



## Air Canada Stock: Here's What's Coming in 2023

### Description

**Air Canada** ([TSX:AC](#)) stock has started 2023 on a strong note, as it has risen 12.6% in the first two weeks of the year. Its recent rally, however, could primarily be a result of the broader market recovery instead of being company-specific optimism. Notably, the main TSX index has risen 5% in the last two weeks, as the latest signs of cooling inflationary pressures in the United States have given investors a reason to cheer. Before we look at what could be coming for Air Canada stock in 2023, let's quickly review some key factors that affected its price movement in recent years.

### Air Canada's recent stock price movement

Prior to 2023, Air Canada stock witnessed a 60% value erosion in the previous three years. A massive selloff in the stock started after the World Health Organization declared COVID-19 a pandemic in March 2020, encouraging many nations to impose shutdowns and strict restrictions on travel. This is one of the main reasons why AC stock plunged by 53.1% in 2020.

In 2021, Air Canada investors didn't get any big relief, as new variants of coronavirus forced authorities to extend travel restrictions. Due to these restrictions, the largest Canadian passenger airline company [burnt](#) \$3.39 billion in cash in 2021, despite a year-over-year improvement in its total revenue. With this, Air Canada stock, instead of recovering, plunged by another 7.2% that year.

At the start of 2022, macroeconomic challenges, including worries about inflationary pressures, raised the possibility of aggressive interest rate hikes in the near term, triggering a sharp selloff in growth stocks across sectors. In addition, the Russian invasion of Ukraine led to a massive rally in the prices of energy products, which massively increased fuel costs. Given these challenges, AC stock slipped by another 8.2% to \$19.39 per share in 2022, despite easing travel restrictions and signs of improving travel demand.

### What's coming in 2023 for AC stock?

In recent months, investors have apparently become optimistic about Air Canada's financial recovery.

This optimism could be among the reasons why AC stock has begun 2023 on a strong note. But we shouldn't forget that it's not the first time when the stock has seen renewed buying at the start of a year. To give you an idea, it jumped by 14.8% in the first quarter of 2021, as investors expected that the worst time for [airline stocks](#) might already be over. But Air Canada stock couldn't sustain these gains by the end of the year. Similarly, in the first quarter of 2022, it also jumped by 14.8% again but failed to maintain these gains later.

On the one hand, we can't deny the facts that the pandemic-related restrictions have now eased, and the air travel demand has significantly improved in the last couple of quarters. On the other hand, we must keep in mind that macroeconomic uncertainties still pose a threat to the financial recovery of airline companies, including Air Canada. Bay Street analysts expect the Canadian airline company's earnings in 2023 to be around \$0.82 per share, which is extremely poor compared to its pre-pandemic year 2019's adjusted earnings of \$3.37 per share.

Keeping all these factors in mind, Air Canada stock could be worth considering for long-term investors at the current market price. But I wouldn't expect it to deliver outstanding gains in the short term, as economic concerns are expected to keep stocks [volatile](#).

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