

# SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association



JANUARY | FEBRUARY 2025



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## More Than 80% Report Positive Conditions as Security Market Index Hits 2-Year High

**The security industry is starting off the year strong, with more than four out of five participants in the January-February SIA Security Market Index survey reporting positive sentiments.**

When asked to rate current business conditions for their company, more than 27 percent of security leaders polled said “excellent” and nearly 54 percent said “good.” About 17 percent said “average,” leaving just 2 percent who reported “fair” or “poor” conditions, combined.

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 60 percent of participants.

One integrator reported that they are “off to a very good start in 2025, better than the past three years.”

Another integrator, though, indicated that the new president’s trade policies bumped their assessment down to “good.”

“The uncertainty about Trump tariffs keeps this from being ‘excellent,’” they wrote. “Otherwise,

the conditions regarding security, infrastructure, safety, etc. are ideal for growth.”

Integrators, in general, were more positive than the overall industry, with 88 percent describing current conditions as “excellent” or “good.”

An access control/identity management provider indicated that broad changes in the workplace and the overall economy led to their “poor” rating.

“The commercial real estate market vacancy rate is killing some verticals,” they stated.

The Security Market Index measures confidence in the industry using a proprietary formula based on three-month projections related to five key business components. The January-February index increased five points to 60, its highest level in two years and six points higher than the rolling 12-month average of 54.

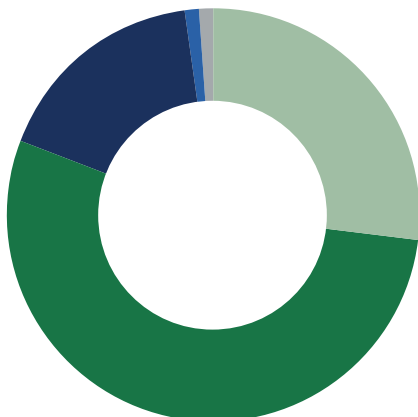
The Security Market Index for the integrators-only segment was 70.

“We are excited – though not surprised – to see the continued upswing in industry sentiment,” SIA Board of Directors Chair Scott Dunn of Axis Communications said. “This bodes very well for a successful ISC West and a strong 2025.”

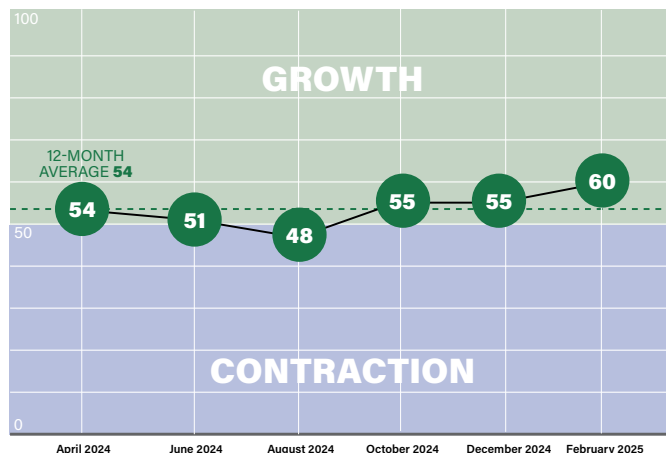
### February 2025

Overall Rating of Current Business Conditions of Company

- Excellent – 27%
- Good – 54%
- Average – 17%
- Fair – 1%
- Poor – 1%



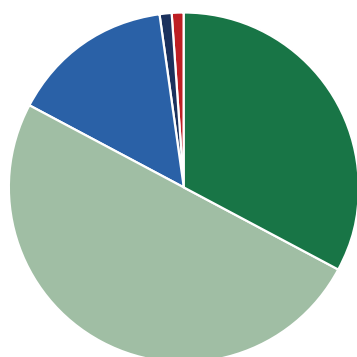
### SIA Security Market Index



# Three-Month Industry Outlook Strongly Positive, According to Survey

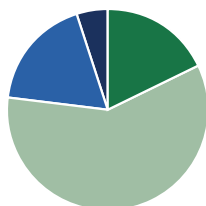
## Expected Business Conditions for Companies in Next Three Months

