

The University of Michigan-Dearborn Innovation Index



Third Quarter 2012

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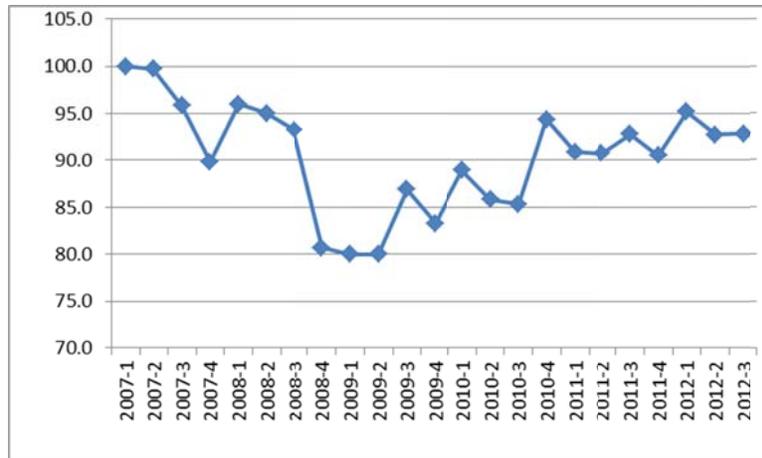
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Innovation Index Remains Steady

Strong Venture Capital Quarter Offsets Weakness Elsewhere

(February 18, 2013) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the third quarter of 2012. The Index rose from 92.8 to 92.9 in the third quarter which left it nearly unchanged from the 2011 third quarter reading, which was also 92.8. A measured increase in venture capital

funding was the primary strength for the quarter, offsetting drops in indicators such as incorporations and trademark filings. 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. Similarly, compared to one year ago, two are higher while four are lower.

- **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, was very strong in the third quarter, showing the highest number in several years. The quarterly increase contributed 4.0 points to the Index.
- **Gross Job Creation** rose very slightly in the second quarter (due to data availability, this measure enters the Index with a one quarter delay) to about 210,000 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 creation ran ahead of gross job losses for the quarter. Gross job creation was also slightly below its level in the same quarter one year earlier. The quarterly increase in gross job creation added 0.2 points to the Index.
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration fell slightly in the third quarter. While loan activity was still ahead of year-earlier levels, the third quarter drop cost the Index 0.4 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 continued its fall of recent quarters, and the third quarter drop reduced the Index by 0.6 points.

- **Trademark Applications** coming from the State of Michigan were fell somewhat from very strong first half numbers to approximately 1400. The quarterly drop left applications approximately equal to the level in the same part of 2011, but reduced the quarterly Index by 1.4 points.
- **Incorporations** and LLC filings in Michigan fell in the third quarter and, at 16,743, were slightly below the year-ago numbers. The third quarter drop reduced the Index by 1.7 points.

Looking ahead, the unusually strong venture capital numbers may prove to be a one-time factor which would put pressure on the Index in the fourth quarter report. The next University of Michigan-Dearborn Innovation Index report is due out on May 13, 2013.

The text 'iLABS' is rendered in a large, stylized, purple font. The 'i' is lowercase and has a dot. The 'L' is uppercase and has a long horizontal base. The 'A' is uppercase and has a triangular shape. The 'B' is uppercase and has a rounded top. The 'S' is uppercase and has a curved bottom. The entire text is set against a white background.