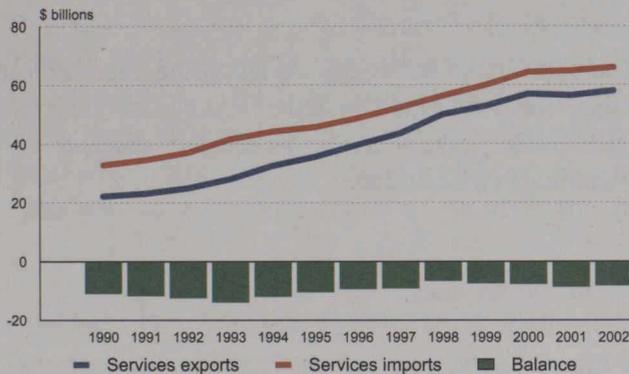


II. SERVICES

Services exports were the bright spot with respect to Canada's export performance for 2002. In fact, services have been "a bright spot" in Canadian export performance for quite some time, having outpaced the growth in goods exports (or declined less than goods as was the case in 2001) in five of the past seven years dating back to 1996. Services exports registered a \$1.6 billion, or 2.8 per cent, increase last year. The increase brought services exports to a record high of \$58.2 billion for the year, or approximately 12.4 per cent of total exports of goods and services. That is, one dollar of every eight dollars earned from Canadian exports last year were in services.

Figure 2-1

Services trade, 1990-2002



Services imports also increased in 2002, but at a slower pace than that for exports. They increased 1.8 per cent over 2001 levels, or almost \$1.2 billion, to reach \$66.1 billion. At this level, they represented about 15.7 per cent of total imports of goods and services into Canada, or nearly one dollar of every six dollars imported. Services imports have increased each and every year of the 1990s and into the first decade of the twenty-first century.

With services exports growing faster than services imports, Canada's traditional services trade deficit narrowed in 2002, reversing three consecutive years of a growing services deficit. For the year as a whole, a \$315 million improvement in the transportation services balance was entirely offset by a \$339 million decline in the travel services balance, while the commercial services balance improved by \$484 million. Government services experienced a slight decline in their trade balance last year, deteriorating by \$8 million. Each of these categories is discussed in greater detail below.

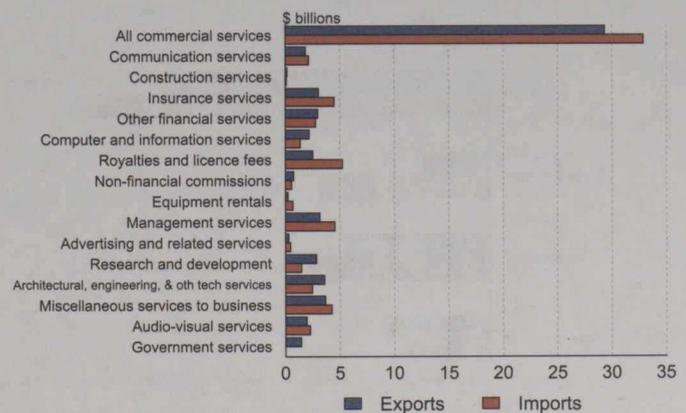
Services trade by major groupings

Commercial services

Commercial services made up just over half (50.4 per cent) of all services exports in 2002, compared to just under half (49.4 per cent) in 2001. Commercial services include such things as accounting, legal, insurance, financial, architectural, computer, communications and construction services, to name but a few. Overall, commercial services were responsible for the bulk of the gains in services exports, increasing almost \$1.4 billion (or 4.9 per cent) over 2001 levels to reach \$29.3 billion in 2002. This increase accounted for over 85 per cent of the total advance for services exports last year.

Figure 2-2

Commercial services trade, 2002



Gains in commercial services exports were led by *Architectural, engineering, and other technical services* (up \$1,008 million, or 38.9 per cent), *Other financial services* (up \$635 million, or 27.0 per cent), and *Royalties and licence fees* (up \$202 million, or 8.7 per cent). Limiting the advances were declines in *Research and development services exports* (down \$383 million, or 11.8 per cent) and *Construction* (down \$126 million, or 42.0 per cent).

At 49.7 per cent of total services imports, commercial services is also the largest services import category. Commercial services imports rose faster than total services imports (2.8 per cent vs. 1.8 per cent), led by gains in *Architectural, engineering, and other technical services* (up \$649 million, or 35.7 per cent), *Other financial services* (up \$222 million, or 8.6 per cent), and *Communications services* (up \$170 million, or 8.6 per cent). Falling imports of *Management services* (down \$269 million, or 5.6 per cent), and *Royalties and licence fees* (down \$139 million, or 2.6 per cent) limited the overall advance of commercial services imports.