

# The University of Michigan-Dearborn Innovation Index



## Second Quarter 2009

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# Continued Job Problems Offset Signs of Growth: University of Michigan-Dearborn Innovation Index Unchanged in Second Quarter

(November 30, 2009) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the second quarter of 2009. After four straight quarters of decline which saw the Index drop from 96 to 80, the Index was unchanged in the second quarter at 80.0. Three components of the Index rose while the other three declined.

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

- **Trademark Applications** by Michigan companies increased in the second quarter. Although still down from year-ago levels, the quarterly improvement added 2.9 points to the Index.
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration showed a strong increase in the second quarter. The increase was aided by stimulus plan provisions and was the first quarterly improvement since 2007. The increase added 2.1 points to the Index.
- **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, rebounded somewhat from steep declines during the credit crunch. The recovery added 0.4 points to the Index.
- **Incorporations** and LLC filings in Michigan declined slightly in the second quarter. The second quarter numbers were also down slightly from year ago levels, and reduced the Index by 0.3 points in the quarter.
- **Innovation Workers** are measured by iLabs calculations based on Bureau of Labor Statistics data. A slight drop in the fraction of Michigan workers employed in science and engineering reduced the Index by 0.3 points.
- **Gross Job Creation** in Michigan, at approximately 165,000 jobs in the first quarter, was down sharply from the previous quarter, which cost the Index 4.8 points. Note that this component enters the Index one quarter late due to data availability.

Looking ahead, preliminary indications are that innovative activity in the third quarter will show a small improvement from the second quarter of 2009. Based on partial data, iLabs estimates that the third quarter Index will be approximately 81.3. A continued improvement in Small Business Administration loans will likely support this increase.

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