trade grew 5.0 percent in 2011 in real terms. Nominal trade values expanded 20 percent in 2011 due to rising resource prices. Real export growth in developed economies was stronger than expected, reaching 4.7 percent in 2011, while the developing world recorded an increase of 5.4 percent.

In Canadian dollar terms, Canada's exports of goods and services to the world expanded 11.8 percent in 2011. Goods led the growth at 13.0 percent and services advanced 5.0 percent. On the import side, imports of goods and services advanced 9.4 percent, with growth in imports of goods at 10.2 percent and growth in imports of services at 5.8 percent.

By sector, exports in six of seven major goods sectors expanded. Exports of energy products led the increase in total exports, with increased exports of industrial goods and materials following closely. A volume-driven increase in machinery and equipment exports was welcome news as it arrested a three-year decline. On the import side, expansion was driven by more imports of energy products; industrial goods and materials; and machinery and equipment.

Both exports and imports of services registered highest-ever levels. Both exports and imports of transportation services expanded rapidly in 2011, and the continued strength of the Canadian dollar in 2011 maintained a favorable climate for Canadians vacationing in and visiting foreign countries, driving the increase in the imports of travel services. The continuing growth in exports of commercial services extended Canada's trade surplus in that category into its second year.

Outflows of Canadian direct investment during the year grew 13.8 percent in 2011. Financial flows were directed largely towards the United States and the EU, and away from the other OECD countries and the rest of the world. FDI inflows into Canada went up by two thirds, largely due to increased inflows from the EU.

The stock of Canadian direct investment abroad grew 7.0 percent (up \$44.6 billion to \$684.5 billion), largely caused by changes in currency valuation. Investment expanded most in traditional sectors of interest to Canadians abroad—finance and insurance; and manufacturing. The stock of foreign investment in Canada expanded at a slower pace (up \$22.4 billion to \$607.5 billion), with most of the increase in the manufacturing sector. Consequently, Canada's net direct investment asset position expanded to \$77.0 billion in 2011.

Taken as the sum of all of its components, Canada's current account deficit shrank by \$2.6 billion in 2011, as a result of a strong \$10.4-billion improvement in the goods trade balance. The deficit for every other component of the current account widened, although not enough to overcome the strong performance of the goods trade. The services trade deficit widened by \$1.9 billion, investment income deficit by \$4.6 billion and the current transfers deficit by \$1.3 billion. The resulting improvement was from a \$50.9-billion deficit in 2010 to a \$48.3-billion deficit in 2011, which marked the third straight current account deficit for Canada.

Special Feature: International Trade and Its Benefits to Canada

It would be very difficult to imagine a world without international trade for the average Canadian. International trade enriches our lives in so many ways and through so many direct and indirect channels that it would be virtually impossible to disentangle its effects or to precisely measure the innumerable