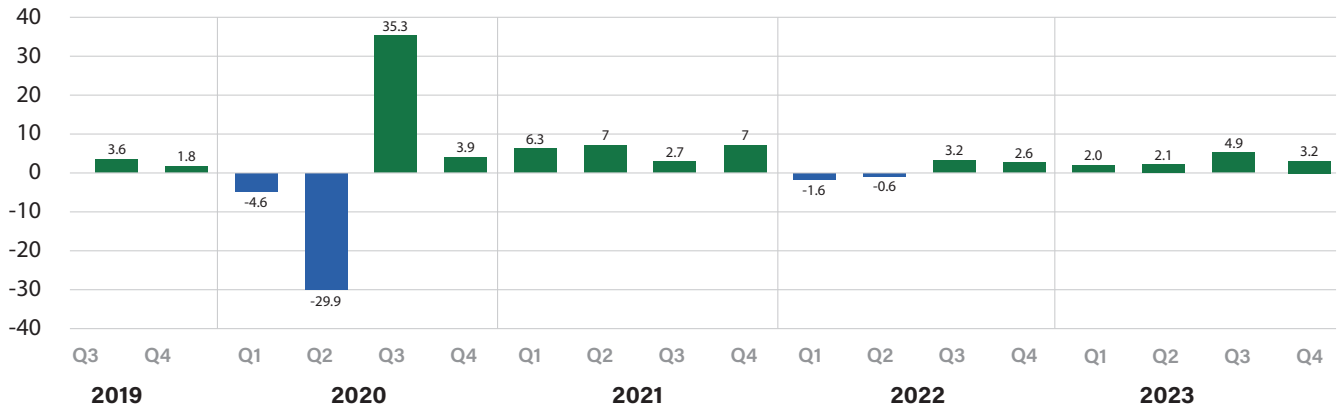
Product/Service Sales: **71%**
 Employees/Hours: **63%**
 Product Production: **59%**
 Marketing: **42%**

Several private sector economic indicators are showing mixed results:

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

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 Labor Statistics

The Federal Reserve in March left interest rates unchanged amid persistently elevated inflation.

Prices in February increased by 3.2 percent from February 2023 and by 0.4 percent from January of this year, according to the Bureau of Labor Statistics. Core inflation – which excludes food and energy – also increased by 0.4 percent month to month but jumped 3.8 percent over the course of the year. The bureau reported that 60 percent of the overall increase from January to February resulted from spikes in shelter and gasoline costs.

Inflation has been between 3 percent and 3.7 percent since June of last year. This has convinced the Fed, whose inflation target is 2 percent, to halt but not reverse its campaign of interest rate increases, which became particularly aggressive after year-over-year inflation hit 9.1 percent in June 2022. The target range for the Federal Funds Rate has been 5.25 to 5.5 percent since July 2023.

“Recent indicators suggest that economic activity has been expanding at a solid pace,” the central bank’s Federal Open Market Committee stated in its announcement. “Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. ... The Committee judges that the risks to achieving

its employment and inflation goals are moving into better balance. The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks.”

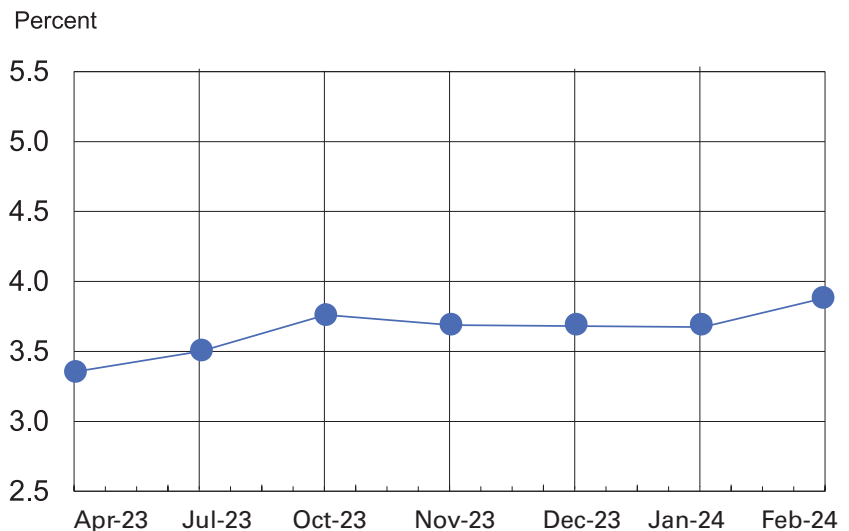
The Federal Reserve now projects that the economy will grow by 2.1 percent this year. In December, the central bank predicted 1.4 percent growth for 2024.

“We believe that our policy rate is likely at its peak for this tightening cycle and that, if the economy evolves broadly as expected, it will likely be appropriate

to begin dialing back policy restraint at some point this year,” Fed Chair Jerome Powell said.

The economy added 275,000 jobs in February – with notable increases in the health care, government, food services, drinking establishment, social assistance, transportation, and warehousing sectors – the Bureau of Labor Statistics reported. The unemployment rate is now at 3.9 percent. The rate has been below 4 percent since February 2022.

Unemployment rate, seasonally adjusted, January 2022 – January 2024



Source: Bureau of Labor Statistics

Survey Finds Strong Support for ISC West

As many members of the security industry prepared for the ISC West expo and conference, the SIA Security Market Index survey asked what the event means to their business.

The vast majority provided strongly positive assessments of the show, stating either that it is “an essential event for us” or that it is “well worth the time and investment.”

One respondent described ISC West as “our biggest event of the year,” while another survey participant stated, “As a company growing in this space, the event plays a critical role in helping to get our brand awareness created.”

In 2023, more than 27,000 security industry professionals attended ISC West, a 56 percent increase over the previous year.

ISC West 2024 is scheduled for April 9-12 at the Venetian Expo in Las Vegas.



New SIA Report Examines Security Industry Changes

With the security industry rapidly evolving, SIA commissioned a research report from Novaira Insights to assess the changes that are occurring and their impact on integrators.

Leveraging the results of interviews with and surveys of integrators and end users, “The Evolving Security Industry,” which was released in March, examines the effect of factors such as the Internet of Things (IoT), the cloud, and artificial intelligence (AI), as well as as-a-service models, and suggests potential strategies that can help integrators to adapt and prosper.

The report also includes analyses of, among other things:

- Long-term trends in the industry
- Future disruptors
- The next-generation security capabilities being sought by end users



SIA members can download the report at no charge:



SECURITY MARKET INDEX

Optimism Reigns, Disrupts Concerns About Global Events

Q1 2024

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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