

# SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association



JULY | AUGUST 2024

## Overwhelming Majority of Security Industry Sees Positive Conditions

**"The security industry continues to grow and expand its offerings and become even more integrated into the overall tech ecosystem."**

**Most security leaders have a positive view of the state of the industry, according to the July-August Security Market Index survey, with integrators being particularly bullish.**

When asked how they would rate current business conditions for their company, 74 percent of survey participants said either "excellent" (22 percent) or "good" (52 percent).

"The market seems receptive to our offerings," a respondent from a facial recognition company said, while a robotics company representative attributed growth to "new technology that is emerging and gaining in adoption."

"The security industry continues to grow and expand its offerings and become even more integrated into the overall tech ecosystem," SIA Board Chairman Scott Dunn said. "We look forward to these trends continuing as we head into the fall trade shows and conferences, especially ISC East."

Integrators reported positive sentiments that exceeded the overall average, with 82 percent



describing conditions as either "excellent" or "good." (SIA thanks PSA Network for assisting with outreach to integrators.)

A few respondents offered mildly negative assessments, though. A survey participant from the access control sector observed that there has been "slower activity in summer months," while a manufacturer of multiple security solutions said, "There is a downturn in intrusion and more in access control and video. The net is flat to minor incremental growth."

Just 8 percent of respondents in total described current conditions as "fair" or "poor."

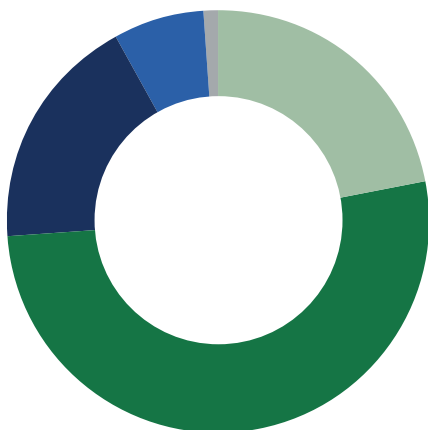
The July-August Security Market Index, which is calculated using a proprietary formula based on three-month projections related to five key business components, dipped three points from two months earlier to 48, six points below the 12-month average of 54. Among integrators, however, the July-August index was 57.

**SIA thanks**  
  
**WESCO**  
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Security Market Index  
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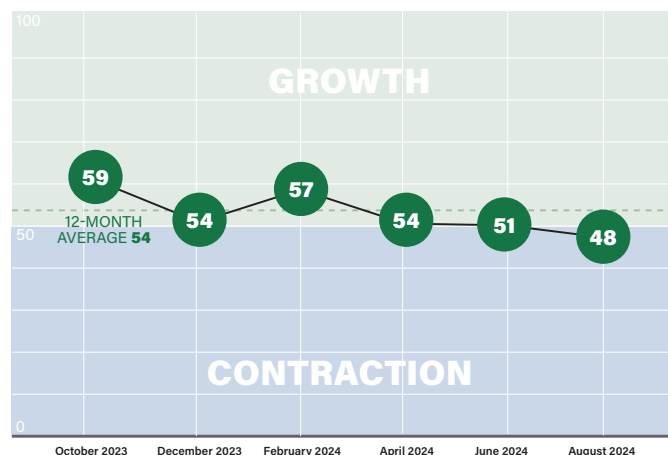
### August 2024

Overall Rating of Current Business Conditions of Company

- Excellent – 22%
- Good – 52%
- Average – 18%
- Fair – 7%
- Poor – 1%

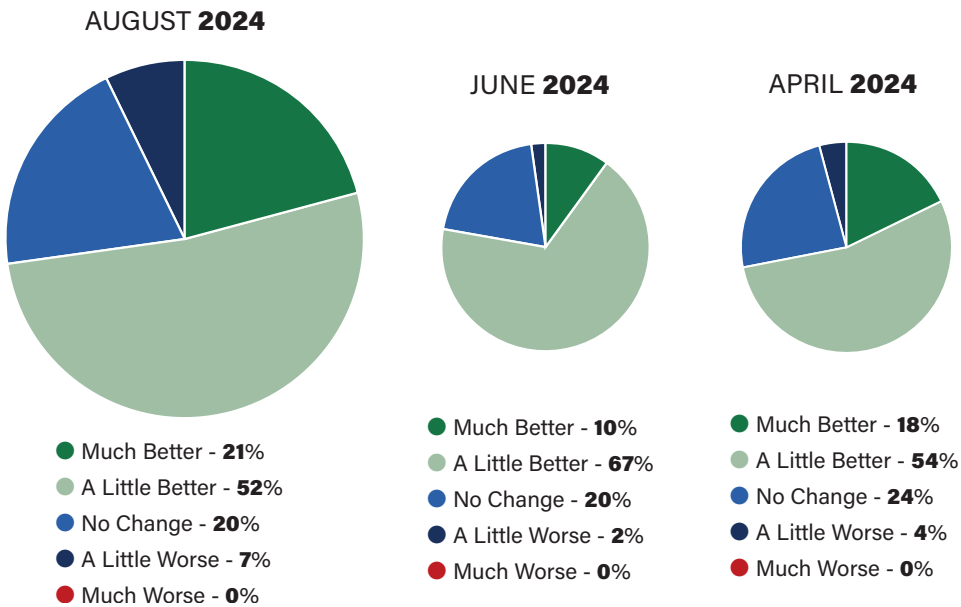


### SIA Security Market Index



# Short-Term Growth Expected at Most Companies

## Expected Business Conditions for Companies in Next Three Months



**Even amid the return of recession rumors, most security leaders foresee growth for their companies in the next three months.**

