SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association

NOVEMBER | DECEMBER **2025**

"The security sector is ending 2025 on a strong note, and we are looking forward to a successful and prosperous 2026."

Scott Dunn, SIA Board of Directors Chair

4 out of 5 Survey Respondents Cite Positive Business Conditions

While the federal government is one of the security industry's most significant customers, it also seems to be one of its biggest sources of stress.

The November-December 2025 SIA Security Market Index found that sentiment remains high in the industry with 80% of respondents describing current conditions as either "excellent" (29%) or "good" (51%). This was down slightly from 84% in the September-October index. (In the most recent survey, 11% rated conditions as "average," 7% said "fair," and 2% said "poor").

Notwithstanding the positive assessment overall, survey respondents, as they have for much of the year, expressed concerns with tariffs and congressional gridlock.

"Tariffs are a concern and having an impact, but day to day business is good," a security and automation manufacturer said, while an integrator, responding during the 43-day federal government shutdown, lamented that there was "no FY26 budget available."

A respondent from the audio/voice communication sector, meanwhile, noted a mixed impact of trade policy: "Solid sales, although interesting in that some projects were pushed back and others pulled forward due to uncertainty of tariffs. Weird push-pull in both directions."

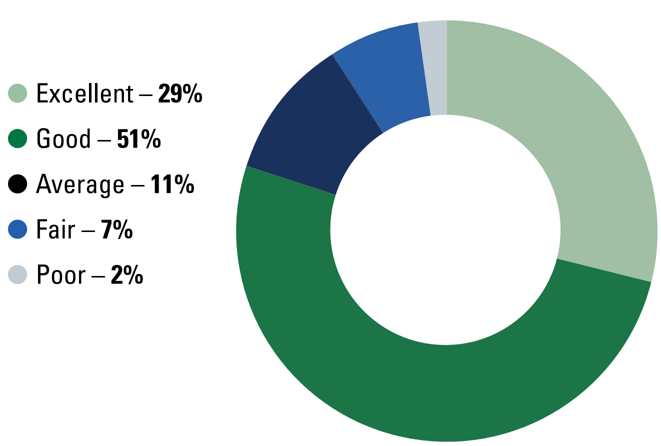
The Security Market Index measures confidence in the industry using a proprietary formula based on three-month projections related to five key business components. All major sectors of the industry were represented in the survey pool, with integrators, access control/identity management companies, and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

The November-December index fell four points to 55, a point below the rolling 12-month average of 56. An index over 50 indicates growth in the industry.

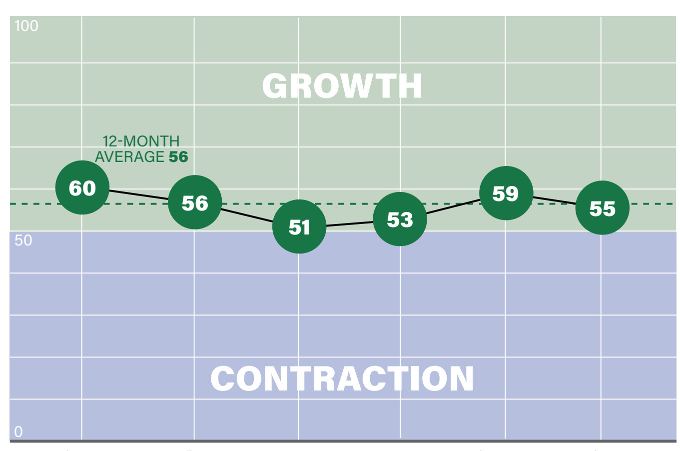
"Trade policy creates challenges, but our industry is resilient," SIA Board of Directors Chair Scott Dunn of Axis Communications said. "The security sector is ending 2025 on a strong note, and we are looking forward to a successful and prosperous 2026."

