Review of: "A VAR Framework of Exchange Rates, Interest Rates, and Inflation Through COVID-19 in Turkey: Empirical Evidence From Linear Cointegration and Causality Analysis"

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Potential competing interests: No potential competing interests to declare.

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I. **General appraisal**

The study explores the impact of exchange rates and interest rates on inflation in Turkey over the period from January 2004 to July 2020, employing vector autoregressive (VAR) and autoregressive distributed lag (ARDL) models. Results reveal both short- and long-run connections between inflation, the producer price index (PPI), and Turkish interbank offer rates (TIBOR). Notably, no significant relationship was identified between inflation and either dollar exchange rates (DSR) or commercial banks' interest rates (CBIR). Granger causality tests demonstrate that, while most variables are exogenous, the DSR is endogenous, exhibiting unidirectional causality from PPI to DSR and from TIBOR to CBIR. This suggests that higher production costs (linked to import prices) contribute to lira devaluation, while increased TIBOR rates drive up CBIR, limiting access to private-sector credit, thereby constraining economic activity and potentially elevating inflation. Structural breaks in the dataset from 2016 to 2019 align with notable economic disruptions, such as the failed coup and the 2018 U.S. embargo, likely exacerbating inflation. Based on these findings, the authors recommend policies to prevent fiscal dominance as a means to stabilize inflation.

Understanding the causes of inflationary pressures is always an interesting topic. The study's strength lies in its contextual analysis of major events during 2016-2019, which enhances the relevance of its findings. However, many efforts of refinements should be exerted before the paper can be published in the journal.

II. Specific comments

1. The paper should be proofread for punctuation rules.
2. There authors write paragraphs without citing references, except at the end. Please do not stack the references in this manner. Usually, after two or three sentences, the readers should find a cited (or more) work(s).
3. The number of references is very low. Please use Google Scholar as the search engine to find relevant and related publications.
4. The remainder of the paper (announcement of the structure) at the end of the introduction should be rewritten in a

more attractive manner.

5. The research gaps should be thoroughly explained. For instance, it is not clear what distinguishes this study from the previous ones.
6. The authors should justify the choice of the period under investigation (2004 to 2020).
7. In p.6, the sentence re ds as follows: *"The null hypothesis is that there of no cointegration among the series; i.e., H0 = 0 and the alternative hypothesis is H1 ≠ 0; i.e., there is cointegration among the series tested.*" The authors should explicit the hypotheses by mentioning the parameters!
8. Please revise Equation (1). Since it is expressed in first differences, the maximum lag becomes p-1.
9. In p.10, please revise this sentence: *"Our stationarity test results indicate the series is stationary. Our findings show that the series is stationary at first difference I~(1).*"
10. Since the variables are stationary in first difference, Granger causality using Toda-Yamamoto approach should be applied. This is not made clear in the paper!
11. When interpreting the results, the authors should compare their findings with existing literature. Do the results align with (or contradict) the previous ones? And What explains the disparities (if any)?
12. The "conclusion" section should include the policy implications of the findings, the limitations of the study, and future perspectives.

- **References**

Toda, H. Y., & Yamamoto, T. (1995). Statistical inference in vector autoregressions with possibly integrated processes. Journal of econometrics, 66(1-2), 225-250.