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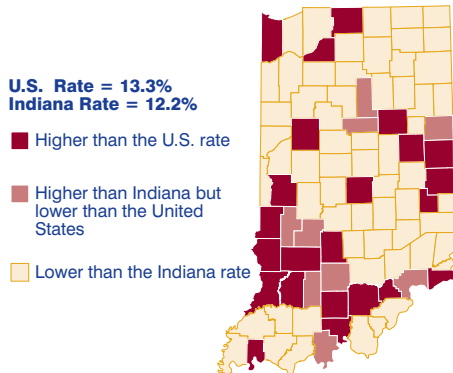
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### Poverty in Indiana

The majority of Indiana counties are below the state poverty rate. Even more impressive is that more than two-thirds of Indiana counties are below the national poverty rate (see accompanying map). Statewide, 12.2 percent of Indiana's population was in poverty in 2005. Monroe County had the highest poverty level (22.2 percent) largely due to its IU student population. Meanwhile, Hamilton County had the lowest poverty rate at 3.9 percent.

Poverty Rate Across All Ages in Indiana, 2005



Broken down by age, one in every five children under the age of five in Indiana was living in poverty in 2005 according to the most recent poverty data from the Census Bureau. Of those between the ages of 5 and 17, 14.7 percent were living in poverty. All in all, nearly 259,000 children (under the age of 18) lived in poverty in 2005.

Source: IBRC, using U.S. Census Bureau data

## Leading Indiana's Growth The Indianapolis-Carmel Metro Story Told by STATS Indiana

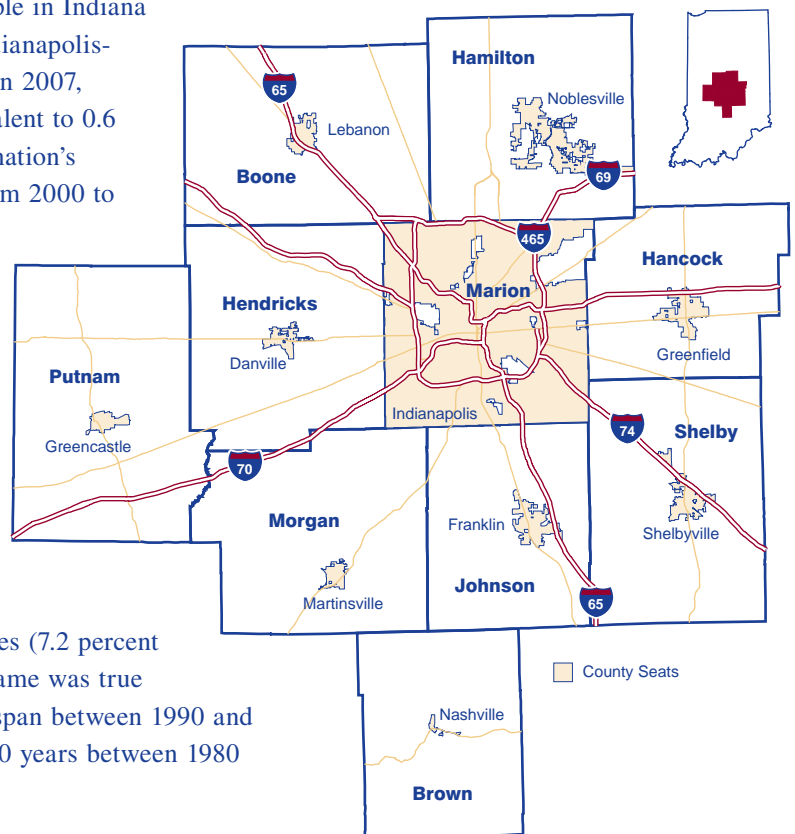
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This article, the fifth in the series, will focus on Indiana's largest metro, the Indianapolis-Carmel metro. All data used for this article are available using the USA Counties and Metros Side-by-Side profiles on STATS Indiana ([www.stats.indiana.edu](http://www.stats.indiana.edu)) unless otherwise noted.

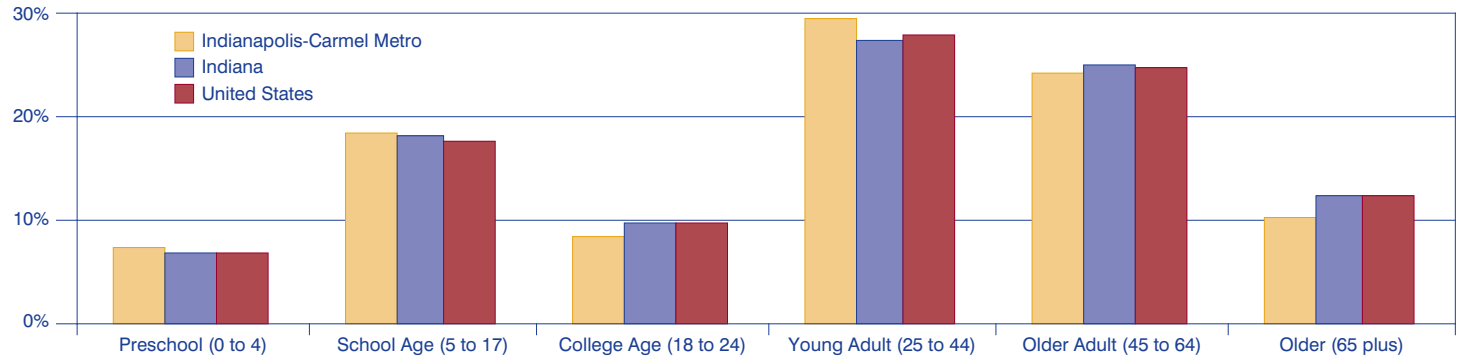
### The Area

The Indianapolis-Carmel metro includes the following 10 counties: Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam and Shelby. More than one in every four people in Indiana lived in the Indianapolis-Carmel metro in 2007, which is equivalent to 0.6 percent of the nation's population. From 2000 to 2007, the Indianapolis-Carmel metro grew at a faster pace (11.1 percent growth) than Indiana (4.4 percent growth) and the United States (7.2 percent growth). The same was true in the 10-year span between 1990 and 2000 and the 20 years between 1980 and 2000.

What's driving this population gain? In the last year, the Indianapolis-Carmel metro saw net domestic migration of nearly 8,600 and net international migration of more than 2,700 people. To compound these figures, the Indianapolis-Carmel metro saw a natural increase (births minus deaths) of 13,267. How does this compare to the state? Indiana lost 505 residents as a result of net domestic migration but gained more than 9,000 people from other countries and also experienced a natural increase of 33,408 people.



**FIGURE 1: AGE DISTRIBUTION AS A PERCENT OF TOTAL POPULATION, 2006**



Source: STATS Indiana, using U.S. Census Bureau data

How does the high number of births affect the overall composition of Indianapolis-Carmel age groups? Compared to Indiana and the United States, the Indianapolis-Carmel metro has a higher percentage of preschool-age and school-age students, as well as a higher percentage of young adults age 25 to 44 (see **Figure 1**). It makes sense that there are higher proportions in the latter age group given the high proportion of children, since the young-adults category encompasses the majority of women likely to have a child under the age of 18.

