

The University of Michigan-Dearborn Innovation Index



Fourth Quarter 2008

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Credit Crunch Hits Innovation: University of Michigan-Dearborn Innovation Index Down 13.5% in Fourth Quarter of 2008

(June 15, 2009) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the fourth quarter of 2008. The Index provides a summary measure of economic innovation activity in the state of Michigan. Showing the dramatic effects of the global credit crunch, the Index fell from 93.3 to 80.7 in the fourth quarter. The quarterly fall of 13.5% was also down 10.2% from the year-earlier level of 89.9. Each of the six component indicators of the Index fell in the fourth quarter:

- **Trademark Applications** filed by Michigan businesses fell approximately 10% in the fourth quarter, lowering the Index by 3.1 points.
- **Small Business Administration Loans** arranged through the Detroit office of the Small Business Administration continued its decline from a peak reached in 2006. The effect of this fourth quarter fall was a drop in the Innovation Index of 2.9 points.
- **Gross Job Creation** in Michigan for the third quarter (this item enters the Index with a one quarter delay) fell to approximately 206,000. This number was about 10% lower than the corresponding numbers both for the previous quarter and the year-ago quarter, and cost the Index 2.9 points.
- **Venture Capital** in Michigan fell in the fourth quarter, ending a series of increases going back to the third quarter of 2007. The number, provided by the MoneyTree™ report prepared by Pricewaterhouse Coopers and the National Venture Capital Association using Thomson Financial data, was higher than year-ago levels but reduced the Index by 2.5 points from the previous quarter.
- **Incorporations** and filings for LLCs in Michigan dropped somewhat in the fourth quarter to a number similar to the fourth quarter of 2007. The quarterly drop reduced the Index by 1.1 points.
- **Innovation Workers** are measured by iLabs calculations based on Bureau of Labor Statistics data. A small reduction in the fraction of Michigan workers employed in science and engineering reduced the Index by 0.2 points.

Looking forward, while the continuing credit crunch is likely to hamper factors such as gross job creation in the first half of 2009, hopes for early “green shoots” signs of economic recovery will focus on measures such as incorporations and trademark activity, which can reflect expansion plans of existing and new businesses. The federal economic stimulus plans also include efforts to encourage small businesses through Small Business Administration loans, and early indications are that these measures are having a positive effect on this loan activity in the second quarter.

The first quarter 2009 University of Michigan – Dearborn Innovation Index will be released in early September.