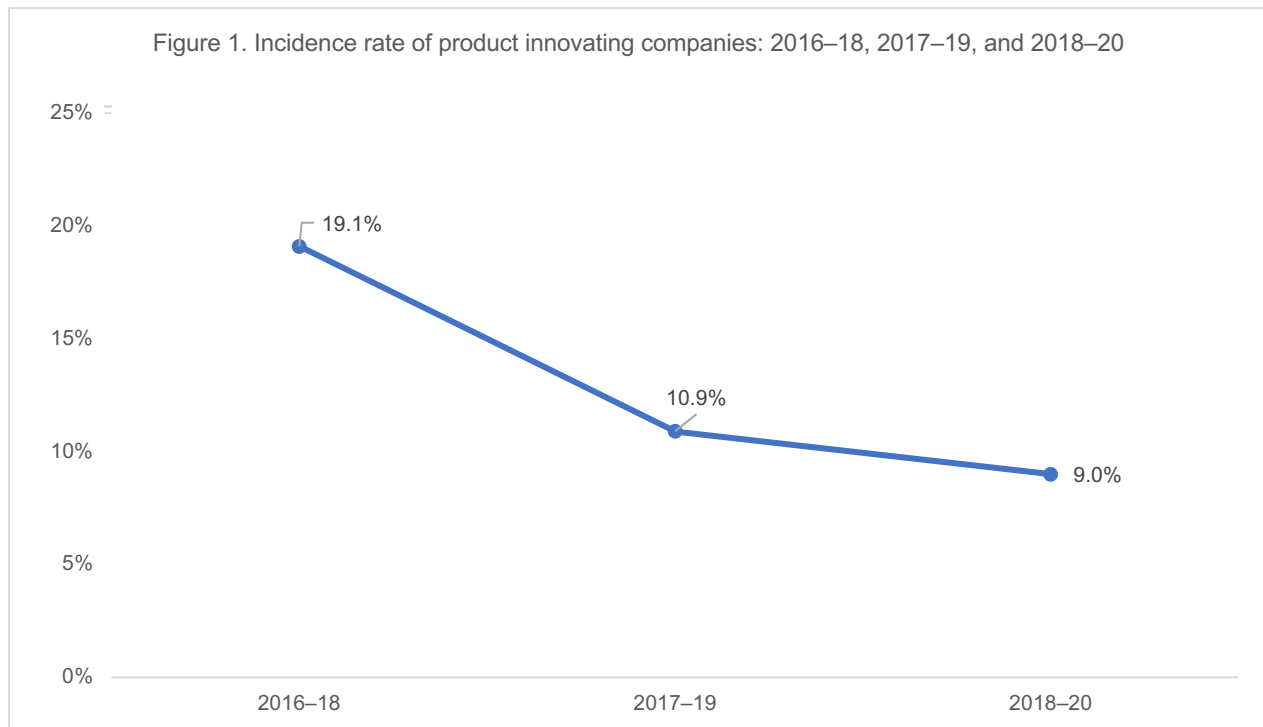




Innovation is central to improvements in living standards and can have important impacts on individuals, businesses, and entire economic sectors. The Annual Business Survey (ABS) measures innovation over a 3-year reference period. ABS 2021 measured product innovation defined as “a new or improved good or service that differs significantly from the firm’s previous goods or services and that has been introduced on the market.”<sup>1</sup>

The incidence rate of product innovation has decreased since the initial measurement in 2016–18. For the period 2016–18, 19.1% of companies reported product innovation, whereas for 2018–20, 9.0% of these companies reported introducing innovative goods or services.

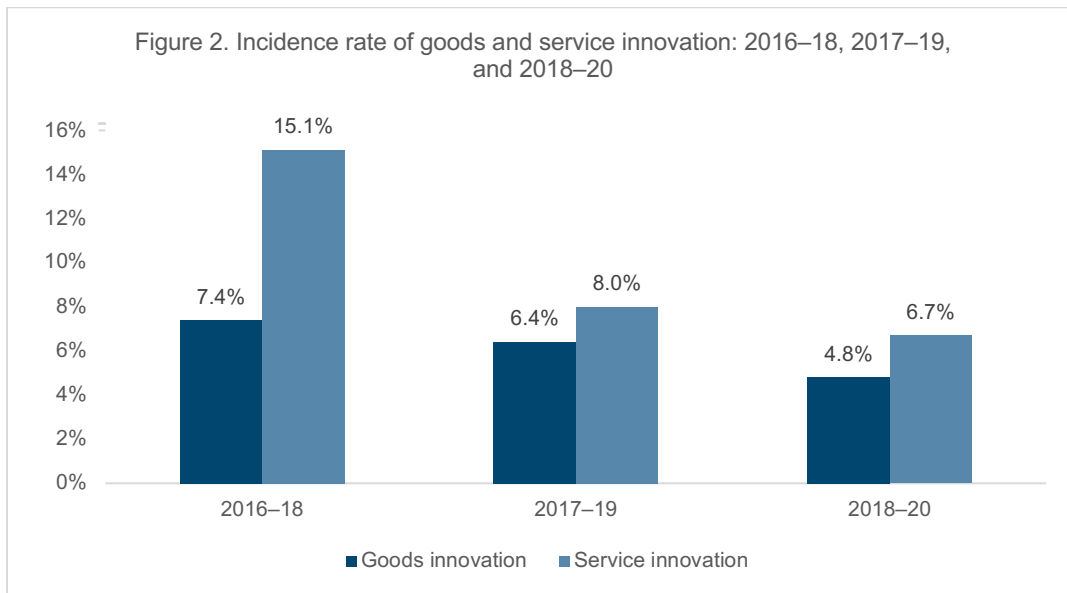


Source: National Center for Science and Engineering Statistics and Census Bureau, Annual Business Survey: Data Years 2018, 2019, and 2020.

