

Computing Average Annual Rate of Change

The purpose of this technical note is to present formulas for calculating the average annual rate of change for any variable between two selected time periods.

In watershed, river basin and other reports variables such as population, income, costs, etc., are presented and compared by various time periods. Most often, total change between time periods is presented. Using the compound interest and compound discount formulas and solving for average annual rate of change allows ready comparison of rates of growth or decline in a variable between selected time periods.

For illustration, the 1970, 1980, and 1983 population of a watershed will be used. Population in the example watershed increased from 169,487 in 1970 to 258,762 in 1980, and was estimated to be 284,593 in 1983. This represents a total increase of 53 percent between 1970 and 1980 and an additional increase of 10 percent between 1980 and 1983. How do these growth rates compare? The average annual rate of change may be

The average annual rate of growth may be computed by using:

$$P_n = P_o (1 + r)^n$$

Where P_o = population at beginning of period;

P_n = population at end of period;

r = relative increase per year, expressed as a decimal;

n = number of years

For the 1970 to 1980 population data above,

$$258,762 = 169,487 (1 + r)^{10}$$

This equation is easily solved by the use of logarithms. Rewriting the above equation in log form gives the following:

$$\log 258,762 = \log 169,487 + 10 \log (1 + r)$$

The use of logarithms changes the multiplications in the formula to simple additions and subtractions. Log and antilog values may be obtained from either Tables of Logarithms and Antilogarithms or from hand calculators with log function keys. To solve the

equation with tables, first determine the characteristic of 258,762 per Attachment I and find the mantissa of 258,762 in the table of logarithms, Attachment II. Repeat for the 1970 population of 169,487.

For 258,762:

The characteristic is 5.

The mantissa from the table is found by finding the table value for 258, which is "4116" and interpolating the value 76 using the proportional parts section of the table which gives 13.

Adding 13 to 4116 give a mantissa of 4129, which is added to the characteristic to give the log value of 5.4129 for 258,762.

For 169,487:

The character is again 5;

The mantissa is 2279 + 12 = 2291; which gives a log value of 5.2291.

Thus:

$$5.4129 = 5.2291 + 10 \log (1 + r)$$

$$5.4129 - 5.2291 = 10 \log (1 + r)$$

$$\log (1 + r) = \frac{.1838}{10}$$

$$\log (1 + r) = .01838$$

Now, find the antilog of .01838 in the table of antilogarithms, Attachment II. First the antilog value for .018 is 1042. Then, interpolating the value 38 using the proportional parts section of the table gives an additional antilog value of 1. Thus, adding 1 to 1042 gives the antilog value is 1.043. Our equation becomes:

$$1 + r = 1.043$$

$$r = .043$$

$$r = 4.3\%$$

Population from 1970 to 1980 increased at an average annual rate of 4.3 percent.

The same equation may be solved with a hand calculator using the log key, $\boxed{\log}$, and 10 to the power of x key, $\boxed{10^x}$. For example, using the equation:

$$258,762 = 169,487 (1 + r)^{10}$$

$$\log 258,762 = \log 169,487 + 10 \log (1 + r)$$

$$\log 258,762 = 258,762 \quad \boxed{\log} \quad \text{key} = 5.412900$$

$$\log 169,487 = 169,487 \quad \boxed{\log} \quad \text{key} = 5.229136$$

Thus:

$$5.412900 = 5.229136 + 10 \log (1 + r)$$

$$5.412900 - 5.229136 = 10 \log (1 + r)$$

$$\log (1 + r) = \frac{.183764}{10}$$

$$\log (1 + r) = .018376$$

Antilog .018376 = .018376 10^x key = 1.043220 which gives:

$$1 + r = 1.043220$$

$$r = .0432$$

$$r = 4.32\%$$

The equation may also be solved using the y^x key on a hand calculator as follows:

$$258,762 = 169,487 (1 + r)^{10}$$

$$\frac{258,762}{169,487} = (1 + r)^{10}$$

$$1.526737 = (1 + r)^{10}$$

$$(1.526737)^{1/10} \text{ or } .1 = 1 + r$$

The y^x key is used to simplify $(1.526737)^{.1}$ by the following procedure; 1.526737 enter ; .1 y^x = 1.043221; thus

$$1.043221 = 1 + r$$

$$1.043221 - 1 = r$$

$$r = .043221$$

$$r = 4.32\%$$

Performing similar calculations with a hand calculator for the 1980 to 1983 population data gives the following:

$$284,593 = 258,762 (1 + r)^3$$

$$\log 284,593 = \log 258,762 + 3 \log (1 + r)$$

$$5.454224^a/ = 5.412900^b/ + 3 \log (1 + r)$$

a/ $\log 284,593 = 284,593$ \log key = 5.454224

b/ $\log 258,762 = 258,762$ \log key = 5.412900

$$5.454224 - 5.412900 = 3 \log (1 + r)$$

$$\log (1 + r) = \frac{.041324}{3}$$

$$\log (1 + r) = .013775$$

$$1 + r = 1.032226^{a/}$$

$$r = .032226$$

$$r = 3.22\%$$

Thus, the average annual growth rate of the population from 1980 to 1983 was 3.22 percent or 1.10 percent less than for the 1970 to 1980 period.