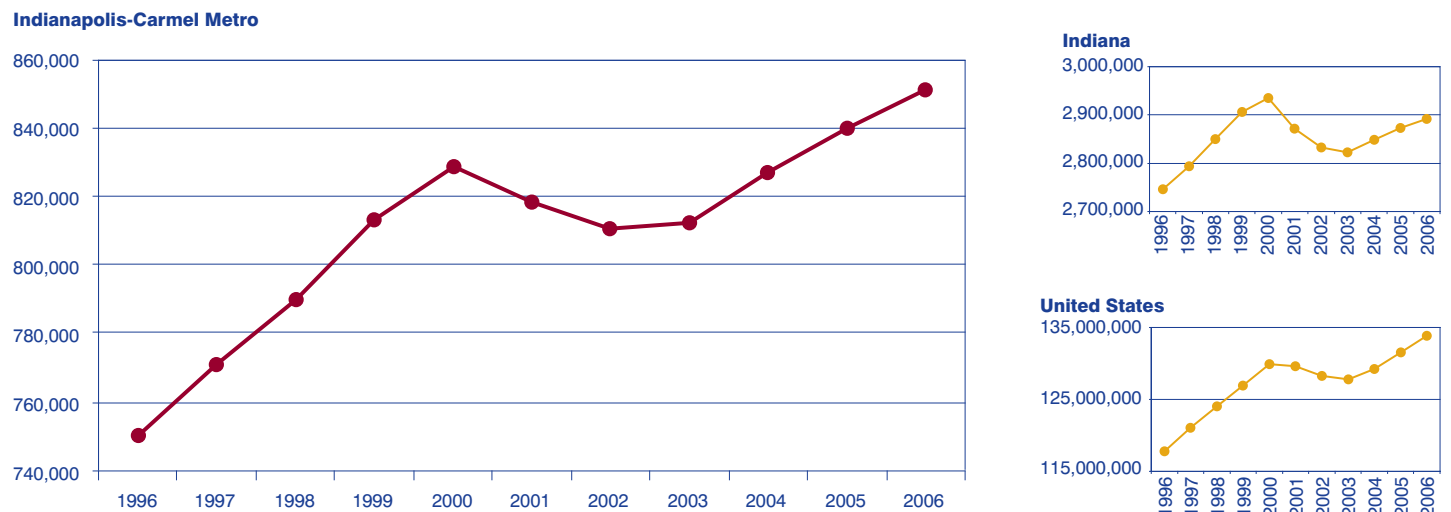
### Jobs & Wages

From 1996 to 2006, the Indianapolis-Carmel metro has added jobs at a fairly steady pace. Other than the drop from 2000 to 2002 (during the recession), jobs in the metro have been climbing (see **Figure 2**). Including the losses in the beginning of the decade, the Indianapolis-Carmel metro has increased jobs by 13.5 percent in the last 10 years. This growth rate is barely shy of the nation's 13.6 percent growth rate over that same time. Meanwhile, the state overall experienced less than half that growth (5.3 percent). The

Indianapolis-Carmel metro rebounded from the recession a little faster than the state overall. In fact, the metro exceeded its 2000 peak in jobs in 2005, but jobs statewide have yet to reach the level they were at in 2000.

Three industries in the Indianapolis-Carmel metro made up one-third of total covered employment in 2006: manufacturing (11.8 percent of total covered jobs), retail trade (11 percent), and health care and social assistance (10.4 percent). **Figure 3** shows how these proportions compare to the state and nation.

**FIGURE 2: JOBS IN THE INDIANAPOLIS-CARMEL METRO, INDIANA AND THE UNITED STATES, 1996 TO 2006**



Source: STATS Indiana, using Covered Employment and Wage data

Total covered jobs in the Indianapolis-Carmel metro averaged \$43,601 when adjusted for cost of living, just above the national average of \$42,535. Among the highest paying industries in the Indianapolis-Carmel metro were management of companies and enterprises, utilities, and manufacturing (see Figure 4). There were seven industries that paid higher wages in the Indianapolis-Carmel metro than at the national level, and all but two industries paid higher than the state (mining and educational services).

The only industry that didn't average more than \$20,000 per year in the Indianapolis-Carmel metro, Indiana or the United States was accommodation and food services, which can be expected given that many of these workers are part-time employees.

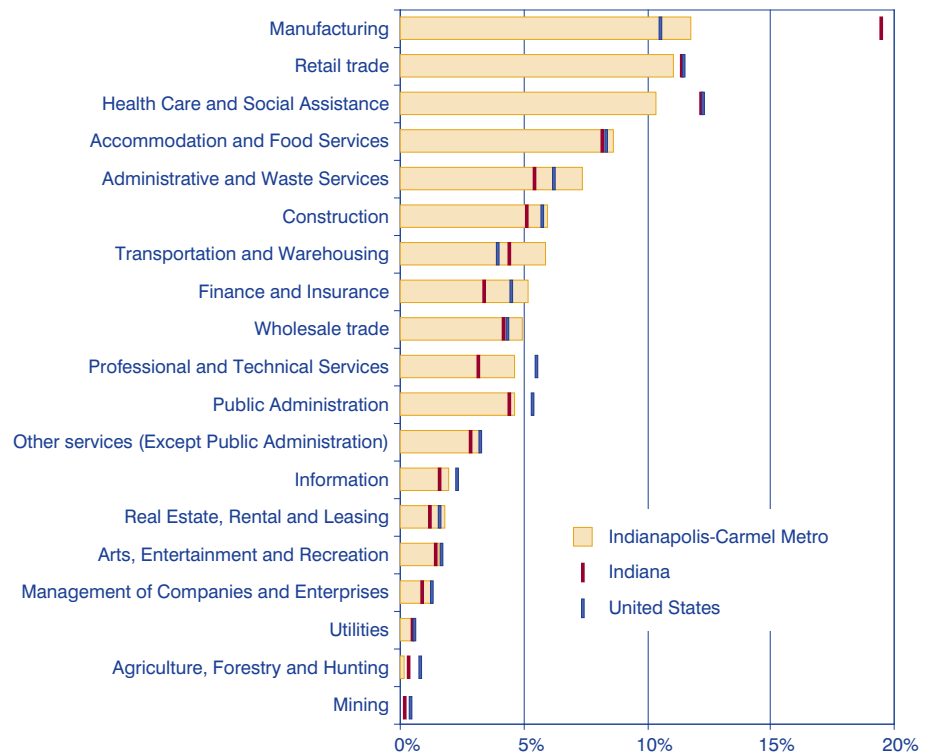
Overall, Indianapolis-Carmel wages stack up well against U.S. wages, staying between 97 percent and 102 percent of U.S. wages since 1996.

## Conclusion

The Indianapolis-Carmel metro is growing. Population increased faster than the nation and two-and-a-half times faster than the state. Jobs increased at a comparable pace to the nation and, once again, two-and-a-half times faster than the state. Wages have been rising fairly steadily while remaining similar to national wages, and better than state wages in almost every industry. In other words, Indiana's capital and surrounding counties are leading the state.

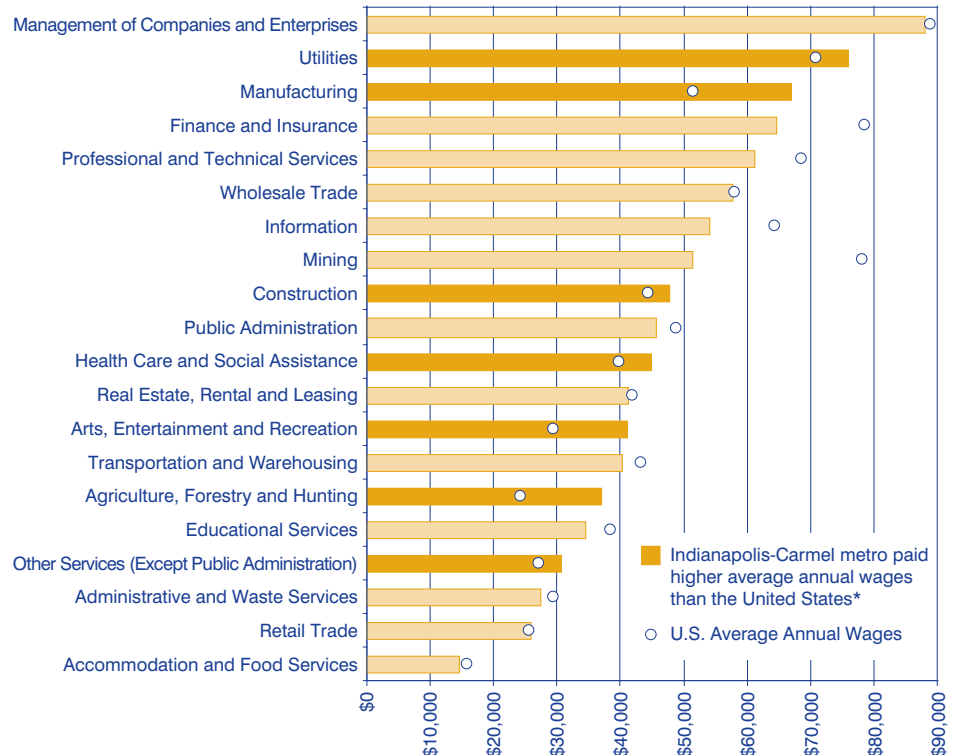
—Molly Manns, Associate Editor, Indiana Business Research Center, Kelley School of Business, Indiana University

