Who Loses the Most From the Slumping Canadian Dollar?

Description

The Canadian dollar is once again slumping, and is currently hovering just above U.S. $0.90. For most of Canada's largest companies, especially energy companies and manufacturers, this is good news. Companies that incur their costs in Canadian dollars but make most of their revenues from sales to the United States will get a nice boost.

Others are not so happy. Individuals who are planning a trip or planning to buy property south of the border will now have a steeper price to pay. One cannot forget about Canada's sports teams, which earn revenues in Canadian dollars but must recruit athletes who would otherwise be paid in U.S. dollars.

But there are two industries in particular that are not celebrating the lower Canadian dollar.

Airlines

Canada's two major airlines have certainly been feeling the brunt of a lower Canadian dollar, which results in higher fuel costs. And since fuel accounts for about a third of expenses, a falling Canadian dollar can really sting. Both **Air Canada** (TSX:AC.B) and **WestJet Airlines** (TSX:WJA) have already begun raising ticket prices in response.

In a recent interview with Bloomberg News, Air Canada CEO Calin Rovinescu said the company was even considering introducing other kinds of fees, such as a charge for all checked luggage. If the Canadian dollar weakens further, nothing is off the table. If there is good news for the Canadian airlines, the slumping dollar also hurts competition from just across the border, such as flights from the Buffalo airport.

Retailers

Retailers, who buy much of their inventory from the United States, will also be affected by the falling dollar. But the news isn't quite as bad as it is for the airlines.

First, some retailers will have a fairly easy time passing the costs onto consumers. This is especially true in the grocery industry, which is much more consolidated than it was a year ago. Industry leaders **Loblaw** (TSX:L) and **Empire** (TSX:EMP.A) are unlikely to engage in a price war right after making major acquisitions.

Second, some retailers buy their inventory way in advance or have currency hedging programs in place. For example, **Canadian Tire** (TSX:CTC.A) has both. But if the Canadian dollar stays depressed for too long, those tactics .

Finally, like the airlines, the lower Canadian dollar also hurts competition on the other side of the border. Cross-border shoppers will now have to pay a slightly steeper price for their excursions, which should be very helpful for retailers like **Hudson's Bay Company** (TSX:HBC).

Foolish bottom line

Overall, the slumping currency is good news for Canadian investors. Not only does it help most Canadian companies, but any international investments will also get a boost in Canadian dollar terms.

But not everyone is celebrating, and this is something that investors should definitely keep an eye on. Especially those planning on doing some traveling.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:EMP.A (Empire Company Limited)
3. TSX:L (Loblaw Companies Limited)

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