



Air Canada (TSX:AC) Stock: Some More Bad News

Description

A lot of people thought that 2021 would be different from 2020. With the discovery and preparation of the vaccine, people hoped that even if the pandemic is not fully eradicated, it would come under control, and they would see the world recovering.

While this hope is still alive, it's tainted because of the new variants of the virus spreading around. Countries where these new strains are emerging are likely to see lockdowns and safety measures akin to the first ones we saw in 2020, which are likely to deal a similarly devastating blow to the economy.

It's bad news for some businesses, but it will most likely be worse for **Air Canada** ([TSX:AC](#)).

Air travel and COVID

According to an estimate, travel, in general, accounted for less than 2% of the cases in Canada. [Air travel](#) would constitute a fraction of it, but it still got decimated. In fact, airline businesses were the first to get affected once the virus became international. Even before the travel restrictions were imposed, airlines started seeing their shares going down because people were afraid to travel internationally.

Things settled down a bit once the first wave ended. But it still didn't do much to resume the international air travel to the pre-pandemic levels, because the timeline was different for different countries. Some countries were going through the peak of their first wave when other countries were still weeks away from a second wave.

This international dissent in the COVID timelines kept international travel at a minimum, and Air Canada kept suffering and operating at a fraction of its full capacity. When the vaccine became part of the equation, the optimism energized Air Canada stock, but that didn't last long.

New strains and travel restrictions

The world didn't even have enough time to properly enjoy the hope that the vaccine brought when the

new strains started to emerge. It rekindled old fears, and countries began locking down again. At first, only the countries with known mutations went into lockdown. In the next phase, they were isolated from the rest of the world by strict travel measures.

As an added precaution, countries like Canada are on the verge of closing down borders again. The prime minister has asked the people of the country to limit unnecessary local and international travel. But the government is also thinking about enforcing strict travel measures. That would include screening and testing of the people coming back from other countries and making the 14-day quarantine mandatory for new arrivals.

The news regarding stricter travel measures harmed Air Canada stock right away. It was stable till Jan. 14 and was actually going up, but [it has dropped](#) almost 14.5% since then.

Foolish takeaway

Even though the chances of Air Canada going bankrupt were low before, the new virus strains can change that. If more countries start seeing another wave of the pandemic or the mortality rate associated with the COVID shifts in the wrong direction due to the new strains, Air Canada and other airlines might see their meager profits go up in smoke.

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