best performance since 1985. Labour income (up 6.1 percent) and corporate profits (up 5.8 percent) contributed to that strength. Low inflation and interest rates also helped boost personal consumer spending. **Durable goods** was the fastest growing category of real consumer spending, registering a 7.7 percent increase, the largest since 2002. Purchases of cars, up 7.2 percent in 2007 from 2.1 percent in 2006, helped drive up spending on durable goods. As in 2006, Canadians increased spending on furniture and household appliances, by 5.4 percent in 2007. Spending on **semi-durable goods** also remained strong, up 6.1 percent in real terms. Consumer purchases of clothing and footwear advanced 6.0 percent in 2007, after climbing 8.1 percent in 2006. Real purchases of services grew by 4.5 percent in 2007. The strong dollar made foreign destinations more affordable, so spending on air transportation saw another year of robust growth, advancing 7.1 percent. Overall, consumer spending contributed 2.6 percent to real GDP growth, leading all other categories.

In 2007, **real business investment** contributed only 0.8 percent to economic growth, with investment in non-residential structures exceeding investment in residential structures as a contributor to growth. This happened despite a deceleration in real spending on non-residential structures to 3.9 percent in 2007, down from 12.9 percent in 2006, and an acceleration of real spending on residential structures, up 3.2 percent in 2007 compared to 2.1 percent in 2006. Among the non-residential structures, spending on engineering structures saw the fastest growth (4.7 percent). While decelerating slightly relative to 2006, real business investment in machinery and equipment advanced by a robust 5.1 percent rate in 2007, driven by strong growth in transportation and telecommunication equipment, furniture equipment, and software.

Compared to the previous year, the contribution of **net exports** to real GDP growth was even more negative (-1.6 percent) as growth of real imports (5.7 percent) outpaced growth of real exports (0.9 percent). In nominal dollar terms, the value of Canadian exports and imports of goods and services reached record levels of $532.7 billion and $502.5 billion respectively in 2007, as the nominal trade balance fell to its second lowest point in the last ten years.

Turning to **GDP by individual sectors and industries**, for the seventh consecutive year, real growth in **services-producing industries** (up 3.4 percent) once again outpaced that in goods-producing industries (up 0.8 percent) in 2007. Among the services-producing sectors, finance and insurance, retail and wholesale trade, and construction were the main sectors contributing to growth in 2007. Finance and insurance activities moved ahead 5.4 percent and once again provided significant growth to the economy. Banking activities accelerated 7.5 percent while securities trading jumped 10.2 percent on sustained increases in the volume of transactions on the Canadian stock exchanges. The value added by the retail trade sector advanced by a strong 5.6 percent in 2007. Consumers continued to purchase furniture and computers at a substantial rate. Also, used cars and parts, new car dealers, home electronics, and clothing stores contributed to that strength. Wholesaling activities were up by 4.3 percent, led by home and personal goods as well as building supplies. Construction activities continued to expand (up 4.2 percent) fuelled once again by increases in repair and engineering construction work (up 6.3 percent). Both residential and non-residential construction advanced through the year.

In **manufacturing**, some sectors came under pressure from the rising Canadian dollar, particularly export-sensitive sectors and sectors vulnerable to import competition. For example, real output for textile mills and clothing, and wood products declined by 8.5 percent and 10.7 percent, respectively. In the case of wood products, a significant decline in the U.S. housing market was also a key factor. On the positive side, food manufacturing continued to expand, up 2.2 percent, as did the real output of non-metallic minerals (5.5 percent), fabricated metal products (2.6 percent), machinery