FEBRUARY 2025



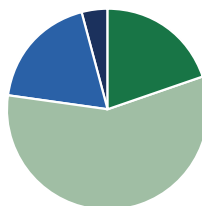
● Much Better - **33%**  
 ● A Little Better - **50%**  
 ● No Change - **15%**  
 ● A Little Worse - **1%**  
 ● Much Worse - **1%**

DECEMBER 2024



● Much Better - **18%**  
 ● A Little Better - **59%**  
 ● No Change - **18%**  
 ● A Little Worse - **5%**  
 ● Much Worse - **0%**

OCTOBER 2024



● Much Better - **20%**  
 ● A Little Better - **58%**  
 ● No Change - **19%**  
 ● A Little Worse - **4%**  
 ● Much Worse - **0%**



### Security leaders are expecting a strong start to the year, with 83 percent forecasting improved conditions for their business during the first quarter.

One out of three Security Market Index survey respondents said they expect things to get “much better” over the next three months, while half said they are likely to get “a little better.” About 15 percent indicated that things are likely to stay “about the same.”

In the November-December survey, the total percentage forecasting growth in the next three months was nearly the same at 77 percent, but expectations were not quite as high. Two months ago, only 18 percent gave responses of “much better” while 59 percent said “a little better.”

“We continue to see positive signals from the market, and our company is in a sound position with a good growth trajectory,” a respondent from a security operations software business said.

When asked what they think product and service sales will look like in three months, 88 percent of respondents said they will increase, a 9-point bump from the previous survey. (Among integrators this time around, the number was 92 percent.)

Three out of five survey participants expect the number of employees or

Percent of Respondents Saying They Will Increase Activity or Dollars in		
FEBRUARY 2025	DECEMBER 2024	OCTOBER 2024
CapEx: <b>38%</b>	CapEx: <b>37%</b>	CapEx: <b>36%</b>
Employees/Hours: <b>60%</b>	Employees/Hours: <b>59%</b>	Employees/Hours: <b>65%</b>
Marketing: <b>54%</b>	Marketing: <b>51%</b>	Marketing: <b>52%</b>
Product/Service Sales: <b>88%</b>	Product/Service Sales: <b>79%</b>	Product/Service Sales: <b>77%</b>
R&D: <b>54%</b>	R&D: <b>50%</b>	R&D: <b>57%</b>

### Other Private Sector Economic Indicators

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

hours worked at their company to be higher in three months, about the same as at the end of 2024. A respondent from an identity verification and proofing business said, “We are growing quarter over quarter with the demand for high-assurance identity proofing.”

More money for research and development is expected at 54 percent

of companies, with the same percentage forecasting a higher marketing spend. Both numbers were up a few percentage points from two months ago.

Expectations regarding capital equipment spending were basically unchanged, with 38 percent projecting an increase during the next 90 days.

# Inflation Rises and Job Creation Slows

**Inflation inched up in January, likely reducing the probability of an interest rate cut at the next Federal Reserve meeting.**

The Consumer Price Index increased 0.5 percent from December, exceeding expectations, according to the Bureau of Labor Statistics. This marked the biggest monthly increase since August 2023. On an annual basis, prices in January were 3 percent higher than they were a year earlier.

