SCIENCEDOMAIN *international*
www.sciencedomain.org

SDI Review Form 1.6

PART 1:

Journal Name:	British Journal of Economics, Management & Trade
Manuscript Number:	**MS: 2012 BJEMT 2553**
Title of the Manuscript:	**IS INFLATION IN SOUTH AFRICA A STRUCTURAL OR MONETARY PHENOMENON?**

General guideline for Peer Review process is available in this link:
(http://www.sciencedomain.org/page.php?id=sdi-general-editorial-policy#Peer-Review-Guideline)

- This form has total 9 parts. Kindly note that you should use all the parts of this review form.

SDI Review Form 1.6

PART 2: Review Comments

	Reviewer's comment	**Author's comment** *(if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)*
Compulsory REVISION comments	In the paper the author investigates the determinants of inflation in South Africa, which is a very interesting topic. The introduction is well written and clearly states the objective of the paper. The literature review of the empirical evidence can be substantially increased with some of the most relevant papers obtained for the developed countries. The main problems in the paper come with the methodology and the analytical results. I explain some of them in what follows: *. My main concern is with the definition of inflation. It is written in page 5: " The dependent variable in the model is domestic inflation in South Africa and it is defined as the natural logarithm of consumer price index." This is clearly incorrect. The log of consumer price index is simple the log of prices. Inflation, which is clearly the growth rate of prices, is usually approximated by the FIRST DIFFERENCE of the LOG-PRICES. Thus, it is quite important the author to specify if he is working with the (log-) prices or with their first differences, which is the inflation rate series. Another issue that really shocked me is the	

	following sentence: "Inflation data for Germany, UK and Japan contain negative figures making them inappropriate for the analysis". I suppose it is refer to the fact that you cannot take logs in negative number. However, it is completely inappropriate to take logs in a series that is formed by logs! It is also said that "a dummy variable is included to capture the structural breaks associated with the 1987 stock market crash and the 1998 Asian crisis". The fact that the same dummy is considered for the two breaks suggest the same effect on inflation and this is a strong assumption even from an empirical viewpoint. Unit root tests: The authors employ ADF tests (Dickey and Fuller, 1979). Other procedures can also be employed, including Phillips and Perron (PP, 1988), Kwiatkowski et al. (KPSS, 1992), Elliot et al. (RS, 1996), Ng and Perron (NP, 2001), etc. These methods have been widely employed in the empirical literature in the last ten years. Similar, the two stage Engle and Granger's (1987) methodology for cointegration could also be employed in the empirical part of the paper. My overall impression is that the empirical part of the paper, which is the main contribution, is poorly developed. Thus, I recommend a rejection of the manuscript to be published in BJEMT.	

References

Dickey, D.. and W.A. Fuller (1979) Distributions of the estimators for autoregressive time series with a unit root. Journal of the American Statistical Association 74, 427-431.

Elliot, G., T. Rothenberg and J. Stock, 1996, Efficient tests for an autoregressive unit root, Econometrica, 64, 813-36.

Engle, R.F. and C.W.J. Granger, 1987, Cointegration and error correction. Representation, estimation and testing, Econometrica 55, 251-276.

Kwiatkowski, D., P. C. B. Phillips, P. Schmidt, and Y. Shin, 1992, Testing the null hypothesis of stationarity against the alternative of a unit root, Journal of Econometrics 54, 159-178.

Ng, S. and P. Perron, 2001, Lag length selection and the construction of unit root tests with good size and power, Econometrica 69, 1519-54.

Phillips, P.C.B. and P. Perron, 1988, Testing for a unit root in time series regression, Biometrika 75, 335-346.

Minor REVISION comments	There is no minor comments	
Optional/General comments	In my opinion the paper does not deserve publication in BJETM.	

Note: Anonymous Reviewer