November - December 2025

Overall Rating of Current Business Conditions of Company

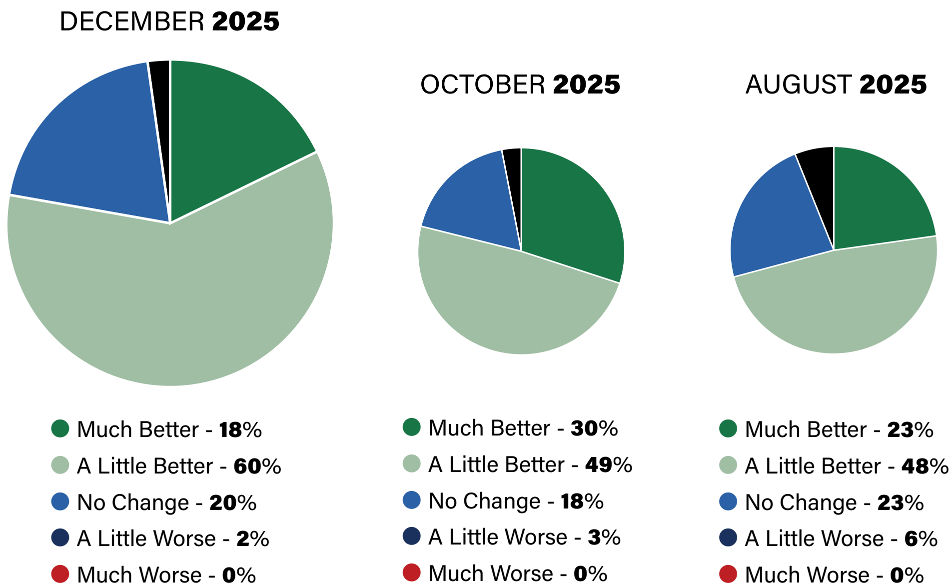


SIA Security Market Index



Business Improvements Expected in Next 3 Months

Expected Business Conditions for Companies in Next Three Months



Percent of Respondents Saying They Will Increase Activity or Dollars in

DECEMBER 2025	OCTOBER 2025	AUGUST 2025
CapEx: **43%**	CapEx: **35%**	CapEx: **40%**
Employees/Hours: **54%**	Employees/Hours: **68%**	Employees/Hours: **65%**
Marketing: **51%**	Marketing: **49%**	Marketing: **45%**
Product/Service Sales: **75%**	Product/Service Sales: **78%**	Product/Service Sales: **73%**
R&D: **49%**	R&D: **50%**	R&D: **38%**

Other Private Sector Economic Indicators

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

The vast majority of respondents to the November-December 2025 SIA Security Market Index expect better days ahead.

Three out of five survey participants said they expect conditions at their company to be "a little better" in three months, while nearly one in five (18%) said conditions will likely get "much better." The total of 78% projecting growth was just a point below the level of two months ago.

One-fifth of respondents said conditions should be "about the same," while 2% expect them to get "a little worse." Nobody said that conditions will get "much worse."

Regarding three-month forecasts for specific parts of their business:

- 75% expect to see increases in product or service sales, down from 78% in the July-August survey. (Audio/voice communication respondent: "Sales are up.")
- 54% expect to increase the number of employees or hours worked, down from 68%. (Access control/identity management respondent: Decrease "simply related to holidays and the end of the year wrap-up.")
- 51% expect to increase marketing spending, up from 49%. (Audio/voice communication respondent: "Work hours may go down but promotion for sales in 2026 will go up in our normal cycle.")
- 49% expect to increase spending on research and development, down from 50%. (Security and automation manufacturer respondent: "We are currently doing a lot of R&D spend.")
- 43% expect to increase capital equipment spending, up from 35%. (Integrator respondent: "Finalizing full integration and expecting a decrease in spend due to that in '26.")

Fed Cuts Interest Rates Again

The Federal Reserve cut interest rates for the second meeting in a row in October, bringing the target range for the Federal Funds Rate to 3.75-4%.

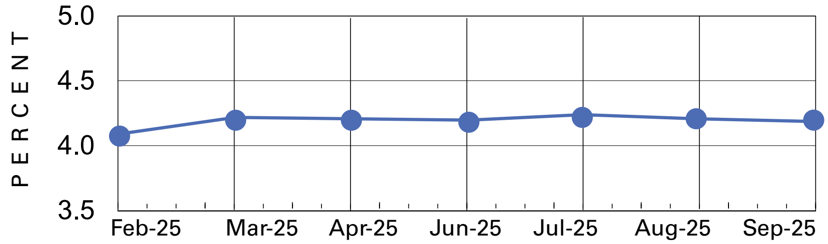
"Available indicators suggest that economic activity has been expanding at a moderate pace," the central bank stated in announcing the rate cut. "Job gains have slowed this year, and the unemployment rate has edged up but remained low through August; more recent indicators are consistent with these developments. Inflation has moved up since earlier in the year and remains somewhat elevated."

The Fed has had to weigh the impact of tariffs, a slowdown in hiring, persistent inflation, and the longest government shutdown in American history, which, among other things, prevented the computation of certain economic indicators. The most recent government report on the Consumer Price Index in September showed an annual inflation rate of 3%, well above the Federal Reserve's target of 2%. The unemployment rate, as of September, was 4.4%, with 119,000 jobs being created that month. From May to September, the economy produced a net of only 193,000 positions.

In addition, technology, particularly artificial intelligence, is altering the economy. Federal Reserve Vice Chair Philip Jefferson noted during a conference in November that AI has the potential to affect jobs and prices both positively and negatively, but overall, he sees "the promise for AI technology to be transformative, perhaps in ways as dramatic as past technological achievements, such as the printing press, steam engine, and the Internet."

