

The University of Michigan-Dearborn Innovation Index



Fourth Quarter 2010

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Innovation Index Soars

Temporary SBA Program Adds Boost

(May 23, 2011) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the fourth quarter of 2010. Due in large part to a temporary program of the Small Business Administration, the Index soared from 85.3 to 94.4. The new level is the highest level of the Index since 2008 and is considerably above a year-earlier level of 83.3.

While the magnitude of the Index movement was largely due to the SBA program, there were gains in several categories. Excluding the Small Business Administration indicator, the Index would still have risen a strong 2.7 points. The Index is derived from six indicators of innovative activity in the Michigan economy. In the fourth quarter, three rose while three declined. Five of the six indicators are higher than they were a year ago.

- **Small Business Administration Loans** through the Detroit office of the Small Business Administration soared in the fourth quarter due largely to a temporary provision passed by Congress that encouraged SBA loans in late 2010. The increase in loans in the fourth quarter added 5.4 points to the Index.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. The percentage of workers employed in science and engineering was up strongly to the highest level since 2007. The quarterly increase added 2.7 points to the Index.
- **Trademark Applications** coming from the State of Michigan increased in the fourth quarter, continuing an increase which began one year ago. Applications in the fourth quarter were the highest since 2008 and added 2.6 points to the Index.
- **Incorporations** and LLC filings in Michigan dropped somewhat in the fourth quarter, continuing a drop in the previous two quarters. While the levels remain slightly above year-ago numbers, the quarterly drop cost the Index 0.3 points.
- **Gross Job Creation** Gross job creation fell slightly in the third quarter (due to data availability, this measure enters the Index with a one quarter delay). Despite the drop, job creation continued to outpace job losses. The number of gross jobs added by new or expanding companies is slightly below its year-earlier level. The drop in gross new jobs lowered the Index by 0.6 points.
- **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, fell again in the fourth quarter. Although funding was still slightly ahead of the same quarter in 2009, the fourth quarter drop reduced the Index by 0.8 points.

Going forward, it is likely that the Small Business Administration loans will return to a lower level in the next report, likely leading to an overall drop in the Index. The next University of Michigan – Dearborn Innovation Index report, due out in late August, will contain a detailed report of first quarter 2011 activity with a preliminary indication for the second quarter.