**FIGURE 3: JOBS AS A PERCENT OF TOTAL COVERED EMPLOYMENT, 2006**



Source: STATS Indiana, using Covered Employment and Wage data

**FIGURE 4: AVERAGE ANNUAL WAGES BY INDUSTRY IN THE INDIANAPOLIS-CARMEL METRO, 2006**



\*Indianapolis-Carmel metro wages were adjusted to reflect cost of living in the area  
Source: ACCRA cost of living and STATS Indiana, using Covered Employment and Wage data

# Latest Personal Income Stats

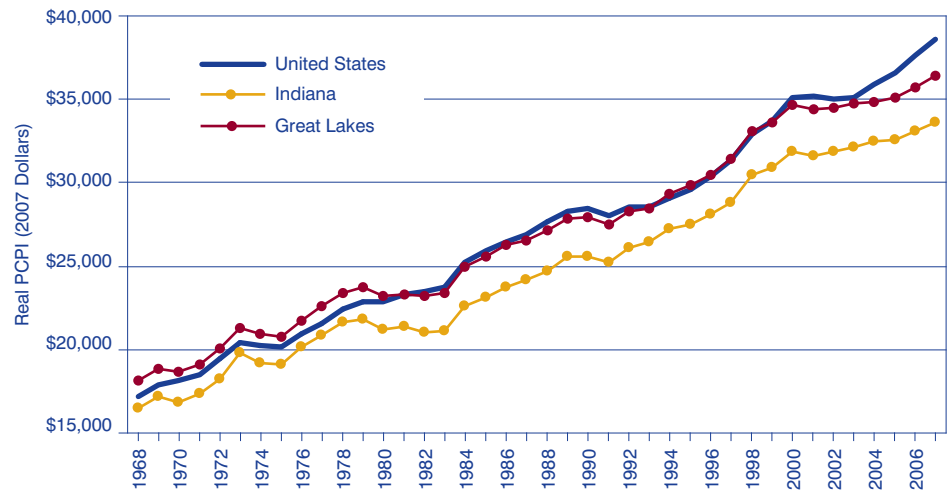
Personal income is one of the more closely monitored measures of an economy's vitality, as it represents the income that individuals receive from all sources and thus have available for consumption, investments or savings. When personal income grows more rapidly, we expect these uses to increase, thereby propelling further economic growth.

This expectation has led several states and regions to set economic goals targeting a certain growth rate in personal income, often in the form of per capita personal income (PCPI). PCPI, which is simply total personal income (TPI) divided by the population, is easily understood as the average income received from all sources by the residents of a given area. PCPI goals are often targeted to equal or exceed the nation's PCPI. Indiana's economic strategic plan, for instance, aims to eventually raise the state's PCPI to the national level.

This is a very ambitious goal despite the fact that Indiana's PCPI has more than doubled over the past 40 years, even after adjusting for inflation (see **Figure 1**). Matching the U.S. PCPI seems increasingly challenging when we observe that Indiana's PCPI has declined relative to the nation for many years—down to its 2007 level of 87 percent of this target. Moreover, as shown in **Figure 1**, the U.S. PCPI has accelerated in recent years following the recession in the early 2000s, while PCPIs in Indiana and the Great Lakes region have grown more slowly.<sup>1</sup> To find out why, we need to look more closely at the composition of total personal income from which the per capita figures are derived.

Indiana's total personal income has increased every year for many decades, as has the nation's. The nation's income

**FIGURE 1: REAL PER CAPITA PERSONAL INCOME, 1968 TO 2007**



Note: The term "real" indicates adjustment for inflation  
Source: IBRC, using Bureau of Economic Analysis data

growth, however, has outpaced that of Indiana in many of those years, more often than the reverse. In an insightful analysis elsewhere in this issue, Morton Marcus explores the nature and volatility of TPI growth in the nation and Indiana. He observes that the state has lagged the nation in income growth for seven straight quarters as of the most recent preliminary data from the Bureau of Economic Analysis.<sup>2</sup>

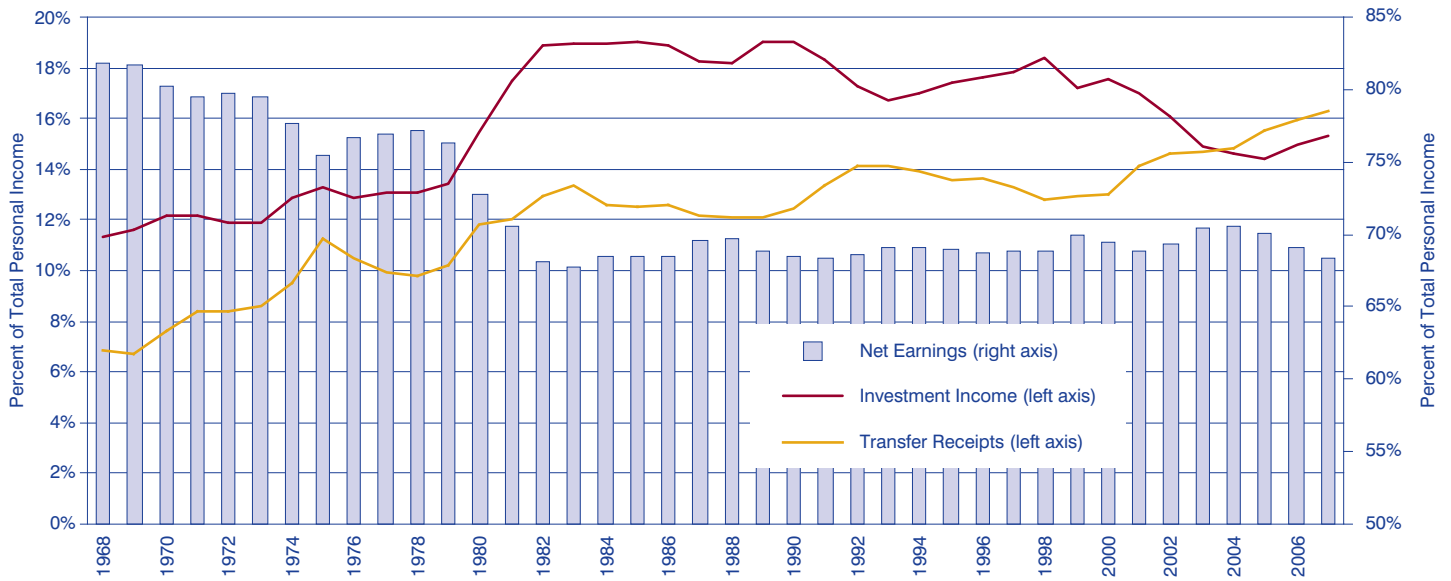
The present article seeks additional insight into why Indiana's income growth has been slower than the nation's by examining the components that make up total personal income. The main TPI components are:

- Net earnings by place of residence: salaries, wages, employer contributions to pensions and insurance plans, and income received by sole proprietors and partners.
- Dividends, interest and rent received by persons: sometimes referred to as "investment income" or "property income."
- Personal current transfer receipts: payments to persons for which no current services are performed.

Examples include retirement and disability insurance benefits, Medicare and Medicaid, welfare payments and unemployment benefits, veterans' benefits, and federal grants and loans to students.

As shown in **Figure 2**, net earnings in 1968 represented around 80 percent of Indiana TPI, whereas earnings have comprised about 70 percent of TPI for the last quarter century. Most of this decline took place from the mid-1970s to the early 1980s, during which time transfer receipts gained gradually in share of TPI while investment income's share grew rapidly. For example, in the 10 years between 1973 and 1983, the contribution of earnings to Indiana TPI shrank by 11.8 percentage points, giving ground to investment income (+7.1 points) and transfer receipts (+4.7 points). These notable shifts reflected multiple broad structural changes in the economy: the migration of manufacturing operations from the "Rust Belt" region to the "Sun Belt," increased government spending on entitlement programs and increased ownership of securities by a broader range of individuals, among others.

**FIGURE 2: COMPONENT SHARES OF INDIANA TOTAL PERSONAL INCOME, 1968 TO 2007**



Source: IBRC, using Bureau of Economic Analysis data

Similar shifts were observed during this period in the composition of personal income at the national level, although the drop in earnings' share (and concomitant rise in shares for investments and transfer receipts) was not as pronounced. Indiana experienced a much larger percentage decline in manufacturing employment during the 1973–1983 decade than did the nation, so a larger effect on the net earnings share of personal income is not surprising.

