

The University of Michigan-Dearborn Innovation Index



Second Quarter 2010

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Innovation Index Suffers from Drop in Gross Job Creation

(December 13, 2010) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the second quarter of 2010. The Index fell from 89.0 to 85.8. The Index is above its year-ago level of 80.0 but remains well below its pre-credit-crunch levels. The quarterly drop was led by a decline in gross job creation.

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

- **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 strongly in the second quarter to reach its highest level since 2008. The rebound added 2.9 points to the Innovation Index
- **Trademark Applications** coming from the State of Michigan continued an increase from depressed numbers in late 2009. The number of applications is approximately at year-ago levels but the increase in the second quarter added 0.7 points to the Index.
- **Incorporations** and LLC filings in Michigan dropped somewhat in the second quarter. The first quarter is traditionally strong for this indicator, which often declines slightly as the calendar year goes on. While incorporations remain above year-ago levels, the second quarter decline reduced the Index by 0.7 points.
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration experienced a slight drop in the second quarter as stimulus plan provisions expired in mid-quarter. The drop in loans in the second quarter reduced the Index by 1.1 points.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. A reversal of recent increases in the percentage of workers employed in science and engineering reduced the Index by 1.3 points
- **Gross Job Creation** Gross job creation fell in the first quarter (due to data availability, this measure enters the Index with a one quarter delay), continuing a drop from the previous quarter. The quarterly drop in job creation was matched by a quarterly decline in job losses. Although the number of jobs created remains above year-earlier levels, the quarterly drop reduced the Index by 3.7 points.

Looking ahead, there is cause for concern that the next report will show a further drop in innovative activity in the third quarter as the expiration of stimulus provisions continue to affect the Small Business Administration and the sharp increase in venture capital funding will be difficult to replicate. 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 indication for the fourth quarter of 2010.