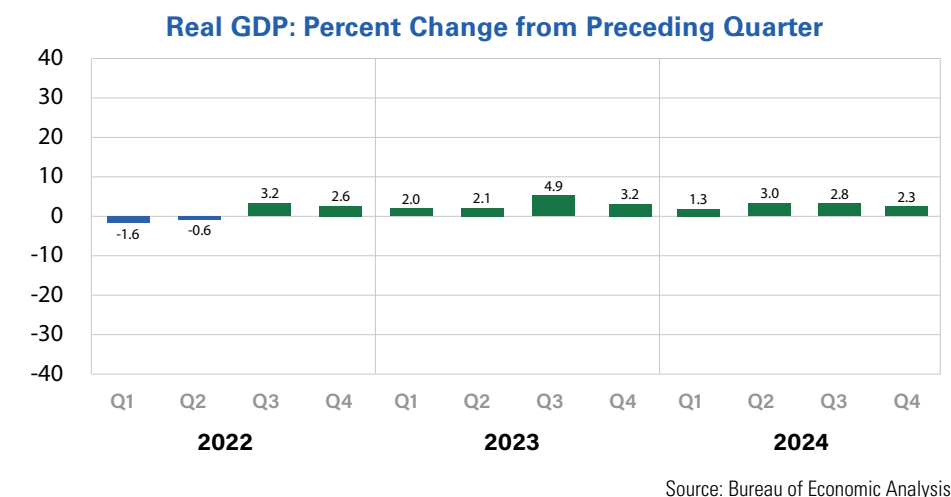
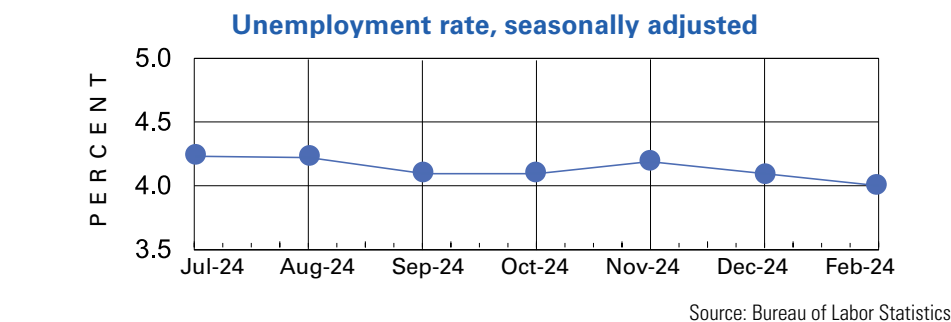
Austan Goolsbee, a member of the Federal Reserve's Federal Open Market Committee (FOMC) – the panel that sets interest rates – described the inflation report as “sobering.”

“There’s no question, if we got multiple months like this, then the job [of controlling inflation] is clearly not done,” Goolsbee told The New York Times.

At its Jan. 28-29 meeting, the FOMC left interest rates unchanged after cutting them by a total of one point during the previous three meetings. The target range for the Federal Funds Rate is 4.25-4.5 percent.

The committee’s next meeting is scheduled for March 18-19, so members will have another month of inflation and other economic data on which to base their decisions.