Since the early 1980s, earnings have maintained a fairly steady 70 percent share of Indiana TPI. At the same time, investment income's share of Indiana TPI has slipped about 4 percentage points, while the share representing transfer receipts has risen by more than 3 points. A similar pattern is found at the national level, but with a less pronounced shift nationally between transfer receipts and investment income.

Moreover, as shown in **Figure 3**, there is a rather dramatic contrast between Indiana and the United States in TPI component growth in recent years—transfer receipts grew at a somewhat faster rate in Indiana than in

the nation from 2003 to 2007, while the national growth rates for net earnings and investment income during this period far exceeded Indiana's rates.

PI component changes in the Great Lakes region varied: the region's net earnings grew more slowly than Indiana's, its investment income growth was slightly faster than Indiana's, and its transfer receipts grew more slowly than those of either the United States or Indiana.

What accounts for the state's slower growth than the nation's with respect to investment income and net earnings? What aspect of transfer receipts has

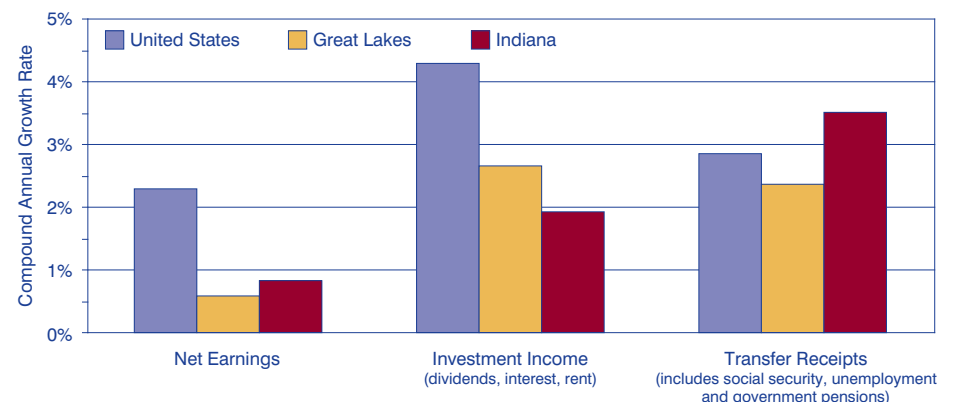
driven its steadily increasing share of Indiana's total personal income? Exploration of these important questions will be revealed in future analysis.

**Notes**

1. All personal income figures in this article are expressed in real (inflation-adjusted) terms of 2007 dollars. The figures for 2007 are preliminary and subject to future revision by the BEA.
2. Marcus' analysis of quarterly TPI data finds that the state's personal income is more volatile than the nation's. This relationship is exacerbated when using quarterly data (the present analysis uses the less volatile annual figures).

—Jerry Conover, Director, Indiana Business Research Center, Kelley School of Business, Indiana University

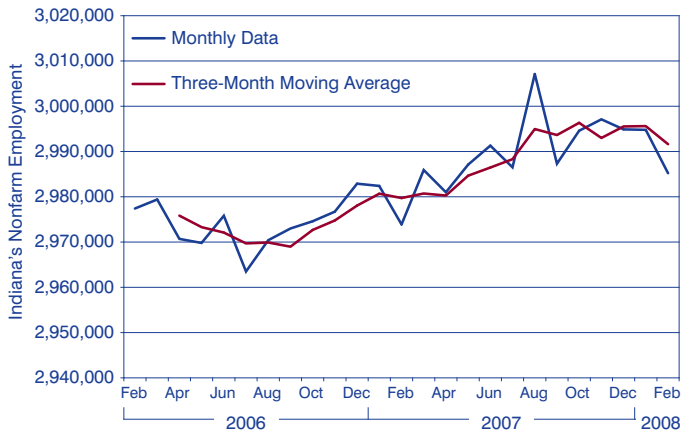
**FIGURE 3: PERCENT GROWTH IN COMPONENTS OF PERSONAL INCOME, 2003 TO 2007**



Source: IBRC, using Bureau of Economic Analysis data

# Monthly Metrics: Indiana's Workforce Dashboard

## TOTAL NONFARM EMPLOYMENT IN INDIANA



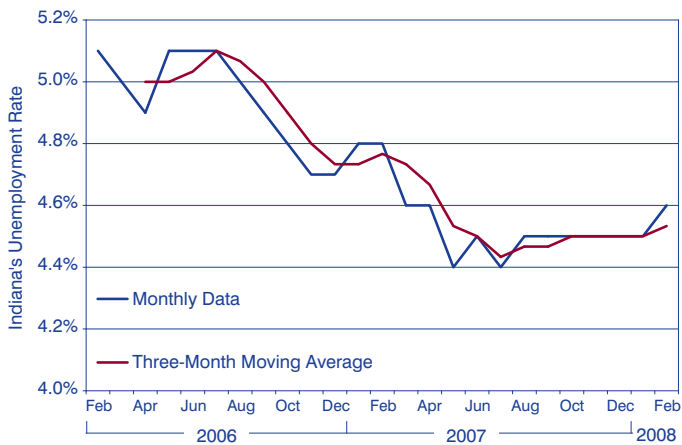
\*seasonally adjusted  
Source: IBRC, using Bureau of Labor Statistics data

## CHANGE IN EMPLOYMENT BY INDUSTRY SUPER-SECTOR, 2007 TO 2008\*

Industry	Indiana		United States
	Change in Jobs	Percent Change	Percent Change
Total Nonfarm	12,600	0.4	0.6
Educational and Health Services	14,900	3.8	3.0
Information	900	2.3	-0.7
Government	9,000	2.1	1.1
Other Services	1,000	0.9	0.8
Professional and Business Services	2,000	0.7	1.1
Natural Resources and Mining	0	0.0	4.8
Leisure and Hospitality	-500	-0.2	2.5
Trade, Transportation and Utilities	-2,200	-0.4	0.2
Financial Activities	-1,100	-0.8	-1.4
Construction	-1,400	-1.0	-3.1
Manufacturing	-10,000	-1.8	-2.1

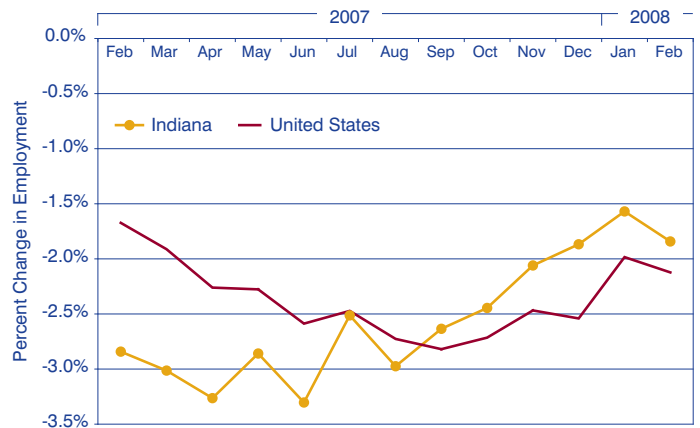
\*February of each year, seasonally adjusted  
Source: IBRC, using Bureau of Labor Statistics data

## INDIANA'S UNEMPLOYMENT RATE



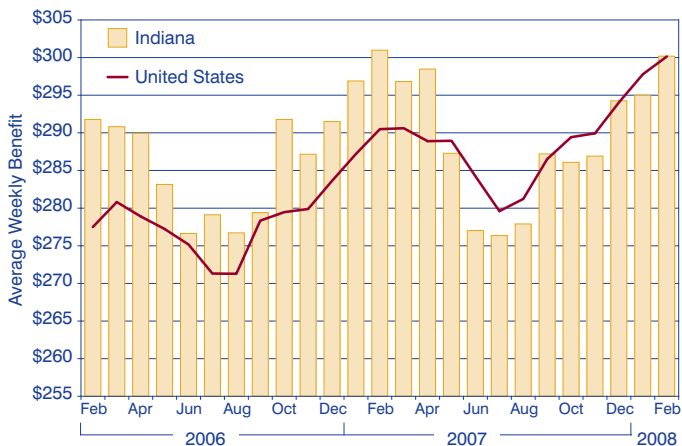
\*seasonally adjusted  
Source: Current Employment Statistics

