

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.

Review report for the paper: "Exchange Rate Pass-Through and Inflation on Unemployment in Nigeria"

General appraisal:

This study explores the nexus between exchange rate fluctuations, inflation, and unemployment in Nigeria from 1986 to 2022, using annual data from the Central Bank of Nigeria and the World Bank. Employing Nonlinear ARDL models and SVAR techniques, the research validates the chosen models through comprehensive diagnostic tests. Significant findings indicate that exchange rate fluctuations significantly impact unemployment, while inflation influences unemployment in both short and long run. The study also supports the applicability of the Phillips Curve hypothesis in the Nigerian context and recommends tailored monetary policies, emphasizing the need for a threshold model by the Central Bank of Nigeria to capture both the direction and magnitude of changes in the real exchange rate. Policymakers are urged to address rising unemployment rates due to exchange rate fluctuations and expedite structural reforms for economic diversification. The study provides actionable insights for navigating the economic challenges in Nigeria.

The paper addresses an interesting topic, but requires a minor revision in order to meet the standards of publication in the journal. More specific comments follow.

Specific comments:

1. The introduction should incorporate the announcement of the paper's structure at the end.
2. Please number (in Arabic) the headings and sub-headings.
3. Please use the same style for legends (Tables/Figures) and notes.
4. Figure 5 and 6 have no titles!!
5. Please give the detailed definition of SSA (Sub-Saharan Africa) in p.4. The pages should also be numbered!
6. Please correct the following, it is "Philips curve" and not Philip's curve"
7. The author should further explain and motivate the essential use of NARDL after ARDL, especially that the coefficient of real effective exchange rate is positive and statistically significant, meaning that an appreciation of the local currency leads to higher unemployment rates in the long run! Why is it expected that real effective exchange rate to have an asymmetric impact on the unemployment rate?
8. The author should justify the choice of the sample period (1986-2022). While I understand that data availability makes the sample ends in 2022, I am still curious about the starting date! Please, relate it to the (economic) context of the

study!

9. The author explains well the econometric output of (N)ARDL and SVAR models, but what are the practical, managerial, and policy implications of those results? See for example, Trabelsi and Ben Khaled (2023).
10. It is imperative to conduct a comparative analysis of the obtained results vis-à-vis extant literature to elucidate the added value and innovative contributions proffered by this study.
11. Please correct those citations:

Ani, Joel, and Baajon, 2019 to Ani et al., 2019

Anin et al., 2019 to Ani et al., 2019 in p.1-2.
12. In this paragraph *"The relationship between exchange rate and unemployment is controversial. Literature establishes that changes in real exchange rates have a tendency to impact the reallocation of resources between sectors of the economy, as they reflect changes in relative prices of domestic and foreign goods, which influence employment in an economy. Trade theory suggests that a depreciation of the real exchange rate increases the competitiveness of the country's exports, and hence, the demand for labour increases."* p. 3, the author gives no citation of papers. Please add them.
13. There is a missing symbol in this sentence *"Where ?= inflation rate is the interaction term between the inflation rate and real exchange rate"*, p.5. I guess, it is "REX"!
14. The author should justify the use of the natural logarithm for the unemployment rate in Eq. (4), p. 5.
15. The basic model by Olanreawaju (2019) includes productivity and the interaction term "REX". Why does the author skip those variables in the estimated equations?
16. The Eq. (5) and (6) are misspecified. Please check and correct them! See, for example, Chen et al. (2020) and others.
17. What is V_1 ? Please check again the content of the matrix B in Eq. (14), p.9, as not all the parameters are shown explicitly! Are they null?
18. Please justify economically the ordering of the variables in the SVAR model (UNEMP, RER, INFR, TO)!
19. Why did the author skip the Real Gross Domestic Product (RGDP) in the SVAR model?
20. The variance decomposition of the forecast error for the unemployment rate should appear for all horizons (periods) from 1 to 10. Did the author average the calculus by subperiods? Why? The standard way is to interpret the variance decomposition of the last horizon (over 10 periods in this case). Please see again Trabelsi and Ben Khaled (2023) for that purpose!
21. Please check whether all references are cited and vice versa!
22. The references should follow the APA style!
23. Proofreading by a native English speaker should be provided for the paper.

References

Chen, H., Hongo, D. O., Ssali, M. W., Nyaranga, M. S., & Nderitu, C. W. (2020). The asymmetric influence of financial development on economic growth in Kenya: evidence from NARDL. *Sage Open*, 10(1), 2158244019894071.

Olanrewaju, R. R. (2019). Issues of Unemployment in Nigeria: Effect of Real Exchange Rate and Inflation Interaction. *Quarterly Journal of Econometrics Research*, 5(1), 17-28.

Trabelsi, E. & Ben Khaled, A. (2023). Monetary policy and inflation targeting under global uncertainty: a SVAR approach for Tunisia. *Journal of Financial Economic Policy*, Emerald Group Publishing Limited, 15(4/5), 368-395, June.