More than one out of five survey participants (21 percent) are especially optimistic, predicting “much better” conditions in the short term, while more than half (52 percent) expect things to get “a little better.” Only 7 percent see a downturn coming for their firm.

An integrator described plans for future growth by noting that their company is “making significant investment into modernizing internal systems to become more efficient.”

For some respondents, though, predicting the future is impossible with so many uncertainties.

“No way to tell with the pending election,” a threat intelligence respondent said.

When asked about product and service sales, 72 percent said they expect increases during the next three months. That number has decreased in each of the past three indexes from a high of 91 percent at the start of the year. Still, though, only 2 percent think that sales will decrease.

More than half of respondents (52 percent) said they foresee increases in the number of employees or hours worked at their company. This number had been in the 60s in the first three indexes of 2024, including 63 percent in May-June. Just 6 percent expect a reduction.

Increased spending on marketing, research and development, and capital equipment during the next three months are forecast by 42 percent, 41 percent and 30 percent of respondents, respectively. Less than 5 percent expect decreases in each of these categories.

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

### AUGUST 2024

CapEx: **30%**  
 Employees/Hours: **52%**  
 Marketing: **42%**  
 Product/Service Sales: **72%**  
 R&D: **41%**

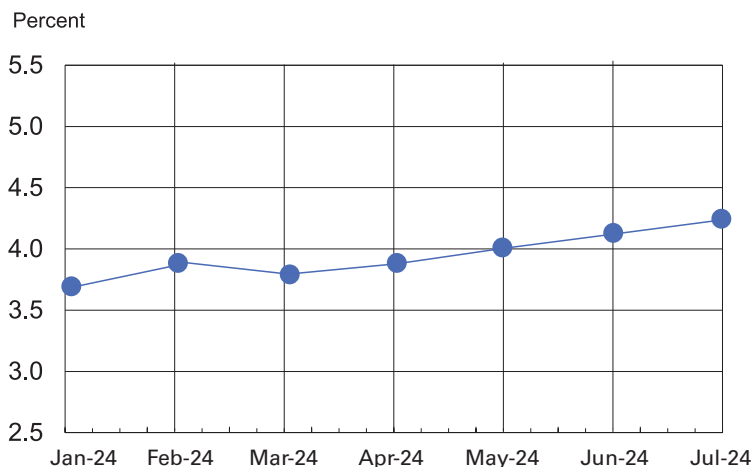
### JUNE 2024

CapEx: **24%**  
 Employees/Hours: **63%**  
 Marketing: **37%**  
 Product/Service Sales: **78%**  
 R&D: **39%**

### APRIL 2024

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

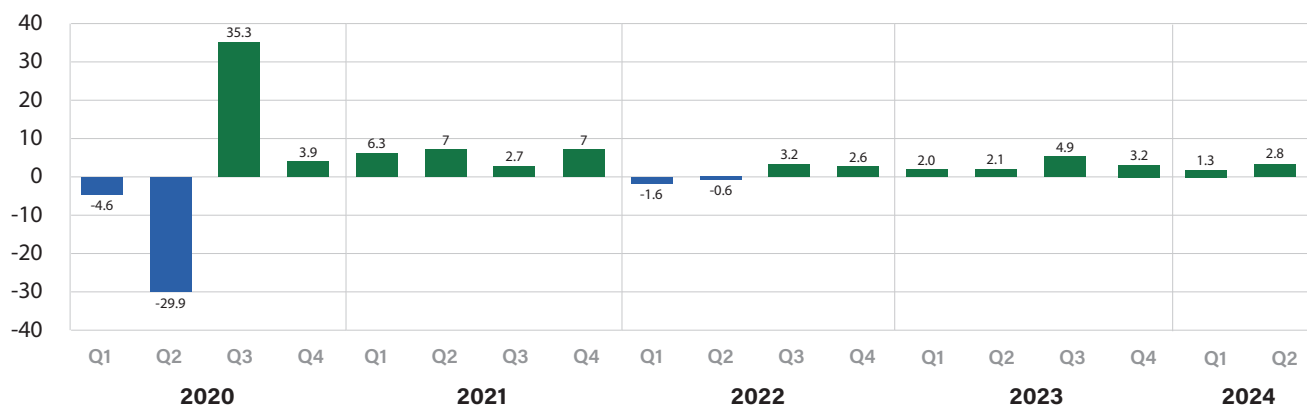
## Unemployment rate, seasonally adjusted



Source: Bureau of Labor Statistics

# Recession Fears Return with Weak Jobs Report

Real GDP: Percent Change from Preceding Quarter



Source: Bureau of Economic Analysis

## An unexpectedly weak jobs report in July has renewed fears of a recession – and made an interest rate reduction in September more likely.

