



Air Canada (TSX:AC): Passenger Numbers Down 94%

Description

The impacts of the global pandemic that has shaken economies and countries to their core are visible everywhere. Businesses are closing, people losing jobs, companies cutting pays and bonuses, and a pessimistic outlook of recovery are just a few examples of how the pandemic has ravaged the world.

Every day we are bombarded by dismal stats that try to quantify the devastation of the pandemic. One such stat is about the global air-traffic, which will be reduced to just one-third of its last year's levels. Even when the pandemic was at its worst, people were hopeful that it would all be over in a few months.

Now that the second wave is hitting different parts of the world, people are slowly coming to terms with the reality that the pandemic might stay with us for years to come, which means most people would avoid leisure travel and severely limit their business travel, opting instead for conferencing and long-distance communications.

Canadians — and people travelling to and from Canada — appear to be avoiding air travel more than most countries in the world. And this notion is endorsed by the fact that passenger numbers are down 94% of what they were in 2019. This is a dismal fraction of the country's once-thriving travel industry. And since **Air Canada** ([TSX:AC](#)) has clear dominance in the sector, it's also absorbing the worst of the impact.

Air Canada stock

The company's stock has taken a turn for the worst. The stock seemed to rally up until a few weeks ago, but it has been going down since mid-September. The price has come down almost 20% from its September's peak. And while the \$15.3 per share value might seem very [attractive to investors](#) still considering Air Canada as a recovery stock, the current momentum might be an indicator of the worst things to come.

The company has laid off thousands of its employees since March, but it has to maintain a sizeable staff and pay their salaries. The company also has to keep its equipment and aircraft in shape while

fending off refund requests piling up at a dangerous pace. In essence, the company is bleeding out on multiple fronts.

The future

Air Canada seems desperate for government aid. While many other businesses are rejoicing the renewal Canada Emergency Wage Subsidy (CEWS), airlines are demanding industry-specific grants and programs to sustain them. There *is* a glimmer of hope, as the government has hinted at its intention to help the airlines, but nothing concrete is presented yet.

Air Canada's future appears dark at best, and it will continue to stay dark until the demand surges back. The company is focusing on its cargo front, but that section would take time to grow. And even at its peak, it might not be enough to replicate its earnings from international and local air travel.

Foolish takeaway

If you believe that Air Canada might recover, you might want to load up now or wait a few days to see if the price goes down further. But you might [want to reevaluate](#) your belief and try and understand that most of Air Canada's revenue is generated from international travel. Even if the pandemic is under control here in Canada, it might not do much good for Air Canada if the rest of the world enters another lockdown.

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