

SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association



MAY | JUNE 2025

"The dedication and innovation that security leaders demonstrate every day is why we are still growing and expanding, regardless of any transitory economic headwinds we may face from time to time."

*Scott Dunn
Axis Communications
SIA Board of Directors Chair*

Despite Tariffs, Industry Outlook Remains Positive

Although the tariff issue continues to weigh upon the security industry, the outlook among security leaders remains generally positive, according to the May-June 2025 SIA Security Market Index.

The Trump administration has imposed, revised and/or delayed tariffs on countries around the world, leading to not only supply chain and other economic impacts, but also policy uncertainty.

A respondent to the Security Market Index survey from the security automation sector said, "Tariffs definitely impacted the market," while a manufacturer of environmental sensors noted the additional impact of budget reductions, saying, "Tariff situation is extremely challenging, as well as federal cuts to education."

Several other survey participants referenced spending reductions and expressed frustration with the federal budgeting process, which has been done piecemeal through a series of continuing resolutions. An integrator said they have been "affected slightly by [the federal] spending freeze."

Notwithstanding the issues coming out of Washington, D.C., 73% of respondents rated current business conditions for their company as either "excellent" (22%) or "good" (51%).

Another 20% said "average," while a combined 8% said "fair" or "poor."

In the March-April index, 74% of respondents rated conditions as positive, while in January-February, 81% did.

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 more than half of participants.

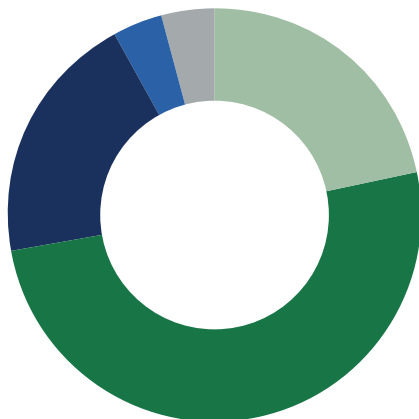
The March-April index dipped five points to 51, three points below the rolling 12-month average of 54. An index over 50 indicates growth in the industry.

"The federal government often doesn't make things easy, but the security industry has shown again and again how resilient it is," SIA Board of Directors Chair Scott Dunn of Axis Communications said. "The dedication and innovation that security leaders demonstrate every day is why we are still growing and expanding, regardless of any transitory economic headwinds we may face from time to time."

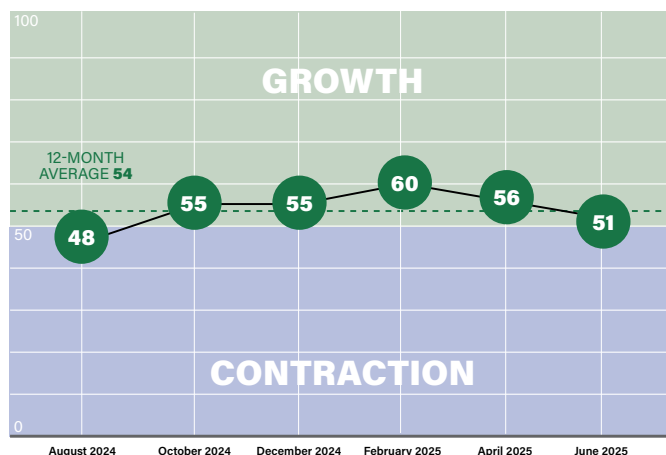
May - June 2025

Overall Rating of Current Business Conditions of Company

- Excellent – 22%
- Good – 51%
- Average – 20%
- Fair – 4%
- Poor – 4%



SIA Security Market Index



Trade Policy Shapes Short-Term Projections

For the second index in a row, U.S. trade policy appears to be having a negative impact on short-term projections in the security industry.

As in March-April, 68% of respondents to the current index survey said they expect conditions at their companies in the next three months to be either “much better” (18%) or “a little better” (50%). In the January-February index, 83% expected growth in the coming three months.