## OVER-THE-YEAR PERCENT CHANGE IN MANUFACTURING EMPLOYMENT\*



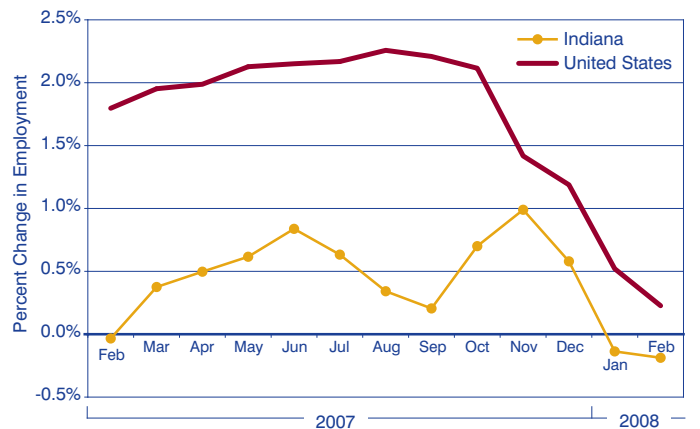
\*seasonally adjusted  
Source: IBRC, using Bureau of Labor Statistics and Indiana Department of Workforce Development data

## AVERAGE BENEFITS PAID FOR UNEMPLOYMENT INSURANCE CLAIMS



Source: IBRC, using U.S. Department of Labor data

## OVER-THE-YEAR PERCENT CHANGE IN TRADE, TRANSPORTATION AND UTILITIES EMPLOYMENT\*



\*seasonally adjusted  
Source: IBRC, using Bureau of Labor Statistics and Indiana Department of Workforce Development data



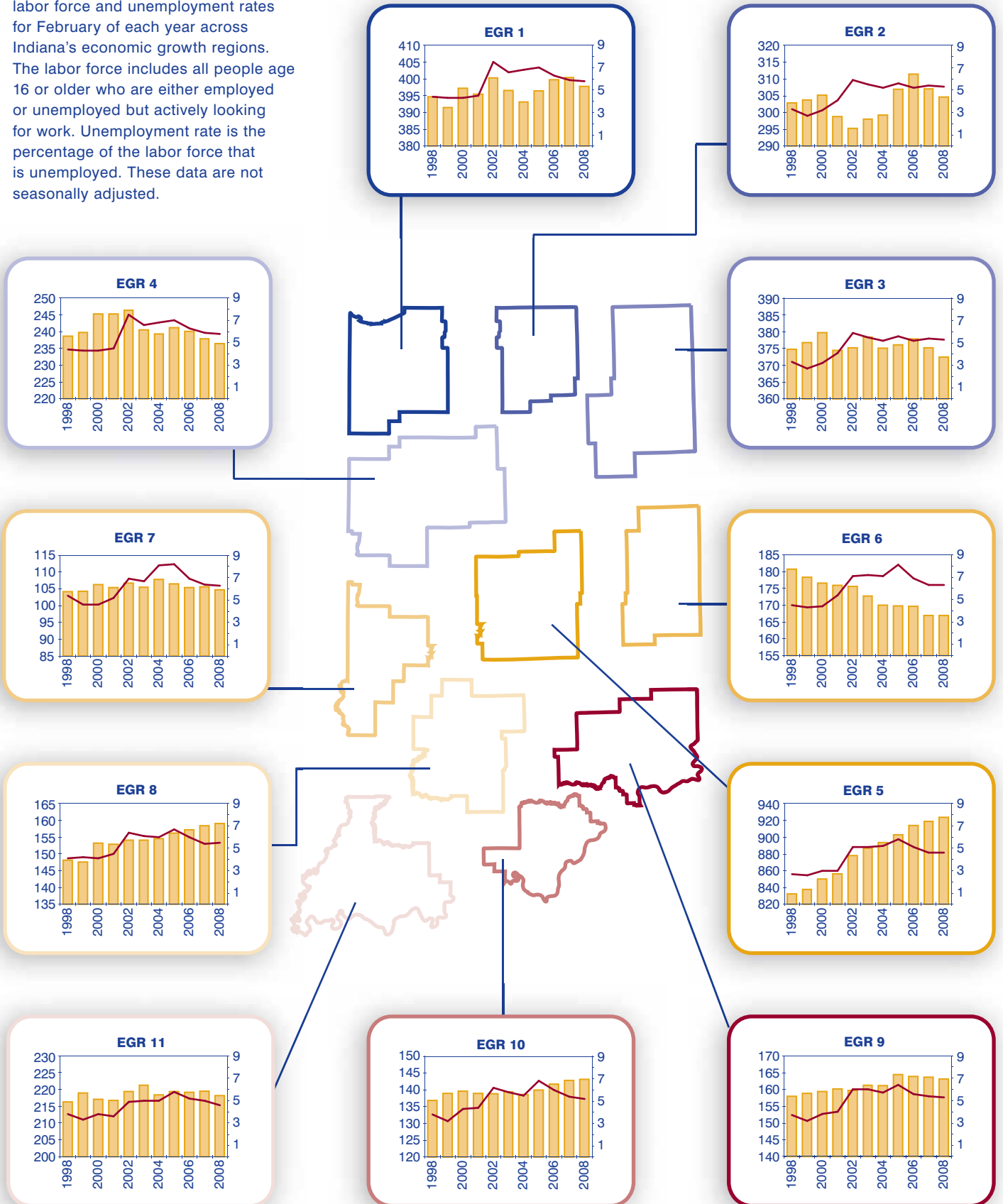
# Regional Labor Force and Unemployment Rates

The graphs on this page show the labor force and unemployment rates for February of each year across Indiana's economic growth regions. The labor force includes all people age 16 or older who are either employed or unemployed but actively looking for work. Unemployment rate is the percentage of the labor force that is unemployed. These data are not seasonally adjusted.

February of Each Year  
(not seasonally adjusted)

■ Labor Force in  
Thousands (left axis)

— Unemployment Rate  
(right axis)



# Population Change Among Indiana's Metros

Three of every four Hoosiers live in a metropolitan area, and 13 of Indiana's 16 metro areas had more people in 2007 than in 2006, according to the latest Census Bureau estimates.<sup>1</sup> Not surprisingly, the Indianapolis-Carmel metro led the state in both numeric growth (24,705) and percent growth (1.5 percent). Muncie experienced the largest one-year losses among Indiana's metros, declining by 261 people (-0.2 percent).

Of course, change over a single year must be put into context. The three graphs comprising **Figure 1** show the July 1 population estimate for each year this decade. While this allows us to see, quite literally, how the metros stack up to each other in total population and population change, it is difficult to make out the trends for some individual metros. The 16 graphs that comprise **Figure 2** provide this valuable information. (The astute reader will notice the scale varies on these graphics in order to hone in on regional trends and will be judicious in making comparisons between metros using these graphics.)

What we can see is that 10 metros have grown consistently since July 2000, with the total change between 2000 and 2007 ranging from 2 percent in Evansville to nearly 11 percent in Indianapolis-Carmel. Meanwhile, three metros have consistently lost population, with Muncie declining almost 3 percent from 2000 levels, Kokomo declining roughly 2 percent and Terre Haute declining 1 percent.

