

The University of Michigan-Dearborn Innovation Index



Fourth Quarter 2009

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Drop in Trademark Applications Causes Drop in Fourth Quarter Innovation Index

(June 1, 2010) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the fourth quarter of 2009. The Index gave up part of its seven point previous quarter gain and declined from 86.9 to 83.3 in the fourth quarter. The decline was largely due to an unusual drop in trademark applications partially offset by an improvement 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 fourth quarter, are as follows:

- **Gross Job Creation** A rebound in gross creation of new jobs occurred in the third quarter of 2009 (due to data availability, this measure enters the Index with a one quarter delay). The increase to approximately 234,000 jobs created continued a first quarter increase and added 3.5 points to the Index. The latest number was the highest since the second quarter of 2007, and marks a 42% increase from the low point two quarters ago.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. A rebound in the fraction of Michigan workers employed in science and engineering added 1.0 points to the Index in the quarter.
- **Incorporations** and LLC filings in Michigan declined slightly in the fourth quarter, lowering the Index by 0.5 points for the quarter. The number of incorporations is, however, still higher than its year-ago level.
- **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, reversed some of the gains from mid-2009. The drop in funding cost the Innovation Index 0.6 points.
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration dropped somewhat in the fourth quarter. The drop comes after two quarters of strong growth aided by the stimulus plan and reduced the Index by 1.3 points for the quarter.
- **Trademark Applications** coming from Michigan showed a relatively sharp drop in the fourth quarter following several quarters of increase, bringing the number of applications slightly below its year-earlier level. The quarterly drop lowered the Index by 5.7 points.

Looking ahead, it appears that innovative activity showed a distinct improvement in the first quarter of the year, including a rebound in the trademark activity that led to the fourth quarter decline. The next University of Michigan – Dearborn Innovation Index report, due out in early September, will contain a detailed report of first quarter activity with a preliminary indication for the second quarter of 2010.