Canada traditionally runs a services trade deficit with its major trading partners. Nominally and proportionally, the largest deficit is with the United States ($17.1 billion, or 69.4 percent of the total), followed by the ROW at $4.9 billion, the EU at $2.4 billion and Japan at $0.3 billion. The bulk of the increase in the services deficit last year could be traced to the growing deficit with the United States, which widened by $1.6 billion in 2011. Deficits with the EU and Japan also increased slightly, while the deficit with the ROW was reduced by $0.2 billion.

Travel and tourism services constituted 28.3 percent of Canada's total trade in services, but this sector typically drives the overall trade balance since imports of travel services (Canadians traveling abroad) traditionally exceed exports (foreigners traveling to Canada) by a wide margin. The continued and growing strength of the Canadian dollar in 2011 maintained a favorable climate for Canadians vacationing in and visiting foreign countries. Foreign travel expenditures by Canadians went up 7.2 percent, or $2.2 billion, with the bulk of it being personal travel, while spending by foreigners travelling to Canada grew only 3.5 percent, or $0.6 billion. Imports of travel services grew to an unprecedented $32.7 billion, an increase of over 60 percent from 2004. The trade balance for business travel was essentially unchanged for the year, with the increase in the deficit coming almost entirely from personal travel.

Transportation services trade rebounded strongly in 2011, with imports and exports both exceeding their pre-recession record levels. Exports added $1.2 billion, or 10.4 percent, and imports grew $2.1 billion, or 9.9 percent. Exports of water transport services grew the fastest at 15.3 percent, followed by air transport at 11.5 percent, with land and other transport a distant third at 3.7 percent. Imports of water transport services also expanded the most at 16.2 percent, with air transport growing 6.2 percent and land and other transport up 1.8 percent. The trade balance shifted $0.8 billion toward deficit on the year, primarily due to stronger imports of water transportation services.

The wide array of **commercial services** produced an unusual trade surplus for Canada for the second year running. Exports gained $2.0 billion, or 4.7 percent, while imports only expanded $1.2 billion, or 2.8 percent. This resulted in a trade surplus of $0.9 billion, up $0.8 billion from the year before. Exports grew robustly in research and development services (up $0.5 billion, or 14.0 percent), communication services (up $0.3 billion, or 10.5 percent), and audiovisual services (up $0.2 billion, or 9.5 percent). Substantial gains also took place in management services and other financial services. Royalties and licence fees as well as architectural and engineering services experienced declines in exports of 3.4 percent and 3.1 percent, respectively. Imports grew in construction services (up $0.2 billion, or 81.7 percent), architectural, engineering, and other technical services (up $0.8 billion, or 27.2 percent) and other miscellaneous services to business (up $0.4 billion, or 8.6 percent). Conversely, imports fell in communication services (down $0.2 billion, or 9.0 percent), other financial services (down $0.3 billion, or 8.3 percent) and management services (down $0.2 billion, or 4.3 percent).

Contributing most to the growth in the services trade surplus were the opposite shifts in exports and imports for management services, other financial services and