The U.S. economy added 114,000 jobs in July, the second-lowest total since it lost massive numbers of jobs when Covid-19 hit in Spring 2020, according to the Bureau of Labor Statistics. Only April of this year, when 108,000 jobs were created, was lower.

The bureau also reported that the unemployment rate rose to 4.3 percent, the highest it has been since September 2021.

The jobs numbers were released two days after the Federal Reserve decided to keep interest rates unchanged. The target range for the Federal Funds Rate has been 5.25 to 5.5 percent since July 2023.

While many analysts already expected the Fed to cut rates at its Sept. 17-18 meeting, a reduction is now regarded by some as a near certainty.

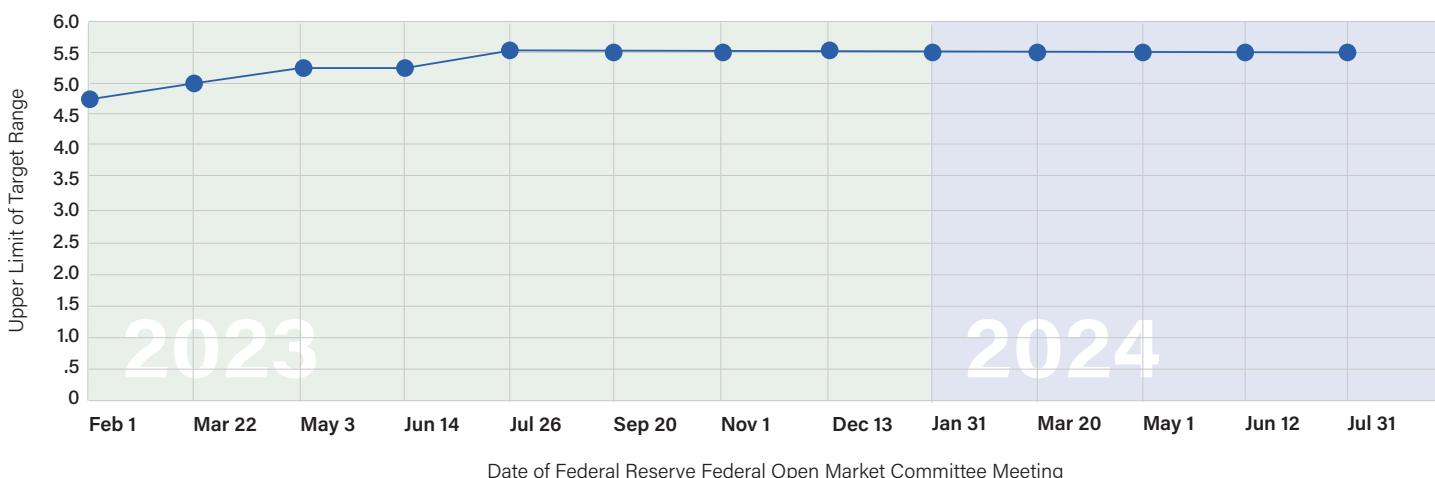
“If Fed officials had seen this [jobs] report, they would have cut rates by 25 basis points this week,” an economics professor at Boston College said. “There is absolutely no justification for continuing to exert an elevated level

of monetary restrictiveness on the economy.”

There has even been speculation that the central bank could reduce rates by half a percentage point, instead of the more common quarter-point, or that it could hold an emergency meeting before September to cut rates.

Stock markets fell sharply on news of the softening labor market, with the Dow Jones Industrial Average losing 5.2 percent in less than a week and the S&P 500 Index dropping 6 percent during that time. Both markets recovered their losses during the next two weeks.

Federal Funds Interest Rate



# Security Companies Exceeding 2024 Projections

**About five out of six security leaders reported at this year's midway point that their companies are doing as well or better than expected in 2024.**

While 40 percent said they are meeting projections this year, 43 percent said they are exceeding them, including 11 percent who said their firms are doing "significantly better than expected."

A respondent from a ballistic protection firm said, "Our company has been on the forefront of ballistic protection for commercial environments, including critical infrastructure. We are seeing an upward trend in the application of our" solutions.

Among integrators, year-to-date performance has been even stronger than the overall industry, with nearly three out of five saying results have been "better" or "significantly better" than expected, and only 5 percent reporting that they have been worse.

How would you gauge your company's financial performance during the first half of 2024, relative to expectations?



- Significantly better than expected – 11%
- Better than expected – 32%
- About as expected – 40%
- Worse than expected – 18%
- Significantly worse than expected – 0%



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### 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  
301-804-4700  
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