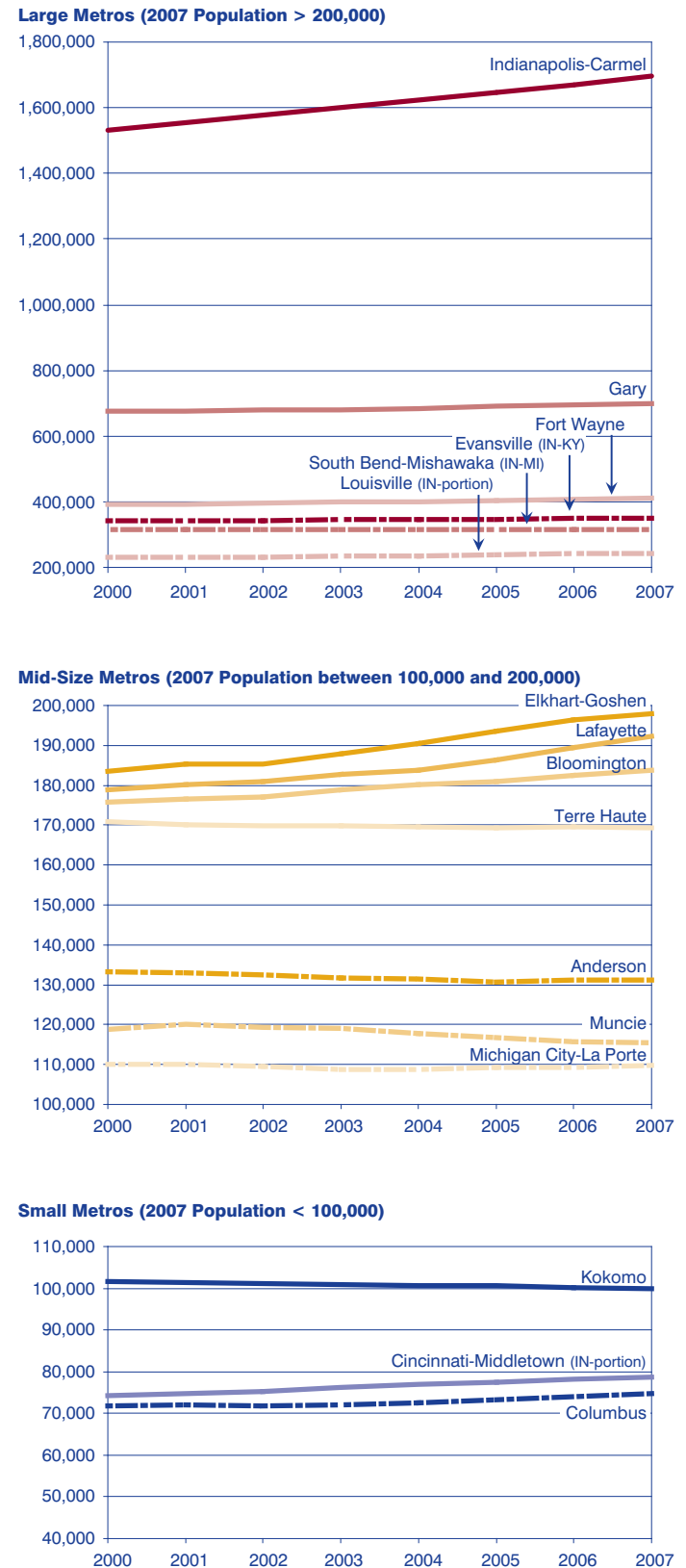
Three other metros declined in the early parts of the decade, but have since rebounded. Both South Bend-Mishawaka and Michigan City-La Porte have regained nearly all of the lost ground and each are less than 400 people shy of their 2000 population levels. Meanwhile, Anderson has experienced a recent uptick in population, gaining 0.4 percent from its low of 130,750 people in 2005. Perhaps next year's data will give a better indication if a true population rebound is emerging, given that Anderson's economy is continuing its shift away from auto manufacturing employment.

## Notes

1. For purposes of this article, we analyze only the Indiana portion of the Louisville-Jefferson County (KY-IN) metro and the Cincinnati-Middletown (OH-KY-IN) metro since the primary cities and the bulk of those populations are in neighboring states. The Gary metropolitan division is used instead of the full Chicago-Naperville-Joliet (IL-IN-WI) metro for the same reasons. However, for the metros where the metro's principal city is within Indiana—such as the South Bend-Mishawaka (IN-MI) metro—the full metro definition is used.

—Rachel Justis, Managing Editor, Indiana Business Research Center, Kelley School of Business, Indiana University

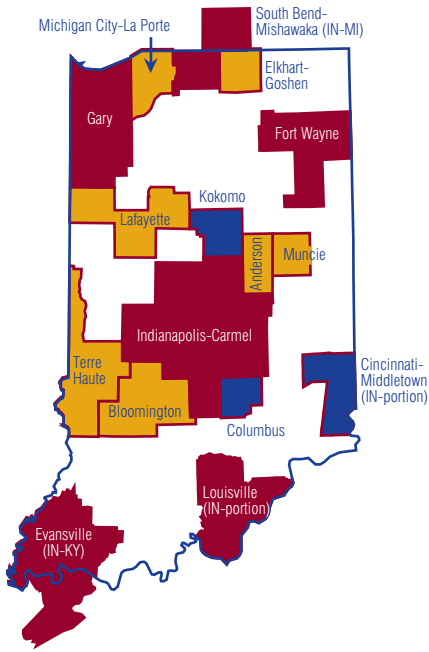
**FIGURE 1: METRO POPULATION ESTIMATES, 2000 TO 2007**



Source: IBRC, using U.S. Census Bureau data



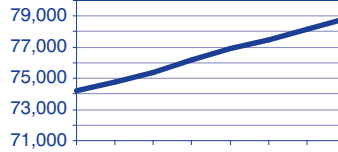
**FIGURE 2: METRO POPULATION TRENDS, 2000 TO 2007**



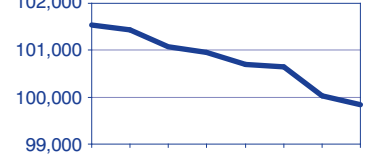
**Highlights**

- Fort Wayne may reach 500,000 by 2020
- Anderson is seeing recent upward movement
- Bloomington continues to grow
- Indianapolis-Carmel shows suburban growth is accelerating
- Kokomo job shrinkage is reflected in population loss
- Michigan City and South Bend have reversed their downward trends

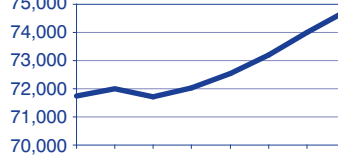
**Cincinnati-Middletown (IN-portion)**



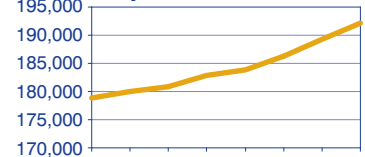
**Kokomo**



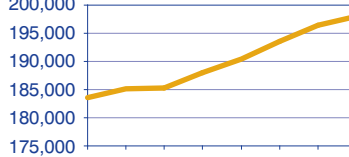
**Columbus**



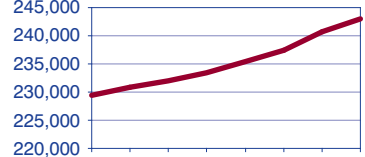
**Lafayette**



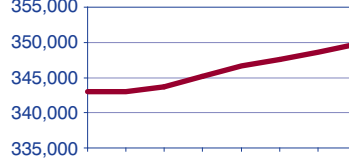
**Elkhart-Goshen**



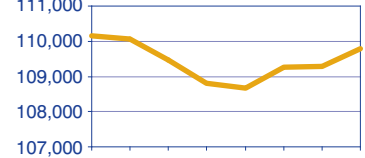
**Louisville (IN-portion)**



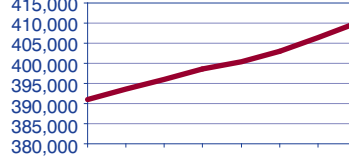
**Evansville (IN-KY)**



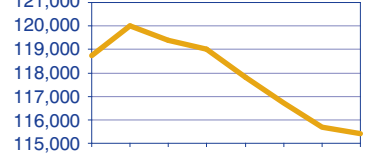
**Michigan City-La Porte**



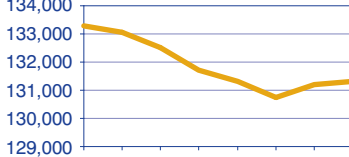
**Fort Wayne**



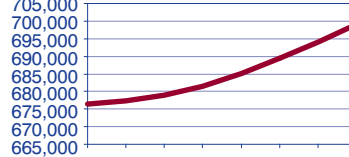
**Muncie**



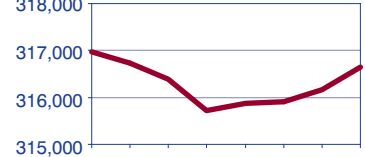
**Anderson**



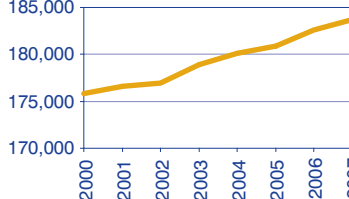
**Gary**



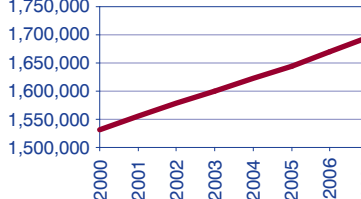
**South Bend-Mishawaka (IN-MI)**



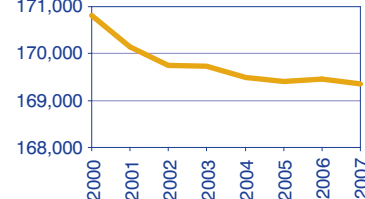
**Bloomington**



**Indianapolis-Carmel**



**Terre Haute**



Note: The scales for each metro are either in increments of 1,000 or 5,000 to help distinguish the amount of change over time with some consistency. Source: IBRC, using U.S. Census Bureau data

