



The Central Bank of the Republic of Azerbaijan

Changes in the volatility of the business cycles and the role of macro policy shocks: Azerbaijan's experience

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Historical volatility of output

Standard deviations of annual growth rates, by decade

	Standard deviation 2001-2024Q1	Standard deviation relative to 2001-2024Q1		
		2001-2009	2010-2019	2020-2024Q1
Gross domestic product	8.77	0.98	0.31	0.50
Mining and quarrying	16.96	1.23	0.24	0.28
Non-mining	5.50	0.76	0.97	0.92

Source: Author's calculations, SSCAR

Average annual growth rates (%), by decade

	2001-2024Q1	2001-2009	2010-2019	2020-2024Q1
Gross domestic product	6.57	15.35	1.54	1.89
Mining and quarrying	6.13	20.87	-1.88	-2.79
Non-mining	6.92	10.39	5.08	4.72

- The overall economy has transitioned from rapid growth in the 2000s to slower but more stable growth in recent decades
- Volatility has reduced in both GDP and mining sectors over the decades, indicating more stability, though mining production shocks have increased fluctuations in the 2020s
- Volatility in the non-mining sector instead increased over the recent two decades, highlighting the efforts of economic diversification

Monetary and fiscal policy shocks

Changes in the standard deviations of macro policy shocks, by decade

	Standard deviation 2001-2024Q1	Standard deviation relative to 2001-2024Q1		
		2001-2009	2010-2019	2020-2024Q1
Monetary policy (Bernanke & Mihov, 1998)	0.85	1.07	1.08	0.68
Fiscal policy (Blanchard & Perotti, 2002)				
Taxes	0.09	1.24	0.77	1.04
Expenditure	0.12	1.00	1.13	0.63

Source: Author's estimations, SSCAR, CBAR

- The standard deviation of monetary shocks declined in the post-2020 period
- There is a marked increase in the variability of tax shocks in the post-COVID period
- The standard deviation of government spending shocks had a significant moderation in the recent period

2023
2026