SECURITY MARKET INDEX

A Bimonthly Measure from the Security Industry Association

SEPTEMBER | OCTOBER **2024**

Positive Conditions Abound as Index Spikes

"Even amid challenging economic conditions and uncertainty caused by political strife, manufacturers and integrators continue to grow and prosper."

Political conflict and gridlock may be weighing on some businesses, but more than seven out of 10 respondents to SIA's September-October Security Market Index survey of security industry leaders still reported positive conditions at their company.

While 28 percent of survey participants said that current business conditions are "excellent," 43 percent described them as "good." The total of 71 percent is down 3 percentage points from the July-August survey.

Just under 19 percent cited "average" conditions, with the remaining responses being either "fair" or "poor."

"Due to the lack of a U.S. government budget, many of our initiatives are on hold," a respondent from the access control/identity management sector said. "Constantly dealing with continuing resolutions affects our short and long-term forecast for R&D, sales and production."

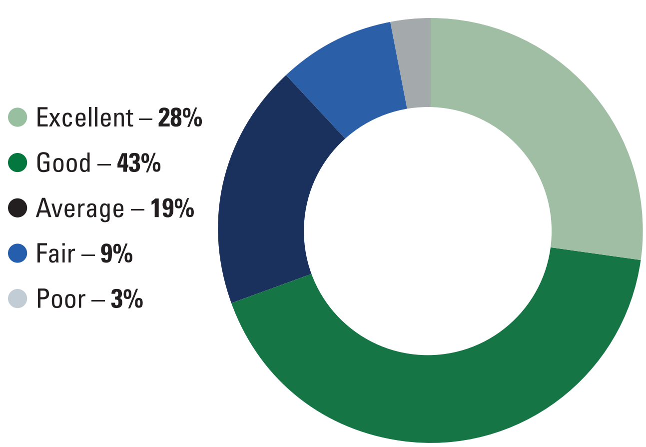
Survey participants came from all sectors of the security industry, with the biggest representation from the access control/identity management (23 percent) and integration (20 percent) sectors. As was the case two months ago, integrators were more likely to report positive conditions than other respondents, with half saying business is "excellent," 38 percent describing it as "good," and the rest saying things are "average."

The September-October Security Market Index, which is calculated using a proprietary formula based on three-month projections related to five key business components, increased seven points – the largest jump in more than a year – from two months earlier to 55. This is two points above the 12-month average of 53. Notably, among integrators, the September-October index spiked 13 points to 70.

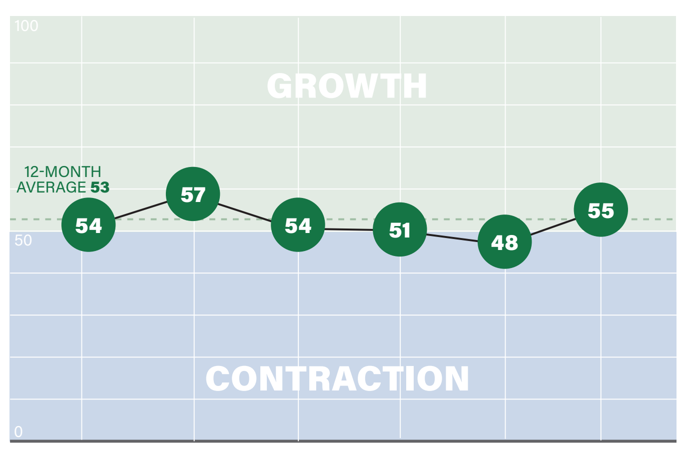
"This month's results show the resilience of the security industry," SIA Board of Directors Chair Scott Dunn of Axis Communications said. "Even amid challenging economic conditions and uncertainty caused by political strife, manufacturers and integrators continue to grow and prosper."