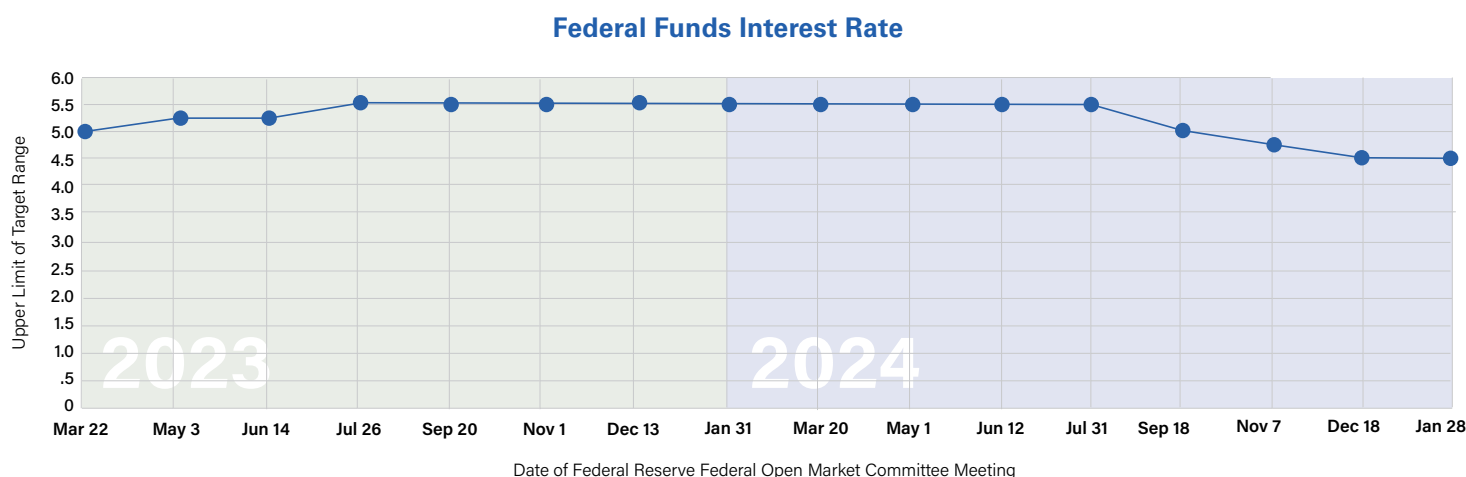
The economy grew by 2.8 percent in 2024, down a tenth of a point



from the previous year, according to the Bureau of Economic Analysis. It finished the year with growth of 2.3 percent in the fourth quarter.

The unemployment rate decreased slightly to 4 percent in January, though the economy created only 143,000 jobs. This was below expectations and much less than the job creation in both November

and December, adding complexity to the FOMC’s discussion of how to balance its dual goals of maximum employment and an inflation rate of 2 percent. Also sure to be part of the discussion is the plan by the new Trump administration to implement widespread tariffs, which could lead to a trade war that affects both employment and inflation.



# Security Industry Watching Tariff Proposals Closely

The security industry, with its global supply chain and global manufacturing footprint, is watching the Trump administration's introduction of tariffs closely.

The tariffs started with an executive order on Feb. 1, 2025, that will impose **25% tariffs on all imports from Mexico and Canada** and **10% tariffs on all imports from China**. A lower 10% tariff will apply to energy sources from Canada. Some of the implementation of these tariffs was paused following responses from Mexico and Canada.

In the next step for his America First Trade Policy, President Trump issued a **25% tariff on all steel and aluminum imports to the United States that will go into effect in March 2025**, according to a Feb. 10 proclamation. The order revives the Section 232 tariffs that were implemented during the first Trump administration in 2018, raising tariffs on aluminum imports from 10% to 25% and reinstating the full 25% tariff on steel imports from countries that had received exemptions in subsequent years, specifically Argentina, Australia, Brazil, Canada, Japan, Mexico, South Korea, the European Union, Ukraine and the United Kingdom. All exemptions to the steel tariffs for these



countries will become ineffective when the order goes into effect as of 12:01 a.m. EDT on March 12, 2025.

The proclamation also revoked the authority for the secretary of commerce to grant relief for certain products from the tariffs, stating that "the Secretary shall not consider any product exclusion requests or renew any product exclusion requests in effect" as of 11:59 p.m. EST on Feb. 10. Granted product exclusions remain effective until their expiration date or until the excluded product volume is imported, whichever occurs first. All existing general approved

exclusions will be terminated as of March 12, 2025.

SIA has added questions about these tariffs to our industry survey and asks that you [please complete these questions so that we can measure industry response](#). According to SIA Senior Manager of Government Relations Lauren Bresette, initial reaction from responding members is that "Loss of competitiveness in the market and lack of alternative supply of critical materials are some of the biggest worries of the group that answered, and most of the respondents noted that their response to tariffs would be to pass along the additional cost down the supply chain."



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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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