

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?

PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
Thanks for revising the manuscript. I have not given a final mark because the manuscript still needs some minor revisions before I can recommend it for publication. Mr. Adusei has done very well by providing the TSLS estimates in table 7 to compare with the performance of the FMOLS regression. However, he needs to re-run the TSLS regressions with the suggestions listed below in mind to improve the performance of the model. See also the hand-written notes attached. Include the lagged dependent variable ($LSINFL_{t-1}$) amongst the explanatory variables on the right hand side (RHS). Inflation expectations are usually formed by aggregating new information and past experience. Thus, the $LSINFL$ in the previous period(s) captures the effects of inflation inertia. Also, experiment with lags in the other explanatory variables in the TSLS regression. For table 8 – include lags in the other explanatory variables in the ECM reported. See Eqs. (3) and (4). I suspect including lags (more dynamics) will improve your estimates. Table 9 – see hand-written notes attached. Lines 376-380: see hand-written notes attached. Checking with a basic econometrics or statistics textbook can help in shedding more light on the issues raised herein. I am available if more help is needed.	I have included $LSINFL_{t-1}$ in the model. The lags of all explanatory variables as well as the dependent variable have been used as the instrumental variables. Thus, including them in the main model will be superfluous. Inclusion of lags except $LSINFL_{t-1}$ produces no significant results. I have removed lines 376-380 from the work.