

The University of Michigan-Dearborn Innovation Index



First Quarter 2010

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Trademarks, Incorporations Drive Strong Increase in Innovation Index

(August 30, 2010) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the first quarter of 2010. The Index rose from 83.3 to 89.0. The Index is above its year-ago level of 80.0 and at its highest point since the third quarter of 2008 before the worst of the credit crunch. The quarterly rebound – which came despite disappointing job creation news – was due to a reversal of the earlier decline in trademark applications combined with increases in incorporations and Small Business Administration loans.

The Index is derived from six indicators of innovative activity in the Michigan economy. In the most recent quarter, four rose while two declined. The indicators, along with their performance in the first quarter, are as follows:

- **Trademark Applications** coming from the state of Michigan reversed a sharp fourth quarter drop. The increase put the number of applications above year-ago levels and added 4.8 points to the Index for the quarter.
- **Incorporations** and LLC filings in Michigan increased strongly in the first quarter, adding 2.4 points to the Index. Although a seasonal component often pushes up incorporations in the first quarter, the number is also higher than its year-ago level.
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration rebounded in the first quarter. Aided by the stimulus plan, the number of loans reached its highest level since 2008 and added 1.6 points to the Index in the first quarter.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. A continued rebound in the fraction of Michigan workers employed in science and engineering added 0.4 points to the Index in the quarter.
- **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 a drop from the previous quarter and hit the lowest level since 2007. The first quarter drop reduced the index by 0.5 points
- **Gross Job Creation** Gross job creation fell in the fourth quarter (due to data availability, this measure enters the Index with a one quarter delay) erasing most of the gains from the previous quarter. The fall to approximately 212,000 jobs was still above year-earlier levels but the quarterly drop reduced the Index by 3.0 points.

Looking ahead, it appears that the next report will show second quarter innovative activity relatively similar to the first quarter. The next University of Michigan – Dearborn Innovation Index report, due out in late November, will contain a detailed report of second quarter activity with a preliminary indication for the third quarter of 2010.