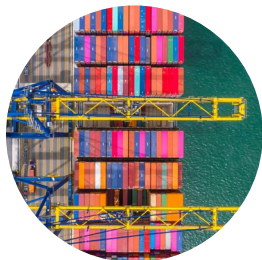


SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association



MARCH | APRIL 2025



The SIA Government Relations Department is closely tracking the tariffs issue and advocating for policies that support continued growth in the security industry.

Industry Confidence Remains High

Confidence in the security industry remains solid this spring, according to the results of the bimonthly SIA Security Market Index survey, though there are concerns about the impact of the new administration's trade policies.

While President Trump is generally regarded as pro-business, his plans for expansive tariffs has led some analysts to wonder if economic stagnation or inflation – or the dreaded late-1970s portmanteau “stagflation” – might result. Other disruptive factors also could be weighing on expectations, including mass deportation, the overhaul of the federal government and, as always, budget brinkmanship in Congress.

An integrator said that they are “unsure what Trump will do and [how it will] impact on economy,” while a respondent from the audio/voice communication sector said they are “watching in horror at the chaos in Washington and can’t help but believe it will drag us all down.”

Despite the worries, more than three-fourths of survey respondents described current conditions for their business in positive terms, with 54 percent saying they are “good” and 22 percent describing them as “excellent.” Thirteen percent said average, 7 percent “fair” and 3 percent “good.”

Two months ago, the results were 54 percent “good,” 27 percent “excellent,” 17 percent “average,” and a combined 2 percent “fair” or “poor.”

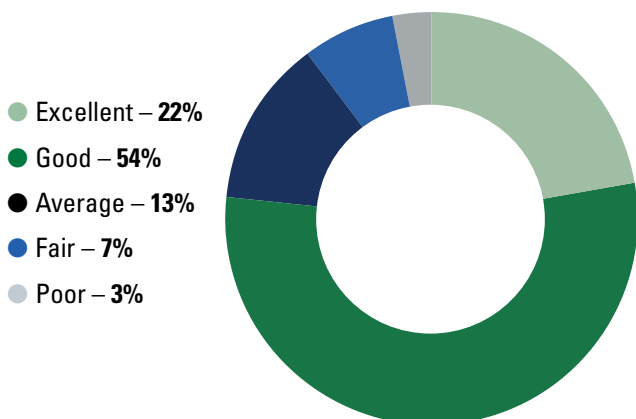
The Security Market Index measures confidence in the industry using a proprietary formula based on three-month projections related to five key business components. All major sectors of the industry were represented in the survey pool, with integrators, access control/identity management companies, and video surveillance businesses accounting for about half of participants.

The March-April index dipped four points to 56, two points higher than the rolling 12-month average of 54.

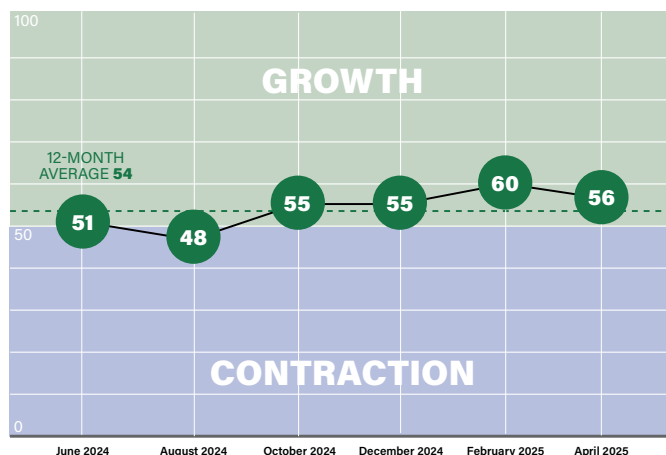
“The SIA Government Relations Department is closely tracking the tariffs issue and advocating for policies that support continued growth in the security industry,” SIA Board of Directors Chair Scott Dunn of Axis Communications said. “There are always challenges for businesses to overcome, but we at SIA, like the majority of survey respondents, are looking forward to a prosperous 2025.”

March 2025

Overall Rating of Current Business Conditions of Company



SIA Security Market Index



Tariff Considerations Affecting Short-Term Expectations

Worries about tariffs and government disruption appear to be dampening short-term growth expectations in the security industry.

The March-April SIA Security Market Index survey found that 68 percent of security leaders expect conditions at their company to improve over the coming three months, including 17 percent who said conditions will get “a lot better” and 51 percent who said they will get “a little better.” Twenty-two percent expect things to stay “about the same,” while 10 percent see them getting worse.

In the January-February survey, 83 percent expected growth during the next 90 days, and only 2 percent foresaw contraction.

“Raw material increases due to tariffs will force us to raise prices and/or impact our gross margins,” an audio/voice communication respondent said. “Not knowing from one day to the next what is coming from Washington makes it nearly impossible to manage a small business.”

