



ABSTRACT

Air transportation services have become increasingly important in economic growth and world trade. The air cargo market, as a part of the air transport system, features very specific characteristics. It's in one hand, described by high average growth rates, but on the other hand, It's very sensitive fluctuations in the global economy, to changes in customer behavior as well as to new environmental regulations. Air transport considered as a speed way of transportation. Due to that reason demand for Air Cargo increases day by day. Shipments such as; Gems, Apparel, Perishable products has a high demand towards air transportation. Air cargo industry is a growing industry in Sri Lanka which contributes largely to the development of the economy. With the new infrastructure facilities Sri Lanka has the capability to become a hub in East – West route to attract large amount of foreign currency towards the country.

The main objective of this research is to identify the Economic factors which are affecting to Air Cargo Demand.in Bandaranayake International Airport. The focus of this research is to provide an understanding about the relationship between Macro-economic factors and Air cargo Demand. In this research three dependent variables such as Total Air Cargo Volume, Air Cargo Imports and Air Cargo Exports are tested against ten independent variables such as Population, GDP, Per Capita GDP, Unemployment Rate, Interest Rate, Average Exchange Rate, Government Expenditure, Government Revenue, Government Debts, Inflation Rate to identify the relationship between them. In analyzing the data set multiple regression has been carried out and hypothesis testing has been done using Pearson correlation. As the output of the analysis three models have been fitted for Total Air Cargo Volume, Air Cargo imports and Air Cargo Exports.