Calculations for declining variables are similar except that the compound discount formula is used. The compound discount formula is:

$$P_n = P_o (1 - d)^n$$

Where P_o = population at beginning of period;

P_n = population at end of period;

d = relative decrease per year,
express as a decimal;

n = number of years.

For demonstration, assume that the 1983 population was 231,000 rather than as shown above. This will give the following calculations for the 1980 to 1983 population data:

$$231,000 = 258,762 (1 - d)^3$$

$$\log 231,000 = \log 258,762 + 3 \log (1 - d)$$

$$5.363612 = 5.412900 + 3 \log (1 - d)$$

$$5.363612 - 5.412900 = 3 \log (1 - d)$$

$$\log (1 - d) = \frac{-.049288}{3}$$

a/ Antilog .013775 = .013775 10^x key = 1.03226

$$\log (1 - d) = -.016429^{\underline{a/}}$$

$$1 - d = .962877$$

$$- d = .962877 - 1$$

$$- d = -.037123$$

$$d = .0371$$

$$d = 3.71\%$$

The $\boxed{y^x}$ alternative solution of the equation is:

$$231,000 = 258,762 (1 - d)^3$$

$$\frac{231,000}{258,762} = (1 - d)^3$$

$$.892712 = (1 - d)^3$$

$$(.892712)^{1/3} \text{ or } .9333 = 1 - d$$

$$.96288^{\underline{b/}} = 1 - d$$

$$d = 1 - .96288$$

$$d = .03712$$

$$d = 3.71\%$$

This shows the population to be declining at an average annual rate 3.71 percent between 1980 and 1983.

Using the expression $P_n = P_o (1 + r)^n$, the compound interest formula, and knowing the values of any three of the four variables, the equation may be solved for the fourth variable. Thus the following may be determined:

- (a) Average annual rate of change r.
- (b) Population a given number of years later P_n , assuming a constant relative change.
- (c) Number of year n until a given population will be attained, again assuming a constant relative change.

a/ Antilog values of negative number are easily determine with hand calculators by entering the positive number, changing the sign to negative, and pressing the antilog key ($\boxed{10^x}$). Determining antilog values of negative numbers with tables is difficult and will not be presented here.

b/ .96288 = .892712 $\boxed{\text{enter}}$, .9333 $\boxed{y^x}$.

Similar calculations for declining values may be found with the compound discount formula, $P_n = P_0 (1 - d)^n$.

Reference:

Croxton, Federick E., Dudley Crowder, Sidney Klein, Applied General Statistics, Second Edition, Prentice-Hall Inc., Englewood Cliffs, N.J.

Attachment I

The Characteristic and the Mantissa of Logarithms

To determine the logarithm of a number, both the characteristic and mantissa must be found. For example the logarithm of 99 is 1.9956. The integer or quantity, which here happens to be 1, on the left hand side of the decimal point, is called the characteristic of the logarithm; the decimal, or fractional part, which here is .9956, is called the mantissa.

Only the mantissas of the logarithms of numbers are given in tables. If two or more numbers have the same significant figures, that is differ only in the location of the decimal point, their logarithms will have the same mantissas, and will differ only in the characteristics. The characteristics differ because they indicate where the decimal point in the number occurs. To illustrate for positive numbers greater than one: -- if the decimal point stands after the first figure of a number, counting from the left, the characteristic is 0; if after two figures, it is 1; if after three figures, it is 2, and so forth. Thus, characteristics and mantissas are as follows:

$$\log 9.9 = 0.9956$$

$$\log 99.0 = 1.9956$$

$$\log 990.0 = 2.9956$$

$$\log 9,990.0 = 3.9956$$

$$\log 99,000.0 = 4.9956$$

$$\log 990,000.0 = 5.9956$$

$$\log 9,900,000.0 = 6.9956$$

The characteristic of a logarithm of a positive number less than 1 is negative, and is numerically 1 greater than the number of zeros between the decimal point and the first significant figure. Logarithms of numbers less than one and procedures for handling negative number are rarely used and will not be discussed here. If needed, they are described in most Intermediate Algebra text books.

FOUR-PLACE

Table of logarithms for four-place numbers, including columns for N, 0-9, and Proportional Parts 1-9.

LOGARITHMS

Table of logarithms for numbers 7400-9900, including columns for N, 0-9, and Proportional Parts 1-9.

ANTILOGARITHMS

Table of antilogarithms for numbers 1000-3000, including columns for 0-9 and Proportional Parts 1-9.

ANTILOGARITHMS

Table of antilogarithms for numbers 3100-9900, including columns for 0-9 and Proportional Parts 1-9.

Computing Average Annual Rate of Change

Prelude Spreadsheet Method

This supplement describes the use of a Prelude spreadsheet to make the computations on the FOCAS equipment. In addition to computing the average annual rate of change described in the Technical Note, three other calculations are included. First, the calculation of the amount at the end of the period of time is possible by input of the beginning amount, the number of years and the average annual rate of change. Second is the calculation of the number of years to attain a given amount of change. Finally, the calculation of the amount at the beginning of a period of years is possible by the input of the ending amount, the number of years and the average annual rate of change. The four calculations are discussed below.

