

The University of Michigan-Dearborn Innovation Index



Second Quarter 2012

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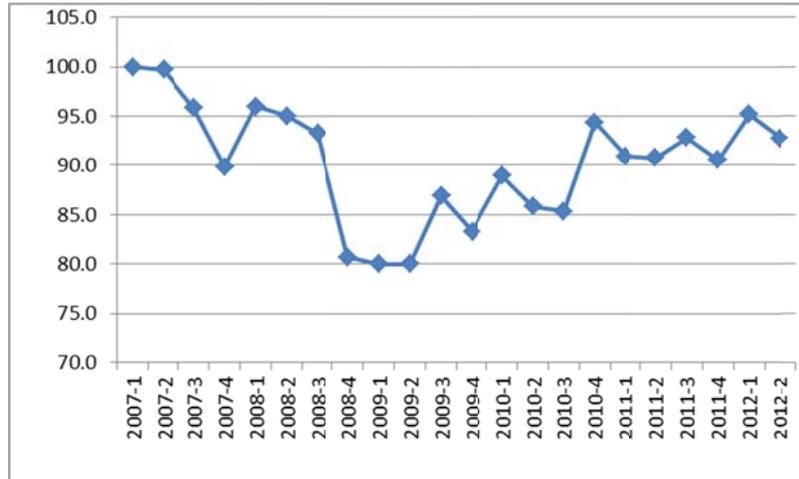
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Innovation Index Moves Ahead

Trademarks, Incorporations Up But Job Creation Down

(December 12, 2012) The University of Michigan-Dearborn's Center for Innovation

Research – iLabs – today released its Innovation Index for the second quarter of 2012. The Index fell from 95.2 to 92.8 in the second quarter which left it modestly ahead of the 2011 second quarter reading of 90.8. The Index was hurt in the quarter by a drop in science and engineering employment as well as a drop in venture capital



funding and incorporations for the quarter. The accompanying chart shows that the Index is above its level hit during the worst of the financial crisis of late 2008 but has been relatively unchanged since late 2010.

Six indicators comprise the Innovation Index; in the last quarter, two rose while four fell. Compared to one year ago, four are higher and two are lower.

- **Small Business Administration Loans** through the Detroit office of the Small Business Administration increased slightly in the second quarter to levels very similar to the second quarter of 2011. The second quarter increase added 0.7 points to the Index.
- **Gross Job Creation** rose very slightly in the first quarter (due to data availability, this measure enters the Index with a one quarter delay) to about 208,000 jobs. While the Index takes gross (rather than net) job creation as an indicator of economic innovation, it is encouraging to note that gross job *losses* were down for the quarter and were below gross job gains. Gross job creation was also slightly ahead of its level in the same quarter one year earlier. The quarterly increase in gross job creation added another 0.7 points to the Index.
- **Trademark Applications** coming from the State of Michigan were almost equal in the second quarter, at an estimated 1453, to the very strong first quarter numbers. The numbers from each quarter are the two highest numbers in recent years, but a small estimated decline in the second quarter cost the Index 0.1 points.
- **Incorporations** and LLC filings in Michigan are traditionally strong in the first quarter which makes for a difficult second quarter

comparison. That was true this year as well with 18,987 filings ahead of the year-earlier level but down from the first quarter. The second-quarter drop reduced the Index by 1.0 points.

- **Venture Capital Funding** in Michigan, as provided by the MoneyTree™ report prepared by Pricewaterhouse Coopers and the National Venture Capital Association using Thomson Financial data, dropped in the second quarter, although the funding remained above the levels of one year earlier. The drop in funding for the second quarter lowered the Index by 1.1 points.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. The estimated percentage of workers employed in science and engineering was below the levels of one quarter and one year earlier. The quarterly drop contributed 1.6 points to the drop in the Innovation Index.

Looking ahead, the Innovation Index is expected to remain at levels similar to where it has spent the last year as improved venture capital indications may be offset by weaknesses in other factors. The next University of Michigan-Dearborn Innovation Index report is due out on February 20, 2013.

The logo for iLABS is displayed in a light purple, rounded, sans-serif font. The letters are lowercase, with the 'i' being a simple vertical line with a dot, and the 'LABS' being more stylized with rounded edges and a slight shadow effect.