

The University of Michigan-Dearborn Innovation Index



Third Quarter 2009

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Some Signs of Job Creation Push Innovation Index Up In Third Quarter

(March 8, 2010) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the third quarter of 2009. After a drop from 96 in the first quarter of 2008 to 80, the Index showed a third quarter improvement from 80.0 to 86.9. The 6.9 point increase for the quarter is the largest since the Index was created in 2006. The Index is still down significantly from its year-earlier level of 93.3.

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 third quarter, are as follows:

- **Gross Job Creation** A rebound in gross creation of new jobs occurred in the second quarter of 2009 (due to data availability, this measure enters the index with a one quarter delay). The rebound to approximately 208,000 jobs reversed the sharp first quarter decline and added 5.6 points to the Index
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration showed a continued increase in the second quarter. The increase was aided by stimulus plan provisions and added 1.9 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, continued a modest rebound from steep declines during the credit crunch. The increase in funding added 0.5 points to the Index in the third quarter.
- **Trademark Applications** by Michigan companies increased very slightly in the third quarter and were slightly ahead of year-ago numbers. The quarterly improvement added 0.3 points to the Index.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. A continued drop in the fraction of Michigan workers employed in science and engineering reduced the Index by 0.6 points in the quarter.
- **Incorporations** and LLC filings in Michigan declined somewhat in the third quarter. The third quarter numbers were up slightly from year ago levels, but reduced the Index by 0.9 points for the quarter.

Looking ahead, it appears that the next report is unlikely to show that these improvements continued into the fourth quarter. A decline in trademark applications appears likely to lead a fourth-quarter decline in the Index. The next University of Michigan – Dearborn Innovation Index report, due out in early June, will contain a detailed report of fourth quarter activity with a preliminary indication for the first quarter of 2010.