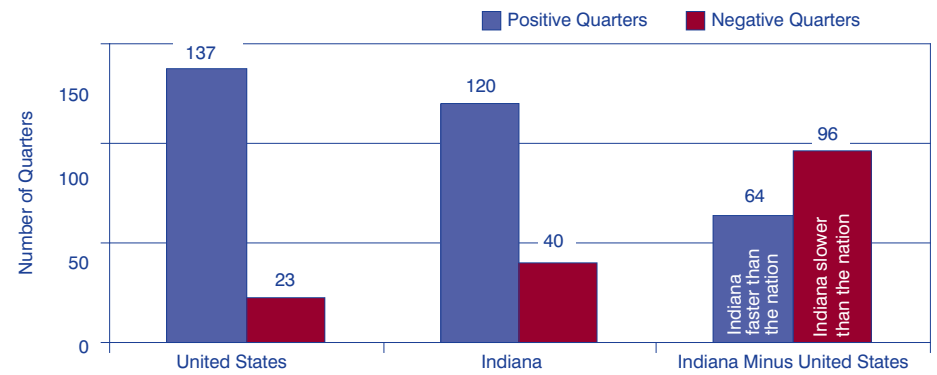
# Personal Income: It's All Relative

The Bureau of Economic Analysis has released personal income data for the 50 states and the District of Columbia through the last quarter of 2007. Although the fourth quarter of 2007 (2007:4) data are preliminary, earlier quarters of recent years have been revised. This updates our view of how the United States and Indiana economies have been performing.

Changes in personal income are a closely watched indicator of economic health. As with many economic measures, how changes are viewed depends on one's point of reference. This is especially true when assessing personal income at the state level over time. This article examines changes in quarterly personal income for Indiana relative to the United States over four decades.

In 2007:4, the U.S. economy, as measured by personal income, barely managed to grow after adjustment for price changes.<sup>1</sup> After achieving an annualized real growth of 3.6 percent in 2007:3, the economy slowed to a negligible 0.1 percent annualized growth rate in 2007:4. From the fourth quarter a year earlier, U.S. real personal income grew by 2.4 percent.

**FIGURE 2: QUARTERS WITH POSITIVE AND NEGATIVE CHANGE IN PERSONAL INCOME, 1968 TO 2007**



Source: Bureau of Economic Analysis

Indiana was among 21 states<sup>2</sup> to have a decline in real personal income in 2007:4. With an annualized rate of -0.4 percent, Indiana ranked 42nd in growth that quarter among the states. For the year (2006:4 to 2007:4), Indiana realized real growth of 1.4 percent, ranking 46th among the states.

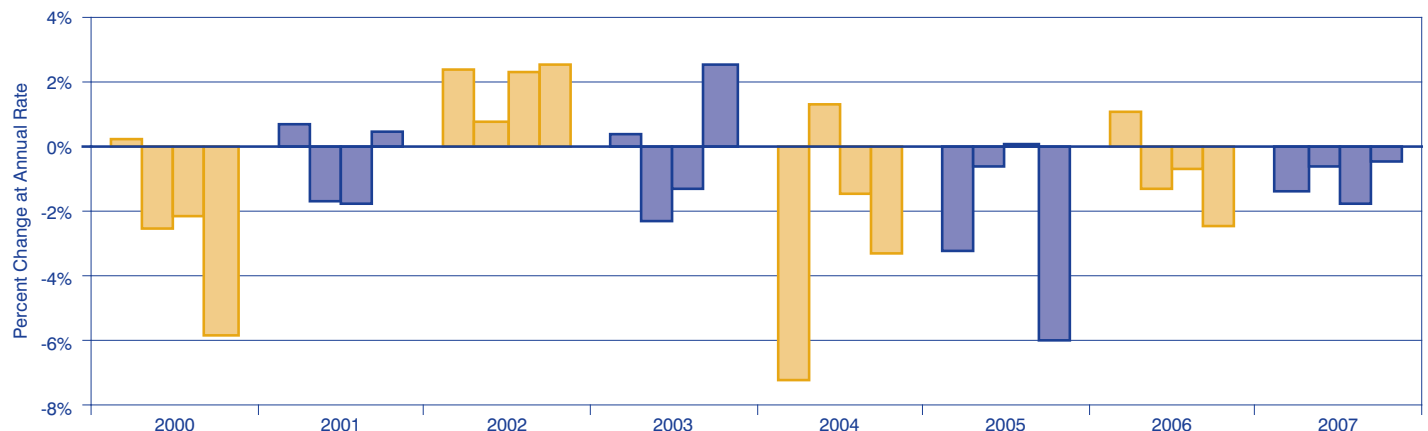
To put Indiana's results in historical context, despite the slight 2007:4 downturn, this was the second highest quarterly personal income figure (\$181.6 billion) in the state's history. This reflects a generally upward trend in personal income growth over time. The state's income growth, however, has not been as strong as the nation's for many decades. Since 2000:1,

Indiana has lagged the nation in 20 of 32 quarters (see **Figure 1**).

Over the 40 years from 1968, the nation enjoyed 137 quarters of real growth and only 23 of decline. Indiana had 120 positive quarters out of the 160 quarters in that 40-year period. During that era, Indiana lagged the nation's rate in 96 quarters and exceeded the country's rate in 64 quarters. Thus, 60 percent of the time, Indiana was growing, but more slowly than did the nation (see **Figure 2**).

When examined by decade, the period 1978 to 1987 was Indiana's worst relative to the nation (see **Figure 3**). In this long-term view of personal income growth, quarterly from 1968 to

**FIGURE 1: QUARTERLY DIFFERENCE BETWEEN INDIANA AND U.S. PERSONAL INCOME GROWTH RATES, 2000 TO 2007**



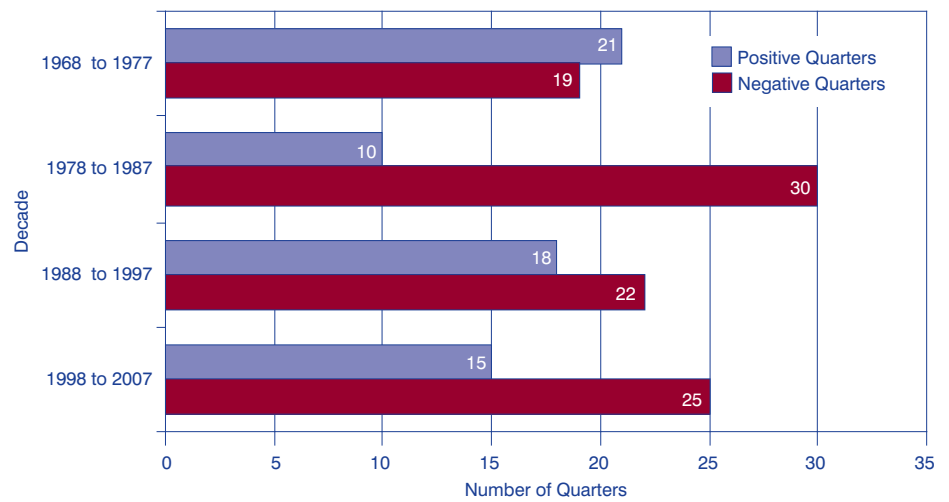
Source: Bureau of Economic Analysis

2007, Indiana had an average annual growth rate of 2.6 percent compared to the national average of 3.3 percent.<sup>3</sup> However, Indiana has out-performed neighboring Illinois (2.4 percent), Michigan (2.2 percent) and Ohio (2.1 percent). As seen in **Figure 4**, the nation was led by Nevada (6.5 percent) followed by Arizona, Florida and North Dakota (all above 5 percent).

