

## Trends in Canadian Trade and Investment

Canada's strong economic performance continued in 2006, with real gross domestic product (GDP) increasing by 2.7%—driven primarily by consumer spending and non-residential investment.

The following trends in Canadian trade and investment took place in 2006:

- Exports of goods and services increased by 1.1% to top \$523.7 billion, accounting for about 36.4% of Canadian GDP. All major categories of exports increased in 2006, led by industrial goods and materials (11.9%), with the exception of forestry products, automotive products and energy products, which declined by 8.6%, 6.0% and 0.4% respectively.
- Imports outpaced exports, increasing by 4.2% to reach \$486.5 billion. As a result, the trade balance declined by \$13.9 billion, equivalent to about twice the reduction in the overall current account balance over the previous year.
- The annual surplus on goods accounted for most of this decline, falling by \$10.6 billion to \$54.3 billion. The goods surplus with the United States dropped by about 11% to \$96.9 billion but was still responsible for the entire trade surplus. Canada's goods trade deficit with non-U.S. destinations decreased slightly to \$42.7 billion, down from \$43.9 billion in 2005.
- Although services exports increased to \$65.1 billion in 2006, the services deficit rose to a record \$17.1 billion, up from \$13.7 billion in 2005, as imports topped \$82.2 billion. The \$3.4 billion increase in the deficit was largely due to higher travel costs (fares) and other trip expenses for Canadians travelling abroad and a widening in the deficit for transport services.
- Direct investment outflows reached \$47.8 billion, with acquisitions accounting for \$3.8 billion of this amount. More than three quarters of Canadian direct investment into foreign economies in 2006 went to the finance and insurance sectors (\$37.6 billion). On a geographic basis, the United States attracted most of this investment.
- At \$75.6 billion in 2006, foreign direct investment (FDI) flows into Canada were the second highest on record and were largely dominated by acquisitions. The United Kingdom and the United States were the main direct investors in Canada in 2006, with investments of \$22.2 billion and \$20.9 billion, respectively.