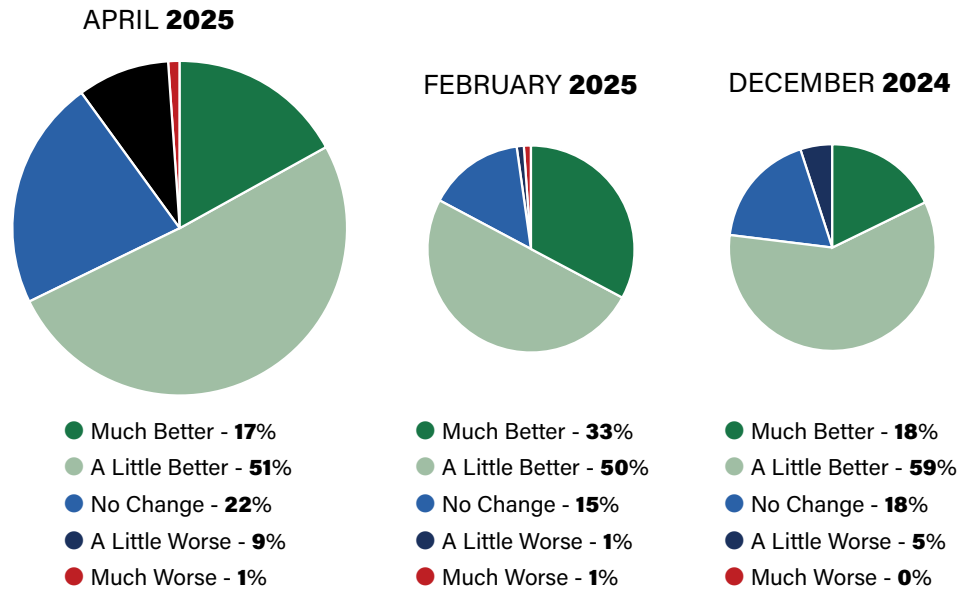
A government contracting consultant noted the impact of the federal government cutbacks identified by Elon Musk’s Department of Government Efficiency.

“Not sure because of DOGE and impact [on our clients] from possible cuts in spending,” they said.

An integrator, though, commented, “We continue to have record growth and expect that to continue this year.”



Expected Business Conditions for Companies in Next Three Months



Percent of Respondents Saying They Will Increase Activity or Dollars in

APRIL 2025

CapEx: **32%**
 Employees/Hours: **63%**
 Marketing: **52%**
 Product/Service Sales: **83%**
 R&D: **43%**

FEBRUARY 2025

CapEx: **38%**
 Employees/Hours: **60%**
 Marketing: **54%**
 Product/Service Sales: **88%**
 R&D: **54%**

DECEMBER 2024

CapEx: **37%**
 Employees/Hours: **59%**
 Marketing: **51%**
 Product/Service Sales: **79%**
 R&D: **50%**

Other Private Sector Economic Indicators

- Institute for Supply Management Purchasing Managers Index (February) ▼
- National Association of Home Builders/Wells Fargo Housing Market Index (February) ▼
- National Association of Realtors Existing Home Sales (January) ▼
- The Conference Board Consumer Confidence Index (February) ▼

When asked what they expect from product and service sales during the next three months, 83 percent forecast an increase, down from 88 percent in January-February.

Sixty-three percent of survey participants expect increases in the number of employees or hours worked – a three-point increase – while 52 percent project

an increase marking spending – a two-point decrease.

Spending on research and development will likely increase at 43 percent of respondents’ companies during the next 90 days – down 11 points from two months ago – while capital expenditures are set to grow at 32 percent of firms, a six-point drop from January-February.

The Trump administration's plans for the federal government and the United States' trading partners have many analysts rethinking their economic forecasts for the year.

Far-reaching tariffs and threats of more to come have already led to retaliatory measures from Canada, China and the European Union. In some cases, tariffs have been announced, then delayed, which has left many businesses wondering what will be next.

"If you have uncertainty about what policy is going to look like ... that is going to cause you to not make big, important decisions," the chief economist at the Kenan Institute of Private Enterprise at the University of North Carolina said, according to NPR. "If we're already in an environment that doesn't look good, that uncertainty could tip us into a recession."

President Trump, in a March 9 interview on Fox News, declined to rule out the possibility of trade disruption leading to a recession.

"I hate to predict things like that," Trump said. "There is a period of transition, because what we're doing is very big. We're bringing wealth back to America. That's a big thing, and there are always periods of - it takes a little time. It takes a little time, but I think it should be great for us."