October 2024

Overall Rating of Current Business Conditions of Company



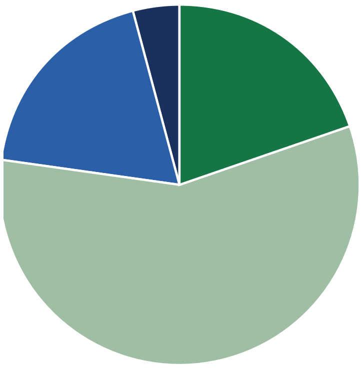
SIA Security Market Index



Big Growth Forecast in Next 3 Months

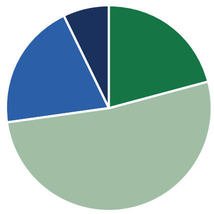
Expected Business Conditions for Companies in Next Three Months

OCTOBER **2024**



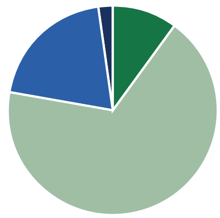
- Much Better - **20%**
- A Little Better - **58%**
- No Change - **19%**
- A Little Worse - **4%**
- Much Worse - **0%**

AUGUST **2024**



- Much Better - **21%**
- A Little Better - **52%**
- No Change - **20%**
- A Little Worse - **7%**
- Much Worse - **0%**

JUNE **2024**



- Much Better - **10%**
- A Little Better - **67%**
- No Change - **20%**
- A Little Worse - **2%**
- Much Worse - **0%**

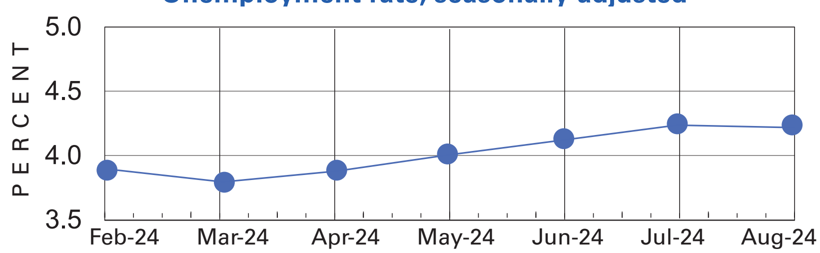
Percent of Respondents Saying They Will Increase Activity or Dollars in

OCTOBER 2024	AUGUST 2024	JUNE 2024
CapEx: **36%**	CapEx: **30%**	CapEx: **24%**
Employees/Hours: **65%**	Employees/Hours: **52%**	Employees/Hours: **63%**
Marketing: **52%**	Marketing: **42%**	Marketing: **37%**
Product/Service Sales: **77%**	Product/Service Sales: **72%**	Product/Service Sales: **78%**
R&D: **57%**	R&D: **41%**	R&D: **39%**

Other Private Sector Economic Indicators

- *Chief Executive* CEO Confidence Index (August) ▼
- Institute for Supply Management Purchasing Managers Index (August) ▲
- National Association of Home Builders/Wells Fargo Housing Market Index (August) ▼
- National Association of Realtors Existing Home Sales (July) ▲
- The Conference Board Consumer Confidence Index (August) ▲

Unemployment rate, seasonally adjusted



Source: Bureau of Labor Statistics

While 71 percent of respondents said they see current business conditions as positive, an even higher number anticipate that conditions for their company will get better in the next three months.

One out of five survey participants said they expect things to get "much better," while 58 percent said they think things will get "a little better." Another 19 percent said conditions are likely to be "about the same," and 4 percent said they see them getting "a little worse."

