



Why Air Canada Stock Dropped 10% on Monday

Description

Air Canada ([TSX:AC](#)) shares fell by 10% on Monday, as more competitors came on the market, and surging oil prices could delay flights.

What happened?

Air Canada stock saw shares drop a further 10% on Monday, as Canada's largest airline continues to see major competition. The move comes after **Air Transat** (TSX:TRZ) had a major [development](#). The airline announced it would launch "a significant" number of routes for the summer.

The routes would include those bound for Europe and the United States, made possible with easier COVID-19 restrictions. As summer is the busiest time for the leisure airline, it proved a perfect time to implement the addition — but not so perfect for Air Canada stock.

The drop is also linked to the rising price of oil due to the attack by Russia on Ukraine. The sanctions on Russian oil have led to a surge in oil and gas prices. This continues to cause a delay in recovery for airlines around the world.

So what?

Air Canada stock meant to purchase Air Transat until April 2021, when the deal finally fell through after much speculation. The eventual \$720 million deal was all but signed and sealed but never [delivered](#) thanks to the pandemic.

Now, Air Canada stock has this to contend with. This is in addition to the recent acquisition of Sunwing Airlines by WestJet owner **Onex**. This deal would allow the second-largest airline to grow even further. And that certainly puts more pressure on this business-oriented airline.

Now what?

Air Canada stock continues to attempt to find new ways of making revenue. Cargo routes have been introduced, its Aeroplan loyalty program is surging, yet leisure seems to be the butter that this bread is missing. While it continues to try and drive sales through its low-cost airlines, it simply cannot compete as well compared to WestJet and Air Transat.

Still, Air Canada stock also revealed last month it would relaunch many flights this summer. That includes 34 international routes, many suspended as of March 2020.

Shares of Air Canada stock fell 10.55% on Monday, while shares of Air Transat fell 8.4%.

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