

# The University of Michigan-Dearborn Innovation Index



## First Quarter 2009

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# Signs of Stabilization: University of Michigan-Dearborn Innovation Index At 80.0 in First Quarter

(August 31, 2009) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the first quarter of 2009. After a fall of over 12 points in the previous quarter as the credit crunch made economic innovation very difficult to finance, the Index was roughly unchanged in the first quarter of 2009, falling from 80.7 to 80.0. Both numbers are dramatically lower than those from early 2008. Two components of the Index rose during the quarter while four declined.

The Index is derived from six indicators of innovative activity in the Michigan economy. The indicators, along with their performance in the first quarter, are as follows:

- **Incorporations** and LLC filings in Michigan, which are often relatively strong at the start of the calendar year, showed a substantial increase in the first quarter. The first quarter numbers, which were similar to the first quarter numbers from 2008, contributed an improvement of 2.4 points to the Index for the quarter.
- **Trademark Applications** by Michigan companies rose modestly in the first quarter. Although still down from year-ago levels, the quarterly improvement added 1.0 points to the Index.
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration were relatively unchanged from the low numbers of the fourth quarter. A small drop cost the Index 0.2 points
- **Gross Job Creation** in Michigan, at just over 200,000 jobs in the fourth quarter, was down slightly from the previous quarter, which reduced the Index by 0.6 points. Note that this component enters the Index one quarter late due to data availability.
- **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, continued to fall in the first quarter, reducing the Index by 1.5 points
- **Innovation Workers** are measured by iLabs calculations based on Bureau of Labor Statistics data. A substantial drop in the fraction of Michigan workers employed in science and engineering cost the Index 2.0 points.

Looking ahead, preliminary indications are that innovative activity began to recover in the second quarter of 2009. Based on partial data, iLabs estimates that the Index will show a modest second quarter recovery to 83.5. This recovery is based on strong reports from Small Business Administration loans (encouraged by the stimulus plans) and trademark applications. Other components of the Index are not currently expected to show sharp moves in either direction.

The next University of Michigan – Dearborn Innovation Index report, due out in early December, will contain a detailed report of second quarter activity with a preliminary estimate for the third quarter.