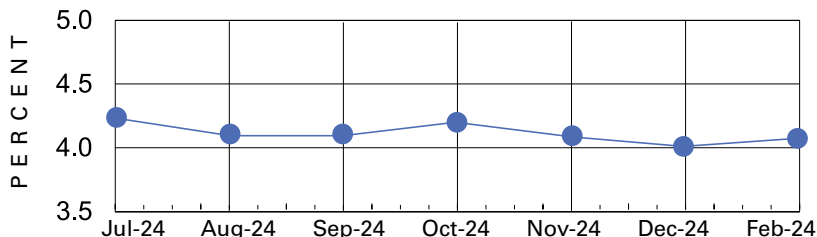
In the two days following those remarks, both the Dow Jones Industrial Average and the S&P 500 Index fell more than 3 percent.

An economic slowdown would typically lead to reductions in interest rates by the Federal Reserve to spur business activity, but tariffs could raise prices, making the central bank

less likely to take action that could increase inflation.

As *The Wall Street Journal* noted in a March 12 article, "A new fear is gripping Wall Street: The economy may go into reverse while tariffs keep consumer prices too hot."

Unemployment rate, seasonally adjusted



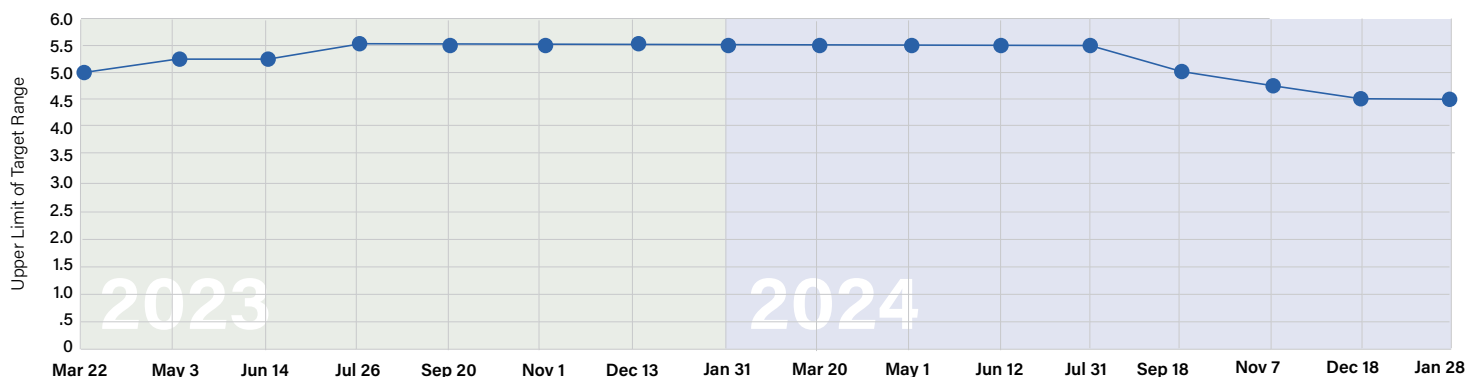
Source: Bureau of Labor Statistics

Real GDP: Percent Change from Preceding Quarter



Source: Bureau of Economic Analysis

Federal Funds Interest Rate



Date of Federal Reserve Federal Open Market Committee Meeting

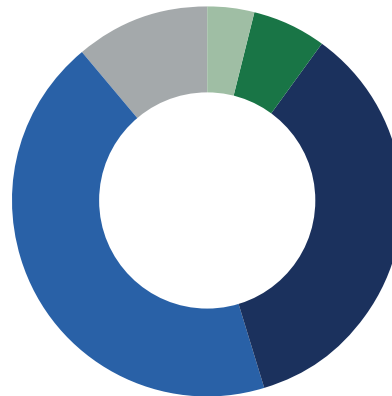
Security Industry Execs Share Perspective on Tariffs

Security leaders have significant concerns about how tariffs will affect their businesses, according to the SIA Security Market Index survey.

When asked, “If the Trump administration’s tariffs go into effect as planned, what do you think the impact will be on your business,” 43 percent said “negative” and 11 percent said “very negative.” Only 10 percent combined said “positive” or “very positive,” while 35 percent said “no major impact.”

An unusually high number of survey respondents provided comments on this question, including:

- “This is a big gamble and, when people find new business partners, there are a lot that won’t come back no matter what you do to recover.”
- “Chaos breeds uncertainty.”
- “Costs will increase. This could potentially impact sales negatively. However, I think the tariffs will be short-lived. If that is the case, the impact on our business and others will be minimal.”
- “We will be forced to raise prices and be less competitive, especially internationally.”
- “It will raise costs for our customers.”



- Very Positive— 4%
- Positive— 6%
- No Major Impact— 35%
- Negative— 43%
- Very Negative— 11%

“We are already hearing from our vendors who intend to pass along additional surcharges.”

- “Tariffs will drive up raw materials regardless of their country of origin. Due to agreements with our distribution partners, we won’t be able to raise our prices as quickly as raw material cost increases. This has the potential to severely impact our gross margins and the health of our business overall.”



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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.

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