Growth rates are important, but of equal interest is the volatility of change. Some states may have low rates of growth, but remain fairly consistent, varying little from the average. Other states may have similar low rates of growth, but experience wide swings from periods of rapid growth to other periods of extremely slow growth.

For our purposes, volatility is measured by the coefficient of variation (C.V.)<sup>4</sup> in the annualized quarterly growth rates of personal income. Indiana was 12th in the nation in volatility. Michigan ranked seventh and Ohio 14th. The faster growing states

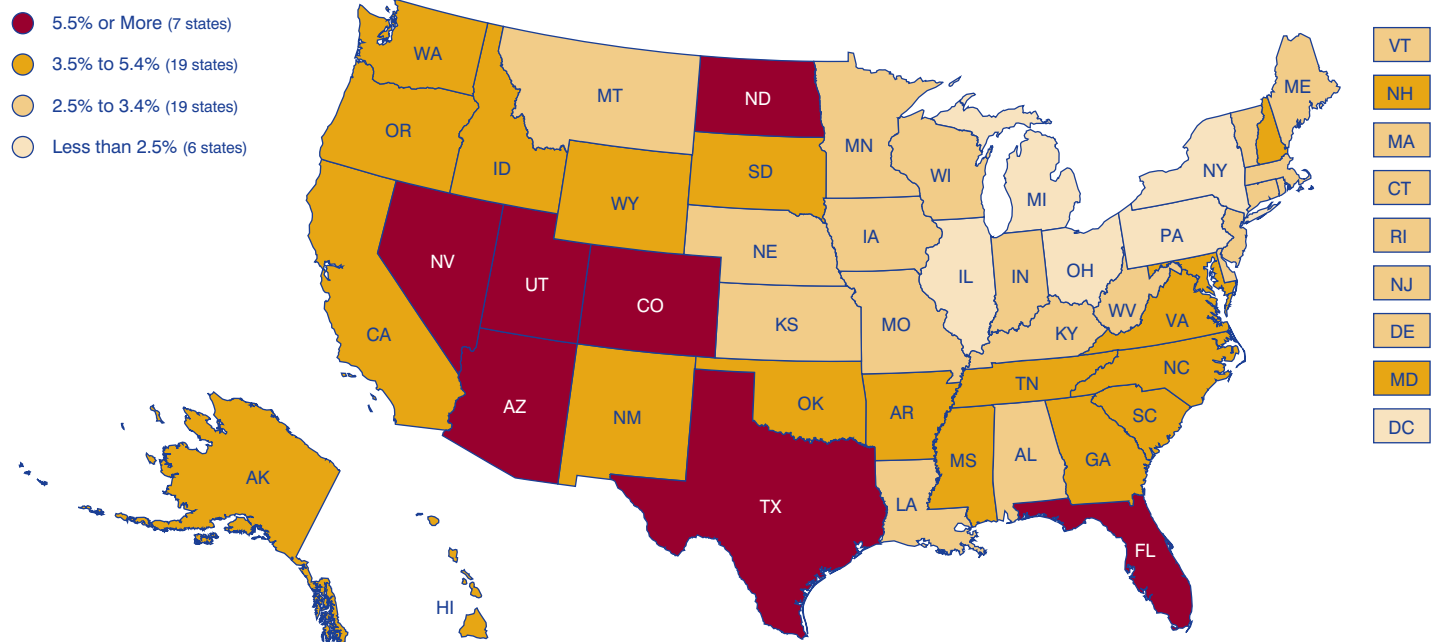
**FIGURE 3: DIFFERENCE BETWEEN INDIANA AND U.S. PERSONAL INCOME GROWTH RATES**



Source: Bureau of Economic Analysis

*“To put Indiana's results in historical context, despite the slight 2007:4 downturn, this was the second highest quarterly personal income figure in the state's history.”*

**FIGURE 4: AVERAGE PERCENT CHANGE IN QUARTERLY PERSONAL INCOME, 1968 TO 2007**



Source: Bureau of Economic Analysis

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### InContext

Current workforce and economic news with searchable archives.

[www.incontext.indiana.edu](http://www.incontext.indiana.edu)

### Hoosiers by the Numbers

Workforce and economic data from the Department of Workforce Development's research and analysis division.

[www.hoosierdata.in.gov](http://www.hoosierdata.in.gov)

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With support from the Lilly Endowment, *InContext* is published monthly by:

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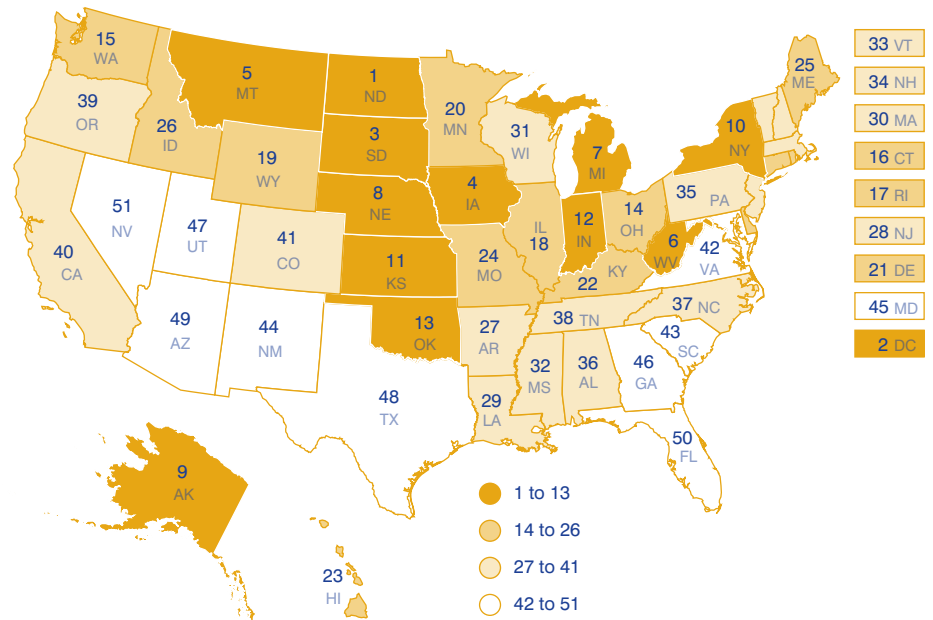
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**FIGURE 5: RANK IN PERSONAL INCOME VOLATILITY, 2007**



Source: Bureau of Economic Analysis

of Nevada, Florida, Arizona and Texas were the least volatile<sup>5</sup> (see **Figure 5**).

## Summary

The latest personal income data reveal that Indiana's personal income continues to grow, but like its neighboring states, that growth continues to lag the nation's growth rate. At the same time, Indiana has a high level of volatility in personal income growth rates, which can make planning in the public and private sectors more difficult.

Personal income data are available on STATS Indiana's States in Profile ([www.stats.indiana.edu](http://www.stats.indiana.edu)) and also in the income tables, with historical data and inflation-adjusted figures available. For more detailed information on how personal income data are collected, visit the U.S. Bureau of Economic Analysis website at [www.bea.gov](http://www.bea.gov).

## Notes

1. The original data released by BEA has been adjusted by the quarterly values of the Personal Consumption Deflator. Hence, all references to percent changes in this article are in real (inflation-adjusted) terms.
2. All rankings and counts of states include the District of Columbia.
3. Data for Louisiana and Mississippi exclude 2005:3 through 2006:1 because of the hurricanes that ripped through those states and gave them extraordinary rates of decline and growth.
4. The coefficient of variation compares the variation in a set of values to the set's mean, and is equal to the standard deviation divided by the mean. It approaches infinity as the mean goes to zero. A C.V. of 0 would mean no variation in the series of growth rates. A value of 1 for the C.V. indicates that the standard deviation of the series is equal to the mean (as a point of reference); higher values indicate still greater volatility.
5. Although there is an inverse relationship between the growth rate and the C.V., it is not statistically significant.

—Morton J. Marcus, Director Emeritus, Indiana Business Research Center, Kelley School of Business, Indiana University