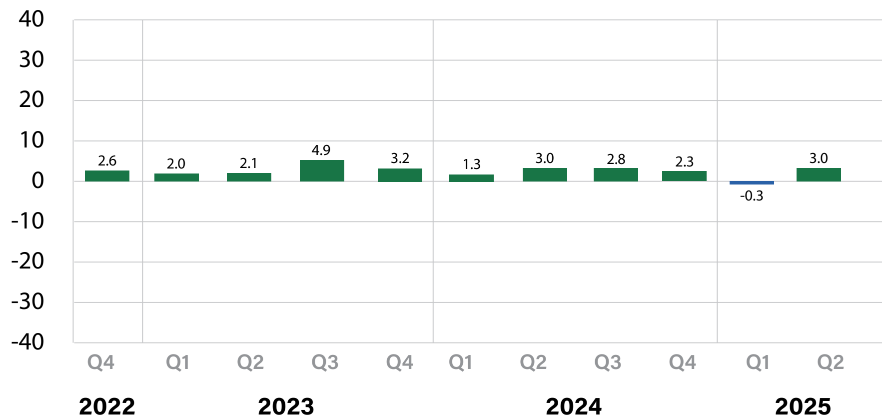
"The ultimate implications of AI for both the macroeconomy and financial stability may take a long time to crystallize," Jefferson said. "Technology, the financial system, and the broader economy are always evolving. The potential transition to our new world could be bumpy, and it is too early to tell what trajectory will ultimately play out."

Unemployment rate, seasonally adjusted



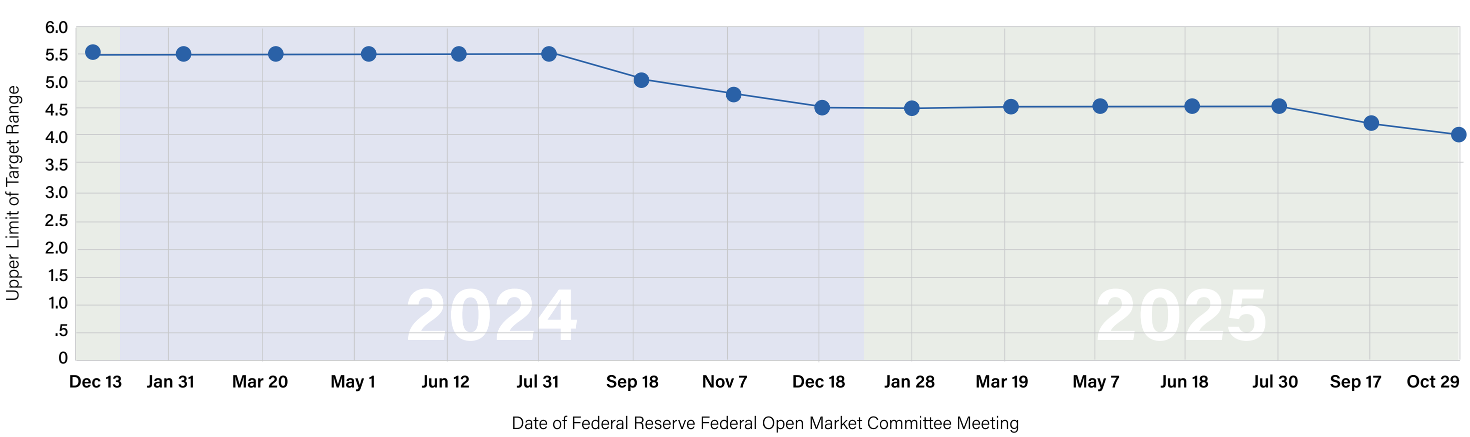
Source: Bureau of Labor Statistics

Real GDP: Percent Change from Preceding Quarter



Source: Bureau of Economic Analysis

Federal Funds Interest Rate



Government Shutdown Affected Security Businesses

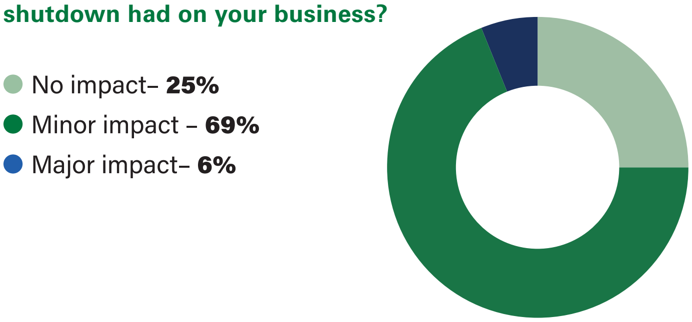
Non-essential parts of the federal government shut down from Oct. 1 to Nov. 12, with Republican and Democratic lawmakers unable to agree on a spending plan. The November-December 2025 SIA Security Market Index asked participants, "How much of an impact has the federal government shutdown had on your business?"

Just over two-thirds of respondents (69%) said the shutdown has had a "minor impact," while 6% said it has had a "major impact," and 25% said "no impact."

Respondents' comments included:

- "Some things came in sooner than planned; others were delayed." – Audio/voice communication sector
- "Delays in awards and payments." – Integration sector
- "Numerous project budget holds prevented new revenue. Project pipeline quotes slowed down." – Electrified access control hardware sector
- "Some customers who had direct shutdown impact were not responsive." – Access control/identity management sector
- "Slowed decision making for federal projects and/or projects that rely on federal funding." – Video surveillance sector

How much of an impact has the federal government shutdown had on your business?



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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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