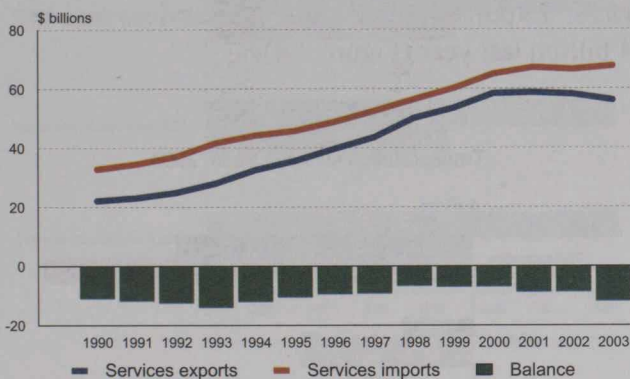


## II. SERVICES

Services exports performed slightly better than goods exports in 2003, falling less rapidly than was the case for goods (Figure 2-1). With this performance, services exports recorded a \$2.0 billion decline, down 3.4 per cent, to \$56.3 billion last year. At this level, services exports represented 12.3 per cent of total exports of goods and services. In other words, about one dollar of every eight dollars earned from Canadian exports last year came from services.

Figure 2-1

Services trade, 1990-2003



On the other hand, services imports increased last year, up almost \$1.2 billion to \$67.8 billion. This was a 1.7 per cent increase over 2002 levels. The increase brought services imports to about 16.6 per cent of total imports of goods and services into Canada, or nearly one dollar of every six dollars of imports.

With services exports falling and services imports on the rise, Canada's traditional services deficit widened last year, returning to levels not seen since the early- to mid-1990's. For the year as a whole, the deficit on services trade expanded to \$11.5 billion.

There are four sub-components to services trade — commercial services, travel services, transportation services and government services. Each of these categories is discussed in greater detail.

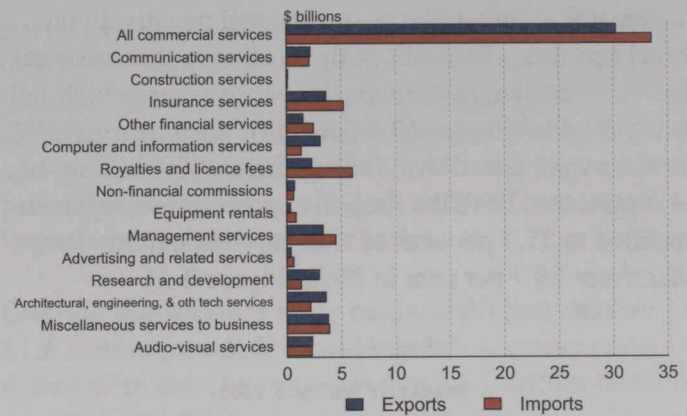
### Commercial services

Commercial services are the largest component of services, accounting for about half of all services trade. These services include such things as accounting, legal, insurance, financial, architectural, computer, communications, and construction services, to

name but a few. In 2003, commercial services was the only major component of services to record an increase in exports: total commercial services exports increased by \$1.0 billion to \$30.3 billion, an increase of 3.2 per cent (Figure 2-2). With this increase, the share of commercial services in total services exports increased to 53.7 per cent last year, up from 50.3 per cent the previous year.

Figure 2-2

Commercial services trade, 2003



Gains in commercial services exports were led by *Management services* (up \$665 million, or 25.0 per cent), *Insurance services* (up \$357 million, or 10.9 per cent), and *Audio-visual services* (up \$275 million, or 13.4 per cent). Falling *Royalties and licence fees* receipts (down \$340 million, or 12.8 per cent), and reduced exports of *Miscellaneous services to business* (down \$248 million, or 6.2 per cent) were a limiting factor in the growth of commercial services exports.

Commercial services was also the largest services import category in 2003 — at 49.5 per cent of total imports (unchanged from the previous year). Imports of commercial services advanced 1.6 per cent last year, comparable to the 1.7 per cent rate observed for total services imports. Gains were led by *Insurance services* (up \$361 million, or 7.4 per cent), *Royalties and licence fees* receipts (up \$308 million, or 5.4 per cent), and *Architectural, engineering, and other technical services* (up \$274 million, or 14.5 per cent). Putting a cap on the advances were declines in *Management services* (down \$195 million, or 4.2 per cent), *Audio-visual services* (down \$139 million, or 5.7 per cent), and *Miscellaneous services to business* (down \$137 million, or 3.4 per cent).

With exports rising more than imports, commercial services posted a \$413 million improvement in its trade balance, reducing the deficit to \$3.3 billion in 2003.