

The University of Michigan-Dearborn Innovation Index



First Quarter 2011

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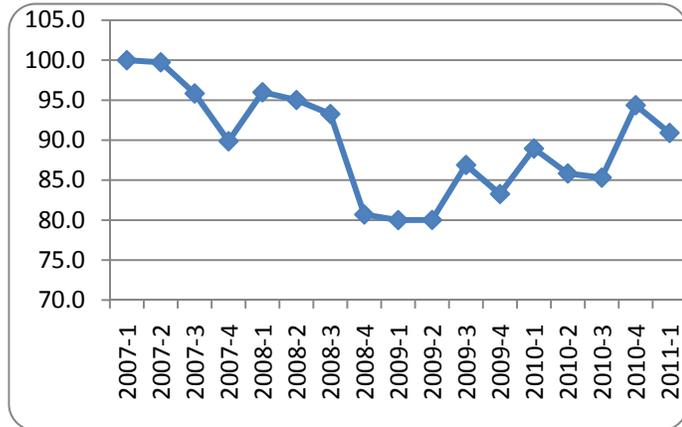
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Innovation Index Shows Mixed Results

Temporary SBA Program Lowers Index

(August 22, 2011) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the first quarter of 2011. The Index fell in the first quarter from 94.4 to 90.9, largely due to a temporary program at the Small Business Administration which provided a short term boost in the previous quarter. As the adjacent chart shows, the last two quarters have been the highest quarters for the Index since mid-2008, before the worst of the financial crisis.



Without the Small Business Administration indicator, the Index would have been up slightly in the first quarter. The Index is derived from six indicators of innovative activity in the Michigan economy. In the fourth quarter, two rose while four declined. Four of the six indicators are higher than they were a year ago.

- **Incorporations** and LLC filings in Michigan are often strong in the first quarter, and this pattern continued in 2011. A strong increase from the fourth quarter added 2.1 points to the Index, although the number of incorporations and LLC filings is only slightly ahead of the first quarter of 2010.
- **Trademark Applications** coming from the State of Michigan increased in the first quarter, continuing an increase which began in late 2009. Michigan trademark applications now stand at the highest level since 2006. The first quarter increase in applications added 1.4 points to the Innovation Index.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. The percentage of workers employed in science and engineering was down slightly from a strong fourth quarter number. The quarterly drop reduced the Index by 0.6 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, fell again in the first quarter to a very low level. The first quarter drop reduced the Index by 1.0 points.
- **Gross Job Creation** Gross job creation fell again in the fourth quarter (due to data availability, this measure enters the Index with a one

quarter delay). Gross job creation also fell slightly below gross job losses for the quarter. The number of gross jobs added by new or expanding companies is also slightly below its year-earlier level. The drop in gross new jobs lowered the Index by 1.2 points.

- **Small Business Administration Loans** through the Detroit office of the Small Business Administration dropped in the first quarter due largely to a temporary provision passed by Congress that encouraged SBA loans in late 2010. Although the number of SBA loans was ahead of the level two quarters ago, the reversal from the very high fourth quarter number cost the Index 4.0 points this quarter.

Going forward, after two quarters of large point moves, it is likely the Index will be less volatile in the next report, with a small increase currently looking likely. The next University of Michigan-Dearborn Innovation Index report, due out in late November, will contain a detailed report of second quarter 2011 activity with a preliminary indication for the third quarter.