Is the Vaccine Mandate Preventing These 2 Airline Stocks From Soaring?

Description

The global airline industry is suffering. Even though the passenger numbers and income levels have a long way to go before they can reach the pre-pandemic levels, the demand *is* ramping up. But now, the severe job cuts are catching up, and the airlines are fighting another fire: staff shortage.

Some airline stocks are better than others. Europe's **Ryanair Holdings** is just 10% down from its pre-pandemic peak. In the U.S., **Southwest** and **Delta** are down 23% and 37%, respectively.

Unfortunately, Canadian airlines are not among the better-faring ones. They are suffering from more than just the residual fear of the pandemic, high costs, and some other issues plaguing the airline industry.

The vaccine mandate might be playing an important role in keeping a sizeable portion of potential business away from the airlines. And major stakeholders, like WestJet's CEO, are asking for immediate removal of these mandates.

It might go a long way towards helping Canadian airlines recover, and, after the financial recovery, the stocks *may* follow.

The largest Canadian airline

Air Canada (TSX:AC) has become the poster boy for pandemic-driven losses in Canada. Despite going to great lengths to cut its expenses, including letting thousands of employees go and grounding most of the fleet, the airline had a difficult time staying afloat (financially). The government became a shareholder to give a financial boost to the company.

The operational losses are still staggering. In the first quarter of 2022, the airline lost $550 million. The losses are expected to continue, as, by the airline's own projections, they are unlikely to see demand at the 2019 level before 2023.

The stock, even though it made multiple attempts at recovery, is still trading at a 58% discount from the peak. It's currently trading in the $20s range, and even crossing the $30-per-share threshold could mark a milestone in the stock's proper recovery.

A regional aviation company

Chorus Aviation (TSX:CHR) is not in the same boat as Air Canada, but the stock is similarly decimated. It's currently trading at a 53% discount, but the stock is characteristically different from Air Canada one. The Chorus Aviation stock hasn't been a consistent grower for a while now. It was a decent alternative to the larger airline due to its dividends, but they are gone now.

Chorus Aviation stock is not as overvalued, but it also doesn't have the same "historical performance" pull. Even if it starts to recover and re-reaches its former peak, doubling your capital on the way, that might be the highlight of its growth for years to come. But if the company does start paying dividends again, the overall return potential would become significantly more attractive.

Foolish takeaway

The airline bear market is expected to continue well into the next year. And there are several indicators that can help you foresee a recovery and buy at the right time. They include the financials of the airlines improving, recovery of international airline stocks, and the government easing travel restrictions.

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