Canada Post Strike: How Could it Affect Canadian Investors?

Description

Canada Post employees could be on strike when Canadians return to work after the holiday weekend.

The Crown corporation has been in negotiations with the Canadian Union of Postal Workers since last December in an effort to hammer out a new deal with delivery and plant employees.

If the two sides can't iron things out by July 2, the company's unionized workers could start the new week on strike or locked out.

At the time of writing, the situation doesn't look like it is going to be resolved as Canada Post apparently turned down a last-minute request by the union for an extension on the contract negotiations. It will be interesting to see what happens in the coming days.

The impact on the economy shouldn't be overlooked.

Canada Post delivers about *nine billion* letters, flyers, and parcels per year to roughly 15 million household locations and one million businesses. A strike would be a significant disruption, and a long-running strike could have a broad impact on a wide range of businesses that rely on the Crown corporation's services.

Which companies should investors watch?

Retailers

Canada Post delivers about two-thirds of the items Canadians purchase on the internet, so online retailers could see delivery costs rise if a strike forces them to use other service providers for an extended period of time.

One company to keep an eye on for a contrarian buying opportunity is **Indigo Books & Music Inc.** (TSX:IDG).

Indigo has enjoyed a fantastic run over the past year as the company's new store concept and expansion program appears to be hitting the right chord with consumers and investors.

The stock has already pulled back this month, and a Canada Post strike could cause an extended move to the downside. If that happens, fans of the store and its new layout could get a chance to buy the name at a discount.

Printing companies

If you hate seeing your mailbox loaded up with flyers, you might actually welcome a brief Canada Post strike.

Companies such as **Transcontinental Inc.** (TSX:TCL.A) aren't likely to feel the same way. The company is the largest printer in Canada with extensive contracts to produce retail flyers, catalogues, and direct-mail marketing products.

Transcontinental has also pulled back after a strong rally earlier this year. The company owns a variety of other business units, including printing operations in the United States as well as an expanding packaging division, so the overall impact of a strike might not be substantial, especially if the shutdown is short-lived.

As such, another drop in the stock price could actually provide an opportunity to pick up some shares.

The stock currently pays a generous dividend that yields 4.2%.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:IDG (Indigo Books & Music)
2. TSX:TCL.A (Transcontinental Inc.)

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aswalker