Exchange Rate Pass-through and Inflation Dynamics in Tunisia: A Markov Switching Approach

Introduction

The paper examines the impact of exchange rate Pass-Through on inflation in Tunisia. Using time varying probability-Markov Switching models, the paper finds a robust relationship between inflation and exchange rate pass-through.

General Comment

The paper is well organised and the topic well motivated. The econometric methodologies are properly (discussed) applied and the empirical results well discussed and linked to the relevant economic theory. Overall it is a good paper with some interesting (new) results but it needs some work in terms of presentation and typos.

Specific Comments

Literature Review: it is worth to mention in this chapter (maybe using footnotes??) the main difference between this paper and some of the papers mentioned.

Methodology: I wonder if the next section(s)-The Markov Switching approach, FTP Approach, etc…-should not be numbered as sub-sections (i.e. 4.1, 4.2, etc…).

Methodology: pg 11, after eq. (8). "Where" should be replaced by where.

Data and variables description: should it not be a new section? If so it should be numbered as a new section.

Pg 15, "Bo are statistically different and significant". Poor English and its not clear what you mean by "statistically different".

Table 3, pg 16: change the presentation. It does not look nice. Include additional notations at the bottom of the table to clarify some of the statistics appearing in the table. Same for Table 3-b (why 3-b?? I do not see table 3-a)

Table 4, pg 18: see my comment above.