Abstract

This paper establishes an approach to forecast Air freight exports and imports volumes in Sri Lanka for the period of 2008-2013. Further the paper also applies Granger Causality to test the causality between air cargo import and export and also between air cargo import-inflation and air cargo exports-inflation. The secondary data used in the analysis were obtained from Civil Aviation Authority, Sri Lanka, and Census and statistics department of Sri Lanka, Logistic and Freight Forwarder association and Central Bank Sri Lanka covering the period from 2008 2013 (Monthly figures). The variables used are Air freight export volumes; Air freight imports volumes, CCPI and USD exchange rate. The statistical software used in the analysis is E-views 7. Further the econometric techniques like ADF and PP tests for Stationarity test of time series, B&J ARIMA modelling for constructing forecasting models, Johnson's co-integration test and Granger causality tests are used in analytical process and according to the results of all those studies and tests revealed a strong linkage between Air freight import volumes and export volumes in Sri Lanka. Furthermore it was also exposed that there is a bi-directional causality between Air freight export volumes and inflation rates in Sri Lanka.

Key words: Air freight imports, Air freight exports, Ganger Causality, Forecasts, Inflation, ARIMAmodels