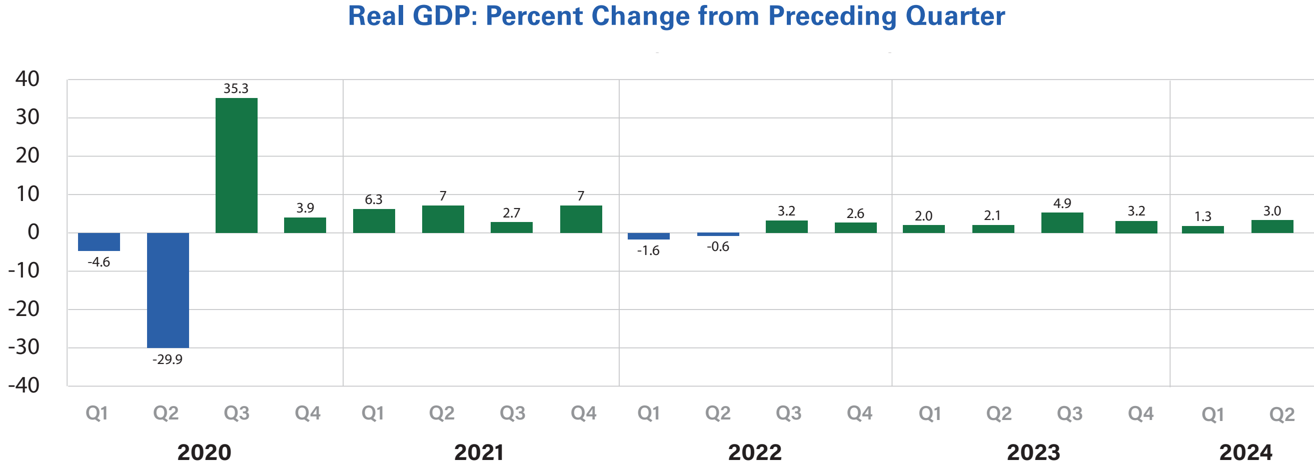
"Federal government spending has been slow to move, given budget and political uncertainties," an AI-based video analytics respondent said. "State and local has been soft in the security sector. But all that seems to be loosening up and Q4 promises to be a good one."

When asked about expectations for product and service sales, 77 percent said they are likely to grow during the next three months, a 5-point increase from the July-August survey. Questions about Congress's ability to pass a federal budget in a timely manner affected forecasts, with a video surveillance respondent noting, "Federal spending ends 9/30/2024. No new budget in place till who knows when."

Nearly two-thirds of respondents (65 percent) said they foresee increases in the number of employees or hours worked at their company in the next 90 days. This result bounced back from a dip to 52 percent two months ago. Those additional positions could be hard to fill, though, as one integrator respondent commented, "Talent acquisition continues to be a challenge and time-consuming."

Increases in spending on research and development, marketing, and capital equipment during the next three months are expected by 57 percent, 52 percent and 36 percent of respondents, respectively. Each of these results marked a significant increase from the July-August projections, with the R&D number jumping by 16 percentage points.

Fed Cuts Interest Rates for 1st Time Since Covid Struck



Source: Bureau of Economic Analysis

The Federal Reserve on Sept. 18 reduced interest rates by a half-point, the first reduction in more than four and a half years.

A quarter-point cut had been considered a near certainty given easing inflation and a slowdown in job growth, but the Fed took a more aggressive approach to spurring economic activity with the 50-basis-point move. The target range for the Federal Funds Rate is now 4.75-5 percent.

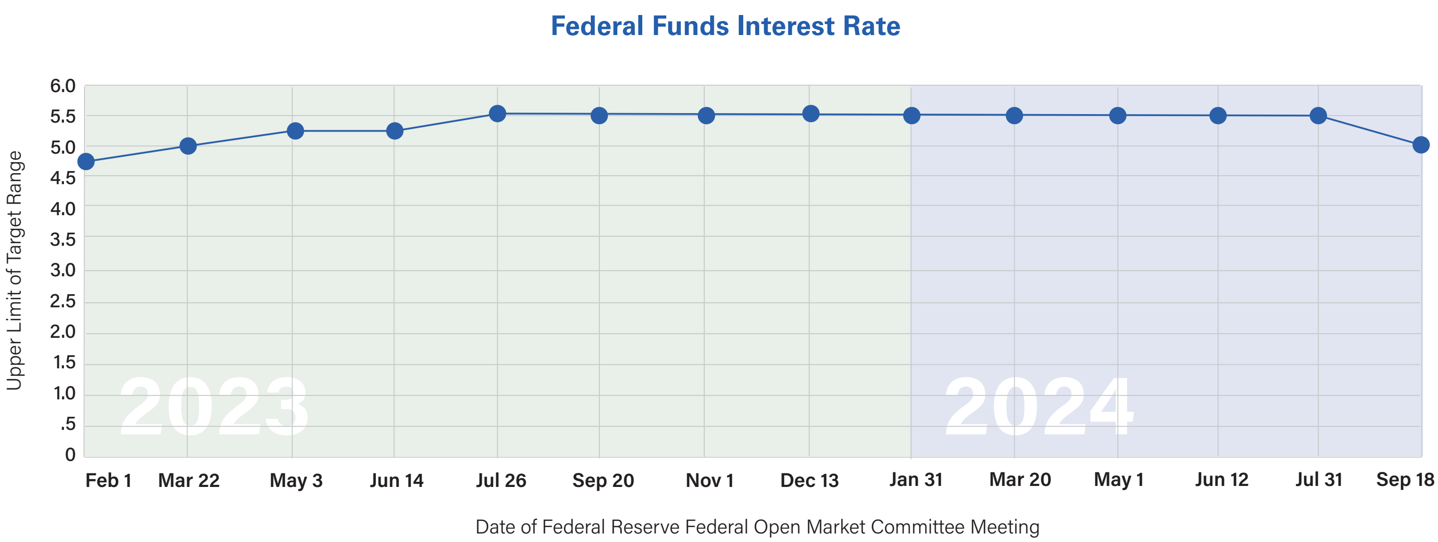
"Our intention is really to maintain the strength that we currently see in the U.S. economy," Federal Reserve Chair Jerome Powell said. "And we'll do that by returning rates from their high level … the purpose of which has been to get inflation under control. We're going to move those down over time to a more normal level."