As noted in the definition above, product innovation includes both goods and services; however, the ABS collects data on innovation in goods and services separately. Interestingly, where there is no statistical difference in the incidence of goods innovation across the 3 survey years, there are important differences in the incidence of service innovation. Relative to 2016–18, the incidence rate of companies with service innovation was significantly lower in each of the subsequent survey years, though there is no statistical difference between 2017–19 and 2018–20.

<sup>1</sup> Organisation for Economic Co-operation and Development (OECD) and Eurostat. 2018. *Oslo Manual 2018: Guidelines for Collecting, Reporting and Using Data on Innovation*. 4th ed. Paris, France: OECD Publishing. Available at <https://doi.org/10.1787/9789264304604-en>.

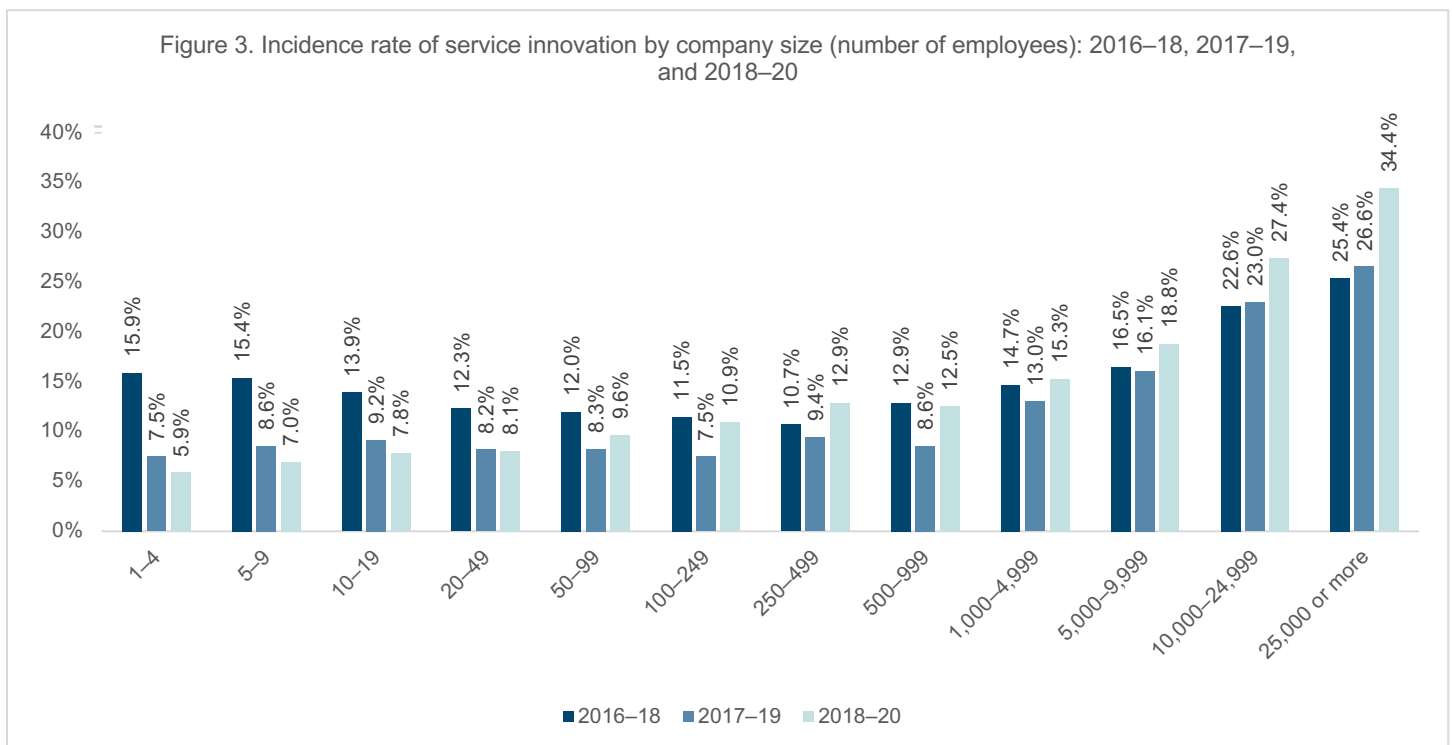
## Product Innovation Trends 2016–18 to 2018–20: Findings from the Annual Business Survey



Source: National Center for Science and Engineering Statistics and Census Bureau, Annual Business Survey: Data Years 2018, 2019, and 2020.

Examining service innovation by company size (number of employees) demonstrates that the decrease in the rate of service innovation was concentrated in microbusinesses (companies with fewer than 10 employees).

In 2016–18, the incidence rate of service innovation was significantly higher compared to 2017–19 and 2018–20 for both the 1–4 and 5–9 employee categories. There were no significant differences for companies with between 10 and 4,999 employees. For each size class of companies with 5,000 or more employees, the rate of service innovation increased for 2018–20.



Source: National Center for Science and Engineering Statistics and Census Bureau, Annual Business Survey: Data Years 2018, 2019, and 2020.