



## Warren Buffett Sold His Airline Stocks: Should You Dump Air Canada?

### Description

It was a big surprise when Warren Buffett announced this month that **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B) sold off all of its airline stocks. It was only a couple of months ago when the World Health Organization first labelled the coronavirus a pandemic. A

Buffett told Yahoo Finance that he wouldn't be selling his airline stocks. However, a lot has changed in just a few months. Millions of COVID-19 cases have occurred since then and shutdowns around the world are crippling the demand for air travel down to a grinding halt.

### Why did Buffett sell his airline stocks?

The long-term investor said, "The world has changed for airlines. And I don't know how it's changed and I hope it corrects itself in a reasonably prompt way." He went on to say he wasn't sure what the future would hold and "I don't know if Americans have now changed their habits or will change their habits because of the extended period."

Uncertainty is the recurring theme that kept coming up for Buffett when talking about the future of airline stocks and is likely a key reason why he decided to give up on them.

Even the airlines don't know how long it'll be before things get back to normal. Earlier this month, **Air Canada** ([TSX:AC](#)) released its quarterly results where it posted a mammoth loss of more than \$1 billion. The airline said it expects that it will take at least three years for traffic levels to get back to where they were in 2019.

However, it's impossible to predict how things will play out given we're in uncharted territory. CEO Calin Rovinescu said, "We're now living through the darkest period ever in the history of commercial aviation, significantly worse than 9/11, SARS and the 2008 financial crisis."

## Should investors follow Buffett's footsteps and dump airline stocks?

Although Buffett sold his airline stocks, he also said to "bet on America," suggesting that like with every downturn or recession in history, the economy will recover. The problem is that we're just at the beginning stages of the downturn, and a recovery could be years away from taking place.

However, investors shouldn't necessarily rush out to sell their shares of Air Canada. There aren't nearly as many airlines in Canada as there are in the U.S., making Air Canada's role in the industry that much more important to the government and to the economy. There would also be fewer big companies to bailout should the government need to go that route.

I wouldn't bet on Air Canada going out of business, even if we're looking at multiple years of little to no travel taking place. The government and the industry will find a way to get through this [pandemic](#). There's simply too much at stake for an entire industry to just crumble down to ash.

While that doesn't mean Air Canada's going to soar in the next year or two, it does mean that odds of its survival through the pandemic are strong.

The airline could scrape by and when the economy's finally ready to resume normal operations, Air Canada can get back to where it was before the pandemic. There's little doubt the economy will recover, it's just a matter of when.

The same goes for Air Canada.

It'll be a long, tough road ahead. But for investors who are willing to stick with the stock for at least a few years, there's potential for the stock to [double](#) or even triple in value.

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