1. Calculation of the Average Annual Rate of Change.

Shown below is the screen display from the spreadsheet with the data entered from the Technical Note.

15-Sep-86

COMPUTING THE AVERAGE ANNUAL RATE OF CHANGE

- ENTER: 1) Amount at start of the period.
- 2) Amount at end of the period.
- 3) Number of years in the period.

Amount at start of period	Amount at end of period	Number of years	Calculated annual rate of increase or decrease
169,487	258,762	10	4.32 %
258,762	284,593	3	3.22 %
258,762	231,000	3	-3.71 %
		ERROR	%
		ERROR	%
		ERROR	%
		ERROR	%
		ERROR	%

"ERROR" is displayed when columns 1, 2, or 3 are blank.

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2. Calculation of the Amount at the End of a Period of Years.

Note also that using the page down (Ctrl D) will display the calculation of the AMOUNT AT THE END of a period of years assuming a constant rate of change. The display screen for this page is shown below.

COMPUTING THE AMOUNT AT THE END OF A PERIOD OF YEARS
AT A GIVEN CONSTANT RATE OF CHANGE.

- ENTER: 1) Amount at start of period.
- 2) Number of years in the period.
- 3) Average annual rate of change.

Amount at start of period	Number of years	Annual rate of increase or decrease	Calculated Amount at end of period
169,487	10	4.32 %	258,762
258,762	3	3.22 %	284,593
258,762	3	-3.71 %	231,000
		%	0
		%	0
		%	0

3. Calculation of the Number of Years to Attain an Amount.

Another page down (Ctrl D) will display the calculation of the NUMBER OF YEARS until a given amount will be attained, again assuming a constant rate of change. This display screen is shown below.

COMPUTING THE NUMBER OF YEARS TO ATTAIN A GIVEN AMOUNT.

ENTER: 1) Amount at start of period.
 2) Amount at End of the period.
 3) Average annual rate of change.

Amount at start of period	Amount at end of period	Annual rate of increase or decrease	Calculated Number of years
169,487	258,762	4.32 %	10
258,762	284,593	3.22 %	3
258,762	231,000	-3.71 %	3
		%	ERROR
		%	ERROR
		%	ERROR
		%	ERROR

"ERROR" is displayed when columns 1, 2, or 3 are blank.

4. Calculation of the Amount at the Beginning of a Period of Years.

Another page down (Ctrl D) will display the calculation of the AMOUNT AT THE BEGINNING of a period, again assuming a constant rate of change. This display screen is shown below.

COMPUTING THE AMOUNT AT THE BEGINNING OF A PERIOD OF YEARS AT A GIVEN CONSTANT RATE OF CHANGE.

ENTER: 1) Amount at end of period.
 2) Number of years in the period.
 3) Average annual rate of change.

Amount at end of period	Number of years	Annual rate of increase or decrease	Calculated Amount at start of period
258,762	10	4.32 %	169,487
284,593	3	3.22 %	258,762
231,000	3	-3.71 %	258,762
		%	0
		%	0
		%	0

5. Spreadsheet Operations.

a. Data Input.

For each calculation, enter the data for the first three columns for each row only. The fourth column will be calculated.

b. Calculation.

The spreadsheet is set to do only manual calculations. This means that you must press the # sign after you have entered your data in order for it to do the calculation.

c. Print.

1) To print the results for all four calculations at one time, select Print Execute (/pe). Print destination is set for your default printer. An example of the printout in compressed format is attached.

2) An option would be to print only the screen you want. To do this, first display the screen of data you want printed and then select Print Screen (/ps !lp <cr>).

NOTE: <cr> means press the return key.

15-Sep-86

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258,762	231,000	3	-3.71 %
			ERROR %
			ERROR %
			ERROR %
			ERROR %
			ERROR %

ERROR" is displayed when columns 1, 2, or 3 are blank.

COMPUTING THE AMOUNT AT THE END OF A PERIOD OF YEARS
 AT A GIVEN CONSTANT RATE OF CHANGE.

ENTER: 1) Amount at start of period.
 2) Number of years in the period.
 3) Average annual rate of change.

Amount at start of period	Number of years	Annual rate of increase or decrease	Calculated Amount at end of period
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258,762	3	3.22 %	284,593
258,762	3	-3.71 %	231,000
		%	0
		%	0
		%	0

COMPUTING THE NUMBER OF YEARS TO ATTAIN A GIVEN AMOUNT.

ENTER: 1) Amount at start of period.
 2) Amount at End of the period.
 3) Average annual rate of change.

Amount at start of period	Amount at end of period	Annual rate of increase or decrease	Calculated Number of years
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		%	ERROR
		%	ERROR
		%	ERROR
		%	ERROR

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COMPUTING THE AMOUNT AT THE BEGINNING OF A PERIOD OF
 YEARS AT A GIVEN CONSTANT RATE OF CHANGE.

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		%	0
		%	0
		%	0