Powell said that the central bank is not declaring victory over inflation, but he noted that he and other officials are "encouraged by the progress that we have made."

Annual inflation in August came down to 2.5 percent, according to the Bureau of Labor Statistics, still above the Fed's target of 2 percent but significantly down from the 9.1 percent level of June 2022.

The economy created 142,000 jobs in August, well below the average of recent years. In addition, Labor Department revisions reduced the agency's calculation of the number of jobs created in the 12 months ending in March of this year by 28 percent, or 818,000 positions. The unemployment rate in August was 4.2 percent, down a tenth of a point from July.

For more information about the economy, a recording of SIA's Sept. 17 webinar with U.S. Chamber of Commerce Chief Economist Curtis Dubay is available at securityindustry.org.



Index Survey Shows Trump Leading Harris - But Still Placing 2nd

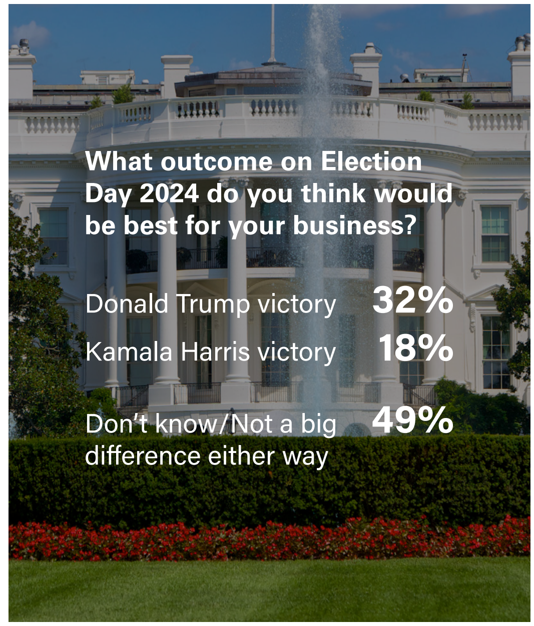
While the heated race for the White House has the country almost evenly divided, many security leaders seem doubtful that the result will affect them much either way.

When asked, "What outcome on Election Day 2024 do you think would be best for your business," 32 percent said a Donald Trump victory and 18 percent said a Kamala Harris win. Meanwhile, a plurality of survey participants – nearly 50 percent – shrugged "Don't know/Not a big difference either way."

"We don't see the government security sector spend to vary between the two choices," a respondent from the access control/identity management sector said. "However, the disruption caused by presidential election cycles and the ongoing wars in Israel and Ukraine are siphoning money away from projects that require our solutions."

A video surveillance respondent who selected Trump said, "With a Republican in office, our business usually benefits," while an audio/voice communication respondent who chose Harris said, "This is not a close call."

An AI-based video analytics respondent picked Harris but seemed frustrated by it all: "This is less about ideological differences and more about government getting back to the business of governing [and] minimizing the circus."



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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