The small increase in services exports (0.3 percent) was due to a decline in commercial services exports, which fell by 0.6 percent. This partly offset gains in transportation services exports (up 2.9 percent) and travel services exports (up 0.3 percent).

With the strength of the domestic economy, the growth of imports of goods and services, at 3.2 percent, outpaced that of exports. Imports increased from all major trading partners, in particular from the United States (up 1.0 percent), Japan (up 2.6 percent), the EU (up 3.1 percent), and the rest of the world (up 5.5 percent). Gains were recorded across-the-board by major categories, with the exception of a decline of 3.0 percent for forestry products. However, as forestry products accounted for only 0.7 percent of all goods imports, the decline was small in absolute terms.

Rising food and energy prices found their way into the Canadian import performance as these two categories posted the strongest rates of import growth, at 8.7 percent and 4.5 percent, respectively. Imports of consumer goods also posted strong growth, at 5.3 percent, while machinery and equipment, industrial goods, and automotive products registered increases of 1.7 percent, 1.4 percent, and 0.1 percent, in that order.

Services imports posted a strong 5.5 percent increase last year. The strong Canadian dollar boosted Canadian imports of travel services up by 15.5 percent, as Canadians took advantage of their currency's rise against the U.S. dollar to travel to the United States. Both business travel and personal travel registered strong increases. The higher cost of oil also helped push transportation services imports up, as they rose by 5.3 percent. Partly offsetting the advance, commercial services imports into Canada edged down 0.3 percent over the previous year.

The appreciation of the Canadian dollar caused major downward revaluations of Canadian foreign direct investment abroad in 2007, especially for those holdings valued in U.S. dollars, but also for those valued in euros and in British pound sterling. Canadian direct investors' holdings abroad amounted to $514.5 billion in 2007, some $15.4 billion less when compared to 2006. The change in holdings for 2007 can be broken down into substantial outward investment flows of just over $53.0 billion, and a downward revaluation of foreign currency denominated assets of just over $67.0 billion. Thus, although there were substantial additions to the holdings of Canadian investors, the currency effect overwhelmed the acquisitions and left a net reduction in the value of Canadian outward direct investment from 2006 to 2007.

At the same time, foreign corporate inflows to Canada were booming and resulted in foreign direct investment holdings in Canada chalking up a 14.4 percent increase over 2006 levels. For the first time, the stock of FDI in Canada surpassed the half a trillion dollar mark at the end of 2007.

Nevertheless, at the end of 2007, the stock of Canadian direct investment abroad still exceeded foreign direct investment in Canada.

Special feature: the rapid expansion of outward direct investment

Foreign direct investment (FDI) across the globe has accelerated dramatically since the early 1990s, with a dip following the high-tech bust at the beginning of this decade, and the recent dislocation in global financial markets is likely to lead to a further correction. Nevertheless, in the most recent data available on outward flows (2006), these were 22.6 times larger than they were in 1980 and the stock of FDI holdings in the world was 20.8 times larger in size in 2006 than in 1980. In addition, the stock of world FDI at the end of 2006 was larger than world GDP or world imports for that year. Much of this growth has been driven by FDI in services, which now accounts for over two-thirds of the stock of world FDI compared to less than one-half in 1990.

Canada has been an active participant in these developments. The stock of Canadian direct investment abroad (CDIA) has expanded by 11 percent annually on average since 1990, compared to 6.9 percent for our trade in goods and services and 4.8 percent for nominal GDP.