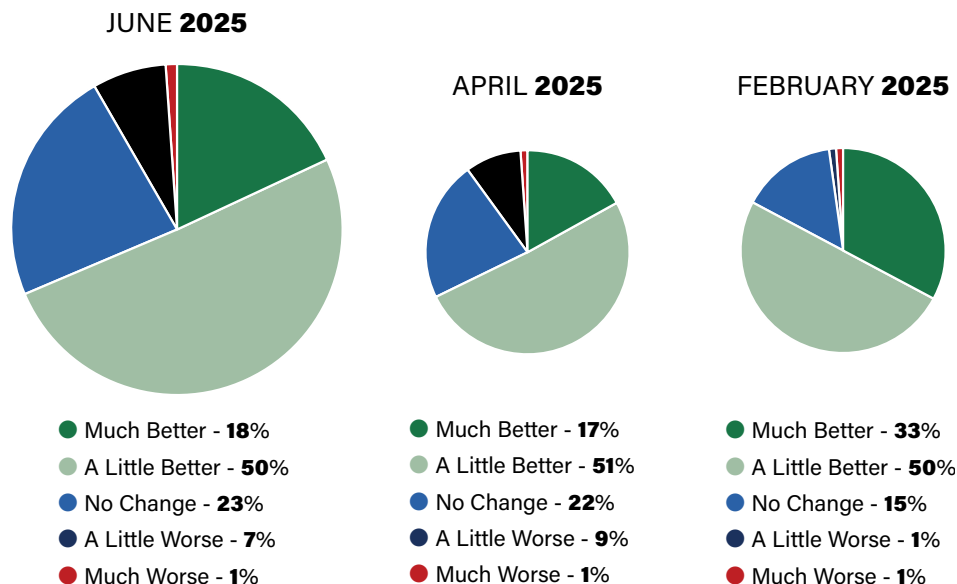
The most recent survey also found that 23% think that conditions will be “about the same,” 7% think they will be “a little worse” and 1% expect them to be “much worse.”

“The tariff unknown and the interest rates are killing us,” an access control manufacturer said.

When asked about three-month forecasts for specific parts of their business:

- 73% expect to see increases in product or service sales, down from 83% in March-April. One integrator answered “Don’t know” before adding the comment, “But it better increase.”
- 56% expect to increase the number of employees or hours worked, down from 63% two months earlier. A security automation respondent

Expected Business Conditions for Companies in Next Three Months



Percent of Respondents Saying They Will Increase Activity or Dollars in

JUNE 2025

CapEx: **32%**
 Employees/Hours: **56%**
 Marketing: **42%**
 Product/Service Sales: **73%**
 R&D: **45%**

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%**

Other Private Sector Economic Indicators

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

– who projected an increase in labor and expects overall business conditions to be “much better” in three months – suggested that tariffs will only be a short-term disruption, saying, “We think that trade will be reconciled.”

- 45% expect to increase spending on research and development, up

from 43%. An integrator said of R&D spending that, “AI is driving the need to stay ahead.”

- 42% expect to increase marketing spending, down from 52%
- 32% expect to increase capital equipment spending, no change from two months ago



Economy Cools, But Hiring Remains Steady

Amid disruptions in trade policy and federal government spending, the U.S. economy contracted slightly in the first quarter of the year.

The economy shrank by 0.3% from January to March, according to the Bureau of Economic Analysis, with the primary causes being a decrease in government expenditures and an increase in imports, which are deductions from gross domestic product. With tariffs looming, many businesses rushed to import products and materials in the early part of the year.

In late April, President Trump acknowledged the possibility, if not likelihood, that tariffs and a trade war – particularly with China – will result in price increases, saying, “You know, somebody said, ‘Oh, the shelves are going to be open.’ Well, maybe the children will have two dolls instead of 30 dolls. So maybe the two dolls will cost a couple bucks more than they would normally.”

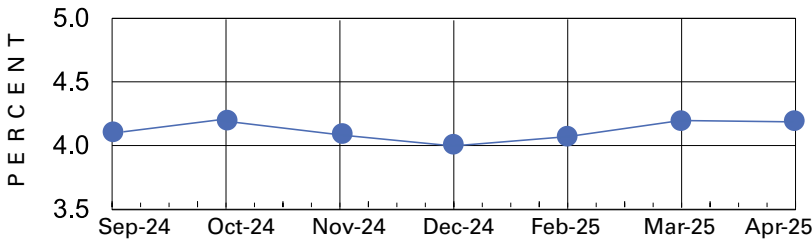
He insisted, though, that there will be longer-term benefits and that, “Tariffs will soon start kicking in, and companies are starting to move into the USA in record numbers.”

About two weeks after the doll comments, the Trump administration announced a trade war truce with China in which both countries agreed to pull back their tariffs for at least 90 days in recognition of “the importance of a sustainable,

long-term and mutually beneficial economic and trade relationship.” Amid concerns about the nation’s economic well-being, the labor market has continued to expand, with the economy adding 177,000 jobs in April, including notable increases in health care, transportation and warehousing, financial activities and

