

Review of: "Exchange Rate Pass-Through and Inflation on Unemployment in Nigeria"

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Potential competing interests: No potential competing interests to declare.

This paper investigates the effect of exchange rate movements on unemployment in Nigeria. Using two alternative methodologies, namely linear and non-linear Autoregressive Distributed Lag (ARDL) model and Structural VAR model (SVAR) for Nigeria for the period 1986 - 2022, the authors find depreciation of real effective exchange rate causes expenditure switching in favour of domestic goods, leading to rise in employment. However appreciation of real exchange rate on employment situation is found to be insignificant.

Major comments:

1. What is the main contribution of the finding of this study in the literature on impact of exchange rate shocks on employment situation in Nigeria? The authors should clearly mention in the Introduction, whether the evidence is new.
2. Using ADF and PP test, the authors find unemployment, trade openness and inflation series contain unit root. However, Zivot-Andrews test find structural breaks in unemployment and trade openness. The Zivot-Andrews test basically examines for presence of unit root under the null hypothesis H0 against the alternative hypothesis H1 that the series is constant or trend stationary with presence of structural break. The results that unemployment and trade openness are trend/drift stationary with significant structural breaks means these series do not contain unit root. Hence these variables and other stationary variables should enter in the SVAR specification should enter in level, not in first difference. Both the ARDL and SVAR specifications should be adjusted for the structural breaks using dummies for the break years.
3. Since variables are co-integrated in the long run, then SVAR is not an appropriate model, the authors should use Structural Vector Error Correction Model.
4. Impulse responses for each variable should be presented in individual graphs along with the confidence intervals.

Minor Comments

1. All figures and tables of diagnostic checks can be placed in the appendix. The main text should be utilised to interpret the results and findings in more details.
2. A thorough proof reading is required.