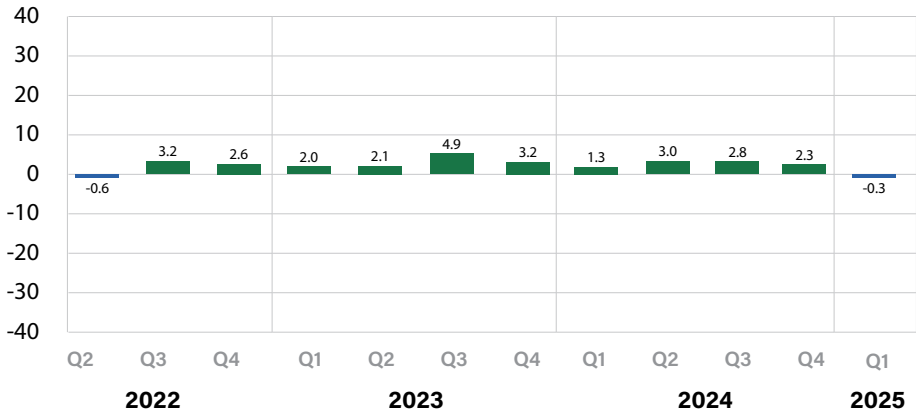
social assistance. Not surprisingly, federal government employment decreased. Prices have so far defied expectations that tariffs would force them higher, as the Consumer Price Index in April registered only a 0.2% monthly gain and a 2.3% year-over-year increase.

Unemployment rate, seasonally adjusted



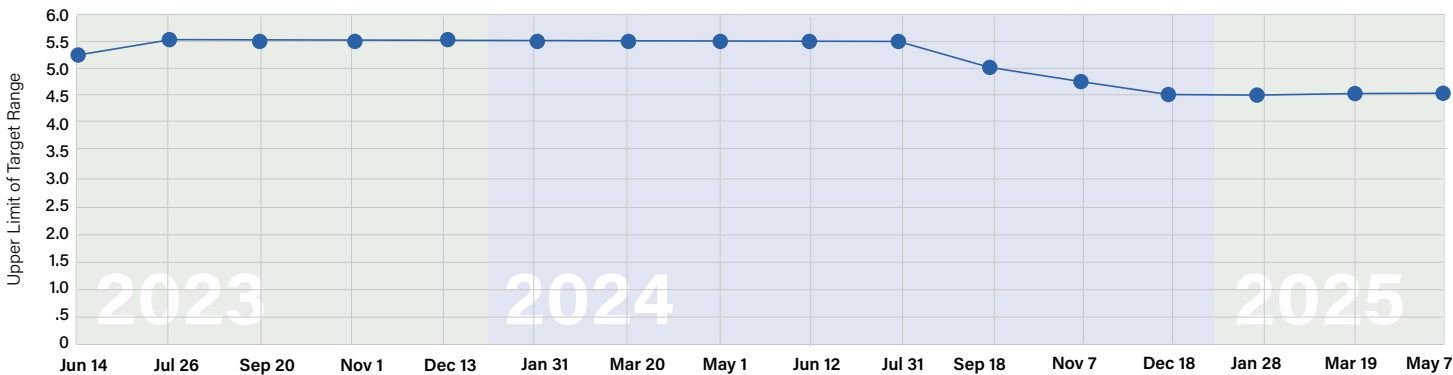
Source: Bureau of Labor Statistics

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 Product Prices Likely to Rise

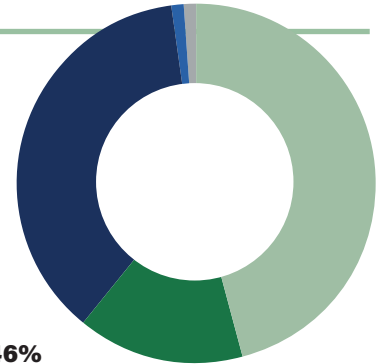
Increases in the prices of security products as a result of trade policy appear likely, according to Security Market Index survey respondents.

When asked, “Has your business adjusted – or does it plan to adjust – its prices in response to changes in tariffs this year,” 46% said they are projecting increases of 5% or more and 15% expect to raise prices by up to 5%. Only a combined 2% forecast decreases, while 37% said there will be no change.

Respondents (from the sectors in parentheses) offered the following comments:

- “We directly hand down any tariff-related cost implications.” (Integration)
- “If tariffs start to include services, yes, we will have to adjust prices. Currency already causing issues.” (AI strategy)
- “Not sure at this time. However, products are generally U.S.-made, so little change is expected.” (Integration)
- “No change, yet, but trying to front-run some of the potential impacts with customers and it appears to be working for some.” (Integration)
- “We plan to surcharge about 15% in invoice. Try not to increase price overall.” (Access control/identity management)

Has your business adjusted – or does it plan to adjust – its prices in response to changes in tariffs this year?



- Increase 5% or more – **46%**
- Increase less than 5% – **15%**
- No Change – **37%**
- Decrease less than 5% – **1%**
- Decrease 5% or more – **1%**

- “As a U.S.-based manufacturer, our product pricing can remain fairly stable. We have put as much as possible into the purchase of U.S.-based parts to mitigate offshore supply issues and, now, tariffs.” (Integrated security products)



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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
securityindustry.org
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